



## ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

### Enheten

|                      |                               |
|----------------------|-------------------------------|
| Organisasjonsnummer: | 982 222 311                   |
| Organisasjonsform:   | Aksjeselskap                  |
| Foretaksnavn:        | TEVA NORWAY AS                |
| Forretningsadresse:  | Kinoveien 3A<br>1337 SANDVIKA |

### Regnskapsår

|                         |                         |
|-------------------------|-------------------------|
| Årsregnskapets periode: | 01.01.2020 - 31.12.2020 |
|-------------------------|-------------------------|

### Konsern

|                       |     |
|-----------------------|-----|
| Morselskap i konsern: | Nei |
|-----------------------|-----|

### Regnskapsregler

|                                                            |                                    |
|------------------------------------------------------------|------------------------------------|
| Regler for små foretak benyttet:                           | Nei                                |
| Benyttet ved utarbeidelsen av årsregnskapet til selskapet: | Regnskapslovens alminnelige regler |

### Årsregnskapet fastsatt av kompetent organ

|                                          |                  |
|------------------------------------------|------------------|
| Bekreftet av representant for selskapet: | Per Morten Hamar |
| Dato for fastsettelse av årsregnskapet:  | 10.06.2021       |

### Grunnlag for avgivelse

År 2020: Årsregnskapet er elektronisk innlevert  
År 2019: Tall er hentet fra elektronisk innlevert årsregnskap fra 2020

*Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.*

Brønnøysundregistrene, 19.06.2022



### Resultatregnskap

| Beløp i: NOK                                                 | Note | 2020               | 2019               |
|--------------------------------------------------------------|------|--------------------|--------------------|
| <b>RESULTATREGNSKAP</b>                                      |      |                    |                    |
| <b>Inntekter</b>                                             |      |                    |                    |
| Salgsinntekt                                                 | 13   | 286 038 815        | 257 156 977        |
| <b>Sum inntekter</b>                                         |      | <b>286 038 815</b> | <b>257 156 977</b> |
| <b>Kostnader</b>                                             |      |                    |                    |
| Varekostnad                                                  | 4,5  | 228 869 229        | 195 496 309        |
| Lønnskostnad                                                 | 2,10 | 18 532 421         | 18 308 331         |
| Avskrivning på varige driftsmidler og immaterielle eiendeler | 12   | 9 587 566          | 9 712 428          |
| Annen driftskostnad                                          |      | 26 978 150         | 32 141 288         |
| <b>Sum kostnader</b>                                         |      | <b>283 967 366</b> | <b>255 658 356</b> |
| <b>Driftsresultat</b>                                        |      | <b>2 071 449</b>   | <b>1 498 621</b>   |
| <b>Finansinntekter og finanskostnader</b>                    |      |                    |                    |
| Annen renteinntekt                                           |      | 553                | 4 818              |
| Annen finansinntekt                                          |      | 376 663            | 1 273 783          |
| <b>Sum finansinntekter</b>                                   |      | <b>377 216</b>     | <b>1 278 601</b>   |
| Rentekostnad til foretak i samme konsern                     |      | 1 627 946          | 2 490 678          |
| Annen rentekostnad                                           |      | 21 856             | 48 709             |
| Annen finanskostnad                                          |      | 738 540            | 1 856 832          |
| <b>Sum finanskostnader</b>                                   |      | <b>2 388 342</b>   | <b>4 396 219</b>   |
| <b>Netto finans</b>                                          |      | <b>-2 011 126</b>  | <b>-3 117 618</b>  |
| <b>Ordinært resultat før skattekostnad</b>                   |      | <b>60 323</b>      | <b>-1 618 997</b>  |
| Skattekostnad på ordinært resultat                           | 3    | 1 764 954          | 1 393 757          |
| <b>Ordinært resultat etter skattekostnad</b>                 |      | <b>-1 704 631</b>  | <b>-3 012 754</b>  |
| <b>Årsresultat</b>                                           | 9    | <b>-1 704 631</b>  | <b>-3 012 754</b>  |
| <b>Overføringer og disponeringer</b>                         |      |                    |                    |
| Overføringer til/fra annen egenkapital                       |      | -1 704 631         | -3 012 754         |
| <b>Sum overføringer og disponeringer</b>                     |      | <b>-1 704 631</b>  | <b>-3 012 754</b>  |



### Balanse

| Beløp i: NOK                                   | Note | 2020               | 2019               |
|------------------------------------------------|------|--------------------|--------------------|
| <b>BALANSE - EIENDELER</b>                     |      |                    |                    |
| <b>Anleggsmidler</b>                           |      |                    |                    |
| <b>Immaterielle eiendeler</b>                  |      |                    |                    |
| Konsesjoner, patenter o.l.                     | 12   | 5 561 388          | 6 951 735          |
| Utsatt skattefordel                            | 3    | 6 552 916          | 8 317 870          |
| Goodwill                                       | 12   | 4 622 431          | 12 546 597         |
| <b>Sum immaterielle eiendeler</b>              |      | <b>16 736 735</b>  | <b>27 816 202</b>  |
| <b>Varige driftsmidler</b>                     |      |                    |                    |
| Driftsløsøre, in ventar o. a. utstyr           | 12   | 341 158            | 545 211            |
| <b>Sum varige driftsmidler</b>                 |      | <b>341 158</b>     | <b>545 211</b>     |
| <b>Sum anleggsmidler</b>                       |      | <b>17 077 893</b>  | <b>28 361 413</b>  |
| <b>Omløpsmidler</b>                            |      |                    |                    |
| <b>Varer</b>                                   |      |                    |                    |
| Lager av varer og annen beholdning             | 4    | 100 731 074        | 69 848 351         |
| <b>Sum varer</b>                               |      | <b>100 731 074</b> | <b>69 848 351</b>  |
| <b>Fordringer</b>                              |      |                    |                    |
| Kundefordringer                                | 6,11 | 80 190 345         | 51 664 637         |
| Andre kortsiktige fordringer                   | 6    | 327 691            | 797 465            |
| <b>Sum fordringer</b>                          |      | <b>80 518 036</b>  | <b>52 462 102</b>  |
| <b>Bankinnskudd, kontanter og lignende</b>     |      |                    |                    |
| Bankinnskudd, kontanter o.l.                   | 7    | 12 535 462         | 5 187 064          |
| <b>Sum bankinnskudd, kontanter og lignende</b> |      | <b>12 535 462</b>  | <b>5 187 064</b>   |
| <b>Sum omløpsmidler</b>                        |      | <b>193 784 572</b> | <b>127 497 517</b> |
| <b>SUM EIENDELER</b>                           |      | <b>210 862 465</b> | <b>155 858 930</b> |

### BALANSE - EGENKAPITAL OG GJELD

#### Egenkapital



### Balanse

| Beløp i: NOK                             | Note | 2020               | 2019               |
|------------------------------------------|------|--------------------|--------------------|
| <b>Innskutt egenkapital</b>              |      |                    |                    |
| Aksjekapital                             | 8    | 7 100 000          | 7 100 000          |
| Overkurs                                 | 9    | 4 400 000          | 4 400 000          |
| Annen innskutt egenkapital               | 9    | 3 242 018          | 3 242 018          |
| <b>Sum innskutt egenkapital</b>          |      | <b>14 742 018</b>  | <b>14 742 018</b>  |
| <b>Opptjent egenkapital</b>              |      |                    |                    |
| Annen egenkapital                        | 9    | 209 056            | 1 913 686          |
| <b>Sum opptjent egenkapital</b>          |      | <b>209 056</b>     | <b>1 913 686</b>   |
| <b>Sum egenkapital</b>                   |      | <b>14 951 074</b>  | <b>16 655 704</b>  |
| <b>Gjeld</b>                             |      |                    |                    |
| <b>Langsiktig gjeld</b>                  |      |                    |                    |
| Pensjonsforpliktelser                    | 10   | 0                  | 128 619            |
| <b>Sum avsetninger for forpliktelser</b> |      | <b>0</b>           | <b>128 619</b>     |
| <b>Annen langsiktig gjeld</b>            |      |                    |                    |
| <b>Sum langsiktig gjeld</b>              |      | <b>0</b>           | <b>128 619</b>     |
| <b>Kortsiktig gjeld</b>                  |      |                    |                    |
| Leverandørgjeld                          | 11   | 45 379 840         | 18 452 873         |
| Betalbar skatt                           | 3    | 0                  | 4 142 361          |
| Skyldige offentlige avgifter             |      | 16 902 094         | 10 951 444         |
| Annen kortsiktig gjeld                   | 11   | 133 629 457        | 105 527 928        |
| <b>Sum kortsiktig gjeld</b>              |      | <b>195 911 391</b> | <b>139 074 606</b> |
| <b>Sum gjeld</b>                         |      | <b>195 911 391</b> | <b>139 203 225</b> |
| <b>SUM EGENKAPITAL OG GJELD</b>          |      | <b>210 862 465</b> | <b>155 858 929</b> |



**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, 2020

☐ **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) 914-8213

(Registrant's telephone number, including area code)

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

| Title of each class                                                 | Trading Symbol(s) | Name of each exchange on which registered |
|---------------------------------------------------------------------|-------------------|-------------------------------------------|
| American Depositary Shares, each<br>representing one Ordinary Share | TEVA              | New York Stock Exchange                   |

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

None

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232-405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files.) Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒

Non-accelerated filer ☐

Accelerated filer ☐

Smaller reporting company ☐

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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, 2020), was approximately \$11.83 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, 2020.

As of December 31, 2020, the registrant had 1,096,511,852 ordinary shares outstanding.

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



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## INTRODUCTION AND USE OF CERTAIN TERMS

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

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS AND RISK FACTOR SUMMARY

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

- our ability to successfully compete in the marketplace, including: that we are substantially dependent on our generic products; consolidation of our customer base and commercial alliances among our customers; delays in launches of new generic products; the increase in the number of competitors targeting generic opportunities and seeking U.S. market exclusivity for generic versions of significant products; our ability to develop and commercialize biopharmaceutical products; competition for our specialty products, including AUSTEDO®, AJOVY® and COPAXONE®; our ability to achieve expected results from investments in our product pipeline; our ability to develop and commercialize additional pharmaceutical products; and the effectiveness of our patents and other measures to protect our intellectual property rights;
- our substantial indebtedness, which may limit our ability to incur additional indebtedness, engage in additional transactions or make new investments, may result in a further downgrade of our credit ratings; and our inability to raise debt or borrow funds in amounts or on terms that are favorable to us;
- our business and operations in general, including: uncertainty regarding the magnitude, duration, and geographic reach of the COVID-19 pandemic and its impact on our business, financial condition, operations, cash flows, and liquidity and on the economy in general; our ability to successfully execute and maintain the activities and efforts related to the measures we have taken or may take in response to the COVID-19 pandemic and associated costs therewith; effectiveness of our optimization efforts; our ability to attract, hire and retain highly skilled personnel; manufacturing or quality control problems; interruptions in our supply chain; disruptions of information technology systems; breaches of our data security; variations in intellectual property laws; challenges associated with conducting business globally, including political or economic instability, major hostilities or terrorism; costs and delays resulting from the extensive pharmaceutical regulation to which we are subject or delays in governmental processing time due to travel and work restrictions caused by the COVID-19 pandemic;



the effects of reforms in healthcare regulation and reductions in pharmaceutical pricing, reimbursement and coverage; significant sales to a limited number of customers; our ability to successfully bid for suitable acquisition targets or licensing opportunities, or to consummate and integrate acquisitions; and our prospects and opportunities for growth if we sell assets;

- compliance, regulatory and litigation matters, including: failure to comply with complex legal and regulatory environments; increased legal and regulatory action in connection with public concern over the abuse of opioid medications and our ability to reach a final resolution of the remaining opioid-related litigation; scrutiny from competition and pricing authorities around the world, including our ability to successfully defend against the U.S. Department of Justice ("DOJ") criminal charges of Sherman Act violations; potential liability for patent infringement; product liability claims; failure to comply with complex Medicare and Medicaid reporting and payment obligations; compliance with anti-corruption sanctions and trade control laws; and environmental risks;
- other financial and economic risks, including: our exposure to currency fluctuations and restrictions as well as credit risks; potential impairments of our intangible assets; potential significant increases in tax liabilities; and the effect on our overall effective tax rate of the termination or expiration of governmental programs or tax benefits, or of a change in our business;

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

## PART I

### ITEM 1. BUSINESS

#### Business Overview

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

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

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

#### Our Business Segments

We operate our business through three segments: North America, Europe and International Markets. Each business segment manages our entire product portfolio in its region, including generics, specialty and over-the-counter ("OTC") products. This structure enables strong alignment and integration between operations, commercial regions, R&D and our global marketing and portfolio function, optimizing our product lifecycle across therapeutic areas.

In addition to these three segments, we have other activities, primarily the sale of active pharmaceutical ingredients ("API") to third parties, certain contract manufacturing services and an out-licensing platform offering a portfolio of products to other pharmaceutical companies through our affiliate Medis.



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

Below is an overview of our three business segments.

## ***North America***

Our North America segment includes the United States and Canada.

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

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

Our specialty portfolio in North America focuses on three main areas: central nervous system ("CNS") and pain, respiratory and oncology.

Our CNS portfolio includes AJOVY® for the preventive treatment of migraine in adults, AUSTEDO® for the treatment of neurodegenerative and movement disorders – chorea associated with Huntington disease and tardive dyskinesia and COPAXONE®, which is still among the leading products for the treatment of multiple sclerosis ("MS") in North America since it launched nearly 25 years ago.

We are committed to maintaining a leading presence in the respiratory market by delivering a range of medicines for the treatment of asthma and chronic obstructive pulmonary disease ("COPD"), including ProAir®, QVAR® and our newly launched digital inhaler portfolio.

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

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

## ***Europe***

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

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

Despite their diversity and highly fragmented nature, the European markets share many characteristics that allow us to leverage our pan-European presence and broad portfolio. Global customers are important partners in



our generic business and are expanding across Europe, although customer consolidation is lower than in the United States. We are one of a few generic pharmaceutical companies with a pan-European footprint. Most competitors focus on a select few markets or business lines.

Our OTC portfolio in Europe includes global brands such as SUDOCREM® as well as local and regional brands such as NasenDuo® in Germany and Flegamina® in Poland.

Our specialty portfolio in Europe focuses on three main areas: CNS and pain (including migraine), respiratory and oncology. Our leading product, COPAXONE, continues to be among the leading products for the treatment of MS, though new treatments are being introduced to various markets in the European Union. AJOVY was granted EU marketing authorization in 2019 and, as of December 31, 2020, we have launched AJOVY in most European countries.

### ***International Markets***

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

Our key international markets are Japan, Russia and Israel. In Japan, we operate a majority of 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%. On February 1, 2021, we completed the sale of the majority of the generic and operational assets of our business venture in Japan. Countries in our International Markets segment include highly regulated, pure generic markets, such as Israel, branded generics oriented markets, such as Russia and certain Latin America markets, and hybrid markets, such as Japan. Each market's strategy is built upon differentiation and filling the unmet needs of that market. Our integrated sales force enables us to extract synergies across our branded generic, OTC and specialty medicines product offerings and across various channels (e.g., retail, institutional).

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

### **Our Product Portfolio and Business Offering**

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

### ***Generic Medicines***

Generic medicines are the chemical and therapeutic equivalents of originator medicines and are typically more affordable in comparison to the originator's products. Generics are required to meet similar governmental requirements as their brand-name equivalents, such as those relating to manufacturing processes and health authorities' inspections, and must receive regulatory approval prior to their sale in any given country. Generic medicines may be manufactured and marketed if relevant patents on their brand-name equivalents (and any additional government-mandated market exclusivity periods) have expired or have been challenged or otherwise circumvented.

We develop, manufacture and sell generic medicines in a variety of dosage forms, including tablets, capsules, injectables, inhalants, liquids, ointments and creams. We offer a broad range of basic chemical entities,



as well as specialized product families, such as sterile products, hormones, high-potency drugs and cytotoxic substances, in both parenteral and solid dosage forms.

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

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

Between 2017 and 2019, we substantially optimized our global generics portfolio, particularly in the United States, through product discontinuation and price adjustments, with a focus on increasing profitability. This resulted in the restructuring and optimization of our manufacturing and supply network, including the closure or divestment of a significant number of manufacturing plants around the world. We are continuing our ongoing efforts to consolidate our manufacturing and supply network.

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

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

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

Biologic medicines are large and complex medicines produced by or made from living cells or organisms, often produced using cutting-edge biotechnological methods. Biosimilars are highly similar to the reference biologic, in both structure and function (e.g., pharmacodynamics, pharmacokinetics, safety, efficacy and immunogenicity) and, for any approved uses, have no clinically meaningful differences from the reference product in terms of safety, purity, and potency.



In November 2019 and February 2020, we launched TRUXIMA® (rituximab-abbs), a biosimilar to Rituxan® (rituximab), in the United States and in Canada, respectively. It is our first oncology biosimilar product in the United States and is the first rituximab biosimilar to be approved in the United States.

In January 2020 and March 2020, we launched HERZUMA® (trastuzumab-pkrb), a biosimilar to Herceptin® (trastuzumab), in Canada and the United States, respectively.

In November 2020, a Biologics License Application (“BLA”) was accepted for review by the FDA and a Marketing Authorization Application was accepted for review by the European Medicines Agency (“EMA”) for a proposed biosimilar to Humira® (adalimumab) that is under development by Alvotech. For further information regarding our partnership with Alvotech, see “Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations—Alvotech Partnership.”

We have additional biosimilar products in development in various stages of clinical trials and regulatory review.

## ***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, neuropsychiatry, movement disorders and pain care including migraine) and respiratory medicines (with a focus on asthma and COPD). We also have specialty products in oncology and selected other areas.

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

The U.S. market is the most significant market in our specialty business. In Europe and International Markets, we leverage existing synergies between our specialty business and our generics and OTC businesses. Our specialty presence in International Markets is mainly built on our CNS, pain, respiratory and oncology medicines.

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

Below is a description of our key specialty products:

### ***CNS (including Movement Disorders, Pain and Migraine)***

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

#### **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. The FDA granted Deutetrabenazine New Chemical Entity exclusivity until April 2022 and Orphan Drug exclusivity for the treatment of chorea associated with Huntington disease until April 2024.

- AUSTEDO was launched in the U.S. in 2017. It is indicated for the treatment of chorea associated with Huntington disease and for the treatment of tardive dyskinesia in adults, which is a debilitating, often irreversible movement disorder caused by certain medications used to treat mental health or gastrointestinal conditions.
- AUSTEDO launched in China for the treatment of chorea associated with Huntington disease and for the treatment of tardive dyskinesia in early 2021. We continue with additional submissions in various other countries around the world.
- 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. The first date for expected generic ANDA filings on AUSTEDO is in April 2021.

## AJOVY

- AJOVY (fremanezumab-vfrm) injection is a fully humanized monoclonal antibody that binds to calcitonin gene-related peptide (“CGRP”) and it is indicated for the preventive treatment of migraine in adults. AJOVY was launched in the U.S. in 2018. AJOVY was approved in Canada in April 2020.
- During 2019, AJOVY was granted a marketing authorization in the European Union by the EMA in a centralized process and began receiving marketing authorizations in various countries in our International Markets segment. By the end of 2020, we launched AJOVY in most European countries and in certain International Markets countries. We are moving forward with plans to launch in other countries around the world.
- On January 27, 2020, the FDA approved an auto-injector device for AJOVY in the U.S., which became commercially available in April 2020. We have also received approval from the EMA for AJOVY’s auto-injector submission in the EU in October 2019, and we commenced launch in March 2020.
- AJOVY is protected by patents expiring in 2026 in Europe and in 2027 in the United States. Applications for patent term extensions have been submitted in various markets around the world, and certain extensions in Europe and other countries have already been granted until 2031. Additional patents relating to the use of AJOVY in the treatment of migraine have also been issued in the United States and will expire in 2035 and 2037. Such patents are also pending in other countries. AJOVY will also be protected by regulatory exclusivity of 12 years from marketing approval in the United States and 10 years from marketing approval in Europe.
- We have filed a lawsuit in the U.S. District Court for the District of Massachusetts alleging that Eli Lilly & Co.’s (“Lilly”) marketing and sale of its galcanezumab product for the treatment of migraine infringes nine Teva patents. Lilly then submitted IPR (inter partes review) petitions to the Patent Trial and Appeal Board, challenging the validity of the nine patents asserted against it in the litigation. The litigation in the district court was stayed pending resolution of the IPR petitions. On February 18, 2020, the Patent Trial and Appeal Board issued decisions on the first six IPRs, finding the six composition of matter patents invalid as being obvious. On April 21, 2020, we filed notices of appeal in connection with these decisions. On March 31, 2020 the Patent Trial and Appeal Board issued a decision upholding the three method of treatment patents and, on June 1, 2020, Lilly filed notices of appeal in connection with the decisions on these three patents. The litigation stay ended following the issuance of the most recent IPR decisions, and the parties are proceeding with the litigation. In addition, in 2018 we entered into separate agreements with Alder Biopharmaceuticals, Inc. and Lilly, resolving the European Patent Office oppositions that they filed against our AJOVY patents. The settlement agreement with Lilly also resolved Lilly’s action to revoke the patent protecting AJOVY in the United Kingdom.

## COPAXONE

- COPAXONE (glatiramer acetate injection) is one of the leading MS therapies in the United States (according to IQVIA data as of late 2020). 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.
- One European patent protecting COPAXONE 40 mg/mL was found invalid by the Board of Appeal of the European Patent Office in September 2020. Two additional patents expiring in 2030 are currently under opposition at the European Patent Office. In certain countries, Teva remains in litigation against generic companies on an additional COPAXONE 40 mg/mL patent that expires in 2030.
- The market for MS treatments continues to develop, particularly with the approval of generic versions of COPAXONE. Oral treatments for MS, such as Tecfidera®, Gilenya® and Aubagio®, continue to present significant and increasing competition. COPAXONE also continues to face competition from existing injectable products, as well as from monoclonal antibodies, such as Ocrevus®.

## Oncology

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

## BENDEKA and TREANDA

- BENDEKA (bendamustine hydrochloride) injection and TREANDA (bendamustine hydrochloride) for injection are approved in the United States for the treatment of patients with Chronic Lymphocytic Leukemia ("CLL") and patients with indolent B-cell Non-Hodgkin's Lymphoma ("NHL") that has progressed during or within six months of treatment with rituximab or a rituximab-containing regimen. We launched BENDEKA in the United States in January 2016. It is a liquid, low-volume (50 mL) and short-time 10-minute infusion formulation of bendamustine hydrochloride that we licensed from Eagle.
- BENDEKA faces direct competition from Belrapzo® (a ready-to-dilute bendamustine hydrochloride product from Eagle). Other competitors to BENDEKA include combination therapies such as R-CHOP (a combination of cyclophosphamide, vincristine, doxorubicin and prednisone in combination with rituximab) and CVP-R (a combination of cyclophosphamide, vincristine and prednisolone in combination with rituximab) for the treatment of NHL, as well as a combination of fludarabine, doxorubicin and rituximab for the treatment of CLL and newer targeted oral therapies, such as ibrutinib, idelalisib and venetoclax.
- In July 2018, Eagle prevailed in its suit against the FDA to obtain seven years of orphan drug exclusivity in the United States for BENDEKA. On March 13, 2020, this decision was upheld in the appellate court. As things currently stand, drug applications referencing BENDEKA, TREANDA or any other bendamustine product will not be approved by the FDA until the orphan drug exclusivity expires in December 2022. In April 2019, we signed an amendment to the license agreement with Eagle extending the royalty term applicable to the United States to the full period for which we sell BENDEKA and increased the royalty rate. In consideration, Eagle agreed to assume a portion of BENDEKA-related patent litigation expenses.



- There are 15 patents listed in the U.S. Orange Book for BENDEKA with expiry dates in 2026 and 2031. In September 2019, a patent infringement action against four of six ANDA filers for generic versions of BENDEKA was tried in the United States District Court for the District of Delaware. On April 27, 2020, the District Court upheld the validity of all of the asserted patents and found that all four ANDA filers infringe at least one of the patents. Three of the four ANDA filers have appealed the district court decision, but barring an adverse appellate decision, these ANDA filers should be enjoined until the patents expire in 2031. The litigation against the fifth ANDA filer was dismissed after the withdrawal of its patent challenge, and the case against the sixth ANDA filer is in the early stages of litigation.
- Additionally, in July 2018, Teva and Eagle filed suit against Hospira, Inc. ("Hospira") related to its 505(b)(2) new drug application ("NDA") referencing BENDEKA in the U.S. District Court for the District of Delaware. On December 16, 2019, the Delaware District Court dismissed the case against Hospira on all but one of the asserted patents, which expires in 2031. Trial against Hospira on that patent is scheduled to begin on November 15, 2021.
- In addition to the settlement with Eagle regarding its bendamustine 505(b)(2) NDA, between 2015 and 2020, we reached final settlements with 22 ANDA filers for generic versions of the lyophilized form of TREANDA and one 505(b)(2) NDA filer for a generic version of the liquid form of TREANDA, providing for the launch of generic versions of TREANDA prior to patent expiration.

## **Respiratory**

Our **respiratory** portfolio includes our legacy products, ProAir and QVAR, as well as our new digital inhalers with built-in sensors: ProAir® Digihaler®, AirDuo® Digihaler® and ArmonAir® Digihaler®. Our portfolio also includes BRALTUS®, CINQAIR®/CINQAERO®, DuoResp® Spiromax® and AirDuo® RespiClick®/ ArmonAir® RespiClick®.

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.

The key areas of focus for our respiratory R&D is the 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, and includes three main types of devices: (i) Digihaler, which captures and shares objective inhaler use data; (ii) a breath-actuated inhaler ("BAI") used in QVAR RediHaler®; and (iii) RespiClick (U.S.) or Spiromax (EU), a novel inhalation-driven multi-dose dry powder inhaler ("MDPI").

Our legacy products include ProAir and QVAR:

- **ProAir HFA** (albuterol sulfate) is an inhalation aerosol with dose counter and is indicated for patients four years of age and older for the treatment or prevention of bronchospasm with reversible obstructive airway disease and for the prevention of exercise-induced bronchospasm. ProAir HFA is among the leading quick relief inhalers in the United States. In January 2019, we launched our own ProAir authorized generic in the United States following the launch of a generic version of Ventolin® HFA, another albuterol inhaler. Generic versions of ProAir were launched in 2020.
- **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.



- **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. Three generic manufacturers have filed ANDAs for the metered-dose inhaler ("MDI") presentation of QVAR. We are currently asserting our patents against two of those ANDA filers in the New Jersey District Court. No trial date has been set for these pending lawsuits.
- **QVAR ReditHaler** (beclomethasone dipropionate HFA) inhalation aerosol, a BAI, is indicated for the maintenance treatment of asthma as a prophylactic therapy in patients four years of age and older.

Our Digihaler portfolio consists of ProAir Digihaler, ArmonAir Digihaler and AirDuo Digihaler that capture objective inhaler use data that may help health care professionals and patients make more informed treatment decisions that may improve health outcomes:

- **ProAir Digihaler** (albuterol sulfate 117 mcg) inhalation powder was launched in the U.S. in July 2020. It is the first and only digital rescue inhaler with built-in sensors which connects to a companion mobile application and provides inhaler use information to people with asthma and COPD.
- **ArmonAir Digihaler** (fluticasone propionate MDPI U.S.) was launched in the U.S. in September 2020. It is a formulation of long acting inhaled corticosteroid ("ICS") using our MDPI device, indicated for maintenance treatment of asthma as prophylactic therapy in patients 12 years of age and older.
- **AirDuo Digihaler** (fluticasone propionate and salmeterol inhalation powder) was launched in the U.S. in September 2020. It is the first and only digital maintenance inhaler with built-in sensors which connects to a companion mobile application and provides inhaler use information to people with asthma.

Additional products in our respiratory portfolio include:

- **BRALTUS** (tiotropium bromide) is a long-acting muscarinic antagonist, indicated for adult patients with COPD, delivered via the Zonda® inhaler. It was launched in Europe in August 2016.
- **CINQAIR/CINQAERO** (reslizumab) 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. This biologic treatment was launched in the U.S. and in certain European countries in 2016 and in Canada in 2017.
- **AirDuo RespiClick** (fluticasone propionate and salmeterol inhalation powder) (and its authorized generic) 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 ICS or whose disease severity clearly warrants the use of an ICS/long-acting beta2-adrenergic agonist combination.



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

|                     | Phase 2                             | Phase 3                                                                     | Pre-Submission                                                                                                                                                  |
|---------------------|-------------------------------------|-----------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Novel Biologics     | <b>Fremanezumab</b><br>Fibromyalgia | <b>Fremanezumab</b><br>Additional indication                                |                                                                                                                                                                 |
|                     | <b>TEV-48574</b><br>Respiratory     | <b>Fasinumab</b><br>Osteoarthritic Pain<br>(March 2016) <sup>(1)</sup>      |                                                                                                                                                                 |
|                     | <b>TEV-53275</b><br>Respiratory     |                                                                             |                                                                                                                                                                 |
| Small Molecules     |                                     | <b>Deutetrabenazine</b><br>Dyskinesia in Cerebral Palsy<br>(September 2019) | <b>Risperidone LAI</b><br>Schizophrenia <sup>(2)</sup>                                                                                                          |
| Digital Respiratory |                                     |                                                                             | <b>Digihaler®</b><br>(budesonide and formoterol<br>fumarate dihydrate)<br>(EU)<br><br><b>QVAR® Digihaler®</b><br>(beclomethasone dipropionate<br>HFA)<br>(U.S.) |

- (1) Developed in collaboration with Regeneron Pharmaceuticals, Inc. ("Regeneron"). Results for two phase 3 clinical trials, FACT OA1 and FACT OA2, were released on August 5, 2020, indicating that the co-primary endpoints for fasinumab 1 mg monthly were achieved. Fasinumab 1 mg monthly demonstrated significant improvements in pain and physical function over placebo at week 16 and week 24, respectively. Fasinumab 1 mg monthly also showed nominally significant benefits in physical function in two trials and pain in one trial, when compared to the maximum FDA-approved prescription doses of non-steroidal anti-inflammatory drugs for osteoarthritis. The FACT OA1 trial included an additional treatment arm, fasinumab 1 mg every two months, which showed numerical benefit over placebo, but did not reach statistical significance. In initial safety analyses from the phase 3 trials, there was an increase in arthropathies reported with fasinumab. In a sub-group of patients from one phase 3 long-term safety trial, there was an increase in joint replacement with fasinumab 1 mg monthly treatment during the off-drug follow-up period, although this increase was not seen in the other trials to date.

Active treatment of patients with fasinumab, which only involved dosing in an optional second-year extension phase of one trial, has been discontinued following a recommendation from the fasinumab program's Independent Data Monitoring Committee that the program should be terminated, based on available evidence obtained to date. The core efficacy data has already been obtained to support potential fasinumab regulatory filings. Long-term safety data continues to be gathered, and is expected to be reported in 2021, along with a decision on the program.

- (2) In January 2021, we announced positive results for a phase 3 clinical trial designed to evaluate the efficacy of risperidone LAI. No new safety signals were identified that are inconsistent with the known safety profile of other risperidone formulations. The second phase 3 study evaluating long-term safety and tolerability is ongoing.

During 2020, development of the following projects was discontinued:

- AUSTEDO for the treatment of Tourette syndrome in pediatric patients in the U.S., which was being developed under a partnership agreement with Nuvelution Pharma, Inc.; and
- fremanezumab (anti CGRP) for post-traumatic headache.



## Other Activities

We have other sources of revenues, primarily the sale of APIs to third parties, certain contract manufacturing services and an out-licensing platform offering a portfolio of products to other pharmaceutical companies through our affiliate Medis.

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

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

## Research and Development

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

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

A strong focus for Teva is the development of new generic medicines. We develop generic products for our North America, Europe and International Markets segments. 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 as well as most of our phase 1 studies for specialty and biosimilar products. We have more than 1,160 generic products in our pre-approved global pipeline, which includes products in all stages of the approval process: pre-submission, post-submission and after tentative approval.

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

Our current R&D capabilities include solid oral dosage forms (such as tablets and capsules), inhalation, semi-solid and liquid formulations (such as ointments and creams), sterile formulations and other dosage forms, and delivery systems, such as matrix systems, special coating systems for sustained release products, orally disintegrating systems, sterile systems, such as vials, syringes, blow-fill-seal systems, 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.

We pursue biosimilar pipeline projects in other therapeutic and disease areas that leverage our global R&D and commercial areas of expertise. Biosimilar development activities, such as analytical method development, testing for analytical biosimilarity, pre-clinical work, clinical studies and regulatory strategy, are conducted in Teva's various global development sites.

Our specialty R&D product pipeline is focused on biologic and select small molecule products. 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. We develop 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.

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

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

## **Operations**

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

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

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

## **Pharmaceutical Production**

We operate 46 finished dosage and packaging pharmaceutical plants in 22 countries. These plants manufacture solid dosage forms, sterile injectables, liquids, semi-solids, inhalers, transdermal patches and other medical devices. In 2020, we produced approximately 68 billion tablets and capsules and approximately 646 million sterile units.

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

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

Our policy is to maintain multiple supply sources for 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.



Between 2017 and 2019, we closed or divested a significant number of manufacturing plants in the United States, Europe, Israel and Japan in connection with a restructuring plan. We are continuing our ongoing efforts to consolidate our manufacturing and supply network.

## ***Raw Materials for Pharmaceutical Production***

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

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

We currently have 15 API production facilities, producing approximately 350 APIs in various therapeutic areas. Our API intellectual property portfolio includes hundreds of granted patents and pending applications worldwide.

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

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

## **Patents and Other Intellectual Property Rights**

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

## **Environment, Health and Safety**

We are committed to business practices that promote socially and environmentally responsible economic growth. During 2020, we continued to make significant progress on our multi-year plan towards our long-term environment, health and safety ("EHS") goal referred to as "Target Zero": zero incidents, zero injuries and zero releases. Among other things, in 2020, we:

- continued the implementation of our global EHS management system, which promotes proactive compliance with applicable EHS requirements, establishes EHS standards throughout our global operations and helps drive continuous improvement in our EHS performance;
- provided EHS regulatory monitoring tools in all countries where we have significant operations; and



- proactively evaluated EHS compliance through self-evaluation and an internal and external audit program, addressing non-conformities through appropriate corrective and preventative action.

Please see the section entitled “Environmental Sustainability” from our Teva 2019 ESG Progress Report (which is located on our website) for more detailed information regarding our environmental goals. Nothing on our website, including our 2019 ESG Progress Report or sections thereof, shall be deemed incorporated by reference into this Annual Report or any other filing with the Securities and Exchange Commission.

## Quality

We are committed not only to complying with quality requirements but to developing and leveraging quality as a competitive advantage. In 2020, we successfully completed numerous inspections by various regulatory agencies of our finished dosage pharmaceutical and API plants and we actively engaged in discussions with authorities to mitigate drug shortages and participated in several industry-wide task forces. We continue to focus on maintaining a solid and sustainable quality compliance foundation, as well as making quality a priority to foster continuous compliance. We seek to ensure that quality is an embedded part of our corporate culture and is reflected in all of our daily operations, delivering reliable and high quality products.

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

## Competition

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

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

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

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

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



The biosimilars business is also highly competitive and continues to evolve as intellectual property protections for biological products continue to expire in the United States. While we believe that our biologics knowledge and experience provide us with competitive advantages, we anticipate significant competition in the biosimilar space. Risks related to commercialization of our prospective biosimilars include the number of competitors, potential for steeper than anticipated price erosion, and intellectual property challenges that may impact timely commercialization. There is also a risk of lower or slower uptake due to various factors that may differ among biosimilars such as competitive practices, physician hesitancy to prescribe biosimilars for certain therapeutic areas, and level of financial incentives (payer or government). We anticipate that the downward pressure on uptake may ease in the future as physicians and payers become increasingly aware of the benefits of biosimilars and more comfortable prescribing them.

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

## Human Capital Management

### Our People

Our employees are the heart of our Company. In the highly competitive pharmaceutical industry, it is imperative that we attract, develop and retain top talent on an ongoing basis. To do this, we seek to make Teva an inclusive, diverse and safe workplace, with meaningful compensation, benefits and wellness programs, and offering training and leadership development programs that foster career growth.

Our Human Resources and Compensation Committee, Compliance Committee and Board play key roles in overseeing culture and talent at Teva and devote time throughout the year to human capital strategy and execution in such areas as: inclusion and diversity, Company culture, employee engagement, training and development, recruiting and turnover, leadership development and succession planning. Management regularly updates the Board on internal metrics in these areas.

### Employees

As of December 31, 2020, Teva's work force consisted of 40,216 employees. As a global company, we have employees in 60 countries around the world, representing a wide range of nationalities. In certain countries, we are party to collective bargaining agreements with certain groups of employees.

The following table presents our workforce headcount by employment type:

|                                  | December 31, |        |        |
|----------------------------------|--------------|--------|--------|
|                                  | 2020         | 2019   | 2018   |
| Full-time .....                  | 37,100       | 38,130 | 40,556 |
| Part-time .....                  | 1,272        | 1,158  | 621    |
| Contractor .....                 | 1,844        | 1,497  | 1,756  |
| Total .....                      | 40,216       | 40,785 | 42,933 |
| Total full time equivalent ..... | 39,717       | 40,039 | 42,535 |



The following table presents our workforce headcount by geographic area (excluding contractors):

|                                                | December 31, |        |        |
|------------------------------------------------|--------------|--------|--------|
|                                                | 2020         | 2019   | 2018   |
| North America .....                            | 6,918        | 7,336  | 7,752  |
| Europe .....                                   | 18,569       | 18,207 | 19,004 |
| International Markets (excluding Israel) ..... | 9,210        | 9,408  | 9,579  |
| Israel .....                                   | 3,675        | 4,337  | 4,843  |
| Total (excluding contractors) .....            | 38,372       | 39,288 | 41,177 |

## Inclusion and Diversity

Inclusion and diversity are essential to our ability to innovate and grow our business. It is our desire to create and sustain an inclusive and diverse work environment.

Employees identifying as female represent 45% of our global employee population, 47% of managers, and 23% of top executives, as of December 31, 2020.

We seek to underscore our inclusive and diverse culture through employee resource groups and training, among other things. For instance, in the U.S., the Teva Inclusion Network is made up of nine employee resource groups ("ERGs"), which have a key role in creating a culture of inclusion and bring together employees with shared characteristics and life experiences to foster opportunities for networking, mentoring, collaboration, community outreach, career development, leadership training and cultural exchanges. Currently, our ERGs include groups for women, men, African Americans, Hispanics/Latinos, Asian Americans, employees with disabilities, military veterans, pride and parenting stages. We also train and offer educational resources to our employees on unconscious bias.

## Health and Safety

We believe that every person has the right to a safe and healthy work environment, and we believe all injuries, illnesses and safety incidents are preventable. We aspire toward Target Zero: Zero Incidents, Zero Injuries and Zero Releases (spills and accidental discharges). We also ensure our employees are properly trained on the safety precautions implemented across our Company.

Since the start of the COVID-19 pandemic, we have operated conscientiously, focusing on the health, safety and well-being of our employees as a top priority. We have reduced the number of employees in our facilities to enable social distancing by introducing virtual solutions and flexible work arrangements. We adhere to PPE and hygiene instructions to protect our people, their families and the communities where we operate and live. We handle suspected and confirmed COVID-19 cases with the highest safety measures and with full respect for our employees' privacy.

## Employee Career Growth, Training and Development

We invest in employee career growth and development at Teva in order to remain competitive in our industry. Our programs also benefit employees individually by providing them with the resources they need to enhance their professional and management abilities, develop leadership skills and achieve their career aspirations.

We maintain a range of learning resources to support employees of all levels in developing skills and contributing to Teva's strategy, ultimately driving business performance. Much of our employee training is in-role, amplified by global online training and locally-tailored training modules to meet different challenges, help gain new leadership and essential skills and ensure compliance with our policies.



In order to measure our success at promoting talent from inside our organization, we track the proportion of positions filled with internal candidates and other related statistics.

To continue our employee training and development during the COVID-19 pandemic, many of our in-person programs have been modified to be virtual. In addition, we equipped our managers with information and tools on effective management in times of disruption and provided employees with online resources to address the challenges of working remotely, including with respect to maintaining their well-being.

## **Compensation, Benefits and Wellness**

Our commitment to our employees starts with compensation and benefit programs that show how we value their contributions by providing a full complement of competitive compensation, health and retirement programs for them and their families. In addition to salaries, we offer variable pay in the form of bonuses and stock-based compensation for eligible employees. We have one global annual bonus design for all eligible employees, demonstrating our One Teva culture. We offer benefits that vary by country and are designed to be competitive in the marketplace.

Through practical tools and local programs, we also address the physical, financial, social and emotional needs of our employees and their families. We offer programs and initiatives that promote healthy diets, physical activity and mental well-being. For example, we provide annual medical check-ups and examinations for employees across many of our markets. In addition, we enhanced our well-being programs in response to the COVID-19 pandemic.

## **Employee Engagement and Satisfaction**

To understand whether our human capital strategies are effective and are resonating with our employees, and where we can improve, we conduct an annual employee survey. In 2019, 82% of our employees completed the survey. In 2020, in the midst of the COVID-19 pandemic, 86% participated. The 2020 employee survey served as one of the ways we sought to monitor employee morale during this time. Results of the survey show that employee engagement levels are high. Employees are feeling connected with Teva's mission and values. They feel pride in Teva's positive impact on society and have trust in Teva's future. Management reviews the survey results closely to determine areas for improvement and creates action plans to address any gaps. Survey results are communicated to employees through global communications and town halls and shared with our Board of Directors.

We have also created an initiative to recognize and celebrate Teva heroes—those who have gone above and beyond during this challenging time to deliver on Teva's mission and provide medicines to our patients around the world.

Please see the section entitled "Our People" from our Teva 2019 ESG Progress Report (which is located on our website) for more detailed information regarding our Human Capital programs and initiatives. Nothing on our website, including our 2019 ESG Progress Report or sections thereof, shall be deemed incorporated by reference into this Annual Report or any other filing with the Securities and Exchange Commission.

## **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 U.S. Department of Justice (“DOJ”). The FDA also has the authority to deny or revoke approvals of marketing applications and the power to halt the operations of non-complying manufacturers. Any failure to comply with applicable FDA policies and regulations could have a material adverse effect on our operations.

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

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

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

Under the Hatch-Waxman Act, any company submitting an ANDA or an NDA under Section 505(b)(2) of the Food, Drug, and Cosmetic Act (i.e., an NDA that, similar to an ANDA, relies, in whole or in part, on FDA’s prior approval of another company’s drug product; also known as a “505(b)(2) application”) must make certain certifications with respect to the patent status of the drug for which it is seeking approval. In the event that such applicant plans to challenge the validity or enforceability of an existing listed patent or asserts that the proposed product does not infringe an existing listed patent, it files a “Paragraph IV” certification. In the case of ANDAs, the Hatch-Waxman Act provides for a potential 180-day period of generic exclusivity for the first company to



submit an ANDA with a Paragraph IV certification. This filing triggers a regulatory process in which the FDA is required to delay the final approval of subsequently filed ANDAs containing Paragraph IV certifications until 180 days after the first commercial marketing. For both ANDAs and 505(b)(2) applications, when litigation is brought by the patent holder, in response to this Paragraph IV certification, the FDA generally may not approve the ANDA or 505(b)(2) application until the earlier of 30 months or a court decision finding the patent invalid, not infringed or unenforceable. Submission of an ANDA or a 505(b)(2) application with a Paragraph IV certification can result in protracted and expensive patent litigation.

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

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

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

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

The Patient Protection and Affordable Care Act ("ACA") from 2010 represented the most significant health care reform in the United States in over thirty years. It was passed to require individuals to have health insurance and to control the rate of growth in healthcare spending through, among other things, stronger prevention and wellness measures, increased access to primary care, changes in healthcare delivery systems and the creation of health insurance exchanges. Enrollment in the health insurance exchanges began in October 2013. However, the individual mandate was subsequently repealed by Congress in the tax reform bill signed into law in December 2017. In December 2018, a U.S. federal district court ruled that the ACA is unconstitutional, but such decision has been stayed, pending resolution by the Supreme Court following oral arguments on November 10, 2020.

The ACA requires the pharmaceutical industry to share in the costs of reform, by, among other things, increasing Medicaid rebates and expanding Medicaid rebates to cover Medicaid managed care programs. The ACA also included funding of pharmaceutical costs for Medicare patients in excess of the prescription drug coverage limit and below the catastrophic coverage threshold. Commencing 2019, under the ACA, pharmaceutical companies were obligated to fund 70% of the patient obligation for branded prescription pharmaceuticals in this gap, or "donut hole." Additionally, an excise tax was levied against certain branded pharmaceutical products. The tax is specified by statute to be approximately \$2.8 billion in 2019 and each year

thereafter. The tax is to be apportioned to qualifying pharmaceutical companies based on an allocation of their governmental programs as a portion of total pharmaceutical government programs.

The Centers for Medicare & Medicaid Services ("CMS") administer the Medicaid drug rebate program, in which pharmaceutical manufacturers pay quarterly rebates to each state Medicaid agency. Generally, for generic drugs marketed under ANDAs, manufacturers (including Teva) are required to rebate 13% of the average manufacturer price, and for products marketed under NDAs or BLAs, manufacturers are required to rebate the greater of 23.1% of the average manufacturer price or the difference between such price and the commercial best price during a specified period. An additional rebate for products marketed under ANDAs, 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.

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. In addition, a number of states, including New York, have enacted legislation that requires entities to pay assessments or taxes on the sale or distribution of opioid medications in order to address the misuse of prescription opioid medications.

## **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 2020, we continued to register products in the European Union, primarily using the decentralized procedure (simultaneous submission of applications to chosen member states). We continue to use, on occasion, the mutual recognition and centralized procedures.

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

### ***European Union***

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

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



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

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

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

In July 2019, the SPC Manufacturing Waiver Regulation came into force in the European Union (subject to certain conditions) allowing products manufactured prior to SPC expiry to be exempt from SPC infringement if such products are manufactured for export to non-European Union markets or for launch in the European Union upon expiry of the SPC. This waiver will apply from July 2, 2022 to all SPCs that come into effect after July 1, 2019 or, if the SPC was applied for after July 1, 2019, from the date the SPC comes into effect.

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 United Kingdom government invoked Article 50 of the Lisbon Treaty to exit the European Union. On January 31, 2020, the United Kingdom left the European Union, and entered a transition period of 11 months. On December 24, 2020, the United Kingdom and European Union agreed on a new Trade and Cooperation Agreement and on December 31, 2020, the United Kingdom formally left the transition period. The Trade and Cooperation Agreement is comprehensive, but does not cover all areas of regulation pertinent to the pharmaceutical industry, so certain complexities remain. We continue to have processes and contingencies in place to minimize their impact, and to maintain our ability to supply medicines to patients in the United Kingdom, and to supply medicines made in the United Kingdom to other markets.

In November 2020, the European Commission published a "Pharmaceutical strategy for Europe," which sets out a suite of policies that will shape the future European regulatory environment. These wide-ranging policies represent a multi-year program aimed, through review and revision of existing legislation, to provide a flexible regulatory system that, amongst other things, will lead to accelerated availability of medicines and promote sustainability of that system.

## **International Markets**

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

Whether or not we, or our partners, obtain FDA approval for a product, we must obtain the requisite approvals from regulatory authorities in foreign countries prior to the commencement of clinical trials or



marketing of such product in those countries. The requirements and processes governing the conduct of clinical trials, product licensing, pricing and reimbursement vary from country to country. In addition, we, and our partners, may be subject to foreign laws and regulations and other compliance requirements, including, without limitation, anti-kickback laws, false claims laws and other fraud and abuse laws, as well as laws and regulations requiring transparency of pricing and marketing information and governing the privacy and security of health information.

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

### **Miscellaneous Regulatory Matters**

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

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

On 16 July 2020, the Court of Justice of the European Union invalidated Decision 2016/1250 on the adequacy of the protection provided by the EU-US Data Privacy Shield ("Schrems II"). The General Data Protection Regulation (the "GDPR") provides that the transfer of personal data to a country outside the European Economic Area ("EEA") may, in principle, take place only if the third country ensures an adequate level of data protection, and the EU-U.S. Privacy Shield was previously approved by the European Commission to provide such adequate level of data protection. However, in the view of the Court, U.S. law and practice are not circumscribed in a way that satisfies requirements that are essentially equivalent to those required under EU law, and therefore the EU-U.S. Privacy Shield cannot be considered to ensure an adequate level of data protection. As a practical result of the ruling and ensuing guidance from the European Data Protection Board, companies must now verify, on a case-by-case basis, and in collaboration with the data importers, whether the law of the importer's country ensures a level of protection for the personal data that is essentially equivalent to the EEA's protections. If not, data exporters will need to assess whether they can implement supplementary measures to help ensure the requisite level of protection. As a result, companies are now required to conduct and document comprehensive data transfer assessments before allowing any personal data to flow from the EU to outside the EU, and if supplementary measures cannot address an adequate level of protection, then such transfers shall be restricted. Teva is preparing for these new developments by aligning our data mapping documentation with these new requirements and Teva will continue to closely monitor further guidance from authorities on how to adequately address data transfers going forward.

In October 2015, the European Commission adopted regulations providing detailed rules for the safety features appearing on the packaging of medicinal products for human use. This legislation, part of the Falsified Medicines Directive ("FMD"), is intended to prevent counterfeit medicines entering into the supply chain and will allow wholesale distributors and others who supply medicines to the public to verify the authenticity of the medicine at the level of the individual pack. The safety features comprise a unique identifier and a tamper-



evident seal on the outer packaging, which are to be applied to certain categories of medicines. FMD is effective as of February 2019. Teva's packaging sites, distribution centers and contract manufacturing operators ("CMOs") for the European market comply with this new requirement.

In November 2013, the federal Drug Supply Chain Security Act (the "DSCSA") became effective in the United States, mandating an industry-wide, national serialization system for pharmaceutical packaging with a ten-year phase-in process. By November 2018, all manufacturers and re-packagers were required to mark each prescription drug package with a unique serialized code. Teva's packing sites, distribution centers and CMOs for the U.S. market comply with the new requirements. In addition, under the DSCSA, Teva is required by November 2023, to provide to downstream trading partners, serial number specific transaction details. This will require additional modification to the packing sites, distribution centers and CMOs for the U.S. market. Subsequently, in February 2019, the EU enacted the Falsified Medicines Directive ("FMD"), traceability requirements for drug products, which Teva complies with as well. Other countries are following suit with variations of two main requirements: (i) to be able to associate the unit data with the uniquely-identified shipping package, or (ii) to report the data for tracking and tracing of products, reimbursements and other purposes. Certain countries, such as Russia, China, Korea, Turkey, Argentina, Brazil and India (for exported products), already have laws mandating serialization and aggregation and we are working to comply with these requirements. Other countries, including India (domestic market), Indonesia, Kazakhstan, Malaysia, Taiwan, Ukraine and other Latin American countries are currently considering mandating similar requirements.

## Available Information

Our main corporate website address is <http://www.tevapharm.com>. Copies of our Quarterly Reports on Form 10-Q, Annual Report on Form 10-K and Current Reports on Form 8-K filed or furnished to the U.S. Securities and Exchange Commission (the "SEC"), and any amendments to the foregoing, will be provided without charge to any shareholder submitting a written request to our company secretary at our principal executive offices or by sending an email to [TevaIR@tevapharm.com](mailto:TevaIR@tevapharm.com). All of our SEC filings are also available on our website at <http://www.tevapharm.com>, as soon as reasonably practicable after having been electronically filed or furnished to the SEC. The SEC maintains an Internet site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC at [www.sec.gov](http://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](http://www.magna.isa.gov.il) or on the website of the Tel Aviv Stock Exchange (the "TASE") at [www.tase.co.il](http://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. For a summary of the risk factors included in this Item 1A and for further details on our forward-looking statements, see "Forward-Looking Statements and Summary of Risk Factors" on page 1.

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

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

In 2020, total revenues from sales of our generic medicines in all our business segments were \$9,316 million, or 55% of our total revenues. Generic pharmaceuticals are, as a general matter, less profitable



than specialty pharmaceuticals, and have faced price erosion in each of our business segments, placing even greater importance on our ability to continually introduce new products. We have become more dependent on sales of our generics medicines and are increasingly subject to market and regulatory factors and other risks affecting generic pharmaceuticals worldwide.

During 2020, our business was impacted by increased volatility in demand and fluctuations in overall prescription volumes due in large part to the COVID-19 pandemic. The effects of the COVID-19 pandemic may continue in 2021. Due to the volume of our generic portfolio and global nature of our supply chain, we have experienced supply discontinuities due to regulatory actions and approval delays, which had an impact on our ability to timely meet demand in certain instances. These adverse market forces have a direct impact on our overall performance.

We also expect to continue to experience significant adverse challenges in the U.S. generics market deriving from limitations on our ability to influence generic medicine pricing in the long term and a decrease in value from future launches and growth. These and other challenges have required us to recognize significant goodwill impairments in past years. If we experience further difficulty in this market, this may continue to adversely affect our revenues and profits from our North America business segment or cause us to recognize one or more goodwill impairments relating to this reporting unit.

***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. Certain of these Group Purchasing Organizations ("GPOs") have been making aggressive requests for pricing proposals and established commercial alliances resulting in greater bargaining power. Due to such consolidation and subsequent changes in these commercial alliances, there are four large GPOs that account for approximately 85% of generics purchases in the United States. We expect the trend of increased pricing pressures from our customers and price erosion in the U.S. generics market to continue.

The traditional model for distribution of pharmaceutical products is also undergoing disruption as a result of the entry or potential entry of new competitors and significant mergers among key industry participants. For example, in 2020, Amazon.com launched its pharmaceutical distribution business. In November 2020, Mylan and Pfizer's Upjohn completed a merger of their businesses by forming Viatris Inc., and, in November 2018, CVS Health and Aetna completed a merger which created a vertically integrated organization with increased control over the physician and pharmacy networks and, ultimately, over which medicines are sold to patients. In addition, several major hospital systems in the United States announced a plan to form a nonprofit company that will provide U.S. hospitals with a number of generic drugs. These changes to the traditional supply chain could lead to our customers having increased negotiation leverage and to additional pricing pressure and price erosion.

Our net sales may also be affected by fluctuations in the buying patterns of retail chains, mail order distributors, wholesalers and other trade buyers, whether resulting from seasonality, pricing, wholesaler buying decisions or other factors. Our business was also impacted by increased volatility in demand due in large part to the COVID-19 pandemic and fluctuations in overall market prescription volumes. 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.

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

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

Furthermore, brand pharmaceutical companies continue to manage products in a challenging environment through 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. Many pharmaceutical companies increasingly have used state and federal legislative and regulatory means to delay generic (including biosimilar) competition. These efforts have included pursuing new patents for existing products to extend patent protection; selling the brand product as their own generic equivalent (an authorized generic); using the Citizen Petition process to request amendments to FDA standards or otherwise delay generic (or biosimilar) drug approvals; seeking changes to U.S. Pharmacopeia, an organization which publishes industry recognized compendia of drug standards; using the legislative and regulatory process to have drugs reclassified or rescheduled; attaching patent extension amendments to unrelated federal legislation; and entering into agreements with pharmacy benefit management companies to block the dispensing of generic (including biosimilar) products. These actions may increase the costs and risks of our efforts to introduce generic products and may delay or prevent such introduction altogether.

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

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

Although we believe we have one of the most extensive pipelines of generic products in the industry, in recent years we were unable to successfully execute a number of generic launches and these challenges may continue in the foreseeable future. As a result of these unsuccessful launches, we may not be able to realize the economic benefits anticipated in connection with planned launches. If we cannot execute timely launches of new products, we may not be able to offset the increasing price erosion on existing products in the United States



resulting from pricing pressures and accelerated generics approvals for competing products. Such unsuccessful launches can be caused by many factors, including the impact of the COVID-19 pandemic, delays in regulatory approvals, lack of operational or clinical readiness or patent litigation. Failure or delays to execute launches of new generic products 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.

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

We aim to be a global leader in biopharmaceuticals. TRUXIMA, our first oncology biosimilar product in the United States, launched in November 2019 and is the first rituximab biosimilar to be approved in the United States. HERZUMA, a biosimilar to Herceptin® (trastuzumab), was launched in the United States in March 2020. In August 2020, we entered into a partnership agreement with a biopharmaceutical company, Alvotech, for the exclusive commercialization in the U.S. of five biosimilar product candidates. We are developing a product pipeline and manufacturing capabilities for biosimilar products, which are expected to make up an increasing proportion of the high-value generic opportunities in the coming years. The development, manufacture and commercialization of biopharmaceutical products require specialized expertise and are very costly and subject to complex regulation, which is still evolving. Due to the complex process required to develop biosimilars, obstacles and delays may arise that increase the cost of development or force us to abandon a potential product in which we may have invested substantial amounts of time and resources. We are behind many of our competitors in developing biopharmaceuticals and will require significant investments and collaborations with third parties to benefit from these opportunities. Failure to develop and commercialize biopharmaceuticals could have a material adverse effect on our business, financial condition, results of operations and prospects.



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

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

- Our future success depends on our ability to maximize the growth and commercial success of AUSTEDO. If our revenues derived from AUSTEDO do not increase as expected, it may have an adverse effect on our results of operations.
- AJOVY faces strong competition from two products that were introduced into the market around the same time and are competing for market share in the same space, as well as from other emerging competing therapies. Our auto-injector for AJOVY launched in April 2020, but we may still be at a competitive disadvantage in our ability to sell and market this product compared to competing products that launched earlier with an auto-injector due to our late entry into the market.
- COPAXONE faces increasing competition from generic versions in the U.S. and competing glatiramer acetate products in Europe, as well as from orally-administered therapies. Following the approval of generic competition, COPAXONE's revenues and profitability have decreased. We expect this trend to continue in the future, which may have a significant effect on our financial results and cash flow.

In addition, our specialty products require much greater use of a direct sales force than does our core generics business. Our ability to realize significant revenues from direct marketing and sales activities depends on our ability to attract and retain qualified sales personnel. Competition for qualified sales personnel is intense. We may also need to enter into co-promotion, contract sales force or other such arrangements with third parties, for example, where our own direct sales force is not large enough or sufficiently well-aligned to achieve maximum market penetration. Any failure to attract or retain qualified sales personnel or to enter into third-party arrangements on favorable terms could prevent us from successfully maintaining current sales levels or commercializing new innovative and specialty products. Furthermore, due to the impact of the COVID-19 pandemic, the ability to promote our new specialty products, primarily AJOVY and AUSTEDO, has been impacted by less physician visits by patients and less physician interactions with our sales personnel as well as the reluctance of physicians to introduce new medication at a time when access to patients may be restricted.

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

In addition to COPAXONE, certain of our other leading specialty medicines also face patent challenges and impending patent expirations. For example, in January 2019, we launched our own ProAir authorized generic in the United States following the launch of a generic version of Ventolin® HFA, another albuterol inhaler. Generic versions of ProAir were launched in 2020. Eagle has launched a ready-to-dilute bendamustine hydrochloride in June 2018, which directly competes with BENDEKA, in addition to the ANDAs and NDAs that have been filed by competitors in connection with TREANDA and BENDEKA. The first date for expected generic ANDA filings on AUSTEDO is in April 2021.

Generic equivalents and biosimilars 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 and biosimilars, both through our own efforts and through collaborations with, and in-licensing or acquisition of products from, third parties. We have entered into, and expect to pursue, in-licensing, acquisition and partnership opportunities to supplement and expand our existing specialty and biosimilar pipeline (e.g., the transactions with Celltrion, Regeneron and Alvotect).

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

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 resources. 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 2020, the development of AUSTEDO for Tourette syndrome and the development of AJOVY for post-traumatic headache were both discontinued.

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

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

Our financial results depend upon our ability to develop and commercialize additional generic, specialty and biosimilar products in a timely manner, particularly in light of the increasing generic competition to COPAXONE, generic and other competition to our respiratory products, such as ProAir, and patent challenges and impending patent expirations facing certain of our other specialty medicines, such as BENDEKA and



TREANDA. Commercialization requires that we successfully develop, test and manufacture pharmaceutical products. All of our products must receive regulatory approval and meet (and continue to comply with) regulatory and safety standards; if health or safety concerns arise with respect to a product, we may be forced to withdraw it from the market. Developing and commercializing additional pharmaceutical products is also subject to difficulties relating to the availability, on commercially reasonable terms, of raw materials, including API and other key ingredients; preclusion from commercialization by the proprietary rights of others; the costs of manufacture and commercialization; costly legal actions brought by our competitors that may delay or prevent development or commercialization of a new product; and delays and costs associated with the approval process of the FDA and other U.S. and international regulatory agencies.

The development and commercialization process, particularly with respect to specialty and biosimilar medicines, as well as the complex generic medicines that we increasingly focus on, is both time-consuming and costly, and involves a high degree of business risk. Our products currently under development, including fasinumab for osteoarthritis pain, AUSTEDO for dyskinesia in cerebral palsy, AJOVY for fibromyalgia and risperidone LAI for schizophrenia, 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 depend on the effectiveness of our patents, confidentiality agreements and other measures to protect our intellectual property rights.***

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

Efforts to defend the validity of our patents are expensive and time-consuming, and there can be no assurance that such efforts will be successful. Our ability to enforce our patents also depends on the laws of individual countries and each country's practices regarding the enforcement of intellectual property rights. The loss of patent protection or regulatory exclusivity on specialty medicines could materially impact our business, results of operations, financial condition and prospects.

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



## Risks related to our substantial indebtedness

*We have substantial debt of \$25,919 million as of December 31, 2020, which has increased our expenses and restricts our ability to incur additional indebtedness or engage in other transactions.*

Our consolidated debt was \$25,919 million at December 31, 2020, compared to \$26,908 million at December 31, 2019. If we are unable to meet our debt service obligations and other financial obligations, we could be forced to restructure or refinance our indebtedness and other financial transactions, seek additional debt or equity capital or sell our assets. We might then be unable to obtain such financing or capital or sell our assets on satisfactory terms, if at all. Any refinancing of our indebtedness could be at significantly higher interest rates, incur significant transaction fees or include more restrictive covenants. See “Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity” and note 9 to our consolidated financial statements for a detailed discussion of our outstanding indebtedness.

We may have lower-than-anticipated cash flows in the future, which could further reduce our available cash. Although we believe that we will have access to cash sufficient to meet our business objectives and capital needs, this reduced availability of cash could constrain our ability to grow our business. We may have lower-than-anticipated net income in the future. Our revolving credit facility (“RCF”) contains certain covenants, including certain limitations on incurring liens and indebtedness and maintenance of certain financial ratios, including the requirement to maintain compliance with a net debt to EBITDA ratio, which becomes more restrictive over time. We borrowed up to €270 million from our RCF during 2020, which has since been fully repaid. As of December 31, 2020 and as of the date of this Annual Report, we did not have any outstanding debt under the revolving credit facility. Under specified circumstances, including non-compliance with any of the covenants and the unavailability of any waiver, amendment or other modification thereto, we will not be able to borrow under the RCF. Additionally, violations of the covenants, under certain circumstances, would result in an event of default in all borrowings under the RCF and, when greater than a specified threshold amount as set forth in each series of senior notes is outstanding, could lead to an event of default under our senior notes, due to cross acceleration provisions.

As of December 31, 2020, we were in compliance with all applicable financial ratios. We continue to take steps to reduce our debt levels and improve profitability to ensure continual compliance with the financial maintenance covenants. If such covenants will not be met, we believe we will be able to renegotiate and amend the covenants, or refinance the debt with different repayment terms to address such situation as circumstances warrant. Although we have successfully negotiated amendments to our loan agreements in the past, we cannot guarantee that we will be able to amend such agreements on terms satisfactory to us, or at all, if required to maintain compliance in the future. If we experience lower than required earnings and cash flows to continue to maintain compliance and efforts could not be successfully completed on commercially acceptable terms, we may curtail additional planned spending, may divest additional assets in order to generate enough cash to meet our debt requirements and all other financial obligations.

This substantial level of debt and lower levels of cash flow and earnings have severely impacted our business and resulted in a restructuring plan between 2017 and 2019.

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.

Additionally, if the COVID-19 pandemic has a significant impact on our business and financial results for an extended period of time, our credit losses, liquidity and cash resources could be negatively impacted. We may be required to draw down funds from our RCF or pursue additional sources of financing to fund our operations, such as secured financing. If we seek secured financing in excess of the limitation in our debt instruments, we may have to secure our current outstanding debt as well. Capital and credit markets have been disrupted by the crisis and foreign exchanges have experienced increased volatility. As a result, access to additional financing may be challenging and is largely dependent upon evolving market conditions and other factors.

***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. 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 Investor Service, Inc. ("Moody's") downgraded our rating to non-investment grade from Baa3 to Ba2, with a stable outlook. On August 16, 2019, Moody's revised our rating outlook to negative. On September 3, 2020, Standard and Poor's Financial Services LLC ("Standard and Poor's") downgraded our rating from BB to BB- due to rising litigation risks, but removed our rating outlook from CreditWatch back to stable, reflecting recent stabilization of our revenue and EBITDA.

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

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

***The widespread outbreak of an illness or any other communicable disease, or any other public health crisis, such as the COVID-19 pandemic, could adversely affect our business, results of operations and financial condition.***

The COVID-19 pandemic has negatively impacted the global economy, disrupted global supply chains and created significant volatility and disruption of financial markets. The virus has spread globally to multiple countries and regions, including to the United States, certain European countries, Israel, India and Latin America,



where we currently manufacture most of our products and conduct our clinical trials. The potential closure of our facilities in these or other areas in which we operate, or other protectionist measures or restrictions inhibiting our employees' ability to access our facilities, may materially affect our operations, including potentially interrupting our manufacturing, supply chain, clinical trial and pre-commercial launch activities. The COVID-19 pandemic may also affect our employees as well as employees and operations at third-party manufacturers or suppliers that may result in delays or disruptions in manufacturing and supply. The COVID-19 pandemic has also led to a new working environment, which may affect employee wellbeing and engagement, causing stress and fear of returning to work at the office. This in turn may result in lower productivity and motivation among employees.

In 2020, we did not experience significant impacts or delays from the COVID-19 pandemic on our business operations. We have experienced minimal delays in clinical trials due to cessation or slow-downs of recruitment for patient studies and suspended regulatory inspections, delays in regulatory approvals of new products due to reduced capacity or re-prioritization of regulatory agencies and delays in pre-commercial launch activities. In addition, we experienced slightly lower demand due to less physician and hospital activity in certain regions and for certain medicines in the second half of 2020 resulting from the impact of the COVID-19 pandemic. While we expect to be able to continue our operations and to satisfy the demand for our products, while protecting the health and safety of our employees and customers, the uncertainty surrounding the full economic implications of the pandemic may result in a period of business disruption. Any COVID-19 related disruption could have a material adverse impact on our business and our results of operation and financial condition. Changes in patient behavior resulting in less visits to physicians and medical facilities, or increased layoffs in the U.S. employment market, which may affect healthcare benefits coverage, have caused a decline or slower growth in the number of patients diagnosed with diseases for which we produce treatments, and if this trend continues or worsens, our revenues could be adversely affected. In addition, a recession or market correction resulting from the spread of COVID-19 could materially affect our business, the value of our shares and our access to the capital and credit markets including our liquidity and cash resources. The new working environment, with many employees working remotely, has exposed many companies to cyber-attacks and data security breaches. If such breach were to occur, it may have a material adverse effect on our business, operations and reputation.

We have taken precautionary measures, and may take additional measures, intended to minimize the risk of the COVID-19 pandemic to our employees and operations. The extent of the impact of the COVID-19 pandemic on our operational and financial performance, including our ability to execute our business strategies in the expected time frame or at all, will depend on future developments, such as the duration and spread of the COVID-19 pandemic and long-term impact on the world's economy, all of which are uncertain and cannot be predicted.

***Implementation of ongoing optimization efforts may adversely affect our business, financial condition and results of operations.***

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

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

Any workforce reduction and site consolidation may result in the loss of numerous long-term employees, the loss of institutional knowledge and expertise, the reallocation of certain job responsibilities and the disruption of business continuity, all of which could negatively affect operational efficiencies and our ability to achieve growth and profitability through the development and sale of new pharmaceutical products.



We cannot guarantee that, following such efficiency measures, our business will be more efficient or effective.

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

Given the size, complexity and global reach of our business and our multiple areas of focus, we are especially reliant upon our ability to recruit and retain highly qualified management and other key employees. Our ability to attract and retain such employees may be diminished by the financial, legal and regulatory challenges we have faced in recent years. In addition, the success of our R&D activity depends on our ability to attract and retain sufficient numbers of skilled scientific personnel, which may be limited due to our R&D spending and programs. Any difficulty in recruiting, hiring, retaining and motivating talented and skilled members of our organization may delay or prevent the achievement of major business objectives.

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

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

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

In recent years, regulatory agencies around the world have increased their scrutiny of pharmaceutical manufacturers. This has resulted in requests for product recalls, temporary plant shutdowns to address specific issues and other remedial actions. Our manufacturing facilities, as well as those of our vendors and manufacturing partners, have also been the subject of increased regulatory oversight, leading to increased expenditures required to ensure compliance with new or more stringent production and quality control regulations. For information regarding significant regulatory events, see note 15 to our consolidated financial statements.

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

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

Our products are either manufactured at our own facilities or obtained through supply agreements with third parties. Many of our products are the result of complex manufacturing processes, and some require highly



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

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

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

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

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

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

Furthermore, our systems and networks have been, and are expected to continue to be, the target of advanced cyber-attacks which may pose a risk to the security of our systems and the confidentiality, availability and integrity of our data, as well as disrupt our operations or damage our facilities or those of third parties. As cybersecurity threats rapidly evolve in sophistication and become more prevalent, we are continually increasing our attention to these threats. We assess potential threats and vulnerabilities and make investments seeking to address them, including ongoing monitoring and updating of networks and systems, increasing specialized information security skills, deploying employee security training and updating our security policies. However, because the techniques, tools and tactics used in cyber-attacks frequently change and may be difficult to detect for periods of time, we may face difficulties in anticipating and implementing adequate preventative measures or fully mitigating harms after such an attack. In addition, hardware, software or applications we develop or procure from third parties may contain defects in design or manufacture or other problems that could unexpectedly



compromise information security. We outsource administration of certain functions to vendors that could be targets of cyber-attacks. Any theft, loss and/or fraudulent use of customer, employee or proprietary data as a result of a cyber-attack targeting us or one of our third-party service providers could subject us to significant litigation, liability and costs, as well as adversely impact our reputation with customers and regulators, among others. A significant cyber-attack on our information technology systems may lead to substantial interruptions in our business, legal claims and liability, regulatory investigations and penalties, and reputational damage, which could have a material adverse effect on our business, financial condition and results of operations. While we maintain insurance coverage that is designed to address certain aspects of cyber risks, such insurance coverage may be insufficient to cover all losses or all types of claims that may arise in the event we experience a cybersecurity incident, data security breach or disruption, unauthorized access or failure of systems.

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

In the ordinary course of our business, we collect and store sensitive data in our data centers and on our networks, including intellectual property, proprietary business information (both ours and that of our customers, suppliers and business partners) and personally identifiable information of our employees. We are subject to laws and regulations governing the collection, use and transmission of personal information, including health information. As the legislative and regulatory landscape for data privacy and protection continues to evolve around the world, there has been an increasing focus on privacy and data protection issues that may affect our business, including the U.S.'s federal Health Insurance Portability and Accountability Act of 1996, as amended ("HIPAA"), the EU's General Data Protection Regulation ("GDPR"), California Consumer Privacy Act ("CCPA") and other laws and regulations governing the collection, use, disclosure and transmission of data in other jurisdictions. Although Teva is not HIPAA-regulated, we do business with customers who are, and increased focus on compliance with HIPAA and state laws that govern the privacy and security of medical data may impact our business.

HIPAA mandates the adoption of specific standards for electronic transactions and code sets that are used to transmit certain types of health information. To protect the information transmitted using the mandated standards and the patient information used in the daily operations of a covered entity, HIPAA also sets forth federal rules protecting the privacy and security of protected health information ("PHI"). The law provides both criminal and civil fines and penalties for covered entities that fail to comply with HIPAA. Under HIPAA, covered entities must establish administrative, physical and technical safeguards to protect the confidentiality, integrity and availability of electronic PHI maintained or transmitted by them or by others on their behalf. Covered entities we engage are in material compliance with the privacy, security and National Provider Identifier requirements of HIPAA and state laws that regulate the privacy and security of medical data.

The Health Information Technology for Economic and Clinical Health ("HITECH") Act imposed certain of the HIPAA privacy and security requirements directly upon business associates of covered entities and significantly increased the monetary penalties for violations of HIPAA. Regulations also require business associates to notify covered entities, who in turn must notify affected individuals and government authorities, of data security breaches involving unsecured PHI. Since the passage of the HITECH Act, enforcement of HIPAA violations has increased.

We have procedures in place to detect and respond to data security incidents. If our efforts to protect the security of information about our customers, suppliers and employees are unsuccessful, a significant data security breach may result in costly government enforcement actions, private litigation and negative publicity resulting in reputation or brand damage with customers, and our business, financial condition, results of operations or prospects could suffer.



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

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

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

We are a global pharmaceutical company with worldwide operations. Although approximately 51% of our sales are in the United States and Western Europe, an increasing portion of our sales and operational network are located in other regions, such as Latin America, Central and Eastern Europe and Asia, which may be more susceptible to political and economic instability. Other countries and regions, such as the United States and Western Europe, also face potential instability due to political and other developments. In addition, in the United States, the executive administration has discussed, and in some cases implemented, changes with respect to certain trade policies, tariffs and other government regulations affecting trade between the United States and other countries. As a company that manufactures most of its products outside the United States, a "border adjustment tax" or other restriction on trade, if enacted, may have a material adverse effect on our business, financial condition and results of operations. In addition, given that a significant portion of our business is conducted in the European Union, including the U.K., the formal change in the relationship between the U.K. and the European Union caused by the U.K. referendum to leave the European Union, referred to as "Brexit," may pose certain implications to our research, commercial and general business operations in the U.K. and the European Union, including the approval and supply of our products. On December 24, 2020, the United Kingdom and European Union agreed on a new Trade and Cooperation Agreement and on December 31, 2020, the United Kingdom formally left the transition period. The Trade and Cooperation Agreement is comprehensive, but does not cover all areas of regulation pertinent to the pharmaceutical industry, so certain complexities remain. This finalization of the long-term relationship between the United Kingdom and the European Union will dictate how the European Union will be impacted and may result in an impact on our business operations in Europe.

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 ("FCPA"), 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. 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 have exposed us, and may further expose us, to significant liability for violations of the FCPA or other anti-corruption laws. In 2016, we paid a monetary fine for FCPA violations and entered into a three year deferred prosecution agreement with the DOJ, which included retaining an independent compliance monitor. Violations of these laws and regulations could result in fines, criminal sanctions against us, our officers or our employees, requirements to obtain export licenses, cessation of business activities in sanctioned countries, implementation of compliance programs and prohibitions on the conduct of our business. Any such violation could include prohibitions on our ability to offer our products in one or more countries and could materially damage our reputation, our brand, our ability to attract and retain employees, our business, our financial condition and our results of operations.

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

***We are subject to extensive pharmaceutical 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, the EMA and other foreign regulatory authorities. The process of obtaining regulatory approvals to market a drug or medical device can be costly and time-consuming, and approvals might not be granted for future products, or additional indications or uses of existing products, on a timely basis, if at all. Delays in the receipt of, or failure to obtain approvals for, future products, or new indications and uses, could result in delayed realization of product revenues, reduction in revenues and substantial additional costs. For example, in the last three years, we experienced delays in obtaining anticipated approvals for various generic and specialty products, and during 2020 the COVID-19 pandemic caused some delays in approvals due to travel and work restrictions. We may continue to experience similar delays.

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

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

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

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

Significant developments that may adversely affect pricing in the United States include Medicare reforms by Congress and regulatory changes to Medicare Part B (physician administered drugs) and Medicare Part D (prescription drug benefit), additional changes to the Affordable Care Act ("ACA") under the Biden Administration and trends in the practices of managed care groups and institutional and governmental purchasers, including the impact of consolidation of our customers. In particular, additional pressure to reduce health care costs in states is critical as the COVID-19 pandemic strained state healthcare budgets and swelled Medicaid rolls due to economic downturns and job loss. Many new Medicaid recipients were previously covered under employer-sponsored plans.

The branded pharmaceutical industry faces uncertainty regarding whether the Interim Final Rule (IFR) published on November 27, 2020 by the CMS will survive pending court challenges. Originally set to be effective January 1, 2021, the IFR imposes a mandatory Most Favored Nation (MFN) pricing model on fifty single-source drugs and biologics (including biosimilars) reimbursed by Medicare Part B, to be administered by the Centers for Medicare and Medicaid Innovation. PhRMA, the Biotechnology Industry Organization (BIO), a biotechnology company, and several patient support groups filed litigation to enjoin the implementation process and allow for more thoughtful deliberations over the imposition of drug price control proposals. On December 28, 2020, the court in the BIO case imposed a preliminary injunction on implementation of the IFR pending completion of regulatory notice-and-comment requirements by CMS. Subsequently, on January 13, 2021 the DOJ and PhRMA agreed to stay their litigation (which sought a similar national injunction of IFR implementation) until a final rule based on the IFR is published in the Federal Register. As a result, while the IFR as published will not go into effect, CMS could propose pricing changes similar to the IFR in the future, albeit with more notice and opportunity for stakeholders to participate in the regulatory process. There is likely to be consideration of Medicare Part D reform as well, which could impact pricing policies, such as direct price negotiation between the U.S. Department of Health and Human Services and manufacturers.

Increased purchasing power of entities that negotiate on behalf of Medicare, Medicaid, and private sector beneficiaries may result in increased pricing pressure by influencing 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 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 in some European markets, 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.

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

A significant portion of our revenues is 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. For a description of our revenue from our main customers, see note 19 to our consolidated financial statements.

***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, strategic alliances and licenses, among other transactions, as part of our business strategy. Relying on acquisitions, licensing agreements and other transactions as sources of new specialty, biosimilar and other products, or as a means of growth, involves risks that could adversely affect our future revenues and operating results. We may not be successful in seeking or consummating appropriate opportunities to enable us to execute our business strategy. We may not be able to pursue relevant acquisitions and licensing opportunities due to financial capacity constraints, and 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. We may fail to integrate acquisitions successfully into our existing business, and could incur or assume significant debt and unknown or contingent liabilities, including, among others, patent infringement or product liability claims. In addition, partners for which we may enter into licensing or other collaboration agreements may not be able to perform their responsibilities challenging the ability to monetize opportunities related to them.

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

We may from time to time consider selling certain assets if we determine that such assets are not critical to our strategy or we believe the opportunity to monetize the asset is attractive or for various other reasons, including for the reduction of indebtedness. We closed or divested a significant number of manufacturing plants and R&D facilities between 2017 and 2019 in connection with our restructuring plan and may close or divest additional plants and facilities as part of our ongoing efficiency measures and plant rationalization process. We have explored and may continue to explore the sale of certain non-core assets. We may fail to identify appropriate opportunities to divest assets on terms acceptable to us or may fail to transition employees and continuing operations from disposed businesses efficiently. 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, the durability of our manufacturing network, our market share in particular markets or our opportunities with respect to certain markets.



## Compliance, regulatory and litigation risks

***Our operations are subject to complex legal and regulatory environments. If we fail to comply with applicable laws and regulations we may suffer legal consequences that may have a material effect on our business, operations or reputation.***

We operate around the world in complex legal and regulatory environments. Any failure to comply with applicable laws, rules and regulations may result in civil and/or criminal legal proceedings and lead to fines, damages, mandated compliance programs and other sanctions and remedies that may materially affect our business and operations as well as our reputation. In addition, as 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 investigated.

Examples of rules and regulations impacting our operations include rules and regulations applicable to the sales and marketing of our products, competition laws, trade control laws, anti-bribery laws, privacy laws, compliance with cGMP, labor laws, safety and laws regarding manufacturing practices, product labeling, advertising and post marketing reporting including adverse event reports and field alerts due to manufacturing quality concerns, tax and financial reporting laws and environmental laws.

We are currently subject to several governmental and civil proceedings and litigations relating to our pricing and marketing practices, intellectual property, product liability, competition matters, opioids, securities disclosure and corporate governance and environmental matters. These investigations and litigations are costly and involve a significant diversion of management attention. Such proceedings are unpredictable and may develop over lengthy periods of time. An adverse resolution of these proceedings may result in large monetary fines, damages, additional litigation, such as securities and derivative actions, and other non-monetary sanctions and remedies, such as mandated compliance agreements, which can be expensive and disruptive to operations.

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

Certain governmental and regulatory agencies are focused on the abuse of opioid medications in the United States. U.S. federal, state and local governmental and regulatory agencies are conducting investigations of us, other pharmaceutical manufacturers and other supply chain participants with regard to the manufacture, sale, marketing and distribution of opioid medications. A number of state attorneys general, including a coordinated multistate effort, are investigating our sales and marketing of opioids, and we have received subpoenas from the DOJ seeking documents relating to the manufacture, marketing and sale of opioid medications. In addition, we are currently litigating civil claims and administrative actions brought by various states and political subdivisions as well as private claimants, against various manufacturers, distributors and retail pharmacies throughout the United States in connection with our manufacture, sale and distribution of opioids. Also, several jurisdictions and consumers in Canada have initiated litigation regarding opioids alleging similar claims as those in the United States, and we may be sued in other jurisdictions globally for similar claims as well. For further information, including on a nation-wide framework agreement we entered into with a group of attorney generals, see "Opioids Litigation" in note 12 to our consolidated financial statements.

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



Furthermore, we utilize controlled substances in certain of our current products and products in development, and therefore must meet the requirements of the Controlled Substances Act of 1970 and related regulations administered by the DEA in the U.S., as well as the requirements of similar laws and regulations in other countries where we operate, relating to the manufacture, shipment, storage, sale, and use of controlled substances. While we are committed to compliance and have robust compliance systems in place, risk associated with these laws and regulations cannot be entirely eliminated by policies and procedures. The DEA and other regulatory agencies also set annual procurement quotas that limit the availability of the controlled substances used in certain of our current products and products in development, and quota levels may impact our ability to meet commercial demand or complete clinical trials. In addition, prescription drug abuse and the diversion of opioids and other controlled substances are the frequent subject of public attention, which presents significant reputational risk. The occurrence of any of the above risks could have a material adverse effect on our business, financial condition, results of operations, cash flows, and/or share price.

***The pharmaceutical sector is facing increased government scrutiny from competition and pricing authorities around the world, which may expose us to significant damages and commercial restrictions that can materially and adversely affect our business.***

We are required to comply with competition laws in the territories where we do business around the world. Compliance with these laws has been the subject of increasing focus and activity by regulatory authorities, both in the United States and Europe, in recent years. Alleged actions by our employees, in violation of such laws, or evolving interpretations of competition law as applicable to certain practices, have exposed us, and may further expose us, to investigations and legal proceedings, which may result in significant liability for violations of competition laws, which may have a material adverse effect on our reputation, business, financial condition and results of operations.

We are subject to a DOJ civil investigation and a criminal indictment charging Teva USA with criminal felony Sherman Act violations, that, if resulting in a conviction or guilty plea, could have a material adverse effect on our business, including monetary penalties, debarment from federally funded health care programs and reputational harm. In addition, we are a party to numerous civil claims brought by state officials and private plaintiffs alleging that Teva, together with other pharmaceutical manufacturers, engaged in conspiracies to fix prices and/or allocate market share of generic products in the United States.

We have been involved in numerous litigations involving challenges to the validity or enforceability of listed patents (including our own), and therefore settling patent litigations has been and will likely continue to be an important part of our business. We have been facing increased scrutiny of our patent settlements, including from the U.S. Federal Trade Commission ("FTC") and the European Commission. Accordingly, we may receive formal or informal requests from competition law authorities around the world for information about a particular settlement agreement, and there is a risk that governmental authorities, customers, other downstream purchasers or others may commence actions against us alleging violations of antitrust laws. We are currently defendants in antitrust actions brought by U.S. states, the European Commission and private plaintiffs involving numerous settlement agreements and, since 2015, we are subject to a consent decree with the FTC, which imposes on us certain injunctive reliefs with respect to our ability to enter into patent settlements in the United States. The U.S. Congress and certain state legislatures in the United States have also passed, or proposed passing, legislation that could adversely impact our ability to settle patent litigations. For example, the State of California has enacted legislation that prohibits, with certain exceptions and safe harbors, various types of patent litigation settlements, and imposes substantial monetary penalties on companies and individuals who do not comply. Such legislation creates a risk of significant potential exposure for settling patent litigations and, in turn, makes it more difficult to settle in the first place, which could have a material adverse effect on our business.

Following calls in recent years from policy makers and other stakeholders in many countries for governmental intervention against the high prices of certain pharmaceutical products, we are currently, and may in the future be, subject to governmental investigations, claims or other legal or regulatory actions regarding our

pricing and/or other alleged exclusionary practices. These include U.S. Congressional investigations regarding both our specialty and generic medicines, the European Commission's inquiry into COPAXONE and the U.K. Competition and Markets Authority inquiry regarding hydrocortisone. Also, in September 2020, the U.S. House Committee on Oversight and Reform held a hearing focused on pricing of branded medications, which focused in part on historic pricing of COPAXONE in the U.S. It is not possible to predict the ultimate outcome of any such investigations, claims or proceedings or what other investigations or lawsuits or regulatory responses may result from such assertions, which could have a material adverse effect on our reputation, business, financial condition and results of operations. See note 12 to our consolidated financial statements for more information on our material investigations, proceedings and litigations relating to competition law and governmental investigations.

***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. For further details, see note 12 to our consolidated financial statements.

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

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

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

Teva maintains an insurance program, which may include commercial insurance, self-insurance (including direct risk retention), or a combination of both approaches, in amounts and on terms that it believes are reasonable and prudent in light of its business and related risks. Teva sells, and will continue to sell, pharmaceutical products that are not covered by its product liability insurance. In addition, it may be subject to claims for which insurance coverage is denied, as well as claims that exceed its policy limits. Product liability coverage for pharmaceutical companies is becoming more expensive and increasingly difficult to obtain. As a result, Teva may not be able to obtain the type and amount of insurance it desires, or any insurance on reasonable terms, in the markets in which it operates. For details regarding our current material product liability cases, see note 12 to our consolidated financial statements.

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

The U.S. laws and regulations regarding Medicare and/or Medicaid reimbursement and rebates and other governmental programs are complex. Some of the applicable laws may impose liability even in the absence of specific intent to defraud. The subjective decisions and complex methodologies used in making calculations under these programs are subject to review and challenge, and it is possible that such reviews could result in material changes. A number of state attorney generals and others have filed lawsuits alleging that we and other pharmaceutical companies reported inflated average wholesale prices, leading to excessive payments by Medicare and/or Medicaid for prescription drugs. In addition, the U.S. government has alleged violations of the federal Anti-Kickback Statute, and related causes of action under the federal False Claims Act and state law in connection with Teva's donations to patient assistance programs. Such allegations could, if proven or settled, result in additional monetary penalties (beyond the lawsuits we have already settled) and possible exclusion from Medicare, Medicaid and other programs. In addition, we are notified from time to time of governmental investigations regarding drug reimbursement or pricing issues. See "Government Investigations and Litigation Relating to Pricing and Marketing" in note 12 to our consolidated financial statements. Certain parts of Medicare benefits are under scrutiny, as the U.S. Congress looks for ways to reduce government spending on prescription medicines.

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

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

***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 2020, approximately 48% of revenues were denominated in currencies other than the U.S. dollar. As a result, we are subject to significant foreign currency risks, including repatriation restrictions in certain countries, and may face heightened risks as we enter new markets. An increasing proportion of our sales, particularly in Latin America, Central and Eastern European countries and Asia, are recorded in local currencies, which exposes us to the direct risk of devaluations, hyperinflation or exchange rate fluctuations. Exchange rate movements during 2020 in comparison with 2019, including hedging effects, negatively impacted overall revenues by \$33 million and operating income (loss) by \$56 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 2020 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 our balance sheet and operating income 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, are not fully protected against foreign currency exposures. Therefore, our exposure to exchange rate fluctuations could have a material adverse effect on our financial results.

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

We regularly review our long-lived assets, including identifiable intangible assets, goodwill and property, plant and equipment, for impairment. Goodwill and acquired indefinite life intangible assets are subject to impairment review on an annual basis and whenever potential impairment indicators are present. Other long-lived assets are reviewed when there is an indication that impairment may have occurred. The amount of goodwill, identifiable intangible assets and property, plant and equipment on our consolidated balance sheet may increase following acquisitions or other collaboration agreements. Changes in market conditions or other changes in the future outlook of value may lead to further impairments in the future. In addition, the potential divestment of assets, including the closure or divestment of manufacturing plants and R&D facilities, headquarters and other office locations, may lead to additional impairments. Future events or decisions may lead to asset impairments and/or related charges. For assets that are not impaired, we may adjust the remaining useful lives. Certain non-cash impairments may result from a change in our strategic goals, business direction or other factors relating to the overall business environment. Any significant impairment could have a material adverse effect on our results of operations. See notes 6 and 7 in our consolidated financial statements, for descriptions of impairments of intangible assets and goodwill in recent periods.

## ***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. The first wave of BEPS recommendations is being implemented by countries in specific national tax laws, and the OECD is currently working on further initiatives that may further change current international tax principles. It remains difficult to predict the magnitude of the effect of such new rules on our financial results.

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

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

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

- some government programs may be discontinued, or the applicable tax rates may increase;
- we may be unable to meet the requirements for continuing to qualify for some programs and the restructuring plan may lead to the loss of certain tax benefits we currently receive;
- these programs and tax benefits may be unavailable at their current levels;
- upon expiration of a particular benefit, we may not be eligible to participate in a new program or qualify for a new tax benefit that would offset the loss of the expiring tax benefit; or
- we may be required to refund previously recognized tax benefits if we are found to be in violation of the stipulated conditions.

## **Equity ownership risks**

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

The rights and responsibilities of the holders of our ordinary shares are governed by our articles of association and by Israeli law. These rights and responsibilities differ in some material respects from the rights and responsibilities of shareholders of U.S. corporations. In particular, a shareholder of an Israeli company has a duty to act in good faith and in a customary manner in exercising his or her rights and performing his or her obligations towards the company and other shareholders, and to refrain from abusing his or her power in the company, including, among other things, in voting at a general meeting of shareholders on matters such as



amendments to a company's articles of association, increases in a company's authorized share capital, mergers and acquisitions and related party transactions requiring shareholder approval. In addition, a shareholder who is aware that it possesses the power to determine the outcome of a shareholder vote or to appoint or prevent the appointment of a director or executive officer in the company has a duty of fairness toward the company. There is limited case law available to assist in understanding the nature of this duty or the implications of these provisions. These provisions may be interpreted to impose additional obligations and liabilities on holders of our ordinary shares that are not typically imposed on shareholders of U.S. corporations.

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

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

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

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

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

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

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

## ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.



## ITEM 2. PROPERTIES

We own or lease 86 manufacturing and R&D facilities, occupying approximately 25.2 million square feet. As of December 31, 2020, our manufacturing and R&D facilities are used by our business segments as follows:

| <u>Business Segment</u>                                | <u>Number of Facilities</u> | <u>Square Feet (in thousands)</u> |
|--------------------------------------------------------|-----------------------------|-----------------------------------|
| North America .....                                    | 19                          | 5,125                             |
| Europe .....                                           | 32                          | 12,300                            |
| International Markets .....                            | 35                          | 7,769                             |
| Worldwide Total Manufacturing and R&D Facilities ..... | 86                          | 25,194                            |

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

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

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

In Israel, our principal executive offices and corporate headquarters recently relocated from Petach-Tikva to Tel Aviv-Jaffa. Our executive offices in Petach-Tikva are leased until December 2021 and we have an operating lease for the office space in Tel Aviv-Jaffa for an initial term of twelve and a half years, with an option for three extensions.

In North America, our principal executive offices are our U.S. headquarters in Parsippany, New Jersey. In Europe, our principal executive offices are in Amsterdam, the Netherlands.

We are continuing the ongoing review and optimization of our manufacturing and supply network, which may include closures and/or divestment of manufacturing plants around the world.

## ITEM 3. LEGAL PROCEEDINGS

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

## ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

## PART II

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

### American Depositary Shares ("ADSs")

Our ADSs, which have been traded in the United States since 1982, were admitted to trade on the Nasdaq National Market in October 1987 and were subsequently traded on the Nasdaq Global Select Market. On May 30, 2012, we transferred the listing of our ADSs to the New York Stock Exchange (the "NYSE"). The ADSs are



quoted under the symbol “TEVA.” Citibank, N.A. serves as depository for the ADSs. Each ADS represents one ordinary share.

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

## Ordinary Shares

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

## Holders

The number of record holders of ADSs at December 31, 2020 was 2,747.

The number of record holders of ordinary shares at December 31, 2020 was 185.

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

## Dividends

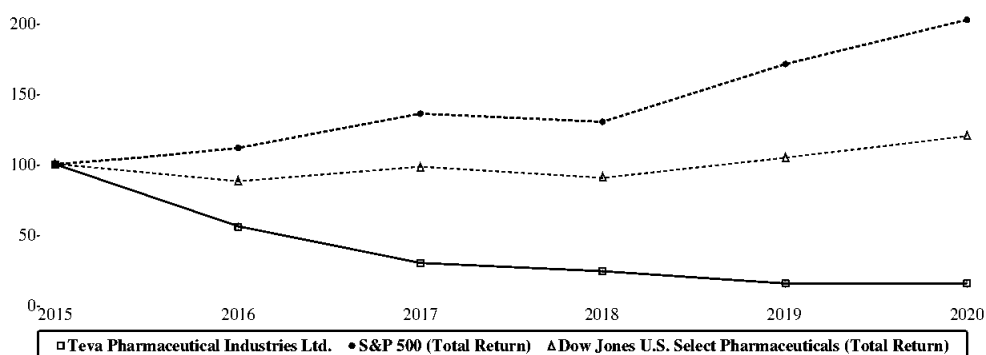
We have not paid dividends on our ordinary shares or ADSs since December 2017.

## 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, 2016, 2017, 2018, 2019 and 2020, of \$100 invested on December 31, 2015 in the Company’s ADSs, the Standard & Poor’s 500 Index and the Dow Jones U.S. Pharmaceuticals Index.



\* \$100 invested on December 31, 2015 in stock or index—including reinvestment of dividends. Indexes calculated on month-end basis.



## ITEM 6. SELECTED FINANCIAL DATA

### Operating Data

|                                                                  | For the year ended December 31, |         |         |          |         |
|------------------------------------------------------------------|---------------------------------|---------|---------|----------|---------|
|                                                                  | 2020                            | 2019    | 2018    | 2017     | 2016    |
| (U.S. dollars in millions, except share and per share amounts)   |                                 |         |         |          |         |
| <b>Income Statement Data: (a)</b>                                |                                 |         |         |          |         |
| Net revenues                                                     | 16,659                          | 16,887  | 18,271  | 21,853   | 21,464  |
| Cost of sales                                                    | 8,933                           | 9,351   | 9,975   | 11,237   | 9,811   |
| Gross profit                                                     | 7,726                           | 7,537   | 8,296   | 10,615   | 11,653  |
| Research and development expenses                                | 997                             | 1,010   | 1,213   | 1,778    | 2,077   |
| Selling and marketing expenses                                   | 2,498                           | 2,614   | 2,916   | 3,395    | 3,583   |
| General and administrative expenses                              | 1,173                           | 1,192   | 1,298   | 1,451    | 1,390   |
| Intangible assets impairment                                     | 1,502                           | 1,639   | 1,991   | 3,238    | 589     |
| Goodwill impairment                                              | 4,628                           | —       | 3,027   | 17,100   | 900     |
| Other asset impairments, restructuring and other items           | 479                             | 423     | 987     | 1,836    | 830     |
| Legal settlements and loss contingencies                         | 60                              | 1,178   | (1,208) | 500      | 899     |
| Other Income                                                     | (40)                            | (76)    | (291)   | (1,199)  | (769)   |
| Operating income (loss)                                          | (3,572)                         | (443)   | (1,637) | (17,484) | 2,154   |
| Financial expenses, net                                          | 834                             | 822     | 959     | 895      | 1,330   |
| Income (loss) before income taxes                                | (4,406)                         | (1,265) | (2,596) | (18,379) | 824     |
| Income taxes (benefit)                                           | (168)                           | (278)   | (195)   | (1,933)  | 521     |
| Share in (profits) losses of associated companies, net           | (138)                           | 13      | 71      | 3        | (8)     |
| Net income (loss)                                                | (4,099)                         | (1,000) | (2,472) | (16,449) | 311     |
| Net income (loss) attributable to non-controlling interests      | (109)                           | (2)     | (322)   | (184)    | (18)    |
| Net income (loss) attributable to Teva                           | (3,990)                         | (999)   | (2,150) | (16,265) | 329     |
| Accrued dividends on preferred shares                            | —                               | —       | 249     | 260      | 261     |
| Net income (loss) attributable to ordinary shareholders          | (3,990)                         | (999)   | (2,399) | (16,525) | 68      |
| Earnings (loss) per share attributable to ordinary shareholders: |                                 |         |         |          |         |
| Basic (\$)                                                       | (3.64)                          | (0.91)  | (2.35)  | (16.26)  | 0.07    |
| Diluted (\$)                                                     | (3.64)                          | (0.91)  | (2.35)  | (16.26)  | 0.07    |
| Weighted average number of shares (in millions):                 |                                 |         |         |          |         |
| Basic                                                            | 1,095                           | 1,091   | 1,021   | 1,016    | 955     |
| Diluted                                                          | 1,095                           | 1,091   | 1,021   | 1,016    | 961     |
| Dividend per ordinary share                                      | —                               | —       | \$ 0.51 | \$ 1.36  | \$ 1.36 |

(a) For a discussion of items that affected the comparability of results for the years 2020 and 2019, refer to "Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations."



## Balance Sheet Data

|                                                                              | As at December 31,         |               |               |               |               |
|------------------------------------------------------------------------------|----------------------------|---------------|---------------|---------------|---------------|
|                                                                              | 2020                       | 2019          | 2018          | 2017          | 2016          |
|                                                                              | (U.S. dollars in millions) |               |               |               |               |
| Financial assets (cash, cash equivalents and investment in securities) ..... | 2,478                      | 2,033         | 1,846         | 1,060         | 1,949         |
| Identifiable intangible assets, net .....                                    | 8,923                      | 11,232        | 14,005        | 17,640        | 21,487        |
| Goodwill .....                                                               | 20,624                     | 24,846        | 24,917        | 28,414        | 44,409        |
| Working capital (operating assets minus liabilities) .....                   | 662                        | 74            | (186)         | (384)         | 303           |
| Total assets .....                                                           | 50,640                     | 57,470        | 60,683        | 70,615        | 93,057        |
| Short-term debt, including current maturities .....                          | 3,188                      | 2,345         | 2,216         | 3,646         | 3,276         |
| Long-term debt, net of current maturities .....                              | <u>22,731</u>              | <u>24,562</u> | <u>26,700</u> | <u>28,829</u> | <u>32,524</u> |
| Total debt .....                                                             | 25,919                     | 26,908        | 28,916        | 32,475        | 35,800        |
| Total equity .....                                                           | 11,061                     | 15,063        | 15,794        | 18,745        | 34,993        |



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

### Business Overview

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

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

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

### Our Business Segments

We operate our business through three segments: North America, Europe and International Markets. Each business segment manages our entire product portfolio in its region, including generics, specialty and OTC products. This structure enables strong alignment and integration between operations, commercial regions, R&D and our global marketing and portfolio function, optimizing our product lifecycle across therapeutic areas.

In addition to these three segments, we have other activities, primarily the sale of API to third parties, certain contract manufacturing services and an out-licensing platform offering a portfolio of products to other pharmaceutical companies through our affiliate Medis.

### The COVID-19 Pandemic

As a leading global pharmaceutical company, Teva provides essential medicines to millions of patients around the world every day. Our priorities remain focused on the health and well-being of our employees and on our responsibility to continue to provide our medicines to the nearly 200 million patients who depend on us every day.

Our industry plays a critical role, particularly during such challenging times. We are working with governments to do all they can, in partnership with our industry, to maintain the development, production, supply and distribution of high quality medicines for patients worldwide during this unprecedented global health crisis.

### Business Continuity

The supply chain supporting our key products – specialty, generics and API – remains largely uninterrupted, and with adequate product inventory across our network. Additionally, based on analysis of potential scenarios, we currently have inventory and redundancy plans in place to address potential shortfalls, if any. We are closely monitoring the evolving situation in our key manufacturing locations and commercial markets as well as key products, and are accordingly adapting our business continuity plans. All our facilities that research, manufacture, order, pack, distribute and provide critical customer and patient services are currently functioning to meet demand for essential medicines for patients throughout the world.

Teva has worked since the early days of the COVID-19 pandemic to support efforts of governments and health services to curb the impact of the virus. Our global manufacturing network has been tirelessly focused on securing and scaling production of both API and finished doses for potential treatments that were proven essential or may prove essential in treating the condition nearly everywhere Teva does business. Teva will continue to work with governments and international organizations throughout the world to support emerging needs related to this crisis, while doing everything possible to also continue to supply our vast portfolio of medicines to patients.



## ***R&D and New Launches***

We do not expect a material impact on our ongoing clinical research programs and product launches as a result of the COVID-19 pandemic; however, we have experienced minimal delays in clinical trials due to cessation or slow-downs of recruitment for patient studies and suspended regulatory inspections, delays in regulatory approvals of new products due to reduced capacity or re-prioritization of regulatory agencies and delays in pre-commercial launch activities. We may experience further delays if the pandemic continues for an extended period of time. All of our new product launches have been risk-assessed based on upcoming manufacturing and regulatory inspections.

## ***Workforce Policy and Measures***

Our employees across all aspects of our business are safeguarding the continuity of our activities and we are committed to supporting their efforts while caring for their personal health and safety. We are enacting appropriate measures to ensure the safe supply and transport of our medicines and APIs, and have established measures intended to ensure our sites remain open, allowing us to maintain our business, R&D and manufacturing operations. We have reduced the number of people in our facilities to enable social distancing. By doing our part to reduce physical proximity to one another, we hope to better protect our overall workforce, and ultimately, the communities in which we live.

As we work through this health crisis, we continue to adapt our strategy for returning to usual operations at all organizational levels as events develop, under guiding principles to protect our business and maximize organizational productivity and efficiency, while simultaneously ensuring a safe workplace.

## ***Trends***

We are still not experiencing material delays in development, production and distribution of medicines or disruptions in our supply chains; however, longer term effects cannot be predicted at this time and would depend on the duration and severity of the pandemic and the restrictive measures put in place to control its impact. In the first quarter of 2020, we experienced increasing demand for certain medicines, as would be expected during a global crisis of this nature. We saw a compensating effect with lower demand for certain medicines during the second quarter of 2020 and continuing slightly lower demand due to less physician and hospital activity in certain regions and for certain medicines in the second half of 2020. Although no one can predict future demand for pharmaceutical products, market dynamics or the scope or duration of the financial and other challenges arising from the pandemic, it is possible that we will continue to see variable demand in 2021, but we do not currently anticipate a material negative impact on our 2021 financial results due to the ongoing global pandemic.

## ***Highlights***

Significant highlights of 2020 included:

- Our revenues in 2020 were \$16,659 million, a decrease of 1% in both U.S. dollar and local currency terms, compared to 2019, mainly due to a decline in revenues from certain oncology products, COPAXONE and certain respiratory products, partially offset by higher revenues from AUSTEDO and AJOVY. The decline in revenues was also affected by reduced demand for certain products resulting from the impact of the COVID-19 pandemic.
- Our North America segment generated revenues of \$8,447 million and profit of \$2,421 million in 2020. Revenues decreased by 1% compared to 2019, mainly due to a decline in revenues from COPAXONE, BENDEKA/TREANDA and certain other specialty products, partially offset by higher revenues from AUSTEDO, AJOVY and our U.S. generics business. Our North America segment has experienced some reductions in volume due to less physician and hospital activity during the COVID-19 pandemic, but has also experienced increase in demand for certain products related to the treatment of COVID-19



and its symptoms. In addition, the ability to promote our new specialty products, primarily AJOVY and AUSTEDO, has been impacted by less physician visits by patients and less physician interactions by our sales personnel. Profit increased by 7%, mainly due to higher gross profit margin and lower R&D expenses.

- Our Europe segment generated revenues of \$4,757 million and profit of \$1,331 million in 2020. Revenues decreased by 1%, or 2% in local currency terms compared to 2019, mainly due to price declines for our oncology products as a result of generic competition and a decline in COPAXONE revenues due to competing glatiramer acetate products, partially offset by the launch of AJOVY. Revenues from generic products were flat, due to a decline in doctor and hospital visits by patients resulting in fewer prescriptions during the second half of 2020 due to the COVID-19 pandemic, partially offset by new generic product launches. The COVID-19 pandemic caused significant fluctuations in customer stocking throughout 2020, which mostly offset each other by year-end. Profit increased by 1%, mainly due to lower S&M expenses.
- Our International Markets segment generated revenues of \$2,154 million and profit of \$474 million in 2020. Revenues decreased by 4%, or flat in local currency terms compared to 2019, with higher revenues in most markets offsetting the lower sales in Japan and loss of revenues from divested businesses in Israel. Revenues in 2020 were also impacted by reduced demand for certain products and higher demand for other products, resulting from the impact of the COVID-19 pandemic. In addition, the COVID-19 pandemic has led to a decline in doctor and hospital visits by patients resulting in fewer prescriptions during 2020. Profit increased by 2%, mainly due to higher revenues in most markets and lower S&M expenses, partially offset by lower sales in Japan.
- Our revenues from other activities in 2020 were \$1,302 million, flat compared to 2019. In local currency terms, revenues decreased by 1%.
- Impairments of identifiable intangible assets were \$1,502 million and \$1,639 million in the years ended December 31, 2020 and 2019, respectively. See note 6 to our consolidated financial statements.
- We recorded a goodwill impairment charge of \$4,628 million related to our North America reporting unit in the year ended December 31, 2020. See note 7 to our consolidated financial statements.
- We recorded expenses of \$479 million for other asset impairments, restructuring and other items in 2020, compared to expenses of \$423 million in 2019. See note 15 to our consolidated financial statements.
- In 2020, we recorded an expense of \$60 million in legal settlements and loss contingencies, compared to \$1,178 million in 2019. See note 11 to our consolidated financial statements.
- Operating loss was \$3,572 million in 2020, compared to an operating loss of \$443 million in 2019. The increase in operating loss in 2020 was mainly due to goodwill impairment charges, partially offset by lower provisions in connection with legal settlements and loss contingencies, as well as higher profit in our North America segment.
- Financial expenses were \$834 million in 2020, compared to \$822 million in 2019. Financial expenses in 2020 were mainly comprised of interest expenses of \$963 million, partially offset by gains on revaluations of marketable securities of \$85 million (see note 20 to our consolidated financial statements) as well as a gain of \$26 million resulting from our hedging and derivatives activities. Financial expenses in 2019 were mainly comprised of interest expenses of \$881 million.
- In 2020, we recognized a tax benefit of \$168 million, or 4%, on a pre-tax loss of \$4,406 million. In 2019, we recognized a tax benefit of \$278 million, or 22%, on a pre-tax loss of \$1,265 million. Our tax rate for 2020 was lower than in 2019, mainly due to goodwill impairments that did not have a corresponding tax effect.
- Exchange rate movements during 2020, including hedging effects, in comparison with 2019, negatively impacted revenues by \$33 million and operating income (loss) by \$56 million.



- As of December 31, 2020, our debt was \$25,919 million, compared to \$26,908 million as of December 31, 2019. This decrease was mainly due to senior notes repaid at maturity with cash generated during the year, partially offset by exchange rate fluctuations.
- Cash flow generated from operating activities was \$1,216 million in 2020, compared to \$748 million in 2019. This increase was mainly due to higher profit in our North America segment during 2020.
- During 2020, we generated free cash flow of \$2,110 million, which we define as comprising \$1,216 million in cash flow generated from operating activities, \$1,405 million in beneficial interest collected in exchange for securitized accounts receivables and \$67 million in proceeds from sale of property, plant and equipment and intangible assets, partially offset by \$578 million in cash used for capital investments. The increase in 2020 compared to 2019, resulted mainly from higher cash flow generated from operating activities, partially offset by less cash generated from sales of assets and higher capital investments.

## Alvotek Partnership

In August 2020, we entered into a partnership agreement with biopharmaceutical company Alvotek for the exclusive commercialization in the U.S. of five biosimilar product candidates. The initial pipeline for this partnership contains biosimilar candidates addressing multiple therapeutic areas. Under this agreement, Alvotek is responsible for the development, registration and supply of the biosimilar product candidates and Teva will exclusively commercialize the products in the United States. We paid an upfront payment in the third quarter of 2020 that was recorded as R&D expenses. During the fourth quarter of 2020, we accrued additional amounts due to the high probability that additional milestone payments will be paid in 2021. Additional development and commercial milestone payments of up to \$450 million, as well as royalty payments, may be payable by Teva over the next few years. Teva and Alvotek will share profit from the commercialization of these biosimilars.

## Results of Operations

The discussion that follows includes a comparison of our results of operations and liquidity and capital resources for fiscal years 2020 and 2019. For a comparison of our results of operations and financial condition for fiscal years 2019 and 2018, see "Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations" of our 2019 Annual Report on Form 10-K, filed with the SEC on February 21, 2020.

## Segment Information

### North America Segment

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

|                                  | Year ended December 31,                       |       |         |        |
|----------------------------------|-----------------------------------------------|-------|---------|--------|
|                                  | 2020                                          |       | 2019    |        |
|                                  | (U.S. \$ in millions / % of Segment Revenues) |       |         |        |
| Revenues . . . . .               | \$8,447                                       | 100%  | \$8,542 | 100.0% |
| Gross profit . . . . .           | 4,489                                         | 53.1% | 4,350   | 50.9%  |
| R&D expenses . . . . .           | 622                                           | 7.4%  | 652     | 7.6%   |
| S&M expenses . . . . .           | 1,013                                         | 12.0% | 1,021   | 12.0%  |
| G&A expenses . . . . .           | 443                                           | 5.2%  | 439     | 5.1%   |
| Other (income) expense . . . . . | (10)                                          | \$    | (14)    | \$     |
| Segment profit* . . . . .        | \$2,421                                       | 28.7% | \$2,252 | 26.4%  |



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

§ Represents an amount less than 0.5%.

## North America Revenues

Our North America segment includes the United States and Canada. Revenues from our North America segment in 2020 were \$8,447 million, a decrease of \$95 million, or 1%, compared to 2019, mainly due to a decline in revenues from COPAXONE, BENDEKA/TREANDA and certain other specialty products, partially offset by higher revenues from AUSTEDO, AJOVY and our U.S. generics business. Our North America segment has experienced some reductions in volume due to less physician and hospital activity during the COVID-19 pandemic, but has also experienced increase in demand for certain products related to the treatment of COVID-19 and its symptoms. In addition, the ability to promote our new specialty products, primarily AJOVY and AUSTEDO, has been impacted by less physician visits by patients and less physician interactions by our sales personnel.

## Revenues by Major Products and Activities

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

|                        | Year ended December 31, |                | Percentage<br>Change<br>2019-2020 |
|------------------------|-------------------------|----------------|-----------------------------------|
|                        | 2020                    | 2019           |                                   |
|                        | (U.S. \$ in millions)   |                |                                   |
| Generic products ..... | \$4,010                 | \$3,963        | 1%                                |
| AJOVY .....            | 134                     | 93             | 45%                               |
| AUSTEDO .....          | 637                     | 412            | 55%                               |
| BENDEKA/TREANDA .....  | 415                     | 496            | (16%)                             |
| COPAXONE .....         | 884                     | 1,017          | (13%)                             |
| ProAir* .....          | 241                     | 274            | (12%)                             |
| QVAR .....             | 179                     | 250            | (28%)                             |
| Anda .....             | 1,462                   | 1,492          | (2%)                              |
| Other .....            | 485                     | 546            | (11%)                             |
| Total .....            | <u>\$8,447</u>          | <u>\$8,542</u> | (1%)                              |

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

**Generic products** revenues in our North America segment (including biosimilars) in 2020 increased by 1% to \$4,010 million, compared to 2019, mainly due to higher revenues from TRUXIMA (the biosimilar to Rituxan®), our ProAir authorized generic and new generic product launches, partially offset by lower revenues from other generic products.

Among the most significant generic products we sold in North America in 2020 were TRUXIMA, albuterol sulfate inhalation aerosol (our ProAir authorized generic), emtricitabine and tenofovir disoproxil fumarate tablets (the generic equivalent of Truvada®), epinephrine injectable solution (the generic equivalent of EpiPen® and EpiPen Jr.®) and lidocaine transdermal patch (the generic equivalent of Lidoderm Patch®).

For more information on our generic products, including biosimilars, see “Item 1—Business—Our Product Portfolio and Business Offering—Generic Medicines.”

In 2020, we led the U.S. generics market in total prescriptions and new prescriptions, with approximately 348 million total prescriptions (based on trailing twelve months), representing 9.6% of total U.S. generic prescriptions according to IQVIA data.



**AJOVY** revenues in our North America segment in 2020 increased by 45% to \$134 million, compared to 2019, mainly due to growth in volume. In 2020, AJOVY's exit market share in the United States in terms of total number of prescriptions was 20%, compared to 17% in 2019.

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

**AUSTEDO** revenues in our North America segment in 2020 increased by 55% to \$637 million, compared to 2019. This increase was mainly due to growth in volume.

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

**BENDEKA** and **TREANDA** combined revenues in our North America segment in 2020 decreased by 16% to \$415 million, compared to 2019, mainly due to the emergence of alternative novel therapies and continued competition from Belrapzo® (a ready-to-dilute bendamustine hydrochloride product from Eagle).

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

**COPAXONE** revenues in our North America segment in 2020 decreased by 13% to \$884 million, compared to 2019, mainly due to generic competition in the United States.

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

**ProAir** (HFA and RespiClick) revenues in our North America segment in 2020 decreased by 12% to \$241 million, compared to 2019. In January 2019, we launched our own ProAir authorized generic in the United States, following the launch of a generic version of Ventolin® HFA, another albuterol inhaler. Revenues from our ProAir authorized generic are included in "generic products" above. In 2020, ProAir was the fourth largest short-acting beta-agonist in the market, with an exit market share of 10.2% in terms of total number of prescriptions for albuterol inhalers, compared to 23.3% in 2019. The exit market share including our ProAir authorized generic is 40.1%, making our overall albuterol product the largest in the market, compared to 45.8% in 2019. Generic versions of ProAir were launched in 2020.

For more information on ProAir and our Digihaler portfolio, see "Item 1—Business—Our Product Portfolio and Business Offering—Specialty Medicines—Respiratory."

**QVAR** revenues in our North America segment in 2020 decreased by 28% to \$179 million, compared to 2019. This decrease was mainly due to lower volume. In 2020, QVAR maintained its second-place position in the inhaled corticosteroids category in the United States, with an exit market share of 17.4% in terms of total number of prescriptions, compared to 20.5% in 2019.

**Anda** revenues from third parties in our North America segment in 2020 decreased by 2% to \$1,462 million, compared to 2019.



## Product Launches and Pipeline

In 2020, we launched the generic version of the following branded products and biosimilars in the United States:

| Product Name                                                                                                         | Brand Name     | Launch Date | Total Annual U.S. Branded Sales at Time of Launch (U.S. \$ in millions (IQVIA)) <sup>(1)</sup> |
|----------------------------------------------------------------------------------------------------------------------|----------------|-------------|------------------------------------------------------------------------------------------------|
| Doxepin tablets, 3 mg & 6 mg                                                                                         | Silenor®       | January     | \$ 50                                                                                          |
| HERZUMA® (trastuzumab-pkrb) for injection, 150 mg/vial & 420 mg/vial <sup>(2)</sup>                                  | Herceptin®     | March       | \$3,042                                                                                        |
| Deferasirox Tablets, 180mg                                                                                           | Jadenu®        | April       | \$ 53                                                                                          |
| Romidepsin Injection, 27.5mg/5.5 mL (5mg/mL) <sup>(3)</sup>                                                          | <sup>(3)</sup> | April       | —                                                                                              |
| Vigabatrin for Oral Solution, USP, 500mg                                                                             | Sabril®        | May         | \$ 254                                                                                         |
| Everolimus Tablets, 2.5mg, 5mg & 7.5mg                                                                               | Anfinitor®     | June        | \$ 401                                                                                         |
| Imiquimod Cream 3.75% <sup>(4)</sup>                                                                                 | Zyclara®       | July        | \$ 24                                                                                          |
| Sildenafil for Oral Suspension                                                                                       | Revatio®       | August      | \$ 121                                                                                         |
| PEG-3350, Sodium Sulfate, Sodium Chloride, Potassium Chloride, Sodium Ascorbate, and Ascorbic Acid for Oral Solution | MoviPrep®      | August      | \$ 10                                                                                          |
| Tobramycin Inhalation Solution, USP                                                                                  | Bethkis®       | September   | \$ 42                                                                                          |
| Dimethyl Fumarate Delayed-Release Capsules                                                                           | Tecfidera®     | September   | \$3,788                                                                                        |
| Efavirenz, Emtricitabine and Tenofovir Disoproxil Fumarate Tablets                                                   | Atripla®       | September   | \$ 578                                                                                         |
| Emtricitabine and Tenofovir Disoproxil Fumarate Tablets, 200mg/300mg                                                 | Truvada®       | September   | \$2,872                                                                                        |
| Methylphenidate Hydrochloride Extended-Release Capsules                                                              | Aptensio XR®   | October     | \$ 38                                                                                          |
| Alvimopan Capsules                                                                                                   | Entereg®       | December    | \$ 92                                                                                          |
| Colchicine Tablets, USP                                                                                              | Colcry®        | December    | \$ 415                                                                                         |

- (1) The figures presented are for the twelve months ended in the calendar quarter immediately prior to our launch or re-launch.
- (2) Biosimilar.
- (3) Approved via 505(b)(2) regulatory pathway; not equivalent to a brand product.
- (4) Authorized generic.

As of December 31, 2020, our generic products pipeline in the United States includes 213 product applications awaiting FDA approval, including 75 tentative approvals. This total reflects all pending ANDAs, supplements for product line extensions and tentatively approved applications and includes some instances where more than one application was submitted for the same reference product. Excluding overlaps, the branded products underlying these pending applications had U.S. sales for the twelve months ended September 30, 2020 exceeding \$110 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 80 of these products, or 104 products including final approvals where launch is pending a settlement agreement or court decision. Collectively, these first to file opportunities represent over \$78 billion in U.S. brand sales for the twelve months ended September 30, 2020, 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 2020, 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 (U.S. \$ in millions (IQVIA))*</u> |
|-------------------------------------------------|-------------------|------------------------------------------------------------------------|
| Eliglustat Capsules, 84mg .....                 | Cerdela®          | \$ 111                                                                 |
| Icosapent Capsules, 500mg & 1000mg .....        | Vascepa®          | \$ 972                                                                 |
| Macitenta Tablets, 10mg .....                   | Opsumit®          | \$ 590                                                                 |
| Pemetrexed Disodium Injection, 100mg vial ..... | Alimta®           | \$ 255                                                                 |
| Apixaban Tablets, 2.5 mg and 5 mg .....         | Eliquis®          | \$11,445                                                               |
| Pirfenidone Tablets .....                       | Esbriet®          | \$ 540                                                                 |
| Micafungin for Injection .....                  | Mycamine®         | \$ 125                                                                 |

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

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

## ***North America Gross Profit***

Gross profit from our North America segment in 2020 was \$4,489 million, an increase of 3% compared to \$4,350 million in 2019. This increase was mainly due to higher revenues from AUSTEDO, partially offset by lower revenues from COPAXONE.

Gross profit margin for our North America segment in 2020 increased to 53.1%, compared to 50.9% in 2019. This increase was mainly due to higher revenues from AUSTEDO and a favorable mix of generic products.

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

R&D expenses relating to our North America segment in 2020 were \$622 million, a decrease of 5% compared to \$652 million in 2019.

For a description of our R&D expenses in 2020, see “—Teva Consolidated Results—Research and Development (R&D) Expenses” below.

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

S&M expenses relating to our North America segment in 2020 were \$1,013 million, a decrease of 1% compared to \$1,021 million in 2019.

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

G&A expenses relating to our North America segment in 2020 were \$443 million, an increase of 1% compared to \$439 million in 2019.

## ***North America Other Income***

Other income from our North America segment in 2020 was \$10 million, compared to \$14 million in 2019. Other income in 2020 was mainly comprised of Section 8 recoveries in Canada.



## North America Profit

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

Profit from our North America segment in 2020 was \$2,421 million, an increase of 7% compared to \$2,252 million in 2019. This increase was mainly due to higher gross profit margin and lower R&D expenses, as discussed above.

## Europe Segment

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

|                                  | Year ended December 31,                       |       |         |       |
|----------------------------------|-----------------------------------------------|-------|---------|-------|
|                                  | 2020                                          |       | 2019    |       |
|                                  | (U.S. \$ in millions / % of Segment Revenues) |       |         |       |
| Revenues . . . . .               | \$4,757                                       | 100%  | \$4,795 | 100%  |
| Gross profit . . . . .           | 2,666                                         | 56.0% | 2,704   | 56.4% |
| R&D expenses . . . . .           | 247                                           | 5.2%  | 262     | 5.5%  |
| S&M expenses . . . . .           | 830                                           | 17.4% | 890     | 18.6% |
| G&A expenses . . . . .           | 261                                           | 5.5%  | 239     | 5.0%  |
| Other (income) expense . . . . . | (3)                                           | \$    | (5)     | \$    |
| Segment profit* . . . . .        | \$1,331                                       | 28.0% | \$1,318 | 27.5% |

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

§ Represents an amount less than 0.5%.

## Europe Revenues

Our Europe segment includes the European Union and certain other European countries. Revenues from our Europe segment in 2020 were \$4,757 million, a decrease of \$38 million, or 1%, compared to 2019. In local currency terms, revenues decreased by 2%, mainly due to price declines for our oncology products as a result of generic competition and a decline in COPAXONE revenues due to competing glatiramer acetate products, partially offset by the launch of AJOVY. Revenues from generic products were flat, due to a decline in doctor and hospital visits by patients resulting in fewer prescriptions during the second half of 2020 due to the COVID-19 pandemic, partially offset by new generic product launches. The COVID-19 pandemic caused significant fluctuations in customer stocking throughout 2020, which mostly offset each other by year-end.

## Revenues by Major Products and Activities

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

|                      | Year ended December 31, |         | Percentage Change 2019-2020 |
|----------------------|-------------------------|---------|-----------------------------|
|                      | 2020                    | 2019    |                             |
|                      | (U.S. \$ in millions)   |         |                             |
| Generic products     | \$3,513                 | \$3,470 | 1%                          |
| AJOVY                | 31                      | 3       | 852%                        |
| COPAXONE             | 400                     | 432     | (7%)                        |
| Respiratory products | 353                     | 354     | §                           |
| Other                | 459                     | 536     | (14%)                       |
| Total                | \$4,757                 | \$4,795 | (1%)                        |

§ Represents an amount less than 0.5%.



**Generic products** revenues in our Europe segment in 2020, including OTC products, increased by 1% to \$3,513 million, compared to 2019. In local currency terms, revenues were flat, due to a decline in doctor and hospital visits by patients resulting in fewer prescriptions during the second half of 2020 due to the COVID-19 pandemic, partially offset by new generic product launches. The COVID-19 pandemic caused significant fluctuations in customer stocking throughout 2020, which mostly offset each other by year-end.

**AJOVY** revenues in our Europe segment in 2020 were \$31 million, compared to \$3 million in 2019, mainly due to launches and reimbursements in additional European countries.

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

**COPAXONE** revenues in our Europe segment in 2020 decreased by 7% to \$400 million, compared to 2019. In local currency terms, revenues decreased by 9%, mainly due to price reductions resulting from competing glatiramer acetate products.

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

**Respiratory products** revenues in our Europe segment in 2020 were \$353 million, flat compared to \$354 million in 2019. In local currency terms, revenues decreased by 1%.

### ***Product Launches and Pipeline***

As of December 31, 2020, our generic products pipeline in Europe included 500 generic approvals relating to 71 compounds in 149 formulations, no EMA approvals received. In addition, approximately 1,105 marketing authorization applications pending approval in 37 European countries, relating to 133 compounds in 270 formulations. No applications are pending with the EMA.

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

### ***Europe Gross Profit***

Gross profit from our Europe segment in 2020 was \$2,666 million, a decrease of 1% compared to \$2,704 million in 2019. This decrease was mainly due to lower revenues from COPAXONE and other specialty products, partially offset by the launch of AJOVY.

Gross profit margin for our Europe segment in 2020 decreased to 56.0%, compared to 56.4% in 2019. This decrease was mainly due to the change in product mix.

### ***Europe R&D Expenses***

R&D expenses relating to our Europe segment in 2020 were \$247 million, a decrease of 6% compared to \$262 million in 2019.

For a description of our R&D expenses in 2020, see “—Teva Consolidated Results—Research and Development (R&D) Expenses” below.

### ***Europe S&M Expenses***

S&M expenses relating to our Europe segment in 2020 were \$830 million, a decrease of 7% compared to \$890 million in 2019. This decrease was mainly due to lower marketing and travel costs attributed to restrictions related to the COVID-19 pandemic.



## Europe G&A Expenses

G&A expenses relating to our Europe segment in 2020 were \$261 million, an increase of 9% compared to \$239 million in 2019.

## Europe Profit

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

Profit from our Europe segment in 2020 was \$1,331 million, an increase of 1% compared to \$1,318 million in 2019. The increase was mainly due to lower S&M expenses, as described above.

## International Markets Segment

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

|                                  | 2020                                          |        | 2019    |       |
|----------------------------------|-----------------------------------------------|--------|---------|-------|
|                                  | (U.S. \$ in millions / % of Segment Revenues) |        |         |       |
| Revenues . . . . .               | \$2,154                                       | 100%   | \$2,246 | 100%  |
| Gross profit . . . . .           | 1,096                                         | 50.9%  | 1,167   | 51.9% |
| R&D expenses . . . . .           | 70                                            | 3.3%   | 88      | 3.9%  |
| S&M expenses . . . . .           | 427                                           | 19.8%  | 481     | 21.4% |
| G&A expenses . . . . .           | 136                                           | 6.3%   | 138     | 6.1%  |
| Other (income) expense . . . . . | (11)                                          | (0.5%) | (3)     | \$    |
| Segment profit* . . . . .        | \$ 474                                        | 22.0%  | \$ 464  | 20.6% |

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

\$ Represents an amount less than 0.5%.

## International Markets Revenues

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

Revenues from our International Markets segment in 2020 were \$2,154 million, a decrease of \$92 million, or 4%, compared to 2019. In local currency terms, revenues were flat compared to 2019, with higher revenues in most markets offsetting the lower sales in Japan and loss of revenues from divested businesses in Israel. Revenues in 2020 were also impacted by reduced demand for certain products and higher demand for other products, resulting from the impact of the COVID-19 pandemic. In addition, the COVID-19 pandemic has led to a decline in doctor and hospital visits by patients resulting in fewer prescriptions during 2020.



## Revenues by Major Products and Activities

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

|                        | Year ended<br>December 31, |                | Percentage<br>Change<br>2019-2020 |
|------------------------|----------------------------|----------------|-----------------------------------|
|                        | 2020                       | 2019           |                                   |
|                        | (U.S. \$ in millions)      |                |                                   |
| Generic products ..... | \$1,792                    | \$1,893        | (5%)                              |
| COPAXONE .....         | 53                         | 63             | (16%)                             |
| Other .....            | 309                        | 291            | 6%                                |
| Total .....            | <u>\$2,154</u>             | <u>\$2,246</u> | (4%)                              |

**Generic products** revenues in our International Markets segment in 2020, which include OTC products, decreased by 5% to \$1,792 million, compared to 2019. In local currency terms, revenues were flat, mainly due to lower revenues in Japan resulting from regulatory price reductions and generic competition to off-patented products, offset by higher revenues in most other markets. Revenues in 2020 were also impacted by reduced demand for certain products and higher demand for other products, resulting from the impact of the COVID-19 pandemic. In addition, the COVID-19 pandemic has led to a decline in doctor and hospital visits by patients resulting in fewer prescriptions during 2020.

**COPAXONE** revenues in our International Markets segment in 2020 decreased by 16% to \$53 million, compared to 2019. In local currency terms, revenues decreased by 4%.

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

**AJOVY.** On May 12, 2017, we entered into a license and collaboration agreement with Otsuka Pharmaceutical Co., Ltd. (“Otsuka”) providing Otsuka with an exclusive license to conduct phase 2 and 3 clinical trials for AJOVY in Japan and, once approved, to commercialize the product in Japan. On July 29, 2020, Otsuka submitted an application to obtain manufacturing and marketing approval for AJOVY in Japan. As a result, Otsuka paid Teva a milestone payment of \$15 million in the third quarter of 2020, which was recorded as revenue under “Other” in the table above.

## International Markets Gross Profit

Gross profit from our International Markets segment in 2020 was \$1,096 million, a decrease of 6% compared to \$1,167 million in 2019.

Gross profit margin for our International Markets segment in 2020 decreased to 50.9%, compared to 51.9% in 2019. This decrease was mainly due to lower revenues in Japan resulting from regulatory price reductions and generic competition to off-patented products.

## International Markets R&D Expenses

R&D expenses relating to our International Markets segment in 2020 were \$70 million, a decrease of 20% compared to \$88 million in 2019.

For a description of our R&D expenses in 2020, see “—Teva Consolidated Results—Research and Development (R&D) Expenses” below.



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

S&M expenses relating to our International Markets segment in 2020 were \$427 million, a decrease of 11% compared to \$481 million in 2019. This decrease was mainly due to lower marketing and travel costs attributed to restrictions related to the COVID-19 pandemic.

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

G&A expenses relating to our International Markets segment in 2020 were \$136 million, flat compared to \$138 million in 2019.

## ***International Markets Profit***

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

Profit from our International Markets segment in 2020 was \$474 million, an increase of 2% compared to \$464 million in 2019. This increase was mainly due to higher revenues in most markets and lower S&M expenses, partially offset by lower sales in Japan, as discussed above.

## **Other Activities**

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

Our revenues from other activities in 2020 were \$1,302 million, flat compared to 2019. In local currency terms, revenues decreased by 1%.

API sales to third parties in 2020 were \$774 million, an increase of 3% in both U.S. dollar and local currency terms.

## **Teva Consolidated Results**

### **Revenues**

Revenues in 2020 were \$16,659 million, a decrease of 1%, in both U.S. dollar and local currency terms, compared to 2019, mainly due to a decline in revenues from certain oncology products, COPAXONE and certain respiratory products, partially offset by higher revenues from AUSTEDO and AJOVY. The decline in revenues was also affected by reduced demand for certain products resulting from the impact of the COVID-19 pandemic. See “—North America Revenues,” “—Europe Revenues,” “—International Markets Revenues” and “—Other Activities” above.

Exchange rate movements during 2020, including hedging effects, negatively impacted revenues by \$33 million, compared to 2019.

### **Gross Profit**

Gross profit in 2020 was \$7,726 million, an increase of 3% compared to 2019. This increase was mainly a result of the factors discussed above under “—North America Gross Profit,” “—Europe Gross Profit” and “—International Markets Gross Profit.”



Gross profit as a percentage of revenues was 46.4% in 2020, compared to 44.6% in 2019.

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

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

S&M expenses in 2020 were \$2,498 million, a decrease of 4% compared to 2019. Our S&M expenses were primarily the result of the factors discussed above under “—North America Segment— S&M Expenses,” “—Europe Segment— S&M Expenses” and “—International Markets Segment— S&M Expenses.”

S&M expenses as a percentage of revenues were 15.0% in 2020, compared to 15.5% in 2019.

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

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

Our R&D activities for specialty and biosimilar products in each of our segments include costs of discovery research, preclinical development, early- and late-clinical development and drug formulation, clinical trials and product registration costs. These expenditures are reported net of contributions received from collaboration partners. Our spending takes place throughout the development process, including (i) early-stage projects in both discovery and preclinical phases; (ii) middle-stage projects in clinical programs up to phase 3; (iii) late-stage projects in phase 3 programs, including where a new drug application is currently pending approval; (iv) post-approval studies for marketed products; and (v) indirect expenses, such as costs of internal administration, infrastructure and personnel.

Net R&D expenses for 2020 were \$997 million, a decrease of 1% compared to 2019.

In 2020, our R&D expenses were primarily related to specialty product candidates in the pain, neuropsychiatry and respiratory therapeutic areas, with additional activities in selected other areas and generic products including biosimilars.

Our lower R&D expenses in 2020, compared to 2019, resulted primarily from project milestone timing and pipeline optimization.

R&D expenses as a percentage of revenues were 6.0% in both 2020 and 2019.

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

G&A expenses in 2020 were \$1,173 million, a decrease of 2% compared to 2019.

G&A expenses as a percentage of revenues were 7.0% in 2020, flat compared to 2019.

## **Identifiable Intangible Asset Impairments**

We recorded expenses of \$1,502 million for identifiable intangible asset impairments in 2020, compared to expenses of \$1,639 million in 2019. See note 6 to our consolidated financial statements.



## **Goodwill Impairment**

We recorded a goodwill impairment charge of \$4,628 million related to our North America reporting unit in the year ended December 31, 2020. No goodwill impairment charge was recorded in 2019. See note 7 to our consolidated financial statements.

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

We recorded expenses of \$479 million for other asset impairments, restructuring and other items in 2020, compared to expenses of \$423 million in 2019. For further details, as well as a description of significant regulatory and other events, see note 15 to our consolidated financial statements.

## **Legal Settlements and Loss Contingencies**

In 2020, we recorded an expense of \$60 million in legal settlements and loss contingencies, compared to \$1,178 million in 2019. The expenses in 2020 were mainly related to a fine imposed by the European Commission in relation to a 2005 patent settlement agreement and an increase of a reserve for certain product liability claims in the United States, partially offset by proceeds received following a settlement of the FCPA derivative proceedings in Israel and settlement of an action brought against the sellers of Auden McKenzie (an acquisition made by Actavis Generics). The expenses in 2019 were mainly related to an estimated provision recorded in connection with potential settlement of the opioid cases.

## **Other Income**

Other income in 2020 was \$40 million, compared to \$76 million in 2019. See note 16 to our consolidated financial statements.

## **Operating Income (Loss)**

Operating loss was \$3,572 million in 2020, compared to operating loss of \$443 million in 2019.

Operating loss as a percentage of revenues was 21.4% in 2020, compared to 2.6% in 2019. The increase in operating loss in 2020 was mainly due to goodwill impairment charges, partially offset by lower provisions in connection with legal settlements and loss contingencies, as well as higher profit in our North America segment.

## **Financial Expenses, Net**

Financial expenses were \$834 million in 2020, compared to \$822 million in 2019.

Financial expenses in 2020 were mainly comprised of interest expenses of \$963 million, partially offset by gains on revaluations of marketable securities of \$85 million (see note 20 to our consolidated financial statements) as well as a gain of \$26 million resulting from our hedging and derivatives activities. Financial expenses in 2019 were mainly comprised of interest expenses of \$881 million.



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 two years:

|                                                         | Year ended<br>December 31, |           |
|---------------------------------------------------------|----------------------------|-----------|
|                                                         | 2020                       | 2019      |
|                                                         | (U.S.\$ in millions)       |           |
| North America profit                                    | \$ 2,421                   | \$ 2,252  |
| Europe profit                                           | 1,331                      | 1,318     |
| International Markets profit                            | 474                        | 464       |
| Total reportable segments profit                        | 4,225                      | 4,034     |
| Profit (loss) of other activities                       | 163                        | 108       |
| Total segments profit                                   | 4,388                      | 4,142     |
| Amounts not allocated to segments:                      |                            |           |
| Amortization                                            | 1,020                      | 1,113     |
| Other asset impairments, restructuring and other items  | 479                        | 423       |
| Goodwill impairment                                     | 4,628                      | —         |
| Intangible asset impairments                            | 1,502                      | 1,639     |
| Gain on divestitures, net of divestitures related costs | (8)                        | (50)      |
| Other R&D expenses (income)                             | 37                         | (15)      |
| Costs related to regulatory actions taken in facilities | 23                         | 45        |
| Legal settlements and loss contingencies                | 60                         | 1,178     |
| Other unallocated amounts                               | 219                        | 252       |
| Consolidated operating income (loss)                    | (3,572)                    | (443)     |
| Financial expenses, net                                 | 834                        | 822       |
| Consolidated income (loss) before income taxes          | \$(4,406)                  | \$(1,265) |

## Tax Rate

In 2020, we recognized a tax benefit of \$168 million, or 4%, on a pre-tax loss of \$4,406 million.

In 2019, we recognized a tax benefit of \$278 million, or 22%, on a pre-tax loss of \$1,265 million. Our tax rate for 2020 was lower than in 2019, mainly due to goodwill impairments that did not have a corresponding tax effect.

The statutory Israeli corporate tax rate was 23% in 2020. Our tax rate differs from the Israeli statutory tax rate mainly due to generation of profits in various jurisdictions in which tax rates are different than the Israeli tax rate, tax benefits in Israel and other countries, as well as infrequent or nonrecurring items with no corresponding tax effect, or with a tax rate that is different from the Israeli tax rate.

## Share In (Profits) Losses of Associated Companies, Net

Share in profits of associated companies, net was \$138 million in 2020, compared to share in losses of \$13 million in 2019. Our share in profits of associated companies, net in 2020 was mainly due to a gain of \$134 million reflecting the difference between the book value of our investment in American Well Corporation and its fair value as of the date it completed its initial public offering in September 2020 (see note 20 to our consolidated financial statements).

## Net Income (Loss) Attributable to Teva

Net loss was \$3,990 million in 2020, compared to a net loss of \$999 million in 2019.



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

The weighted average diluted shares outstanding used for the fully diluted share calculation for 2020 and 2019 was 1,095 million and 1,091 million shares, respectively.

In computing diluted loss per share for the twelve months ended December 31, 2020 and 2019, no account was taken of the potential dilution that could occur upon the exercise of options and non-vested RSUs granted under employee stock compensation plans and convertible senior debentures, since they had an anti-dilutive effect on loss per share.

Diluted loss per share was \$3.64 for the year ended December 31, 2020, compared to diluted loss per share of \$0.91 for the year ended December 31, 2019.

## **Share Count for Market Capitalization**

We calculate share amounts using the outstanding number of shares (i.e., excluding treasury shares) plus shares that would be outstanding upon the exercise of options and vesting of RSUs and performance share units ("PSUs") and the conversion of our convertible senior debentures, in each case, at period end.

As of December 31, 2020 and 2019, the fully diluted share count for purposes of calculating our market capitalization was approximately 1,117 million and 1,108 million, respectively.

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

In 2020, approximately 48% of our revenues were denominated in currencies other than the U.S. dollar. Since our results are reported in U.S. dollars, we are subject to significant foreign currency risks. Accordingly, changes in the rate of exchange between the U.S. dollar and local currencies in the markets in which we operate (primarily the euro, Israeli shekel, Japanese yen, British pound, Russian ruble, Canadian dollar, Swiss franc, Indian rupee and Polish zloty) impact our results.

During 2020, the following main currencies relevant to our operations decreased in value against the U.S. dollar (each on an annual average compared to annual average basis): the Argentinian peso by 33%, the Brazilian real by 23%, the Turkish lira by 18%, the Chilean peso by 11% and the Russian ruble by 10%. The following main currencies relevant to our operations increased in value against the U.S. dollar: the Swiss franc by 6%, the Israeli shekel by 4%, the Swedish krona by 3%, the Japanese yen by 2% and the euro by 2%.

As a result, exchange rate movements during 2020, including hedging effects, negatively impacted overall revenues by \$33 million and negatively impacted our operating income by \$56 million in comparison with 2019. In 2020, the positive hedging impact recognized under revenues was \$15 million, partially offset by a positive impact of \$1 million recognized under cost of sales, in comparison with 2019. Hedging transactions against future projected revenues and expenses are recognized on the balance sheet at their fair value on a quarterly basis, while the foreign exchange impact on the underlying revenues and expenses may occur in subsequent quarters. See note 10 to our consolidated financial statements.

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

## **Liquidity and Capital Resources**

Total balance sheet assets were \$50,640 million as of December 31, 2020, compared to \$57,470 million as of December 31, 2019.



Our working capital balance, which includes accounts receivables net of SR&A, inventories, prepaid expenses and other current assets, accounts payables, employee-related obligations, accrued expenses and other current liabilities, was \$662 million as of December 31, 2020, compared to \$74 million as of December 31, 2019.

Cash investment in property, plant and equipment in 2020 was \$578 million, compared to \$525 million in 2019. Depreciation was \$537 million in 2020, compared to \$609 million in 2019.

Cash and cash equivalents and short-term and long-term investments, as of December 31, 2020, were \$2,478 million, compared to \$2,033 million as of December 31, 2019. This increase was mainly due to cash flow generated during the year, partially offset by debt repayments as discussed below.

Our cash on hand that is not used for ongoing operations is generally invested in bank deposits, as well as liquid securities that bear fixed and floating rates.

Our principal sources of short-term liquidity are our cash on hand, existing cash investments, liquid securities and available credit facilities, primarily our \$2.3 billion unsecured syndicated revolving credit facility entered into in April 2019 ("RCF").

The RCF agreement provides for two separate tranches, a \$1.15 billion tranche A and a \$1.15 billion tranche B. Loans and letters of credit will be available from time to time under each tranche for Teva's general corporate purposes. Tranche A has a maturity date of April 8, 2022, with two one-year extension options, of which \$1.065 billion were extended to April 8, 2023. Tranche B has a maturity date of April 8, 2024.

The RCF contains certain covenants, including certain limitations on incurring liens and indebtedness and maintenance of certain financial ratios, including the requirement to maintain compliance with a net debt to EBITDA ratio, which becomes more restrictive over time. The net debt to EBITDA ratio limit is 5.75x in the fourth quarter of 2020 and declines to 5.50x in the first and second quarters of 2021, 5.00x in the third and fourth quarters of 2021, and continues to gradually decline over the remaining term of the RCF.

The RCF can be used for general corporate purposes, including repaying existing debt. As of December 31, 2020 and as of the date of this Annual Report on Form 10-K, no amounts were outstanding under the RCF. Based on current and forecasted results, we expect that we will not exceed the financial covenant thresholds set forth in the RCF within one year from the date the financial statements are issued.

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

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

## 2020 Debt Balance and Movements

As of December 31, 2020, our debt was \$25,919 million, compared to \$26,908 million as of December 31, 2019. This decrease was mainly due to senior notes repaid at maturity with cash generated during the year, partially offset by exchange rate fluctuations.

In March 2020, we repaid at maturity our \$700 million 2.25% senior notes.

In July 2020, we repaid at maturity our €1,010 million 0.375% senior notes.



During 2020 we borrowed up to €270 million from our RCF, which was fully repaid before year end.

Our debt as of December 31, 2020 was effectively denominated in the following currencies: 65% in U.S. dollars, 32% in euros and 3% in Swiss francs.

The portion of total debt classified as short-term as of December 31, 2020 was 12%, compared to 9% as of December 31, 2019, due to a reclassification of upcoming maturities in 2021.

Our financial leverage was 70% as of December 31, 2020, compared to 64% as of December 31, 2019.

Our average debt maturity was approximately 5.8 years as of December 31, 2020, compared to 6.4 years as of December 31, 2019.

On February 1, 2021, \$491 million of our 0.25% convertible senior debentures, due 2026 were redeemed by holders. See note 9 of our consolidated financial statements.

## 2019 Debt Balance and Movements

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

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

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

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

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

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

During 2019, we borrowed up to \$500 million from our RCF, which was fully repaid before 2019 year-end.

## Total Equity

Total equity was \$11,061 million as of December 31, 2020, compared to \$15,063 million as of December 31, 2019. This decrease was mainly due to a net loss of \$4,099 million (primarily due to the goodwill impairment charge), partially offset by \$129 million stock-based compensation expenses and \$57 million in unrealized profit associated with hedging activities.

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, 2019, changes in currency rates had a negative impact of \$69 million on our equity as of December 31, 2020, mainly due to the change in value against the U.S. dollar of: the Russian ruble by 20%, the euro by 9%, the Chilean peso by 6%, the Mexican peso by 5%, the Japanese yen by 5%, the British pound by 4%, the Polish zloty by 2% and the Canadian dollar by 2%. All comparisons are on a year-end to year-end basis.



## Cash Flow

We seek to continually improve the efficiency of our working capital management. From time to time, as part of our cash management activities, we may make decisions in our commercial and supply chain activities which may drive an acceleration of receivable payments from customers or deceleration of payments to vendors, having the effect of increasing or decreasing cash from operations in an individual period. Such decisions had no material impact on our 2020 operating cash flow measurement, but may impact quarter-to-quarter results.

Cash flow generated from operating activities in 2020 was \$1,216 million, compared to \$748 million in 2019. The increase was mainly due to higher profit in our North America segment during 2020.

During 2020, we generated free cash flow of \$2,110 million, which we define as comprising \$1,216 million in cash flow generated from operating activities, \$1,405 million in beneficial interest collected in exchange for securitized accounts receivables and \$67 million in proceeds from sale of property, plant and equipment and intangible assets, partially offset by \$578 million in cash used for capital investments. During 2019, we generated free cash flow of \$2,053 million, comprised of \$748 million in cash flow generated from operating activities, \$1,487 million in beneficial interest collected in exchange for securitized accounts receivables and \$343 million in proceeds from sale of property, plant and equipment and intangible assets, partially offset by \$525 million in cash used for capital investments. The increase in 2020 resulted mainly from higher cash flow generated from operating activities, partially offset by less cash generated from sales of assets and higher capital investments.

## Dividends

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

## Commitments

In addition to financing obligations under short-term debt and long-term senior notes and loans, debentures and convertible debentures, our major contractual obligations and commercial commitments include royalty payments, contingent payments pursuant to acquisition agreements and participation in joint ventures associated with R&D activities.

In August 2020, we entered into a partnership agreement with biopharmaceutical company Alvotech for the exclusive commercialization in the U.S. of five biosimilar product candidates. The initial pipeline for this partnership contains biosimilar candidates addressing multiple therapeutic areas. Under this agreement, Alvotech is responsible for the development, registration and supply of the biosimilar product candidates and Teva will exclusively commercialize the products in the United States. We paid an upfront payment in the third quarter of 2020 that was recorded as R&D expenses. During the fourth quarter of 2020, we accrued additional amounts due to the high probability that additional milestone payments will be paid in 2021. Additional development and commercial milestone payments of up to \$450 million, as well as royalty payments, may be payable by Teva over the next few years. Teva and Alvotech will share profit from the commercialization of these biosimilars.

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 with Regeneron in the global commercial rights of this product (excluding Japan, Korea and nine other Asian countries), as well as ongoing associated R&D costs of approximately \$1.0 billion. Additional payments for achievement of development milestones in an aggregate amount of \$120 million were paid during 2017 and 2018. The agreement stipulates additional development and commercial milestone payments of up to \$2,230 million, as well as future royalties. For information regarding fasinumab phase 3 clinical trial results, see "Item 1—Business—Our Product Portfolio and Business Offering—Specialty Medicines" above.

In October 2016, we entered into an exclusive partnership with Celltrion to commercialize TRUXIMA® and HERZUMA®, two of Celltrion's biosimilar products in development for the U.S. and Canadian markets. We paid



Celltrion \$160 million, of which we received an aggregate credit of \$60 million as of December 31, 2020. We share the profit from the commercialization of these products with Celltrion. These two products, TRUXIMA and HERZUMA, were approved by the FDA in November and December 2018, respectively and were launched in the United States in November 2019 and March 2020, respectively.

We are committed to pay royalties to owners of know-how, partners in alliances and certain other arrangements, and to parties that financed R&D at a wide range of rates as a percentage of sales of certain products, as defined in the agreements. In some cases, the royalty period is not defined; in other cases, royalties will be paid over various periods not exceeding 20 years.

In connection with certain development, supply and marketing, and research and collaboration or services agreements, we are required to indemnify, in unspecified amounts, the parties to such agreements against third-party claims relating to (i) infringement or violation of intellectual property or other rights of such third party; or (ii) damages to users of the related products. Except as described in our financial statements, we are not aware of any material pending action that may result in the counterparties to these agreements claiming such indemnification.

#### **Supplemental Non-GAAP Income Data**

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

- our management and Board of Directors use the non-GAAP measures to evaluate our operational performance, to compare against work plans and budgets, and ultimately to evaluate the performance of management;
- our annual budgets are prepared on a non-GAAP basis; and
- senior management's annual compensation is derived, in part, using these non-GAAP measures. While qualitative factors and judgment also affect annual bonuses, the principal quantitative element in the determination of such bonuses is performance targets tied to the work plan, which is based on the non-GAAP presentation set forth below.

Non-GAAP financial measures have no standardized meaning and accordingly have limitations in their usefulness to investors. We provide such non-GAAP data because management believes that such data provide useful information to investors. However, investors are cautioned that, unlike financial measures prepared in accordance with U.S. GAAP, non-GAAP measures may not be comparable with the calculation of similar measures for other companies. These non-GAAP financial measures are presented solely to permit investors to more fully understand how management assesses our performance. The limitations of using non-GAAP financial measures as performance measures are that they provide a view of our results of operations without including all events during a period and may not provide a comparable view of our performance to other companies in the pharmaceutical industry.

**Investors should consider non-GAAP financial measures in addition to, and not as replacements for, or superior to, measures of financial performance prepared in accordance with GAAP.**

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

- amortization of purchased intangible assets;
- legal settlements and/or loss contingencies, due to the difficulty in predicting their timing and scope;



- impairments of long-lived assets, including intangibles, property, plant and equipment and goodwill;
- restructuring expenses, including severance, retention costs, contract cancellation costs and certain accelerated depreciation expenses primarily related to the rationalization of our plants or to certain other strategic activities, such as the realignment of R&D focus or other similar activities;
- acquisition- or divestment- related items, including changes in contingent consideration, integration costs, banker and other professional fees, inventory step-up and in-process R&D acquired in development arrangements;
- expenses related to our equity compensation;
- significant one-time financing costs and valuation gains or losses;
- unusual tax items;
- other awards or settlement amounts, either paid or received;
- other exceptional items that we believe are sufficiently large that their exclusion is important to facilitate an understanding of trends in our financial results, such as impacts due to changes in accounting, significant costs for remediation of plants, such as inventory write-offs or related consulting costs, or other unusual events; and
- corresponding tax effects of the foregoing items.



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

| Year Ended December 31, 2020                                |        |                                             |                                          |                     |                                 |                    |                     |                                                         |                     |                          |                          |                      |
|-------------------------------------------------------------|--------|---------------------------------------------|------------------------------------------|---------------------|---------------------------------|--------------------|---------------------|---------------------------------------------------------|---------------------|--------------------------|--------------------------|----------------------|
| (U.S. \$ and shares in millions, except per share amounts)  |        |                                             |                                          |                     |                                 |                    |                     |                                                         |                     |                          |                          |                      |
|                                                             | GAAP   | Excluded for non-GAAP measurement           |                                          |                     |                                 |                    |                     |                                                         |                     | Non-GAAP                 |                          |                      |
|                                                             |        | Amortization of purchased intangible assets | Legal settlements and loss contingencies | Goodwill impairment | Impairment of long-lived assets | Other R&D expenses | Restructuring costs | Costs related to regulatory actions taken in facilities | Equity compensation | Contingent consideration | Gain on sale of business | Other non-GAAP items |
| COGS                                                        | 8,933  | 894                                         |                                          |                     |                                 |                    |                     | 23                                                      | 27                  |                          | 63                       | 7,925                |
| R&D                                                         | 997    |                                             |                                          |                     |                                 | 37                 |                     |                                                         | 20                  |                          | —                        | 941                  |
| S&M                                                         | 2,498  | 126                                         |                                          |                     |                                 |                    |                     |                                                         | 36                  |                          | 14                       | 2,322                |
| G&A                                                         | 1,173  |                                             |                                          |                     |                                 |                    |                     |                                                         | 46                  |                          | 12                       | 1,115                |
| Other income                                                | (40)   |                                             |                                          |                     |                                 |                    |                     |                                                         |                     |                          | (8)                      | (31)                 |
| Legal settlements and loss contingencies                    | 60     |                                             | 60                                       |                     |                                 |                    |                     |                                                         |                     |                          |                          | —                    |
| Other asset impairments, restructuring and other items      | 479    |                                             |                                          |                     | 416                             |                    | 120                 |                                                         |                     | (81)                     | 24                       | —                    |
| Intangible assets impairment                                | 1,502  |                                             |                                          | 1,502               |                                 |                    |                     |                                                         |                     |                          |                          | —                    |
| Goodwill impairment                                         | 4,628  |                                             |                                          | 4,628               |                                 |                    |                     |                                                         |                     |                          |                          | —                    |
| Financial expenses                                          | 834    |                                             |                                          |                     |                                 |                    |                     |                                                         |                     |                          |                          | (85) 918             |
| Income taxes                                                | (168)  |                                             |                                          |                     |                                 |                    |                     |                                                         |                     |                          |                          | (745) 577            |
| Share in profits (losses) of associated companies, net      | (138)  |                                             |                                          |                     |                                 |                    |                     |                                                         |                     |                          |                          | (134) (4)            |
| Net income (loss) attributable to non-controlling interests | (109)  |                                             |                                          |                     |                                 |                    |                     |                                                         |                     |                          |                          | (177) 68             |
| Total reconciled items                                      | 1,020  | 60                                          | 60                                       | 4,628               | 1,918                           | 37                 | 120                 | 23                                                      | 129                 | (8)                      | 114                      | (1,140)              |
| EPS—Basic                                                   | (3.64) |                                             |                                          |                     |                                 |                    |                     |                                                         |                     |                          |                          | 6.23 2.58            |
| EPS—Diluted                                                 | (3.64) |                                             |                                          |                     |                                 |                    |                     |                                                         |                     |                          |                          | 6.22 2.57            |

The non-GAAP diluted weighted average number of shares was 1,099 million for the year ended December 31, 2020.



Year ended December 31, 2019  
(U.S. \$ and shares in millions, except per share amounts)

|                                                             | GAAP   | Excluded for non-GAAP measurement           |                                          |                                 |                    |                     |                                                         | Non-GAAP            |                          |                          |                      |
|-------------------------------------------------------------|--------|---------------------------------------------|------------------------------------------|---------------------------------|--------------------|---------------------|---------------------------------------------------------|---------------------|--------------------------|--------------------------|----------------------|
|                                                             |        | Amortization of purchased intangible assets | Legal settlements and loss contingencies | Impairment of long-lived assets | Other R&D expenses | Restructuring costs | Costs related to regulatory actions taken in facilities | Equity compensation | Contingent consideration | Gain on sale of business | Other non-GAAP items |
| COGS                                                        | 9,351  | 973                                         |                                          |                                 |                    |                     | 45                                                      | 26                  |                          |                          | 121                  |
| R&D                                                         | 1,010  |                                             |                                          |                                 | (15)               |                     |                                                         | 20                  |                          |                          | 1                    |
| S&M                                                         | 2,614  | 139                                         |                                          |                                 |                    |                     |                                                         | 35                  |                          |                          | 1                    |
| G&A                                                         | 1,192  |                                             |                                          |                                 |                    |                     |                                                         | 42                  |                          |                          | 5                    |
| Other income                                                | (76)   |                                             |                                          |                                 |                    |                     |                                                         |                     |                          | (50)                     |                      |
| Legal settlements and loss contingencies                    | 1,178  |                                             | 1,178                                    |                                 |                    |                     |                                                         |                     |                          |                          |                      |
| Other asset impairments, restructuring and other items      | 423    |                                             | 139                                      |                                 |                    | 199                 |                                                         |                     | 59                       |                          | 26                   |
| Intangible assets impairment                                | 1,639  |                                             | 1,639                                    |                                 |                    |                     |                                                         |                     |                          |                          |                      |
| Financial expenses                                          | 822    |                                             |                                          |                                 |                    |                     |                                                         |                     |                          |                          |                      |
| Income taxes                                                | (278)  |                                             |                                          |                                 |                    |                     |                                                         |                     |                          |                          |                      |
| Share in profits (losses) of associated companies, net      | 13     |                                             |                                          |                                 |                    |                     |                                                         |                     |                          |                          |                      |
| Net income (loss) attributable to non-controlling interests | (2)    |                                             |                                          |                                 |                    |                     |                                                         |                     |                          |                          |                      |
| Total reconciled items                                      |        | 1,113                                       | 1,178                                    | 1,778                           | (15)               | 199                 | 45                                                      | 123                 | 59                       | (50)                     | 155                  |
| EPS—Basic                                                   | (0.91) |                                             |                                          |                                 |                    |                     |                                                         |                     |                          |                          | 3.32                 |
| EPS—Diluted                                                 | (0.91) |                                             |                                          |                                 |                    |                     |                                                         |                     |                          |                          | 2.40                 |

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



## Non-GAAP Tax Rate

Non-GAAP income taxes for 2020 were \$577 million on non-GAAP pre-tax income of \$3,470 million. Non-GAAP income taxes in 2019 were \$597 million on non-GAAP pre-tax income of \$3,317 million. The non-GAAP tax rate for 2020 was 17%, compared to 18% in 2019.

## Trend Information

The following factors are expected to have a significant effect on our 2021 results:

- variable demand for certain products in certain markets and changes in physician and hospital activity due to the impact of the COVID-19 pandemic. For further details, see “—The COVID-19 Pandemic—Trends” above;
- continued success of our specialty products AUSTEDO and AJOVY;
- success of clinical trials and approval of our specialty product fasinumab, which is under development by Regeneron;
- ability to successfully execute key generic launches in a timely manner;
- ability to successfully develop and launch new biosimilar products;
- a decrease in sales of COPAXONE following the launches of generic versions to the product, and the possibility of additional generic competition in the future;
- a decrease in sales of other specialty products due to potential loss of exclusivity or generic competition;
- we expect continued competition for our generic products where multiple similar generic products have been launched, resulting in pricing pressure in the generics markets. We do, however, also see certain generic segments in which opportunities exist to grow our business, our portfolio of new drug applications and our portfolio of approved complex products;
- our disciplined cash management and debt repayment schedule;
- our high debt levels and non-investment grade credit rating may increase the cost of any new borrowing;
- continued impact of currency fluctuations on revenues and operating income, as well as on various balance sheet and statements of income line items;
- ongoing evaluation of opportunities to further optimize our manufacturing and supply network to achieve additional operational efficiencies, which may affect our business and operations; and
- continued efforts towards achieving our long-term financial goals.

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, 2020:

|                                                                   | 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* . . . . | \$32,187               | \$3,563               | \$8,254        | \$7,902        | \$12,468          |
| Purchase obligations (including purchase orders) . . . . .        | 1,766                  | 1,465                 | 246            | 38             | 17                |
| Total . . . . .                                                   | <u>\$33,953</u>        | <u>\$5,028</u>        | <u>\$8,500</u> | <u>\$7,940</u> | <u>\$12,485</u>   |

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



The total gross amount of unrecognized tax benefits for uncertain tax positions was \$888 million at December 31, 2020. Payment of these obligations would result from settlements with tax authorities. Due to the difficulty in determining the timing and magnitude of settlements, these obligations are not included in the table above. Correspondingly, it is difficult to ascertain whether we will pay any significant amount related to these obligations within the next year.

We have committed to make potential future milestone payments to third parties under various agreements. These payments are contingent upon the occurrence of certain future events and, given the nature of these events, it is unclear when, if ever, we may be required to pay such amounts. As of December 31, 2020, if all milestones and targets, for compounds in phase 2 and more advanced stages of development, are achieved, the total contingent payments could reach an aggregate amount of up to \$509 million.

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

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

## **Off-Balance Sheet Arrangements**

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

## **Critical Accounting Policies**

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

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

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

The significant accounting estimates relate to the following:

- Revenue Recognition and SR&A in the United States
- Income Taxes
- Contingencies
- Goodwill
- Identifiable Intangible Assets
- Restructuring Costs

## **Revenue Recognition and SR&A in the United States**

Our gross product revenues are subject to a variety of deductions which are generally estimated and recorded in the same period that the revenues are recognized, and primarily represent chargebacks, rebates and



sales allowances to wholesalers, retailers and government agencies with respect to our pharmaceutical products. Those deductions represent estimates of rebates and discounts related to gross sales for the reporting period and, as such, knowledge and judgment of market conditions and practice are required when estimating the impact of these revenue deductions on gross sales for a reporting period.

Historically, our changes of estimates reflecting actual results or updated expectations, have not been material to our overall business. Product-specific rebates, however, may have a significant impact on year-over-year individual product growth trends. If any of our ratios, factors, assessments, experiences or judgments are not indicative or accurate predictors of our future experience, our results could be materially affected. The sensitivity of our estimates can vary by program, type of customer and geographic location. However, estimates associated with governmental allowances, U.S. Medicaid and other performance-based contract rebates are most at risk for material adjustment because of the extensive time delay between the recording of the accrual and its ultimate settlement, an interval that can generally range up to one year. Because of this time lag, in any given quarter, our adjustments to actual can incorporate revisions of several prior quarters. See also "Revenue recognition" in note 1 to the consolidated financial statements.

## **Income Taxes**

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

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

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

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

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

## ***U.S. Tax Cuts and Jobs Act***

We accounted for the tax effects of the Tax Cuts and Jobs Act, enacted on December 22, 2017, on a provisional basis in our 2017 consolidated financial statements. We completed our accounting analysis in the



fourth quarter of 2018, within the one year measurement period from the enactment date. See note 13 to our consolidated financial statements for additional information.

## Contingencies

From time to time, Teva and/or its subsidiaries are subject to claims for damages and/or equitable relief arising in the ordinary course of business. In addition, in large part as a result of the nature of its business, Teva is frequently subject to litigation, governmental investigations and other legal proceedings. Except for income tax contingencies or contingent consideration acquired in a business combination, Teva records a provision in its financial statements to the extent that it concludes that a contingent liability is probable and the amount thereof is estimable. When accruing these costs, Teva will recognize an accrual in the amount within a range of loss that is the best estimate within the range. When no amount within the range is a better estimate than any other amount, Teva accrues for the minimum amount within the range. Teva records anticipated recoveries under existing insurance contracts at the gross amount that is expected to be collected when they are considered virtually certain to occur.

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

## Goodwill

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

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

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

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

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

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

See note 7 and note 19 to our consolidated financial statements for further details on the goodwill impairments recognized in 2020 and 2018, and Teva's operating and reporting segments.

## Identifiable Intangible Assets

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

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

Impairment of identifiable intangible assets amounted to \$1,502 million and \$1,639 million in the years ended December 31, 2020 and 2019, respectively. See note 6 to our consolidated financial statements.

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

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

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

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

The more significant estimates and assumptions inherent in the estimate of the fair value of identifiable intangible assets include (i) assumptions associated with forecasting product profitability, including sales and cost to sell projections, (ii) tax rates which seek to incorporate the geographic diversity of the projected cash flows, (iii) expected impact of competitive, legal and/or regulatory forces on the projections and the impact of



technological risk, R&D expenditure for ongoing support of product rights or continued development of IPR&D, and (iv) estimated useful lives and IPR&D expected launch dates. Additionally, for IPR&D assets the risk of failure has been factored into the fair value measure.

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

#### ***Restructuring Costs***

Restructuring costs have been recorded in connection with Teva's restructuring plan between the years 2017 and 2019 and ongoing expenses associated with other network consolidation impacts. Following these actions and in anticipation of ongoing efficiency measures in our business, Teva's management has made estimates and judgments regarding future plans, mainly related to employee termination benefit costs, potential closures or divestments of manufacturing plants, headquarters and other office locations. In connection with these actions, management also assesses the recoverability of long-lived assets employed in the business. In certain instances, asset lives have been shortened based on changes in the expected useful lives of the affected assets. Asset-related impairments and severance and other related costs are reflected within asset impairments, restructuring and others.

#### **Recently Issued Accounting Pronouncements**

See note 1 to our consolidated financial statements.



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

### General

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

### Exchange Rate Risk Management

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

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

### Cash Flow Exposure

Total revenues were \$16,659 million in 2020. Of these revenues, approximately 48% of our revenues were denominated in currencies other than the U.S. dollar, 21% in euros, 5% in Japanese yen and the rest in other currencies, none of which accounted for more than 4% of total revenues in 2020. 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.

We enter into financial derivatives to hedge part of those currencies which do not have a sufficient natural hedge, in order to reduce the impact of foreign exchange fluctuations on our operating results.

As of December 31, 2020, we hedged part of our expected operating results for 2021 in currencies other than the U.S. dollar, primarily the euro, British pound, Swiss franc, Polish zloty, Japanese yen, Russian ruble and other European and Latin American currencies.

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

### Balance Sheet Exposure

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



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

| Net exposure as of<br>December 31, 2020 |                       |
|-----------------------------------------|-----------------------|
| Liability/Asset                         | (U.S. \$ in millions) |
| USD/CHF .....                           | 438                   |
| USD/EUR .....                           | 395                   |
| USD/JPY .....                           | 345                   |
| BGN/EUR .....                           | 302                   |
| HRK/USD .....                           | 118                   |
| CAD/EUR .....                           | 99                    |
| PLN/EUR .....                           | 96                    |
| USD/MXN .....                           | 93                    |
| INR/USD .....                           | 88                    |
| USD/GBP .....                           | 51                    |

## Outstanding Foreign Exchange Hedging Transactions

As of December 31, 2020, we had long and short forwards and currency option contracts with a corresponding notional amount of approximately \$2.4 billion and \$0.5 billion, respectively. As of December 31, 2019, we had long and short forwards and currency option contracts with corresponding notional amounts of approximately \$2.7 billion and \$1.1 billion, respectively.

The table below presents the net notional and fair values of the financial derivatives entered into as of December 31, 2020 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<br>Currency<br>(bought) | Net Notional Value    |      | Fair Value |      | 2020 Weighted<br>Average Cross<br>Currency Prices or<br>Strike Prices |
|-----------------|-------------------------------|-----------------------|------|------------|------|-----------------------------------------------------------------------|
|                 |                               | 2020                  | 2019 | 2020       | 2019 |                                                                       |
|                 |                               | (U.S. \$ in millions) |      |            |      |                                                                       |
| Forward:        |                               |                       |      |            |      |                                                                       |
| CHF             | USD                           | 464                   | 384  | (12)       | (5)  | 0.90                                                                  |
| EUR             | USD                           | 400                   | 503  | (16)       | (6)  | 1.18                                                                  |
| JPY             | USD                           | 326                   | 302  | (5)        | 2    | 104.57                                                                |
| USD             | INR                           | 145                   | 192  | 2          | —    | 75.21                                                                 |
| GBP             | USD                           | 133                   | *    | (3)        | —    | 1.33                                                                  |
| EUR             | PLN                           | 103                   | 216  | —          | 4    | 4.57                                                                  |
| EUR             | CAD                           | 101                   | 96   | (1)        | —    | 1.55                                                                  |
| MXN             | USD                           | 91                    | 68   | (2)        | (2)  | 20.52                                                                 |
| CAD             | USD                           | 70                    | 101  | (2)        | —    | 1.31                                                                  |
| PLN             | USD                           | 54                    | 105  | —          | (2)  | 3.74                                                                  |
| EUR             | GBP                           | *                     | 445  | —          | 12   | —                                                                     |
| USD             | RUB                           | *                     | 205  | —          | (5)  | —                                                                     |
| NIS             | USD                           | *                     | 131  | —          | (1)  | —                                                                     |
| RUB             | EUR                           | *                     | 92   | —          | (2)  | —                                                                     |
| Options:        |                               |                       |      |            |      |                                                                       |
| EUR             | USD                           | 167                   | 381  | (3)        | (2)  | 1.16                                                                  |
| JPY             | USD                           | 89                    | 139  | —          | —    | 106.23                                                                |
| CHF             | USD                           | 84                    | 85   | (2)        | (1)  | 0.93                                                                  |
| GBP             | USD                           | 53                    | 63   | (1)        | (1)  | 1.28                                                                  |
| EUR             | GBP                           | *                     | 131  | —          | —    | —                                                                     |

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



## Foreign Subsidiaries Net Assets

Under certain market conditions, we may hedge against possible fluctuations in foreign subsidiaries' net assets ("net investment hedge"). In these cases, we may use cross currency swaps and forward contracts. During 2017, we entered into a cross currency swap agreement, to hedge \$1 billion of our subsidiaries' euro denominated net assets. In the first quarter of 2020, these cross currency swap agreements expired.

## 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 and convertible debentures that bear a fixed and floating interest rate. In some cases, as described below, we have swapped from a fixed to a floating interest rate ("fair value hedge"), from a floating to a fixed interest rate and from a fixed to a fixed interest rate with an exchange from a currency other than the functional currency ("cash flow hedge"), reducing overall interest expenses or hedging risks associated with interest rate fluctuations.

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

The table below presents the aggregate outstanding debt by currencies and maturities as of December 31, 2020:

| Currency                             | Total<br>Amount | Interest Rate<br>Ranges |       | 2021           | 2022           | 2023           | 2024           | 2025           | 2026 &<br>thereafter |
|--------------------------------------|-----------------|-------------------------|-------|----------------|----------------|----------------|----------------|----------------|----------------------|
| (U.S. dollars in millions)           |                 |                         |       |                |                |                |                |                |                      |
| <b>Fixed Rate:</b>                   |                 |                         |       |                |                |                |                |                |                      |
| USD .....                            | 16,286          | 2.20%                   | 7.13% | 2,674          | 853            | 2,996          | 1,250          | 1,000          | 7,513                |
| Euro .....                           | 8,408           | 0.38%                   | 6.00% | —              | 861            | 1,595          | 1,839          | 2,337          | 1,776                |
| CHF .....                            | 795             | 0.50%                   | 1.00% | —              | 397            | —              | —              | 398            | —                    |
| USD convertible<br>debentures* ..... | 514             | 0.25%                   | 0.25% | —              | —              | —              | —              | —              | 514                  |
| <b>Floating Rate:</b>                |                 |                         |       |                |                |                |                |                |                      |
| Others .....                         | 1               | 1.00%                   | 2.00% | —              | —              | —              | —              | —              | 1                    |
| Total: .....                         | 26,004          |                         |       | <u>\$2,674</u> | <u>\$2,111</u> | <u>\$4,591</u> | <u>\$3,089</u> | <u>\$3,735</u> | <u>\$9,804</u>       |
| Less debt issuance costs .....       | (86)            |                         |       |                |                |                |                |                |                      |
| Total: .....                         | \$25,918        |                         |       |                |                |                |                |                |                      |

\* Classified under short-term debt.



**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

**TEVA PHARMACEUTICAL INDUSTRIES LIMITED  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of TEVA PHARMACEUTICAL INDUSTRIES LIMITED

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

We have audited the accompanying consolidated balance sheets of Teva Pharmaceutical Industries Limited and its subsidiaries (the "Company") as of December 31, 2020 and 2019, and the related consolidated statements of income (loss), of comprehensive income (loss), of changes in equity and of cash flows for each of the three years in the period ended December 31, 2020, including the related notes and schedule of valuation and qualifying accounts for each of the three years in the period ended December 31, 2020 appearing under Item 15(a) (collectively referred to as the "consolidated financial statements").

We also have audited the Company's internal control over financial reporting as of December 31, 2020, 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, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020 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, 2020, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

### *Change in Accounting Principle*

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

### *Basis for Opinions*

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

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

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

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

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

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

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

## ***Critical Audit Matters***

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

## ***Goodwill Impairment Assessment – North America reporting unit***

As described in Notes 1 and 7 to the consolidated financial statements, the Company's consolidated goodwill balance and goodwill balance for the North America reporting unit was \$20,624 million and \$6,473 million, respectively, as of December 31, 2020. As disclosed by management, goodwill is assigned to reporting units and tested for impairment at least annually, in the second quarter of the fiscal year, and whenever events or changes in circumstances indicate the carrying value of goodwill may not be recoverable. During the second quarter of 2020, management noted that market concerns regarding the uncertainty related to the opioid and price fixing litigation risks were impacting its market capitalization. Teva conducted a quantitative analysis of the North America reporting unit as part of its annual goodwill impairment test and utilized the assistance of an independent valuation expert. No goodwill impairment charge was recorded during the second quarter of 2020. During the third quarter of 2020, management noted factors that led to an assessment of the North America reporting unit for impairment, including a 25% reduction in the Company's market capitalization from the second quarter of 2020 to the third quarter of 2020 and recent developments that indicate the timeframe for resolution of the opioids litigation will take significantly longer than previously expected which introduces greater uncertainty to a favorable resolution, resulting in an impairment charge of \$4,628 million. Management determines the fair value of its reporting units using the income approach. Within the income approach, the method used is the discounted cash flow method. For each of the second and third quarter impairment assessments, management started with a forecast of all the expected net cash flows associated with the reporting unit, which includes the application of a terminal value, and then applied a discount rate to arrive at a net present value amount. As disclosed by management, key estimates include the revenue growth rates and operating

margins taking into consideration industry and market conditions, terminal growth rate and the discount rate. Market conditions include estimates related to the timeframe and resolution of the opioids and price fixing litigation.

The principal considerations for our determination that performing procedures relating to the goodwill impairment assessments for the North America reporting unit is a critical audit matter are (i) the significant judgment by management when determining the fair value measurement of the reporting unit; (ii) a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating management's significant assumptions related to revenue growth rates, discount rate, estimates related to the timeframe and resolution of the opioids and price fixing litigation and terminal growth rate; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's goodwill impairment assessment, including controls over the valuation of the North America reporting unit. These procedures also included, among others, (i) testing management's process for determining the fair value estimate; (ii) evaluating the appropriateness of the discounted cash flow model; (iii) testing the completeness, accuracy and relevance of underlying data used in the model; and (iv) evaluating the significant assumptions used by management related to the revenue growth rates, discount rate, estimates related to the timeframe and resolution of the opioids and price fixing litigation and terminal growth rate. Evaluating management's assumptions related to revenue growth rates and terminal growth rate involved evaluating whether the assumptions used by management were reasonable considering (i) the current and past performance of the reporting unit, (ii) the consistency with external market and industry data, and (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit. Evaluating management's assumption related to estimates related to the timeframe and resolution of the opioids and price fixing litigation involved obtaining and evaluating letters of audit inquiry with internal and external legal counsel and discussing the status of significant known actual and potential litigation with the Company's internal and external legal counsel. Professionals with specialized skill and knowledge were used to assist in the evaluation of management's discounted cash flow model and the discount rate assumption.

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

As described in Notes 1 and 3 to the consolidated financial statements, the amount of consideration to which the Company expects to be entitled varies as a result of rebates, chargebacks, and other SR&A that the Company offers to its customers and their customers. A minimum amount of variable consideration is recorded by the Company concurrently with the satisfaction of performance obligations to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. As of December 31, 2020, consolidated SR&A for rebates, chargebacks and Medicaid were \$3,990 million. Provisions for chargebacks involve estimates of usage by retailers and other indirect buyers with varying contract prices for multiple wholesalers. The provision for chargebacks varies in relation to changes in product mix, pricing and the level of inventory at the wholesalers. Provisions are calculated using historical chargeback experience and/or expected chargeback levels for new products and anticipated pricing changes. Provisions for rebates are estimated based on the specific terms in each agreement based on historical trends and expected sales. Provisions for Medicaid are based on historical trends of rebates paid, as well as on changes in wholesaler inventory levels and increases or decreases in sales.

The principal considerations for our determination that performing procedures relating to SR&A for rebates, chargebacks and Medicaid in the United States is a critical audit matter are (i) the significant judgment by management due to the significant measurement uncertainty involved in developing the reserves, as the reserves are based on assumptions developed using contractual and mandated terms with customers, historical experience, and projected market conditions in the US; and (ii) a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating management's significant assumptions, including wholesaler inventory levels and expected chargeback levels.



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

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

As described in Notes 1, 11 and 12 to the consolidated financial statements, management evaluates litigation contingencies and records a provision in its financial statements to the extent that it concludes that a contingent liability is probable and the amount thereof is estimable. Such contingencies include those related to opioid and price fixing and market allocation litigation in the United States. As of December 31, 2020, the Company's consolidated provision for legal settlements and loss contingencies was \$1,625 million, which included an estimated settlement provision recorded in connection with the remaining opioid cases.

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

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

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

Tel Aviv, Israel  
February 10, 2021

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



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

|                                                                                                                                                                                               | December 31,<br>2020 | December 31,<br>2019 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|
| <b>ASSETS</b>                                                                                                                                                                                 |                      |                      |
| <b>Current assets:</b>                                                                                                                                                                        |                      |                      |
| Cash and cash equivalents                                                                                                                                                                     | \$ 2,177             | \$ 1,975             |
| Accounts receivables, net of allowance for credit losses of \$126 million and \$135 million as of December 31, 2020 and December 31, 2019                                                     | 4,581                | 5,676                |
| Inventories                                                                                                                                                                                   | 4,403                | 4,422                |
| Prepaid expenses                                                                                                                                                                              | 945                  | 870                  |
| Other current assets                                                                                                                                                                          | 710                  | 434                  |
| Assets held for sale                                                                                                                                                                          | 189                  | 87                   |
| <b>Total current assets</b>                                                                                                                                                                   | <b>13,005</b>        | <b>13,464</b>        |
| Deferred income taxes                                                                                                                                                                         | 695                  | 386                  |
| <b>Other non-current assets</b>                                                                                                                                                               | <b>538</b>           | <b>591</b>           |
| Property, plant and equipment, net                                                                                                                                                            | 6,296                | 6,436                |
| Operating lease right-of-use assets                                                                                                                                                           | 559                  | 514                  |
| Identifiable intangible assets, net                                                                                                                                                           | 8,923                | 11,232               |
| Goodwill                                                                                                                                                                                      | 20,624               | 24,846               |
| <b>Total assets</b>                                                                                                                                                                           | <b>\$ 50,640</b>     | <b>\$57,470</b>      |
| <b>LIABILITIES AND EQUITY</b>                                                                                                                                                                 |                      |                      |
| <b>Current liabilities:</b>                                                                                                                                                                   |                      |                      |
| Short-term debt                                                                                                                                                                               | \$ 3,188             | \$ 2,345             |
| Sales reserves and allowances                                                                                                                                                                 | 4,824                | 6,159                |
| Accounts payables                                                                                                                                                                             | 1,756                | 1,718                |
| Employee-related obligations                                                                                                                                                                  | 685                  | 693                  |
| Accrued expenses                                                                                                                                                                              | 1,780                | 1,869                |
| Other current liabilities                                                                                                                                                                     | 933                  | 889                  |
| <b>Total current liabilities</b>                                                                                                                                                              | <b>13,164</b>        | <b>13,674</b>        |
| <b>Long-term liabilities:</b>                                                                                                                                                                 |                      |                      |
| Deferred income taxes                                                                                                                                                                         | 964                  | 1,096                |
| Other taxes and long-term liabilities                                                                                                                                                         | 2,240                | 2,640                |
| Senior notes and loans                                                                                                                                                                        | 22,731               | 24,562               |
| Operating lease liabilities                                                                                                                                                                   | 479                  | 435                  |
| <b>Total long-term liabilities</b>                                                                                                                                                            | <b>26,414</b>        | <b>28,733</b>        |
| <b>Commitments and contingencies, see note 12</b>                                                                                                                                             |                      |                      |
| <b>Total liabilities</b>                                                                                                                                                                      | <b>39,579</b>        | <b>42,407</b>        |
| <b>Equity:</b>                                                                                                                                                                                |                      |                      |
| <b>Teva shareholders' equity:</b>                                                                                                                                                             |                      |                      |
| Ordinary shares of NIS 0.10 par value per share; December 31, 2020 and December 31, 2019: authorized 2,495 million shares; issued 1,202 million shares and 1,198 million shares, respectively | 57                   | 56                   |
| Additional paid-in capital                                                                                                                                                                    | 27,443               | 27,312               |
| Accumulated deficit                                                                                                                                                                           | (10,946)             | (6,956)              |
| Accumulated other comprehensive loss                                                                                                                                                          | (2,399)              | (2,312)              |
| Treasury shares as of December 31, 2020 and December 31, 2019: 106 million ordinary shares                                                                                                    | (4,128)              | (4,128)              |
|                                                                                                                                                                                               | <b>10,026</b>        | <b>13,972</b>        |
| <b>Non-controlling interests</b>                                                                                                                                                              | <b>1,035</b>         | <b>1,091</b>         |
| <b>Total equity</b>                                                                                                                                                                           | <b>11,061</b>        | <b>15,063</b>        |
| <b>Total liabilities and equity</b>                                                                                                                                                           | <b>\$ 50,640</b>     | <b>\$57,470</b>      |

Amounts may not add up due to rounding.

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



**TEVA PHARMACEUTICAL INDUSTRIES LIMITED**  
**CONSOLIDATED STATEMENTS OF INCOME (LOSS)**  
(U.S. dollars in millions, except share and per share data)

|                                                                  | Year ended December 31, |           |            |
|------------------------------------------------------------------|-------------------------|-----------|------------|
|                                                                  | 2020                    | 2019      | 2018       |
| Net revenues                                                     | \$16,659                | \$16,887  | \$18,271   |
| Cost of sales                                                    | 8,933                   | 9,351     | 9,975      |
| Gross profit                                                     | 7,726                   | 7,537     | 8,296      |
| Research and development expenses                                | 997                     | 1,010     | 1,213      |
| Selling and marketing expenses                                   | 2,498                   | 2,614     | 2,916      |
| General and administrative expenses                              | 1,173                   | 1,192     | 1,298      |
| Intangible assets impairments                                    | 1,502                   | 1,639     | 1,991      |
| Goodwill impairment                                              | 4,628                   | —         | 3,027      |
| Other asset impairments, restructuring and other items           | 479                     | 423       | 987        |
| Legal settlements and loss contingencies                         | 60                      | 1,178     | (1,208)    |
| Other income                                                     | (40)                    | (76)      | (291)      |
| Operating (loss) income                                          | (3,572)                 | (443)     | (1,637)    |
| Financial expenses, net                                          | 834                     | 822       | 959        |
| Income (loss) before income taxes                                | (4,406)                 | (1,265)   | (2,596)    |
| Income taxes (benefit)                                           | (168)                   | (278)     | (195)      |
| Share in (profits) losses of associated companies, net           | (138)                   | 13        | 71         |
| Net income (loss)                                                | (4,099)                 | (1,000)   | (2,472)    |
| Net loss attributable to non-controlling interests               | (109)                   | (2)       | (322)      |
| Net income (loss) attributable to Teva                           | (3,990)                 | (999)     | (2,150)    |
| Accrued dividends on preferred shares                            | —                       | —         | 249        |
| Net income (loss) attributable to ordinary shareholders          | \$ (3,990)              | \$ (999)  | \$ (2,399) |
| Earnings (loss) per share attributable to ordinary shareholders: |                         |           |            |
| Basic                                                            | \$ (3.64)               | \$ (0.91) | \$ (2.35)  |
| Diluted                                                          | \$ (3.64)               | \$ (0.91) | \$ (2.35)  |
| Weighted average number of shares (in millions):                 |                         |           |            |
| Basic                                                            | 1,095                   | 1,091     | 1,021      |
| Diluted                                                          | 1,095                   | 1,091     | 1,021      |

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



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

|                                                                             | Year ended December 31, |                 |                  |
|-----------------------------------------------------------------------------|-------------------------|-----------------|------------------|
|                                                                             | 2020                    | 2019            | 2018             |
| Net income (loss) .....                                                     | \$(4,099)               | \$(1,000)       | \$(2,472)        |
| Other comprehensive income (loss), net of tax:                              |                         |                 |                  |
| Currency translation adjustment .....                                       | (69)                    | 97              | (713)            |
| Unrealized gain (loss) on derivative financial instruments, net .....       | 57                      | 84              | 115              |
| Unrealized gain (loss) on available-for-sale securities, net .....          | —                       | (1)             | —                |
| Unrealized gain (loss) on defined benefit plans, net .....                  | (18)                    | (20)            | 13               |
| Total other comprehensive income (loss) .....                               | (30)                    | 160             | (585)            |
| Total comprehensive income (loss) .....                                     | (4,129)                 | (840)           | (3,057)          |
| Comprehensive income (loss) attributable to non-controlling interests ..... | (53)                    | 12              | (296)            |
| Comprehensive income (loss) attributable to Teva .....                      | <u>\$(4,076)</u>        | <u>\$ (852)</u> | <u>\$(2,761)</u> |

**Amounts may not add up due to rounding.**

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



## TEVA PHARMACEUTICAL INDUSTRIES LIMITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

|                                                  | Teva shareholders' equity      |              |         |                            |                                         |                                               |                 |                                  |                           |
|--------------------------------------------------|--------------------------------|--------------|---------|----------------------------|-----------------------------------------|-----------------------------------------------|-----------------|----------------------------------|---------------------------|
|                                                  | Ordinary shares                |              |         |                            | Retained earnings (accumulated deficit) | Accumulated other comprehensive income (loss) | Treasury shares | Total Teva share-holders' equity | Non-controlling interests |
|                                                  | Number of shares (in millions) | Stated value | MCPS**  | Additional paid-in capital |                                         |                                               |                 |                                  |                           |
|                                                  |                                |              |         |                            | (U.S. dollars in millions)              |                                               |                 |                                  |                           |
| Balance at January 1, 2018                       | 1,124                          | 54           | 3,631   | 23,479                     | (3,803)                                 | (1,853)                                       | (4,149)         | 17,359                           | 1,386                     |
| Changes during 2018:                             |                                |              |         |                            |                                         |                                               |                 |                                  |                           |
| Cumulative effect of new accounting standard**** |                                |              |         |                            | (5)                                     | 5                                             |                 |                                  | —                         |
| Net income (loss)                                |                                |              |         |                            | (2,150)                                 |                                               |                 | (2,150)                          | (322)                     |
| Other comprehensive income (loss)                |                                |              |         |                            |                                         | (611)                                         |                 | (611)                            | 26                        |
| Issuance of Treasury Shares                      |                                | *            |         | (3)                        |                                         |                                               | 7               | 4                                | 4                         |
| Stock-based compensation expense                 |                                |              |         | 155                        |                                         |                                               |                 | 155                              | 155                       |
| Issuance of shares***                            | 72                             | 2            | (3,880) | 3,826                      |                                         |                                               |                 | (52)                             | (52)                      |
| Dividends to preferred shareholders              |                                |              | 249     | (249)                      |                                         |                                               |                 | —                                | —                         |
| Transactions with non-controlling interests      |                                |              |         | 2                          |                                         |                                               |                 | 2                                | (3)                       |
| Balance at December 31, 2018                     | 1,196                          | 56           | —       | 27,210                     | (5,958)                                 | (2,459)                                       | (4,142)         | 14,707                           | 1,087                     |
| Changes during 2019:                             |                                |              |         |                            |                                         |                                               |                 |                                  |                           |
| Net income (loss)                                |                                |              |         |                            | (999)                                   |                                               |                 | (999)                            | (2)                       |
| Other comprehensive income (loss)                |                                |              |         |                            |                                         | 147                                           |                 | 147                              | 14                        |
| Issuance of Shares                               | 2*                             |              |         |                            |                                         |                                               |                 |                                  | *                         |
| Issuance of Treasury Shares                      |                                | *            |         | (8)                        |                                         |                                               | 14              | 6                                | 6                         |
| Stock-based compensation expense                 |                                |              |         | 119                        |                                         |                                               |                 | 119                              | 119                       |
| Transactions with non-controlling interests      |                                |              |         |                            |                                         |                                               |                 |                                  | (8)                       |
| Other                                            |                                |              |         | (8)                        |                                         |                                               |                 | (8)                              | (8)                       |
| Balance at December 31, 2019                     | 1,198                          | 56           | —       | 27,312                     | (6,956)                                 | (2,312)                                       | (4,128)         | 13,972                           | 1,091                     |
| Changes during 2020:                             |                                |              |         |                            |                                         |                                               |                 |                                  |                           |
| Net income (loss)                                |                                |              |         |                            | (3,990)                                 |                                               |                 | (3,990)                          | (109)                     |
| Other comprehensive income (loss)                |                                |              |         |                            |                                         | (86)                                          |                 | (86)                             | 56                        |
| Issuance of Shares                               | 4*                             |              |         | *                          |                                         |                                               |                 | 1                                | 1                         |
| Stock-based compensation expense                 |                                |              |         | 129                        |                                         |                                               |                 | 129                              | 129                       |
| Transactions with non-controlling interests      |                                |              |         |                            |                                         |                                               |                 |                                  | (2)                       |
| Balance at December 31, 2020                     | 1,202                          | \$57         | —       | \$27,443                   | \$(10,946)                              | \$(2,399)                                     | \$(4,128)       | \$10,026                         | \$1,035                   |

\* Represents an amount less than 0.5 million.

\*\* Mandatory convertible preferred shares.

\*\*\* Mainly MCPS conversion.

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

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



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

|                                                                                   | Year ended December 31, |                 |                 |
|-----------------------------------------------------------------------------------|-------------------------|-----------------|-----------------|
|                                                                                   | 2020                    | 2019            | 2018            |
| <b>Operating activities:</b>                                                      |                         |                 |                 |
| Net income (loss) .....                                                           | \$(4,099)               | \$(1,000)       | \$(2,472)       |
| Adjustments to reconcile net loss to net cash provided by operations:             |                         |                 |                 |
| Impairment of goodwill, long-lived assets and assets held for sale .....          | 6,546                   | 1,778           | 5,621           |
| Depreciation and amortization .....                                               | 1,557                   | 1,722           | 1,842           |
| Net change in operating assets and liabilities .....                              | (2,188)                 | (896)           | (1,823)         |
| Deferred income taxes, net and uncertain tax positions .....                      | (696)                   | (985)           | (837)           |
| Stock-based compensation .....                                                    | 129                     | 119             | 155             |
| Other items .....                                                                 | 100                     | 28              | (135)           |
| Research and development in process .....                                         | 80                      | —               | 114             |
| Net loss (gain) from investments and from sale of long lived assets .....         | (213)                   | (18)            | (19)            |
| <b>Net cash provided by operating activities .....</b>                            | <b>1,216</b>            | <b>748</b>      | <b>2,446</b>    |
| <b>Investing activities:</b>                                                      |                         |                 |                 |
| Beneficial interest collected in exchange for securitized trade receivables ..... | 1,405                   | 1,487           | 1,735           |
| Proceeds from sales of long-lived assets and investments .....                    | 67                      | 343             | 890             |
| Purchases of property, plant and equipment .....                                  | (578)                   | (525)           | (651)           |
| Purchases of investments and other assets .....                                   | (55)                    | (8)             | (119)           |
| Other investing activities .....                                                  | 24                      | 58              | 11              |
| <b>Net cash provided by investing activities .....</b>                            | <b>863</b>              | <b>1,355</b>    | <b>1,866</b>    |
| <b>Financing activities:</b>                                                      |                         |                 |                 |
| Repayment of senior notes and loans and other long term liabilities .....         | (1,871)                 | (3,944)         | (7,446)         |
| Proceeds from senior notes and loans, net of issuance costs .....                 | —                       | 2,083           | 4,434           |
| Proceeds from short term debt .....                                               | 550                     | 500             | —               |
| Repayment of short term debt .....                                                | (559)                   | (502)           | (260)           |
| Other financing activities .....                                                  | (5)                     | (11)            | (57)            |
| Tax withholding payments made on shares and dividends .....                       | —                       | (52)            | (22)            |
| <b>Net cash used in financing activities .....</b>                                | <b>(1,885)</b>          | <b>(1,926)</b>  | <b>(3,351)</b>  |
| <b>Translation adjustment on cash and cash equivalents .....</b>                  | <b>8</b>                | <b>16</b>       | <b>(142)</b>    |
| <b>Net change in cash and cash equivalents .....</b>                              | <b>202</b>              | <b>193</b>      | <b>819</b>      |
| <b>Balance of cash and cash equivalents at beginning of year .....</b>            | <b>1,975</b>            | <b>1,782</b>    | <b>963</b>      |
| <b>Balance of cash and cash equivalents at end of year .....</b>                  | <b>\$ 2,177</b>         | <b>\$ 1,975</b> | <b>\$ 1,782</b> |

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



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

|                                                                                                | <b>Year ended December 31,</b> |                 |                  |
|------------------------------------------------------------------------------------------------|--------------------------------|-----------------|------------------|
|                                                                                                | <b>2020</b>                    | <b>2019</b>     | <b>2018</b>      |
| <b>Supplemental cash flow information:</b>                                                     |                                |                 |                  |
| Non-cash financing and investing activities:                                                   |                                |                 |                  |
| Beneficial interest obtained in exchange for securitized trade receivables . . . . .           | \$1,397                        | \$1,511         | \$1,716          |
| Conversion of mandatory convertible preferred shares into ordinary shares . . . . .            | —                              | \$ —            | 3,880            |
| Cash paid during the year for:                                                                 |                                |                 |                  |
| Interest . . . . .                                                                             | \$ 846                         | \$ 840          | \$ 815           |
| Income taxes, net of refunds . . . . .                                                         | \$ 709                         | \$ 552          | \$ 420           |
| <b>Net change in operating assets and liabilities:</b>                                         |                                |                 |                  |
|                                                                                                | <b>2020</b>                    | <b>2019</b>     | <b>2018</b>      |
| Other current assets . . . . .                                                                 | \$(1,473)                      | \$(1,416)       | \$(1,437)        |
| Trade payables, accrued expenses, employee-related obligations and other liabilities . . . . . | (463)                          | 643             | (500)            |
| Trade receivables net of sales reserves and allowances . . . . .                               | (293)                          | (394)           | 88               |
| Inventories . . . . .                                                                          | 41                             | 271             | 26               |
|                                                                                                | <u>\$(2,188)</u>               | <u>\$ (896)</u> | <u>\$(1,823)</u> |

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



## TEVA PHARMACEUTICAL INDUSTRIES LIMITED Notes to Consolidated Financial Statements

### NOTE 1—Significant accounting policies:

#### a. General:

##### *Operations*

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

##### *Basis of presentation and use of estimates*

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

In preparing the Company’s consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported years. Actual results could differ from those estimates.

As applicable to these consolidated financial statements, the most significant estimates and assumptions relate to determining the valuation and recoverability of intangible assets and goodwill; assessing sales reserves and allowances in the United States, and contingent consideration; assessing compliance with debt covenants; uncertain tax positions, valuation allowances, contingencies, inventory valuation and restructuring. The inputs into Teva’s judgments and estimates also consider the economic implications of the COVID-19 pandemic on its critical and significant accounting estimates, most significantly in relation to sales, reserves and allowances, IPR&D assets, marketed product rights and goodwill, all of which will depend on future developments that are highly uncertain, including as a result of new information that may emerge concerning the COVID-19 pandemic and the actions taken to contain or treat it, as well as the economic impact on Teva’s employees, third-party manufacturers and suppliers, customers and markets. All estimates made by Teva related to the impact of the COVID-19 pandemic within its financial statements may change in future periods.

Certain amounts in the consolidated financial statements and associated notes may not add up due to rounding. All percentages have been calculated using unrounded amounts.

##### *Functional currency*

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

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

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



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

### *Principles of consolidation*

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

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

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

### **b. New accounting pronouncements**

#### *Recently adopted accounting pronouncements*

In March 2020, the FASB issued ASU 2020-04 "Reference Rate Reform (Topic 848)—Facilitation of the Effects of Reference Rate Reform on Financial Reporting." This guidance provides optional expedients and exceptions for applying generally accepted accounting principles to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The guidance applies only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. This guidance is effective for all entities as of March 12, 2020 through December 31, 2022. There was no impact to the Company's consolidated financial statements for the period ended December 31, 2020 as a result of adopting this standard update. The Company is continuing to evaluate the potential impact of the replacement of the LIBOR benchmark on its interest rate risk management activities and has started initial negotiations to transform the facility base rate of its securitization program. However, it is not expected to have a material impact on the consolidated financial results.

In April 2019, the FASB issued ASU 2019-04 "Codification Improvements to Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Financial Instruments (Topic 825)." This ASU provides clarifications of three topics related to financial instruments accounting. Teva adopted the provisions of this update as of January 1, 2020 with no material impact on its consolidated financial statements.

In November 2018, the FASB issued ASU 2018-18 "Collaborative Arrangements (Topic 808)—Clarifying the interaction between Topic 808 and Topic 606." The amendments provide guidance on whether certain transactions between collaborative arrangement participants should be accounted for as revenue under ASC 606. It also specifically (i) addresses when the participant should be considered a customer in the context of a unit of account, (ii) adds unit-of-account guidance in ASC 808 to align with guidance in ASC 606 and (iii) precludes presenting revenue from a collaborative arrangement together with revenue recognized under ASC 606 if the collaborative arrangement participant is not a customer. Teva adopted the provisions of this update as of January 1, 2020 with no material impact on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15 "Intangibles—Goodwill and other—Internal-use software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract." This guidance aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. Teva applied the guidance prospectively to all implementation costs incurred after the date of adoption. Teva adopted the provisions of this update as of January 1, 2020 with no material impact on its consolidated financial statements.

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

In August 2018, the FASB issued ASU 2018-13 “Fair Value Measurement (Topic 820)—Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement.” This guidance removes certain disclosure requirements related to the fair value hierarchy, modifies existing disclosure requirements related to measurement uncertainty and adds new disclosure requirements. The new disclosure requirements include disclosing the changes in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 fair value measurements held at the end of the reporting period and the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. Certain disclosures required by this guidance must be applied on a retrospective basis and others on a prospective basis. Teva adopted the provisions of this update as of January 1, 2020 with no material impact on its consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13 “Financial Instruments—Credit Losses—Measurement of Credit Losses on Financial Instruments.” This guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Upon adoption of the standard, there was no immediate impact to the Company’s financial position, results of operations or cash flows. On an ongoing basis, the Company will contemplate forward-looking economic conditions in recording lifetime expected credit losses for the Company’s financial assets measured at cost, such as the Company’s trade receivables and certain short-term investments.

### *Recently issued accounting pronouncements, not yet adopted*

In August 2020, the FASB issued ASU 2020-06 “Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity’s Own Equity (Subtopic 815 – 40).” This guidance simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity’s own equity. The amendments to this guidance are effective for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years. The Company is currently evaluating this guidance to determine the impact it may have on its consolidated financial statements.

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

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



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

Company reviewed the above topics, noting that Items (1) and (4) of this paragraph are expected to be relevant, but not material. The adoption of this guidance will not have a significant impact on the Company's consolidated financial statements.

### c. Acquisitions:

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

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

### 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. Equity investments:

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

### 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.

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

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 debt securities:

Investment in securities consists of debt securities classified as available-for-sale and recorded at fair value. The fair value of quoted securities is based on current market value. When debt securities do not have an active market, fair value is determined using a valuation model. This model is based on reference to other instruments with similar characteristics, or a discounted cash flow analysis, or other pricing models making use of market inputs and relying as little as possible on entity-specific inputs.

*The Company's investment in debt securities accounting policy until December 31, 2019, prior to the adoption of the new Current Expected Credit Losses ("CECL") standard*

Unrealized gains of available for sale debt securities, net of taxes, are reflected in other comprehensive income. Unrealized losses considered to be temporary are reflected in other comprehensive income; unrealized losses that are considered to be other-than-temporary are charged to income as an impairment charge. Realized gains and losses for debt securities are included in financial expenses, net.

The Company considers available evidence in evaluating potential impairments of its investments, including the duration and extent to which fair value is less than cost. For debt securities, an other-than-temporary impairment has occurred if the Company does not expect to recover the entire amortized cost basis of the debt security. If the Company does not intend to sell the impaired debt security, and it is not more likely than not it will be required to sell the debt security before the recovery of its amortized cost basis, the amount of the other-than-temporary impairment recognized in earnings, recorded in financial expense, net, is limited to the portion attributed to credit loss. The remaining portion of the other-than-temporary impairment related to other factors is recognized in other comprehensive income.

*The Company's investment in debt securities accounting policy from January 1, 2020, following the adoption of the new CECL standard*

Unrealized gains and losses for available-for-sale securities are excluded from earnings and reported net of the related tax effect in the accumulated other comprehensive income component of shareholders' equity.

The CECL methodology, which became effective January 1, 2020, requires the Company to estimate lifetime expected credit losses for all available-for-sale debt securities in an unrealized loss position.



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

Comparative information continues to be reported in accordance with the methodology in effect for prior periods. When estimating a security's probability of default and the recovery rate, the Company assesses the security's credit indicators, including credit ratings. If the assessment indicates that an expected credit loss exists, the Company determines the portion of the unrealized loss attributable to credit deterioration and records an allowance for the expected credit loss through the Consolidated Statements of Income. Unrealized gains and any portion of a security's unrealized loss attributable to non-credit losses are recorded in the Consolidated Statements of Comprehensive Income, net of tax.

### **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. Accounts receivables:**

*The Company's accounts receivables accounting policy until December 31, 2019, prior to the adoption of the new CECL standard*

Accounts receivables are stated at their net realizable value. The allowance against gross accounts receivables reflects the best estimate of losses inherent in the receivables portfolio determined on the basis of historical experience, specific allowances for known troubled accounts and other currently available information. An allowance for doubtful debts is reflected in net accounts receivables. Accounts receivables are written off after all reasonable means to collect the full amount have been exhausted.

*The Company's accounts receivables accounting policy from January 1, 2020, following the adoption of the new CECL standard*

Accounts receivable have been reduced by an allowance for doubtful accounts. The Company maintains the allowance for estimated losses resulting from the inability of the Company's customers to make required payments. The allowance represents the current estimate of lifetime expected credit losses over the remaining duration of existing accounts receivable considering current market conditions and supportable forecasts when appropriate. The estimate is a result of the Company's ongoing evaluation of collectability, customer creditworthiness, historical levels of credit losses, and future expectations. Write-off activity and recoveries for the periods presented were not material.

### **j. Concentration of credit risks:**

Most of Teva's cash and cash equivalents (which, along with investment in securities, totaled \$2,478 million at December 31, 2020) were deposited with European, U.S. and Israeli banks and financial institutions and were comprised mainly of cash deposits.

The pharmaceutical industry, particularly in the United States, has been significantly affected by consolidation among managed care providers, large pharmacy chains, wholesaling organizations and other buyer groups. The U.S. market constituted approximately 48% of Teva's consolidated revenues in 2020. The exposure of credit risks relating to other trade receivables outside the U.S. is limited, due to the relatively large number of group customers and their wide geographic distribution. Teva performs ongoing credit evaluations of its customers for the purpose of determining the appropriate allowance for doubtful accounts and generally does not require collateral and from time to time the Company may choose to purchase trade credit insurance.



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

### 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 determined predominantly on a standard cost basis, approximating actual costs. Other methods which are utilized for determining the value of inventories are moving average, cost basis and the first in first out method. Teva regularly reviews its inventories for obsolescence and other impairment risks and reserves are established when necessary.

Inventories acquired in a business combination are stepped-up to their estimated fair value and amortized to cost of sales as that inventory is sold.

### l. Long-lived assets:

Teva's long-lived, non-current assets are comprised mainly of goodwill, identifiable intangible assets, property, plant and equipment, and operating lease ROU assets. All long-lived assets are monitored for impairment indicators throughout the year. Impairment testing for goodwill and all indefinite-lived intangible assets is performed at least annually. When necessary, charges for impairments of long-lived assets, other than goodwill, 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 second quarter of the fiscal year.

The Company has historically performed its annual goodwill assessment during the fourth quarter of each year. During the second quarter of 2020, the Company decided to change the date of its annual impairment assessment from October 1 to June 30. The change was made to more closely align the impairment assessment date with the Company's long-term planning and forecasting process. See note 7.

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 or after of the annual impairment test if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. For example, a substantial decline in the Company's market capitalization, unexpected adverse business conditions, economic factors and unanticipated competitive activities may indicate that an interim impairment test is required. In the event that the Company's market capitalization declines below its book value, the Company considers the length and severity of the decline and the reason for the decline when assessing whether potential goodwill impairment exists.

#### *Identifiable intangible assets*

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

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

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

Indefinite life intangible assets are mainly comprised of IPR&D assets. Teva monitors these assets for items such as research and development progress and for indicators of fair value change such as level of expected competition and or pricing, to identify any triggering events. Teva determines the fair value of the asset annually or when triggering events are present, based on discounted cash flows and records an impairment loss if book value exceeds fair value.

IPR&D acquired in a business combination is capitalized as an indefinite life intangible asset until the related research and development efforts are either completed or abandoned. In the reporting periods where they are treated as indefinite life intangible assets, they are not amortized but rather are monitored triggering events and tested for impairment. Upon completion of the related research and development efforts, management determines the useful life of the intangible assets and amortizes them accordingly. In case of abandonment or a reduction in the expected realizable value of the asset, the related research and development assets are impaired.

Whenever impairment indicators are identified for definite life intangible assets, Teva reconsiders the asset’s estimated life, calculates the undiscounted value of the asset’s or asset group’s cash flows and compares such value against the asset’s or asset group’s carrying amount. If the carrying amount is greater, Teva records an impairment loss for the excess of book value over fair value based on the discounted cash flows.

In determining the estimated fair value of identifiable intangible assets, Teva utilized a discounted cash flow model. The key assumptions within the model related to forecasting future revenue and operating income, an appropriate discount rate and an appropriate terminal value based on the nature of the long-lived asset. The Company’s updated forecasts of net cash flows for the impaired assets reflect, among others, the following: (i) for IPR&D assets, the impact of changes to the development programs, the projected development and regulatory timeframes and the risks associated with these assets; and (ii) for product rights, pricing and volume projections, as well as patent life and any significant changes to the competitive environment.

### *Property, plant and equipment*

Property, plant and equipment are stated at cost, after deduction of the related investment grants, and depreciated using the straight-line method over the estimated useful life of the assets: buildings, mainly 40 years; machinery and equipment, mainly between 15 to 20 years; and other assets, between 5 to 10 years.

For property, plant and equipment and lease right-of-use assets, whenever impairment indicators are identified, Teva reconsiders the asset’s estimated life, calculates the undiscounted value of the asset’s cash flows and compares such value against the asset’s carrying amount. If the carrying amount is greater, Teva records an impairment loss for the excess of book value over fair value.

### *Lease right-of-use (ROU) assets*

See note 8 and note 1 cc for further discussion.

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

### **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.

The Company recognizes gain contingencies when they are realized or when all related contingencies have been resolved.

### **n. Treasury shares:**

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

### **o. Stock-based compensation:**

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

Teva measures compensation expense for share-based awards based on estimated fair values on the date of grant using the Black-Scholes option-pricing model. This option pricing model requires estimates as to the option's expected term and the price volatility of the underlying stock. Teva amortizes the value of share-based awards to expense over the vesting period on a straight-line basis.

Teva measures compensation expense for the RSUs and PSUs based on the market value of the underlying stock at the date of grant, less an estimate of dividends that will not accrue to the RSU and PSU holders prior to vesting.

### **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.

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

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 13 f.

### 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.

Derivative instruments are recognized on the balance sheet at their fair value.

For derivative instruments that are designated and qualify as a fair value hedge, the gain or loss on the derivative instrument as well as the offsetting gain or loss on the hedged item attributable to the hedged risk is recognized in financial expenses, net in the statements of income in the period that the changes in fair value occur.

For derivative instruments that are designated and qualify as a cash-flow hedge, the gain or loss on the derivative instrument is reported as a component of other comprehensive income and reclassified into earnings in the same line item associated with the anticipated transaction in the same period or periods during which the hedged transaction affects earnings.

For derivative instruments that are designated as net-investment hedge, the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income. The effective portion is determined by looking into changes in spot exchange rate. The change in fair value attributable to changes other than those due to fluctuations in the spot exchange rate are excluded from the assessment of hedge effectiveness and are recognized in the statement of income under financial expenses, net.

For derivative instruments that qualify for hedge accounting, the cash flows associated with these derivatives are reported in the consolidated statements of cash flows consistently with the classification of the cash flows from the underlying hedged items that these derivatives are hedging.

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

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:

A contract with a customer exists only when: the parties to the contract have approved it and are committed to perform their respective obligations, the Company can identify each party's rights regarding the distinct goods or services to be transferred ("performance obligations"), the Company can determine the transaction price for the goods or services to be transferred, the contract has commercial substance and it is probable that the Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

Revenues are recorded in the amount of consideration to which the Company expects to be entitled in exchange for performance obligations upon transfer of control to the customer, excluding amounts collected on behalf of other third parties and sales taxes.

The amount of consideration to which Teva expects to be entitled varies as a result of rebates, chargebacks, returns and other sales reserves and allowances ("SR&A") that the Company offers to its customers and their customers, as well as the occurrence or nonoccurrence of future events, including milestone events. A minimum amount of variable consideration is recorded by the Company concurrently with the satisfaction of performance obligations to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Estimates of variable consideration are based on historical experience and the specific terms in the individual agreements (which the Company believes approximates expected value). Rebates and chargebacks are the largest components of SR&A. If a minimum cannot be reasonably estimated, such revenue may be deferred to a future period when better information is available. For further description of SR&A components and how they are estimated, see "Variable Consideration" below.

Shipping and handling costs, after control of the product has transferred to a customer, are accounted for as a fulfillment cost and are recorded under S&M expenses.

Teva does not adjust the promised amount of consideration for the effects of a significant financing component since the Company expects, at contract inception, that the period between the time of transfer of the promised goods or services to the customer and the time the customer pays for these goods or services to be generally one year or less, based on the practical expedient. The Company's credit terms to customers are, on average, between thirty and ninety days.

The Company generally recognizes the incremental costs of obtaining contracts as an expense since the amortization period of the assets that the Company otherwise would have recognized is one year or less. The costs are recorded under S&M expenses. Similarly, Teva does not disclose the value of unsatisfied performance obligations for contracts with original expected duration of one year or less.

### Nature of revenue streams

Revenue from sales of goods, including sales to distributors is recognized when the customer obtains control of the product. This generally occurs when products are shipped once the Company has a present right to payment and legal title, and risk and rewards of ownership are obtained by the customer.



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

Licensing arrangements performance obligations generally include intellectual property (“IP”) rights, certain R&D and contract manufacturing services. The Company accounts for IP rights and services separately if they are distinct—i.e. if they are separately identifiable from other items in the arrangement and if the customer can benefit from them on their own or with other resources that are readily available to the customer. The consideration is allocated between IP rights and services based on their relative stand-alone selling prices.

Revenue for distinct IP rights is accounted for based on the nature of the promise to grant the license. In determining whether the Company’s promise is to provide a right to access its IP or a right to use its IP, the Company considers the nature of the IP to which the customer will have rights. IP is either functional IP which has significant standalone functionality or symbolic IP which does not have significant standalone functionality. Revenue from functional IP is recognized at the point in time when control of the distinct license is transferred to the customer. Revenue from symbolic IP is recognized over the access period to the Company’s IP.

Revenue from sales based milestones and royalties promised in exchange for a license of IP is recognized only when, or as, the later of subsequent sale or the performance obligation to which some or all of the sales-based royalty has been allocated, is satisfied. Revenues from licensing arrangements included royalty income of \$129 million, \$147 million and \$165 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Distribution revenues are derived from sales of third-party products for which the Company acts as distributor, mostly in the United States via Anda and in Israel via Salomon Levin and Elstein Ltd. (SLE). In the United States, the Company is the principal in these arrangements and therefore records revenue on a gross basis as it controls the promised goods before transferring these goods to the customer. In Israel, the Company is the agent in these arrangements and therefore records revenue on a net basis as it has no discretion in establishing prices for any specified goods or services, limited inventory risk and is not primarily responsible for contract fulfillment. Revenue is recognized when the customer obtains control of the products. This generally occurs when products are shipped once the Company has a present right to payment and legal title and risk and rewards of ownership are obtained by the customer.

Other revenues are primarily comprised of contract manufacturing services, sales of medical devices and other miscellaneous items. Revenue is recognized when the customer obtains control of the products. This generally occurs when products are shipped once the Company has a present right to payment and legal title and risk and rewards of ownership are obtained by the customer.

### Contract assets and liabilities

Contract assets are mainly comprised of trade receivables net of allowance for doubtful debts, which includes amounts billed and currently due from customers.

Contract liabilities are mainly comprised of deferred revenues which were immaterial as of December 31, 2020 and 2019.

### Variable consideration

Variable consideration mainly includes SR&A, comprised of rebates (including Medicaid and other governmental program discounts), chargebacks, returns and other promotional (including shelf stock adjustments) items. Provisions for prompt payment discounts are netted against trade receivables.



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

The Company recognizes these provisions at the time of sale and adjusts them if the actual amounts differ from the estimated provisions. The following describes the nature of each deduction and how provisions are estimated:

### Rebates

Rebates are primarily related to volume incentives and are offered to key customers to promote loyalty. These rebate programs provide that, upon the attainment of pre-established volumes or the attainment of revenue milestones for a specified period, the customer receives a rebate. Since rebates are contractually agreed upon, they are estimated based on the specific terms in each agreement based on historical trends and expected sales. Externally obtained inventory levels and expected sales usage by contract are evaluated in relation to estimates made for rebates payable to indirect customers and managed care agreements.

### Medicaid and Other Governmental Rebates

Pharmaceutical manufacturers whose products are covered by the Medicaid program are required to provide a rebate to each state as a percentage of their average manufacturer's price for generic products dispensed and "best price" for specialty products dispensed. Many states have also implemented supplemental rebate programs that obligate manufacturers to pay rebates in excess of those required under federal law. The Company estimates these rebates based on historical trends of rebates paid, as well as on changes in wholesaler inventory levels and increases or decreases in sales.

### Chargebacks

The Company has arrangements with various third parties, such as managed care organizations and drug store chains, establishing prices for certain of Teva's products. While these arrangements are made between the Company and the customers, the customers independently select a wholesaler from which they purchase the products. Alternatively, certain wholesalers may enter into agreements with the customers, with Teva's concurrence, which establish the pricing for certain products which the wholesalers provide. Under either arrangement, Teva will issue a credit (referred to as a "chargeback") to the wholesaler for the difference between the invoice price to the wholesaler and the customer's contract prices. Provisions for chargebacks involve estimates of contract prices of over 2,000 products and multiple contracts with multiple wholesalers. Provisions for chargebacks involve estimates of usage by retailers and other indirect buyers with varying contract prices for multiple wholesalers. The provision for chargebacks varies in relation to changes in product mix, pricing and the level of inventory at the wholesalers and, therefore, will not necessarily fluctuate in proportion to an increase or decrease in sales. Provisions for estimating chargebacks are calculated using historical chargeback experience and/or expected chargeback levels for new products and anticipated pricing changes. Teva considers current and expected price competition when evaluating the provision for chargebacks. Chargeback provisions are compared to externally obtained distribution channel reports for reasonableness. The Company regularly monitors the provision for chargebacks and makes adjustments when the Company believes that actual chargebacks may differ from estimated provisions.

### Other Promotional Arrangements

Other promotional or incentive arrangements are periodically offered to customers, specifically related to the launch of products or other targeted promotions. Provisions are made in the period for which the Company can estimate the incentive earned by the customer, in accordance with the contractual terms. The Company regularly monitors the provision for other promotional arrangements and makes adjustments when it believes that the actual provision may differ from the estimated provisions.



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

### Shelf Stock Adjustments

The custom in the pharmaceutical industry is generally to grant customers a shelf stock adjustment based on the customers' existing inventory contemporaneously with decreases in the market price of the related product. The most significant of these relate to products for which an exclusive or semi-exclusive period exists. Provisions for price reductions depend on future events, including price competition, new competitive launches and the level of customer inventories at the time of the price decline. Teva regularly monitors the competitive factors that influence the pricing of its products and customer inventory levels and adjust these estimates where appropriate.

### Returns

Returns primarily relate to customer returns of expired products which, the customer has the right to return up to one year following the expiration date. Such returned products are destroyed and credits and/or refunds are issued to the customer for the value of the returns. Accordingly, no returned assets are recoded in connection with those products. The returns provision is estimated by applying a historical return rate to the amounts of revenue estimated to be subject to returns. Revenue subject to returns is estimated based on the lag time from time of sale to date of return. The estimated lag time is developed by analyzing historical experience. Additionally, The Company considers specific factors, such as estimated levels of inventory in the distribution channel, product dating and expiration, size and maturity of launch, entrance of new competitors, changes in formularies or packaging and any changes to customer terms, for determining the overall expected levels of returns.

### Prompt Pay Discounts

Prompt pay discounts are offered to most customers to encourage timely payment. Discounts are estimated at the time of invoice based on historical discounts in relation to sales. Prompt pay discounts are almost always utilized by customers. As a result, the actual discounts do not vary significantly from the estimated amount.

#### t. Research and development:

Research and development expenses are charged to statement of income (loss) 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 S&M expenses, were \$124 million, \$138 million and \$159 million for the years ended December 31, 2020, 2019 and 2018, respectively.

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

### v. Advertising costs:

Advertising costs are expensed as incurred. Advertising costs for the years ended December 31, 2020, 2019 and 2018 were \$225 million, \$213 million and \$256 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.

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 three reporting segments based on three geographical areas:

- (a) North America segment, which includes the United States and Canada.
- (b) Europe segment, which includes the European Union and certain other European countries.
- (c) International Markets segment, which includes all countries in which Teva operates other than those in the North America and Europe segments.

Each business segment manages the entire product portfolio in its region, including generics, specialty and over-the-counter ("OTC") products.

In addition to these three segments, Teva has other sources of revenues, primarily the sale of APIs to third parties, certain contract manufacturing services and an out-licensing platform offering a portfolio of products to other pharmaceutical companies through its affiliate Medis.

### y. Earnings per share:

Basic earnings per share are computed by dividing the net income attributable to ordinary shareholders by the weighted average number of ordinary shares (including fully vested RSUs and PSUs) outstanding during the year, net of treasury shares.

In computing diluted earnings per share, basic earnings per share are adjusted to take into account the potential dilution that could occur upon: (i) the exercise of options and non-vested RSUs and PSUs granted under employee stock compensation plans and one series of convertible senior debentures, using the treasury stock method; (ii) the conversion of the remaining convertible senior debentures using the "if-converted" method, by

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

adding to net income interest expense on the debentures and amortization of issuance costs, net of tax benefits, and by adding the weighted average number of shares issuable upon assumed conversion of the debentures; and (iii) until December 17, 2018, the conversion of the mandatory convertible preferred shares ("MCPS") using the "if-converted" method by adding to net income attributable to ordinary shareholders the dividends on the preferred shares and by adding the weighted average number of shares issuable upon assumed conversion of the mandatory convertible preferred shares.

On December 17, 2018, the mandatory convertible preferred shares automatically converted into ordinary shares. As a result of this conversion, Teva issued 70.6 million ADSs. See note 14.

### z. Securitization

Teva accounts for transfers of certain of its trade receivable as sales when it has surrendered control over the related assets in accordance with ASC Topic 860 "Transfer and Servicing" of Financial Assets. Whether control has been relinquished requires, among other things, an evaluation of relevant legal considerations and an assessment of the nature and extent of the Company's continuing involvement with the assets transferred. Assets obtained and liabilities incurred in connection with transfers reported as sales are initially recognized in the balance sheet at fair value. Refer to note 10 f.

### 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 it is probable that a significant reversal of income will not occur, or in the case of a business, when such payments are realizable. For 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. Debt instruments

Debt instruments are initially recognized at the fair value of the consideration received. Debt issuance costs are recorded on the consolidated balance sheet as a reduction of liability. They are subsequently recognized at amortized cost using the effective interest method. Debt may be considered extinguished when it has been modified and the terms of the new debt instruments and old debt instruments are "substantially different" (as defined in the debt modification guidance in ASC 470-50 "Debt—Modifications and Extinguishments"). The Company classifies the current portion of long term debt as non-current liabilities on the Balance Sheet when it has the intent and ability to refinance the obligation on a long-term basis, in accordance with ASC 470-50 "Debt".

### cc. Leases

*The Company's lease accounting policy until December 31, 2018, prior to the adoption of the new lease standard*

Teva leases real estate, cars and equipment for use in its operations, which are classified as operating leases. In addition to rent, the leases may require Teva to pay directly for fees, insurance, maintenance and other operating expenses. Rental expense for the year ended December 31, 2018 was \$175 million. The Company also has capital leases for properties.

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

*The Company's lease accounting policy from January 1, 2019, following the adoption of the new lease standard*

Teva adopted the new accounting standard ASC 842 "Leases" and all the related amendments on January 1, 2019 and used the effective date as Teva's date of initial application.

Teva determines if an arrangement is a lease at inception. Lease classification is governed by five criteria in ASC 842-10-25-2. If any of these five criteria is met, Teva classifies the lease as a finance lease. Otherwise, Teva classifies the lease as an operating lease. When determining lease classification, Teva's approach in assessing two of the mentioned criteria is: (i) generally, 75% or more of the remaining economic life of the underlying asset is a major part of the remaining economic life of that underlying asset; and (ii) generally, 90% or more of the fair value of the underlying asset comprises substantially all of the fair value of the underlying asset.

Operating leases are included in operating lease right-of-use ("ROU") assets, other current liabilities and operating lease liabilities in the consolidated balance sheets. Finance leases are included in property, plant and equipment, other current liabilities, and other long-term liabilities in the consolidated balance sheets.

ROU assets represent Teva's right to use an underlying asset for the lease term and lease liabilities represent Teva's obligation to make lease payments arising from the lease. Operating and finance lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. Teva uses its incremental borrowing rate based on the information available at the commencement date to determine the present value of the lease payments.

For finance leases, Teva recognizes interest on the lease liability separately from amortization of the ROU assets in the statement of comprehensive income. For operating leases, lease expenses are recognized on a straight-line basis over the lease term.

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

Lease terms will include options to extend or terminate the lease when it is reasonably certain that Teva will either exercise or not exercise the option to renew or terminate the lease.

Teva's lease agreements have remaining lease terms ranging from 1 year to 78 years. Some of these agreements include options to extend the leases for up to 10 years and some include options to terminate the leases immediately. Certain leases also include options to purchase the leased property.

The depreciable life of leasehold improvements is limited by the expected lease term, unless there is a transfer of title or a purchase option for the leased asset reasonably certain of exercise.

Some of Teva's vehicle lease agreements include rental payments based on the actual usage of the vehicles and other lease agreements include rental payments adjusted periodically for inflation. Teva's lease agreements do not contain any material residual value guarantees.

The new lease standard has no impact on Teva's debt-covenant compliance under its RCF.



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

Teva rents out or subleases certain assets to third parties, which has an immaterial impact on Teva's consolidated financial statements.

### NOTE 2—Certain transactions:

#### a. Business acquisitions:

##### Actavis Generics and Anda acquisitions

On August 2, 2016, Teva consummated its acquisition of Allergan plc's ("Allergan") worldwide generic pharmaceuticals business ("Actavis Generics"). At closing, Teva transferred to Allergan consideration of approximately \$33.4 billion in cash and approximately 100.3 million Teva shares.

On October 3, 2016, Teva consummated the acquisition of Anda Inc. ("Anda"), a medicines distribution business in the United States, from Allergan, for cash consideration of \$500 million. This transaction was related to the Actavis Generics acquisition and, as such, the purchase price accounting and related disclosures were treated on a combined basis.

The final cash consideration for the Actavis Generics acquisition was subject to certain net working capital adjustments. On January 31, 2018, Teva and Allergan entered into a settlement agreement and mutual releases for which Allergan made a one-time payment of \$703 million to Teva to settle the working capital adjustments under the Master Purchase Agreement, dated July 26, 2015. As the measurement period has ended, this amount was recorded as a gain under legal settlements and loss contingencies in the first quarter of 2018.

##### Rimsa

On March 3, 2016, Teva completed the acquisition of Representaciones e Investigaciones Médicas, S.A. de C.V. ("Rimsa"), a pharmaceutical manufacturing and distribution company in Mexico, for \$2.3 billion, in a cash free, debt free set of transactions. Teva financed the transaction using cash on hand.

Following the closing of the acquisition, Teva identified issues concerning Rimsa's pre-acquisition quality, manufacturing and other practices, at which point Teva began an assessment of the extent and cost of remediation required to return its products to the market. In September 2016, two lawsuits were filed: a pre-emptive suit by the Rimsa sellers against Teva and Teva's lawsuit alleging fraud and breach of contract against the Rimsa sellers. The Rimsa sellers subsequently dismissed their lawsuit and the dismissal was approved by court order on December 20, 2016.

On February 15, 2018, Teva and the Rimsa sellers entered into a settlement agreement and mutual releases with respect to Teva's breach of contract claim, pursuant to which the Rimsa sellers made a one-time payment to Teva. Teva's breach of contract claim was subsequently dismissed by the court. As the measurement period has ended, this payment was recorded as a gain under legal settlements and loss contingencies in the first quarter of 2018.

#### b. 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.

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

### Alvotek Partnership

In August 2020, Teva entered into a partnership agreement with biopharmaceutical company Alvotek for the exclusive commercialization in the U.S. of five biosimilar product candidates. The initial pipeline for this partnership contains biosimilar candidates addressing multiple therapeutic areas. Under this agreement, Alvotek is responsible for the development, registration and supply of the biosimilar product candidates and Teva will exclusively commercialize the products in the United States. Teva paid an upfront payment in the third quarter of 2020 that was recorded as R&D expenses. During the fourth quarter of 2020, Teva accrued additional amounts due to the high probability that additional milestone payments will be paid in 2021. Additional development and commercial milestone payments of up to \$450 million, as well as royalty payments, may be payable by Teva over the next few years. Teva and Alvotek will share profit from the commercialization of these biosimilars.

### Eli Lilly and Alder BioPharmaceuticals

In December 2018, Teva entered into an agreement with Eli Lilly, resolving the European Patent Office opposition they had filed against Teva's AJOVY® patents. The settlement agreement with Lilly also resolved Lilly's action to revoke the patent protecting AJOVY in the United Kingdom.

On January 8, 2018, Teva signed a global license agreement with Alder BioPharmaceuticals ("Alder"). The agreement validates Teva's 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 United States and worldwide, excluding Japan and Korea. Teva received a \$25 million upfront payment that was recognized as revenue during the first quarter of 2018, and a \$25 million milestone payment in March 2020 that was recognized as revenue in the first quarter of 2020. The agreement stipulates additional commercial milestone payments to Teva of up to \$150 million, as well as future royalties.

### PGT Healthcare Partnership

In July 2018, Teva terminated its joint venture with the Procter & Gamble Company ("P&G"), PGT Healthcare partnership ("PGT"), which the two companies established in 2011 to market OTC medicines. Teva will continue to maintain its OTC business on an independent basis.

As part of the separation, Teva transferred to P&G the shares it held in New Chapter Inc. and ownership rights in an OTC plant located in India. Teva provides certain services to P&G after the separation for a transition period.

During the first quarter of 2018, Teva classified the plant in India as an asset held for sale and recorded an impairment of \$64 million under other assets impairments, restructuring and other items. In addition, Teva recorded a write-down of \$94 million of its investment in New Chapter Inc. under share in losses of associated companies.

During September 2018, Teva and P&G completed the final net asset distribution as part of the dissolution and Teva recorded a gain of \$50 million to reflect the cash payment received from P&G under the dissolution agreement.

### AUSTEDO®

On September 19, 2017, Teva entered into a partnership agreement with Nuvelution Pharma, Inc. ("Nuvelution") for development of AUSTEDO for the treatment of Tourette syndrome in pediatric patients in the

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

United States. There are no further plans in this indication following clinical trial results received in February 2020, which failed to meet their primary endpoints.

### Otsuka

On May 12, 2017, Teva entered into a license and collaboration agreement with Otsuka Pharmaceutical Co. Ltd. ("Otsuka"), providing Otsuka with an exclusive license to conduct phase 2 and 3 clinical trials for AJOVY in Japan and, if approved, to commercialize the product in Japan. Otsuka paid Teva an upfront payment of \$50 million in consideration for the transaction. Results for these trials were received in January 2020 indicating that primary and secondary endpoints were achieved and that no clinically significant adverse events were observed in subjects. In the third quarter of 2020, Otsuka submitted an application to obtain manufacturing and marketing approval for AJOVY in Japan and, as a result, paid Teva a milestone payment of \$15 million, which was recognized as revenue in the third quarter of 2020. Teva may receive additional milestone payments upon achievement of certain commercial and revenue targets. Otsuka will also pay Teva royalties on AJOVY sales in Japan.

### Celltrion

In October 2016, Teva and Celltrion, Inc. ("Celltrion") entered into a collaborative agreement to commercialize TRUXIMA® and HERZUMA®, two biosimilar products for the U.S. and Canadian markets. Teva paid Celltrion \$160 million, of which Teva received an aggregate credit of \$60 million as of December 31, 2020. Teva and Celltrion share the profit from the commercialization of these products. These two products, TRUXIMA and HERZUMA, were approved by the FDA in November and December 2018, respectively and were launched in the United States in November 2019 and March 2020, respectively.

### 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 in the global commercial rights to this product (excluding Japan, Korea and nine other Asian countries), as well as ongoing associated R&D costs of approximately \$1 billion. Teva made an upfront payment of \$250 million to Regeneron in the third quarter of 2016 and additional payments for achievement of development milestones in an aggregate amount of \$120 million were paid during 2017 and 2018. The agreement stipulates additional development and commercial milestone payments of up to \$2,230 million, as well as future royalties.

### c. Assets and Liabilities Held For Sale:

#### Certain assets of Teva's business venture in Japan

Teva operates its business in Japan, which is part of Teva's International Market segment, through a business venture with The Takeda Pharmaceutical Company Limited ("Takeda"), in which Teva owns a 51% stake and Takeda owns the remaining 49%.

In July 2020, Teva and Takeda entered into a purchase agreement to sell the majority of the business venture's generic and operational assets. This transaction was completed on February 1, 2021.

Teva is accounting for the business venture assets and liabilities under the purchase agreement as held for sale and determined that the fair value less cost to sell did not exceed the carrying value, resulting in an impairment charge of \$247 million in other assets impairments, restructuring and other items recognized in 2020.



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

Teva determined that the sale of this portion of the Teva-Takeda business venture does not constitute a strategic shift for Teva, and does 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.

Assets held for sale include the Teva-Takeda business venture assets that are held for sale, the anticipated sale of certain OTC assets and other manufacturing assets that are expected to be sold within the next year.

The table below summarizes all Teva assets included as held for sale as of December 31, 2020 and December 31, 2019:

|                                                                                                                | December 31,<br>2020  | December 31,<br>2019 |
|----------------------------------------------------------------------------------------------------------------|-----------------------|----------------------|
|                                                                                                                | (U.S. \$ in millions) |                      |
| Inventories . . . . .                                                                                          | \$ 146                | \$—                  |
| Property, plant and equipment, net and others . . . . .                                                        | 312                   | 98                   |
| Goodwill . . . . .                                                                                             | 27                    | —                    |
| Adjustments of assets held for sale to fair value . . . . .                                                    | (296)                 | (11)                 |
| Total assets of the disposal group classified as held<br>for sale in the consolidated balance sheets . . . . . | <u>\$ 189</u>         | <u>\$ 87</u>         |



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

### NOTE 3—Revenue from contracts with customers:

#### Disaggregation of revenue

The following table disaggregates Teva's revenues by major revenue streams. For additional information on disaggregation of revenues, see note 19.

|                        | Year ended December 31, 2020 |                |                       |                  |                 |
|------------------------|------------------------------|----------------|-----------------------|------------------|-----------------|
|                        | North America                | Europe         | International Markets | Other activities | Total           |
|                        | (U.S.\$ in millions)         |                |                       |                  |                 |
| Sale of goods          | 6,902                        | 4,736          | 1,946                 | 772              | 14,354          |
| Licensing arrangements | 84                           | 32             | 9                     | 4                | 129             |
| Distribution           | 1,462                        | 3              | 30                    | —                | 1,495           |
| Other                  | \$                           | (14)           | 169                   | 527              | 680             |
|                        | <u>\$8,447</u>               | <u>\$4,757</u> | <u>\$2,154</u>        | <u>\$1,302</u>   | <u>\$16,659</u> |

|                        | Year ended December 31, 2019 |                |                       |                  |                 |
|------------------------|------------------------------|----------------|-----------------------|------------------|-----------------|
|                        | North America                | Europe         | International Markets | Other activities | Total           |
|                        | (U.S.\$ in millions)         |                |                       |                  |                 |
| Sale of goods          | 6,941                        | 4,770          | 2,045                 | 754              | 14,510          |
| Licensing arrangements | 109                          | 29             | 4                     | 5                | 147             |
| Distribution           | 1,492                        | 2              | 20                    | —                | 1,514           |
| Other                  | \$                           | (6)            | 177                   | 545              | 716             |
|                        | <u>\$8,542</u>               | <u>\$4,795</u> | <u>\$2,246</u>        | <u>\$1,304</u>   | <u>\$16,887</u> |

|                        | Year ended December 31, 2018 |                |                       |                  |                 |
|------------------------|------------------------------|----------------|-----------------------|------------------|-----------------|
|                        | North America                | Europe         | International Markets | Other activities | Total           |
|                        | (U.S.\$ in millions)         |                |                       |                  |                 |
| Sale of goods          | 7,838                        | 5,153          | 2,151                 | 739              | 15,881          |
| Licensing arrangements | 111                          | 23             | 22                    | 9                | 165             |
| Distribution           | 1,347                        | 7              | 19                    | —                | 1,373           |
| Other                  | 1                            | 3              | 230                   | 618              | 852             |
|                        | <u>\$9,297</u>               | <u>\$5,186</u> | <u>\$2,422</u>        | <u>\$1,366</u>   | <u>\$18,271</u> |

\$ Represents an amount less than \$1 million.

#### Variable consideration

Variable consideration mainly includes SR&A, comprised of rebates (including Medicaid and other governmental program discounts), chargebacks, returns and other promotional (including shelf stock adjustments) items. Provisions for prompt payment discounts are netted against trade receivables.

The Company recognizes these provisions at the time of sale and adjusts them if the actual amounts differ from the estimated provisions. For description of the nature of each deduction and how provisions are estimated see note 1.



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

SR&A to U.S. customers comprised approximately 79% of the Company's total SR&A as of December 31, 2020, with the remaining balance primarily in Canada and Germany. The changes in SR&A for third-party sales for the period ended December 31, 2019 and 2020 were as follows:

|                                                               | Sales Reserves and Allowances                 |         |                                            |             |         |        |                                                          |
|---------------------------------------------------------------|-----------------------------------------------|---------|--------------------------------------------|-------------|---------|--------|----------------------------------------------------------|
|                                                               | Reserves included in Accounts Receivable, net | Rebates | Medicaid and other governmental allowances | Chargebacks | Returns | Other  | Total reserves included in Sales Reserves and Allowances |
|                                                               |                                               |         |                                            |             |         |        | Total                                                    |
|                                                               | (U.S.\$ in millions)                          |         |                                            |             |         |        |                                                          |
| Balance at January 1, 2019 .....                              | \$ 175                                        | 3,006   | \$ 1,361                                   | \$ 1,530    | \$ 638  | \$ 176 | \$ 6,711                                                 |
| Provisions related to sales made in current year period ..... | 383                                           | 5,552   | 976                                        | 9,565       | 281     | 394    | 16,767                                                   |
| Provisions related to sales made in prior periods ....        | —                                             | (92)    | (151)                                      | (17)        | 77      | (6)    | (189)                                                    |
| Credits and payments .....                                    | (471)                                         | (5,570) | (1,076)                                    | (9,736)     | (360)   | (392)  | (17,134)                                                 |
| Translation differences .....                                 | —                                             | (1)     | (1)                                        | 1           | 1       | 4      | 4                                                        |
| Balance at December 31, 2019 .....                            | \$ 87                                         | 2,895   | \$ 1,109                                   | \$ 1,342    | \$ 637  | \$ 176 | \$ 6,159                                                 |
| Provisions related to sales made in current year period ..... | 391                                           | 4,703   | 744                                        | 8,438       | 459     | 71     | 14,415                                                   |
| Provisions related to sales made in prior periods ....        | —                                             | (219)   | (184)                                      | (65)        | (28)    | (1)    | (497)                                                    |
| Credits and payments .....                                    | (398)                                         | (5,360) | (849)                                      | (8,614)     | (386)   | (100)  | (15,309)                                                 |
| Translation differences .....                                 | —                                             | 35      | 8                                          | 7           | 4       | 2      | 56                                                       |
| Balance at December 31, 2020 .....                            | \$ 80                                         | 2,054   | \$ 828                                     | \$ 1,108    | \$ 686  | \$ 148 | \$ 4,824                                                 |

### NOTE 4—Inventories:

Inventories, net of reserves, consisted of the following:

|                                                    | December 31,          |                |
|----------------------------------------------------|-----------------------|----------------|
|                                                    | 2020                  | 2019           |
|                                                    | (U.S. \$ in millions) |                |
| Finished products .....                            | \$2,378               | \$2,504        |
| Raw and packaging materials .....                  | 1,231                 | 1,183          |
| Products in process .....                          | 605                   | 583            |
| Materials in transit and payments on account ..... | 189                   | 151            |
|                                                    | <u>\$4,403</u>        | <u>\$4,422</u> |



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

### NOTE 5—Property, plant and equipment:

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

|                                                   | December 31,          |                |
|---------------------------------------------------|-----------------------|----------------|
|                                                   | 2020                  | 2019           |
|                                                   | (U.S. \$ in millions) |                |
| Machinery and equipment                           | \$ 5,245              | \$ 5,385       |
| Buildings                                         | 2,720                 | 2,839          |
| Computer equipment and other assets               | 2,197                 | 2,131          |
| Assets under construction and payments on account | 933                   | 672            |
| Land                                              | 292                   | 323            |
|                                                   | 11,388                | 11,350         |
| Less—accumulated depreciation                     | (5,092)               | (4,914)        |
|                                                   | <u>\$6,296</u>        | <u>\$6,436</u> |

Depreciation expenses were \$537 million, \$609 million and \$676 million in the years ended December 31, 2020, 2019 and 2018, respectively. During the years ended December 31, 2020, 2019 and 2018, Teva had impairments of property, plant and equipment in the amount of \$416 million, \$139 million and \$500 million, respectively. See note 15.

### NOTE 6—Identifiable intangible assets:

Identifiable intangible assets consisted of the following:

|                                                | Gross carrying amount<br>net of impairment |                 | Accumulated<br>amortization |                 | Net carrying amount |                 |
|------------------------------------------------|--------------------------------------------|-----------------|-----------------------------|-----------------|---------------------|-----------------|
|                                                | 2020                                       | 2019            | 2020                        | 2019            | 2020                | 2019            |
|                                                | (U.S. \$ in millions)                      |                 |                             |                 |                     |                 |
| Product rights                                 | \$19,650                                   | \$19,663        | \$12,094                    | \$10,640        | \$7,556             | \$9,023         |
| Trade names                                    | 621                                        | 600             | 165                         | 126             | 456                 | 474             |
| In-process research and development<br>(IPR&D) | 911                                        | 1,735           | —                           | —               | 911                 | 1,735           |
| Total                                          | <u>\$21,182</u>                            | <u>\$21,998</u> | <u>\$12,259</u>             | <u>\$10,766</u> | <u>\$8,923</u>      | <u>\$11,232</u> |

### Product rights and trade names

Product rights and trade names are assets presented at amortized cost. Product rights and trade names represent a portfolio of pharmaceutical products from various categories with a weighted average life of approximately 10 years. Amortization of intangible assets amounted to \$1,020 million, \$1,113 million and \$1,166 million in the years ended December 31, 2020, 2019 and 2018, respectively.

As of December 31, 2020, the estimated aggregate amortization of intangible assets for the years 2021 to 2025 is as follows: 2021—\$812 million; 2022—\$764 million; 2023—\$744 million; 2024—\$705 million and 2025—\$723 million. These estimates do not include the impact of IPR&D that is expected to be successfully completed and reclassified to product rights.



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

### 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 various generic products from the Actavis Generics acquisition of \$877 million. IPR&D carries intrinsic risks that the asset might not succeed in advanced phases and may be impaired in future periods.

### Intangible assets impairment

Impairment of identifiable intangible assets amounted to \$1,502 million, \$1,639 million and \$1,991 million in the years ended December 31, 2020, 2019 and 2018, respectively. These amounts are recorded in the statement of income (loss) under intangible assets impairment.

Impairments in 2020 mainly consisted of:

- (a) IPR&D assets of \$797 million, mainly due to: (i) \$300 million related to generic pipeline products acquired from Actavis Generics resulting from development progress and changes in other key valuation indications (e.g., market size, competition assumptions, legal landscape, launch date) in the United States; (ii) \$262 million related to lenalidomide (generic equivalent of Revlimid®), due to modified competition assumptions as a result of settlements between the innovator and other generic filers; (iii) \$211 million related to AUSTEDO for the treatment of Tourette syndrome in pediatric patients in the United States following clinical trial results, received in February 2020, which failed to meet their primary endpoints; and
- (b) Identifiable product rights of \$705 million, mainly due to: (i) \$398 million related to updated market assumptions regarding price and volume of products acquired from Actavis Generics that are primarily marketed in the United States; (ii) \$165 million in Japan in connection with ongoing regulatory pricing reductions and generic competition; and (iii) \$110 million related to a change in the assumptions regarding competition for the expected relaunch of metformin tablets.

Impairments in 2019 mainly consisted of:

- (a) Identifiable product rights of \$958 million, mainly due to: (i) \$647 million due to updated market assumptions regarding price and volume of certain products acquired from Actavis Generics and primarily marketed in the United States, (ii) \$128 million related to a decrease in future expected sales in Japan as a result of generic competition, and (iii) \$123 million related to the discontinuation of certain products from Actavis Generics' portfolio in several international markets; and
- (b) IPR&D assets of \$681 million, due to: (i) \$497 million related to various generic pipeline products acquired from Actavis Generics due to development progress and changes in other key valuation indications (e.g., market size, competition assumptions, legal landscape, launch date or discount rate) in the United States (ii) \$125 million related to lenalidomide (generic equivalent of REVLIMID®), due to modified competition assumptions as a result of settlements between the innovator and other generic filers, and (iii) \$59 million related to a change in assumptions concerning the future European market share of a number of pipeline products acquired from Actavis Generics.

Impairments in 2018 mainly consisted of:

- (a) Identifiable product rights of \$1,068 million, mainly due to: (i) \$412 million in connection with updated market assumptions regarding price and volume of products acquired from Actavis Generics currently marketed in the United States and supply constraints; (ii) \$290 million in certain international markets, due to a loss of several tenders and termination of products manufacturing lines; and (iii) \$222 million in Japan in connection with ongoing regulatory pricing reductions and generic competition.



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

- (b) IPR&D assets of \$923 million, mainly related to revaluation of generic products acquired from Actavis Generics due to development progress and changes in other key valuation indications (e.g., market size, legal landscape, launch date or discount rate).

The fair value measurement of the impaired intangible assets in 2020 is based on significant unobservable inputs in the market and thus represents a Level 3 measurement within the fair value hierarchy. The discount rate applied ranged from 7.5% to 9%. A probability of success factor of 80% was used in the majority of fair value calculations to reflect inherent regulatory and commercial risk of IPR&D.

**NOTE 7—Goodwill:**

The changes in the carrying amount of goodwill for the years ended December 31, 2020 and 2019 were as follows:

|                                                     | North<br>America      | Europe         | International<br>Markets | Other          | Total           |
|-----------------------------------------------------|-----------------------|----------------|--------------------------|----------------|-----------------|
|                                                     | (U.S. \$ in millions) |                |                          |                |                 |
| Balance as of December 31, 2018 (1) .....           | \$11,098              | \$8,653        | \$2,479                  | \$2,687        | \$24,917        |
| Changes during the period:                          |                       |                |                          |                |                 |
| Goodwill disposal .....                             | (23)                  | (5)            | —                        | —              | (28)            |
| Translation differences .....                       | 16                    | (112)          | 53                       | —              | (43)            |
| Balance as of December 31, 2019 (1) .....           | \$11,091              | \$8,536        | \$2,532                  | \$2,687        | \$24,846        |
| Changes during the period:                          |                       |                |                          |                |                 |
| Goodwill reclassified as assets held for sale ..... | —                     | (8)            | (19)                     | —              | (27)            |
| Goodwill impairment .....                           | (4,628)               | —              | —                        | —              | (4,628)         |
| Translation differences .....                       | 10                    | 574            | (151)                    | —              | 433             |
| Balance as of December 31, 2020 (1) .....           | <u>\$ 6,473</u>       | <u>\$9,102</u> | <u>\$2,362</u>           | <u>\$2,687</u> | <u>\$20,624</u> |

- (1) Accumulated goodwill impairment as of December 31, 2020, December 31, 2019 and December 31, 2018 was approximately \$25.6 billion, \$21.0 billion and \$21.0 billion, respectively.

Teva operates its business through three reporting segments: North America, Europe and International Markets. Each of these business segments is a reporting unit. Additional reporting units include Teva's production and sale of APIs to third parties ("Teva API") and an out-licensing platform offering a portfolio of products to other pharmaceutical companies through its affiliate Medis. The Teva API and Medis reporting units are included under "Other" in the above table. See note 19 for additional segment information.

Teva determines the fair value of its reporting units using the income approach. The income approach is a forward-looking approach for estimating fair value. Within the income approach, the method used is the discounted cash flow method. Teva starts with a forecast of all the expected net cash flows associated with the reporting unit, which includes the application of a terminal value, and then applies a discount rate to arrive at a net present value amount. Cash flow projections are based on Teva's estimates of revenue growth rates and operating margins, taking into consideration industry and market conditions. The discount rate used is based on the weighted average cost of capital ("WACC"), adjusted for the relevant risk associated with country-specific and business-specific characteristics. If any of these expectations were to vary materially from Teva's assumptions, Teva may recognize an impairment of goodwill allocated to its reporting units in the future.



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

### *First Quarter Developments*

During the first quarter of 2020, management assessed developments that occurred during the quarter, including expected effects of the COVID-19 pandemic on its business, to determine if it was more likely than not that the fair value of any of its reporting units was below its carrying amount. As part of this assessment, management also considered the sensitivity of its conclusions as they relate to changes in the estimates and assumptions used in the latest forecast available for each period.

Based on this assessment, management concluded that it was not more likely than not that the fair value of any of the reporting units was below its carrying value as of March 31, 2020 and, therefore, no quantitative assessment was performed.

### *Second Quarter Developments*

Pursuant to Company policy, the Company has historically performed its annual goodwill assessment during the fourth quarter of each year. During the second quarter of 2020, the Company changed its annual impairment assessment date from October 1 to June 30 to more closely align the impairment assessment date with the Company's long-term planning and forecasting process.

During the second quarter of 2020, Teva conducted a quantitative analysis of all reporting units as part of its annual goodwill impairment test and utilized the assistance of an independent valuation expert. No goodwill impairment charge was recorded during the second quarter of 2020.

As part of the aforementioned analysis, Teva analyzed the aggregated fair value of its reporting units compared to its market capitalization as part of its annual goodwill impairment test, in order to assess the reasonableness of the results of its cash flow projections used for its goodwill impairment analysis. Management noted differences between the market capitalization and management's internal projections as of the end of the second quarter. As of June 30, 2020, those differences were believed to be attributable to the following:

- Management noted a portion of the difference can be attributed to sales projections of AJOVY and AUSTEDO in the International Markets reporting unit. Management continues to believe that the majority of analysts do not focus on these brands in preparing their financial models and, as a result, have not attributed value to the launch potential in this reporting unit.
- Management noted an additional difference can be attributed to sales projections of AUSTEDO in the North America reporting unit, resulting in higher fair value as analyzed by management compared to Teva's market capitalization. Management continues to believe that it has more accurate information based on its knowledge of the market and its growth and therefore no adjustment was incorporated to the fair value.
- Management noted that market concerns regarding the uncertainty related to the opioid and price fixing litigation risks are impacting its market capitalization. Management believes that these concerns led to an acute reaction, which resulted in a decline in Teva's share price. Management believed developments in the opioids case would clarify the outlook with regards to the opioid litigation, when the proposed settlement framework is finalized, which was expected in the near term.

Even if management was to adjust the fair value of the North America reporting unit for any one of the uncertainties noted, the estimated fair value would still exceed its carrying amount. Management also noted that negative results related to all the uncertainties noted may lead to a material goodwill impairment charge.



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

### *Third Quarter Developments*

During the third quarter of 2020, Teva's share price experienced further decline. Teva analyzed its aggregated internal valuation of its reporting units compared to its market capitalization as part of its goodwill impairment test. Management believed there are similar reconciling factors to those referenced in the second quarter with additional declines occurring due to increased uncertainty related to certain litigation actions in the third quarter and the related uncertainties it added to the existing concerns around financial strength.

During the third quarter of 2020, management noted the following factors that led to an assessment of the North America reporting unit for impairment:

- The Company noted a 25% reduction in its market capitalization from the second quarter of 2020 to the third quarter of 2020.
- With respect to the opioids litigation, as discussions continue with the group of Attorneys General regarding the nationwide framework and trial dates are postponed largely due to the COVID-19 pandemic, a resolution of this matter is taking longer than anticipated. Accordingly, the Company was and is currently unable to predict the timing of any final settlement or whether the settlement will be finalized based upon the current settlement framework.
- On August 25, 2020, the Company was indicted by the U.S. Department of Justice for alleged violations of the Sherman Act.
- On August 18, 2020, the Company was sued by the U.S. Department of Justice alleging violations of the federal Anti-Kickback Statute, and asserting causes of action under the federal False Claims Act and state law.

The Company is committed to its projected cash flow targets and management's views on the litigation exposures have not changed. However, the developments indicated the timeframe for resolution will take significantly longer than previously expected which introduces greater uncertainty to a favorable resolution. In addition, management believed that analysts were unlikely to modify their projections until the Company could demonstrate progression on the resolution with respect to some or all of the above legal matters. As such, for purposes of testing the goodwill in the North America reporting unit under ASC 350, management incorporated these factors into its valuation of the North America reporting unit, which resulted in an impairment charge of \$4,628 million.

### *Fourth Quarter Developments*

During the fourth quarter of 2020, management assessed developments during the quarter to determine if it was more likely than not that the fair value of any of its reporting units was below its carrying amount.

Based on this assessment, management concluded that it was not more likely than not that the fair value of any of the reporting units was below its carrying value as of December 31, 2020 and, therefore, no quantitative assessment was performed.

Following the goodwill impairment charge recorded in the third quarter of 2020 to the North America reporting unit, the carrying value of the North America reporting unit equaled its fair value as of September 30, 2020. Therefore, if business conditions or expectations were to change materially, it may be necessary to record further impairment charges to the North America reporting unit in the future.

The other reporting units all have fair value in excess of 10% over their book values as of December 31, 2020.



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

### NOTE 8—Leases:

Teva adopted the new accounting standard ASC 842 “Leases” and all the related amendments on January 1, 2019 and used the effective date as Teva’s date of initial application.

The components of operating lease cost for the year ended December 31, 2020 were as follows:

|                                                                                   | Year ended<br>December 31,<br>2020<br>(U.S. \$ in millions) | Year ended<br>December 31,<br>2019<br>(U.S. \$ in millions) |
|-----------------------------------------------------------------------------------|-------------------------------------------------------------|-------------------------------------------------------------|
| Operating lease cost:                                                             |                                                             |                                                             |
| Fixed payments and variable payments that depend on<br>an index or rate . . . . . | \$148                                                       | \$166                                                       |
| Variable lease payments not included in the lease<br>liability . . . . .          | 4                                                           | 6                                                           |
| Short-term lease cost . . . . .                                                   | 3                                                           | 6                                                           |
|                                                                                   | <u>\$155</u>                                                | <u>\$178</u>                                                |

Supplemental cash flow information related to operating leases was as follows:

|                                                                                         | Year ended<br>December 31,<br>2020<br>(U.S. \$ in millions) | Year ended<br>December 31,<br>2019<br>(U.S. \$ in millions) |
|-----------------------------------------------------------------------------------------|-------------------------------------------------------------|-------------------------------------------------------------|
| Cash paid for amounts included in the measurement of<br>lease liabilities:              |                                                             |                                                             |
| Operating cash flows from operating leases . . . . .                                    | \$151                                                       | \$169                                                       |
| Right-of-use assets obtained in exchange for lease<br>obligations (non-cash): . . . . . |                                                             |                                                             |
| Operating leases . . . . .                                                              | <u>\$211</u>                                                | <u>\$142</u>                                                |

Supplemental balance sheet information related to operating leases was as follows:

|                                             | December 31,<br>2020<br>(U.S. \$ in millions) | December 31,<br>2019<br>(U.S. \$ in millions) |
|---------------------------------------------|-----------------------------------------------|-----------------------------------------------|
| Operating leases:                           |                                               |                                               |
| Operating lease ROU assets . . . . .        | \$559                                         | \$514                                         |
| Other current liabilities . . . . .         | 116                                           | 118                                           |
| Operating lease liabilities . . . . .       | 479                                           | 435                                           |
| Total operating lease liabilities . . . . . | <u>\$595</u>                                  | <u>\$553</u>                                  |
|                                             | <u>December 31,</u><br><u>2020</u>            | <u>December 31,</u><br><u>2019</u>            |
| Weighted average remaining lease term       |                                               |                                               |
| Operating leases . . . . .                  | 7.5 years                                     | 7.5 years                                     |
| Weighted average discount rate              |                                               |                                               |
| Operating leases . . . . .                  | 5.2%                                          | 6.0%                                          |



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

Maturities of operating lease liabilities were as follows:

|                                          | December 31,<br>2020<br>(U.S. \$ in millions) |
|------------------------------------------|-----------------------------------------------|
| 2021 .....                               | \$137                                         |
| 2022 .....                               | 119                                           |
| 2023 .....                               | 91                                            |
| 2024 .....                               | 73                                            |
| 2025 and thereafter .....                | 302                                           |
| Total operating lease payments .....     | <u>\$722</u>                                  |
| Less: imputed interest .....             | <u>127</u>                                    |
| Present value of lease liabilities ..... | <u>\$595</u>                                  |

At the end of the third quarter of 2020, after obtaining the right to use the building, Teva began transitioning its corporate headquarters to a consolidated site in Tel-Aviv, Israel. Teva has an operating lease for the office space in Tel Aviv for an initial term of twelve and a half years, with an option for three extensions. Teva estimates that the reasonably certain holding period of the lease for accounting purposes is twelve and a half years. As of September 30, 2020, upon initial recognition, Teva booked \$74 million as operating lease right-of-use and \$66 million as operating lease liability.

As of December 31, 2020, Teva's total finance lease assets and finance lease liabilities were \$29 million and \$21 million, respectively. The difference between those amounts is mainly due to prepaid payments.

### NOTE 9—Debt obligations:

#### a. Short-term debt:

|                                                   | Weighted average<br>interest rate as of<br>December 31, 2020 | Maturity | December 31,<br>(U.S. \$ in millions) |                |
|---------------------------------------------------|--------------------------------------------------------------|----------|---------------------------------------|----------------|
|                                                   |                                                              |          | 2020                                  | 2019           |
| Convertible debentures .....                      | 0.25%                                                        | 2026     | 514                                   | 514            |
| Current maturities of long-term liabilities ..... |                                                              |          | <u>2,674</u>                          | <u>1,831</u>   |
| Total short term debt .....                       |                                                              |          | <u>\$3,188</u>                        | <u>\$2,345</u> |

#### *Convertible senior debentures*

Teva 0.25% convertible senior debentures, due 2026, principal amount as of December 31, 2020 and 2019 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 were able to cause Teva to redeem the debentures on February 1, 2021, and \$491 million of the convertible debentures were redeemed on such date.



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

### b. Long-term debt:

|                                    | Weighted average<br>interest rate as of<br>December 31,<br>2020 | Maturity | December 31,<br>2020  | December 31,<br>2019 |
|------------------------------------|-----------------------------------------------------------------|----------|-----------------------|----------------------|
|                                    | %                                                               |          | (U.S. \$ in millions) |                      |
| Senior notes EUR 1,010 million (1) | 0.38%                                                           | 2020     | \$ —                  | \$ 1,131             |
| Senior notes EUR 1,500 million     | 1.13%                                                           | 2024     | 1,839                 | 1,673                |
| Senior notes EUR 1,300 million     | 1.25%                                                           | 2023     | 1,595                 | 1,451                |
| Senior notes EUR 900 million       | 4.50%                                                           | 2025     | 1,107                 | 1,008                |
| Senior notes EUR 750 million       | 1.63%                                                           | 2028     | 916                   | 833                  |
| Senior notes EUR 700 million       | 3.25%                                                           | 2022     | 861                   | 784                  |
| Senior notes EUR 700 million       | 1.88%                                                           | 2027     | 860                   | 782                  |
| Senior notes EUR 1,000 million     | 6.00%                                                           | 2025     | 1,230                 | 1,120                |
| Senior notes USD 1,000 million     | 7.13%                                                           | 2025     | 1,000                 | 1,000                |
| Senior notes USD 3,500 million     | 3.15%                                                           | 2026     | 3,495                 | 3,494                |
| Senior notes USD 1,475 million     | 2.20%                                                           | 2021     | 1,472                 | 1,474                |
| Senior notes USD 3,000 million     | 2.80%                                                           | 2023     | 2,996                 | 2,995                |
| Senior notes USD 2,000 million     | 4.10%                                                           | 2046     | 1,986                 | 1,985                |
| Senior notes USD 1,250 million     | 6.00%                                                           | 2024     | 1,250                 | 1,250                |
| Senior notes USD 1,250 million     | 6.75%                                                           | 2028     | 1,250                 | 1,250                |
| Senior notes USD 844 million       | 2.95%                                                           | 2022     | 853                   | 856                  |
| Senior notes USD 789 million       | 6.15%                                                           | 2036     | 783                   | 782                  |
| Senior notes USD 700 million (2)   | 2.25%                                                           | 2020     | —                     | 700                  |
| Senior notes USD 613 million       | 3.65%                                                           | 2021     | 616                   | 618                  |
| Senior notes USD 588 million       | 3.65%                                                           | 2021     | 586                   | 587                  |
| Senior notes CHF 350 million       | 0.50%                                                           | 2022     | 397                   | 361                  |
| Senior notes CHF 350 million       | 1.00%                                                           | 2025     | 398                   | 362                  |
| Total senior notes                 |                                                                 |          | 25,490                | 26,496               |
| Other long-term debt               | 1.08%                                                           | 2026     | 1                     | 1                    |
| Less current maturities            |                                                                 |          | (2,674)               | (1,831)              |
| Less debt issuance costs           |                                                                 |          | (86)                  | (103)                |
| Total senior notes and loans       |                                                                 |          | <u>\$22,731</u>       | <u>\$24,562</u>      |

(1) In July 2020, Teva repaid at maturity €1,010 million of its 0.375% senior notes.

(2) In March 2020, Teva repaid at maturity \$700 million of its 2.25% senior notes.

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, 2020 is effectively denominated in the following currencies: U.S. dollar 60%, euro 37% and Swiss franc 3%.

Teva's principal sources of short-term liquidity are its cash on hand, existing cash investments, liquid securities and available credit facilities, primarily its \$2.3 billion unsecured syndicated revolving credit facility entered into in April 2019 ("RCF").



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

The RCF agreement provides for two separate tranches, a \$1.15 billion tranche A and a \$1.15 billion tranche B. Loans and letters of credit will be available from time to time under each tranche for Teva's general corporate purposes. Tranche A has a maturity date of April 8, 2022, with two one-year extension options, of which \$1.065 billion was extended to April 8, 2023. Tranche B has a maturity date of April 8, 2024.

The RCF contains certain covenants, including certain limitations on incurring liens and indebtedness and maintenance of certain financial ratios, including the requirement to maintain compliance with a net debt to EBITDA ratio, which becomes more restrictive over time. The net debt to EBITDA ratio limit was 5.75x through December 31, 2020, gradually declines to 5.50x in the first and second quarters of 2021, 5.00x in the third and fourth quarters of 2021, and continues to gradually decline over the remaining term of the RCF.

The RCF can be used for general corporate purposes, including repaying existing debt. As of December 31, 2020, and as of the date of this Annual Report on Form 10-K, no amounts were outstanding under the RCF. Based on current and forecasted results, the Company expects that it will not exceed the financial covenant thresholds set forth in the RCF within one year from the date these financial statements are issued.

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

Teva expects that it will continue to have sufficient cash resources to support its debt service payments and all other financial obligations within one year from the date that these financial statements are issued.

As of December 31, 2020, the required annual principal payments of long-term debt, excluding debt issuance cost, including convertible senior debentures, starting from the year 2022, are as follows:

|                             | December 31,<br>2020<br>(U.S. \$ in millions) |
|-----------------------------|-----------------------------------------------|
| 2022 .....                  | \$ 2,111                                      |
| 2023 .....                  | 4,591                                         |
| 2024 .....                  | 3,089                                         |
| 2025 .....                  | 3,735                                         |
| 2026 and thereafter * ..... | 9,804                                         |
|                             | <u>\$23,330</u>                               |

\* Including \$514 million convertible notes. See note 9a.

### NOTE 10—Derivative instruments and hedging activities:

#### a. Foreign exchange risk management:

In 2020, approximately 48% of Teva's revenues were denominated in currencies other than the U.S. dollar. As a result, Teva is subject to significant foreign currency risks.



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

The Company enters into forward exchange contracts, purchases and writes options in order to hedge the currency exposure on balance sheet items, revenues and expenses. In addition, the Company takes measures to reduce exposure by using natural hedging. The Company also acts to offset risks in opposite directions among the subsidiaries within Teva. The currency hedged items are usually denominated in the following main currencies: the euro, the Swiss franc, the Japanese yen, the British pound, the Russian ruble, the Canadian dollar, the Polish zloty, the Indian rupee and other European and Latin American currencies. Depending on market conditions, foreign currency risk is also managed through the use of foreign currency debt.

The Company may choose to hedge against possible fluctuations in foreign subsidiaries net assets ("net investment hedge") and entered into cross currency swaps and forward contracts in the past in order to hedge such an exposure.

Most of the counterparties to the derivatives are major banks and the Company is monitoring the associated inherent credit risks. The Company does not enter into derivative transactions for trading purposes.

### b. Interest risk management:

The Company raises capital through various debt instruments, including straight notes that bear a fixed or variable interest rate, bank loans 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,          |       |
|-------------------------------------------|-----------------------|-------|
|                                           | 2020                  | 2019  |
|                                           | (U.S. \$ in millions) |       |
| Cross-currency swap, net investment hedge | —                     | 1,000 |

### d. Derivative instrument outstanding:

The following table summarizes the classification and fair values of derivative instruments:

| Reported under                             | Fair value                        |                   |                                       |                   |
|--------------------------------------------|-----------------------------------|-------------------|---------------------------------------|-------------------|
|                                            | Designated as hedging instruments |                   | Not designated as hedging instruments |                   |
|                                            | December 31, 2020                 | December 31, 2019 | December 31, 2020                     | December 31, 2019 |
|                                            | (U.S. \$ in millions)             |                   |                                       |                   |
| <b>Asset derivatives:</b>                  |                                   |                   |                                       |                   |
| <b>Other current assets:</b>               |                                   |                   |                                       |                   |
| Option and forward contracts               | \$—                               | \$—               | \$ 24                                 | \$ 32             |
| <b>Liability derivatives:</b>              |                                   |                   |                                       |                   |
| <b>Other current liabilities:</b>          |                                   |                   |                                       |                   |
| Cross-currency swaps, net investment hedge | —                                 | (22)              |                                       |                   |
| Option and forward contracts               | —                                 | —                 | (79)                                  | (41)              |



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**Notes to Consolidated Financial Statements—(Continued)**

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

|                                                           | Financial expenses, net |       |        | Other comprehensive income (loss) |       |         |
|-----------------------------------------------------------|-------------------------|-------|--------|-----------------------------------|-------|---------|
|                                                           | Year ended December 31, |       |        | Year ended December 31,           |       |         |
|                                                           | 2020                    | 2019  | 2018** | 2020                              | 2019  | 2018**  |
| Reported under                                            | (U.S. \$ in millions)   |       |        |                                   |       |         |
| <b>Line items in which effects of hedges are recorded</b> | \$834                   | \$822 | \$959  | \$ (30)                           | \$160 | \$(585) |
| Cross-currency swaps—cash flow hedge (1)                  | —                       | (2)   | (2)    | —                                 | (33)  | (35)    |
| Cross-currency swaps, net investment hedge (2)            | (2)                     | (29)  | (31)   | (21)                              | (22)  | (51)    |
| Interest rate swaps—fair value hedge (3)                  | —                       | 2     | *      | —                                 | —     | —       |

\* Represents an amount less than \$0.5 million.

\*\* Comparative figures are based on prior hedge accounting standard.

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

|                                                           | Financial expenses, net |       |       | Net revenues            |          |          |
|-----------------------------------------------------------|-------------------------|-------|-------|-------------------------|----------|----------|
|                                                           | Year ended December 31, |       |       | Year ended December 31, |          |          |
|                                                           | 2020                    | 2019  | 2018  | 2020                    | 2019     | 2018     |
| Reported under                                            | (U.S. \$ in millions)   |       |       |                         |          |          |
| <b>Line items in which effects of hedges are recorded</b> | \$834                   | \$822 | \$959 | \$16,659                | \$16,887 | \$18,271 |
| Option and forward contracts (4)                          | 130                     | (51)  | (12)  | —                       | —        | —        |
| Option and forward contracts (5)                          | —                       | —     | —     | *                       | 14       | (4)      |

\* Represents an amount less than \$0.5 million.

- (1) With respect to cross-currency swap agreements, Teva recognized gains which mainly reflect the differences between the fixed interest rate and the floating interest rate. In the fourth quarter of 2019, Teva terminated \$588 million in cross-currency swap agreements against its outstanding 3.65% senior notes maturing in November 2021. The settlement of these transactions resulted in cash proceeds of \$95 million. The cash flow hedge accounting adjustments of these instruments, which are recorded under senior notes and loans, are amortized under financial expenses, net over the life of the debt as additional interest expense.
- (2) In each of the first and second quarters of 2017, Teva entered into a cross currency swap agreement with a notional amount of \$500 million maturing in 2020. These cross currency swaps were designated as a net investment hedge of Teva's foreign subsidiaries euro denominated net assets, in order to reduce the risk of adverse exchange rate fluctuations. With respect to these cross currency swap agreements, Teva recognized gains which mainly reflect the differences between the float-for-float interest rates paid and received. In the first quarter of 2020, these cross-currency swap agreements expired. The settlement of these transactions resulted in cash proceeds of \$3 million.
- (3) In the fourth quarter of 2016, Teva entered into an interest rate swap agreement designated as fair value hedge relating to its 2.8% senior notes due 2023 with respect to \$500 million notional amount of outstanding debt. With respect to this interest rate swap agreement, Teva recognized a loss which mainly reflects the differences between the fixed interest rate and the floating interest rate. In the third quarter of 2019, Teva terminated this interest rate swap agreement. The settlement of these transactions resulted in a gain position of \$10 million. The fair value hedge accounting adjustments of these instruments, which are recorded under senior notes and loans, are amortized under financial expenses, net over the life of the debt as additional interest expense.

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**Notes to Consolidated Financial Statements—(Continued)**

- (4) Teva uses foreign exchange contracts (mainly option and forward contracts) to hedge balance sheet items from currency exposure. These foreign exchange contracts are not designated as hedging instruments for accounting purposes. In connection with these foreign exchange contracts, Teva recognizes gains or losses that offset the revaluation of the balance sheet items also recorded under financial expenses, net.
- (5) Teva entered into option and forward contracts designed to limit the exposure of foreign exchange fluctuations on projected revenues and expenses recorded in euro, the Swiss franc, the Japanese yen, the British pound, the Russian ruble, the Canadian dollar and some other currencies during the period for which such instruments are transacted. These derivative instruments do not meet the criteria for hedge accounting, however, they are accounted for as an economic hedge. These derivative instruments, which may include hedging transactions against future projected revenues and expenses, are recognized on the balance sheet at their fair value on a quarterly basis, while the foreign exchange impact on the underlying revenues and expenses may occur in subsequent quarters. Changes in the fair value of the derivative instruments are recognized in the same line item in the statements of income as the underlying exposure being hedged. During 2019 and 2020, Teva entered into hedging instruments to hedge part of the projected 2020 operating results. In 2020, Teva recognized a gain of \$27 million in relation with the 2020 hedging program. During the second half of 2020, Teva entered into hedging instruments to hedge part of the projected operating results for 2021. As part of the economic hedge treatment, Teva recorded a loss of \$27 million in relation to the 2021 hedging instruments in the second half of 2020, while the positive foreign exchange impact on the underlying revenues and expenses, may occur upon their maturity in 2021. The cash flows associated with these derivatives are reflected as cash flows from operating activities in the consolidated statements of cash flows.

**e. Amortizations due to terminated derivative instruments:**

**Forward starting interest rate swaps and treasury lock agreements**

In 2015, Teva entered into forward starting interest rate swaps and treasury lock agreements to protect the Company from interest rate fluctuations in connection with a future debt issuance the Company was planning. These forward starting interest rate swaps and treasury lock agreements were terminated in July 2016 upon the debt issuance. The termination of these transactions resulted in a loss position of \$493 million, which was recorded in other comprehensive income (loss) and is amortized under financial expenses, net over the life of the debt.

With respect to these forward starting interest rate swaps and treasury lock agreements, losses of \$31 million, \$29 million and \$28 million were recognized under financial expenses, net for the years ended December 31, 2020, 2019 and 2018, respectively.

**Fair value hedge**

In the third quarter of 2016, Teva terminated interest rate swap agreements designated as a 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 as additional interest expense.

In the third quarter of 2019, Teva terminated \$500 million interest rate swap agreements designated as a fair value hedge relating to its 2.8% senior notes due 2023 with respect to \$3,000 million notional amount. Settlement of these transactions resulted in cash proceeds of \$10 million. The fair value hedge accounting adjustments of these instruments, which are recorded under senior notes and loans, are amortized under financial expenses, net over the life of the debt.

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

### Cash flow hedge

In the fourth quarter of 2019, Teva terminated \$588 million cross-currency swap agreements against its outstanding 3.65% senior notes maturing in November 2021. Settlement of these transactions resulted in cash proceeds of \$95 million. The cash flow hedge accounting adjustments of these instruments, which are recorded under senior notes and loans, are amortized under financial expenses, net over the life of the debt.

With respect to the interest rate swap and cross-currency swap agreements, gains of \$3 million, \$6 million and \$6 million were recognized under financial expenses, net for the years ended December 31, 2020, 2019 and 2018, respectively.

### f. Securitization:

In April 2011, Teva established a trade receivables securitization program to sell trade receivables to BNP Paribas Bank ("BNP"). Under the program Teva (on a consolidated basis) receives an initial cash purchase price and the right to receive a deferred purchase price ("DPP"), according to the purchase price for the receivables sold by it.

On an individual seller basis, each Teva subsidiary sells receivables to BNP for an amount equal to their nominal amount. BNP then immediately on-sells such receivables to a bankruptcy-remote special-purpose entity ("SPE"), for an amount equal to the nominal amount of such trade receivables. The SPE then on-sells such receivables to a conduit sponsored by BNP ("the conduit") for an initial cash purchase price (equal to the nominal amount of such receivables less a discount) and the right to receive a DPP.

The SPE is a VIE for which Teva is considered to be the primary beneficiary. The SPE's sole business consists of the purchase of receivables from Teva subsidiaries and the subsequent transfer of such receivables to the conduit.

Although the SPE is included in Teva's consolidated financial statements, it is a separate legal entity with separate creditors. The conduit and other designated creditors of the SPE are entitled, both before and upon the SPE's liquidation, to be paid out of the SPE's assets prior to the DPP payable to Teva. The assets of the SPE are not available to pay creditors of Teva or its subsidiaries.

This program expires on August 21, 2021 but can be renewed with consent from the parties to the program up to August 20, 2022 or any other date agreed between the parties.

Once sold to BNP, the relevant Teva subsidiary as seller has no retained interests in the receivables sold and they are unavailable to the relevant seller should the relevant seller become insolvent. The conduit has all the rights in the securitized trade receivables, including the right to pledge or dispose of such receivables. Consequently, receivables sold under this agreement are de-recognized from Teva's consolidated balance sheet.

The portion of the purchase price for the receivables which is not paid in cash by the conduit is a DPP asset. The conduit pays the SPE the DPP from collections received by the conduit from the securitized trade receivables (after paying senior costs and expenses, including the conduit's debt service obligations), which the SPE then pays to Teva. The DPP asset represents a beneficial interest in the transferred financial assets and is recognized at fair value as part of the sale transaction. The DPP asset is included in other current assets on Teva's consolidated balance sheet.

Teva has collection and administrative responsibilities for the sold receivables. The fair value of these servicing arrangements as well as the fees earned was immaterial.



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

DPP asset as of December 31, 2020 and 2019 was \$266 million and \$250 million, respectively.

As of December 31, 2020 and 2019, the balance of Teva's securitized assets sold were \$734 million and \$690 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<br>December 31, |               |
|-------------------------------------------------------------|----------------------------------------------|---------------|
|                                                             | 2020                                         | 2019          |
|                                                             | (U.S. \$ in millions)                        |               |
| Sold receivables at the beginning of the year               | \$ 690                                       | \$ 686        |
| Proceeds from sale of receivables                           | 4,606                                        | 4,852         |
| Cash collections (remitted to the owner of the receivables) | (4,607)                                      | (4,849)       |
| Effect of currency exchange rate changes                    | 45                                           | 1             |
| Sold receivables at the end of the year                     | <u>\$ 734</u>                                | <u>\$ 690</u> |

### NOTE 11—Legal settlements and loss contingencies:

Legal settlements and loss contingencies for 2020 amounted to expenses of \$60 million, compared to expenses of \$1,178 million in 2019 and an income of \$1,208 million in 2018. The expenses in 2020 were mainly related to a fine imposed by the European Commission in relation to a 2005 patent settlement agreement and an increase of a reserve for certain product liability claims in the United States, partially offset by proceeds received following a settlement of the FCPA derivative proceedings in Israel and settlement of an action brought against the sellers of Auden McKenzie (an acquisition made by Actavis Generics). The expenses in 2019 were mainly related to an estimated provision recorded in connection with potential settlement of the opioid cases.

As of December 31, 2020 and 2019, Teva's provision for legal settlements and loss contingencies recorded under accrued expenses and other taxes and long-term liabilities was \$1,625 million and \$1,580 million, respectively.

### NOTE 12—Commitments and contingencies:

#### a. Commitments:

##### *Royalty commitments:*

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

Until September 30, 2018, royalty expenses were reported in cost of goods sold if related to the acquisition of a product, and if not, such expenses were included in S&M expenses. Commencing October 1, 2018, royalty expenses are retroactively reported entirely under cost of goods sold. Royalty expenses in each of the years ended December 31, 2020, 2019 and 2018 were \$505 million, \$403 million and \$536 million, respectively.

##### *Milestone commitments:*

Teva has committed to make potential future milestone payments to third parties under various agreements. These payments are contingent upon the occurrence of certain future events and, given the nature of these events,

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**Notes to Consolidated Financial Statements—(Continued)**

it is unclear when, if ever, Teva may be required to pay such amounts. As of December 31, 2020, if all milestones and targets, for compounds in phase 2 and more advanced stages of development, are achieved, the total contingent payments could reach an aggregate amount of up to \$509 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.

Teva records a provision in its financial statements to the extent that it concludes that a contingent liability is probable and the amount thereof is estimable. Based upon the status of the cases described below, management's assessments of the likelihood of damages, and the advice of counsel, no provisions have been made regarding the matters disclosed in this note, except as noted below. Litigation outcomes and contingencies are unpredictable, and excessive verdicts can occur. Accordingly, management's assessments involve complex judgments about future events and often rely heavily on estimates and assumptions. Teva continuously reviews the matters described below and may, from time to time, remove previously disclosed matters that the Company has determined no longer meet the materiality threshold for disclosure.

If one or more of such proceedings described below were to result in final judgments against Teva, such judgments could be material to its results of operations and cash flows in a given period. In addition, Teva incurs significant legal fees and related expenses in the course of defending its positions even if the facts and circumstances of a particular litigation do not give rise to a provision in the financial statements.

In connection with third-party agreements, Teva may under certain circumstances be required to indemnify, and may be indemnified by, in unspecified amounts, the parties to such agreements against third-party claims. Among other things, Teva's agreements with third parties may require Teva to indemnify them, or require them to indemnify Teva, for the costs and damages incurred in connection with product liability claims, in specified or unspecified amounts.

Except as otherwise noted, all of the litigation matters disclosed below involve claims arising in the United States. Except as otherwise noted, all third party sales figures given below are based on IQVIA (formerly IMS Health Inc.) data.

**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.

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**Notes to Consolidated Financial Statements—(Continued)**

Teva could also be sued for patent infringement outside of the context of the Hatch-Waxman Act. For example, Teva could be sued for patent infringement after commencing sales of a product. In addition, for biosimilar products, Teva could be sued according to the “patent dance” procedures of the Biologics Price Competition and Innovation Act (BPCIA).

The general rule for damages in patent infringement cases in the United States is that the patentee should be compensated by no less than a reasonable royalty and it may also be able, in certain circumstances, to be compensated for its lost profits. The amount of a reasonable royalty award would generally be calculated based on the sales of Teva’s product. The amount of lost profits would generally be based on the lost sales of the patentee’s product. In addition, the patentee may seek consequential damages as well as enhanced damages of up to three times the profits lost by the patent holder for willful infringement, although courts have typically awarded much lower multiples.

Teva is also involved in litigation regarding patents in other countries where it does business, particularly in Europe. The laws concerning generic pharmaceuticals and patents differ from country to country. Damages for patent infringement in Europe may include lost profits or a reasonable royalty, but enhanced damages for willful infringement are generally not available.

In July 2014, GlaxoSmithKline (“GSK”) sued Teva in Delaware federal court for infringement of a patent expiring in June 2015 directed to using carvedilol in a specified manner to decrease the risk of mortality in patients with congestive heart failure. Teva and eight other generic producers began selling their carvedilol tablets (the generic version of GSK’s Coreg®) in September 2007. A jury trial was held and the jury returned a verdict in GSK’s favor finding Teva liable for induced infringement, including willful infringement, and assessing damages of \$235.5 million, not including pre- or post-judgment interest or a multiplier for willfulness. Following post-trial motions filed by the parties, on March 28, 2018, the district court issued an opinion overturning the jury verdict and instead found no induced infringement by Teva, thereby finding that Teva did not owe any damages; the district court also denied Teva’s motion seeking to overturn the jury verdict with respect to invalidity. The provision that was originally included in the financial statements following the damages verdict in this matter in 2017 was reversed in 2018, following the opinion overturning the verdict as the exposure was no longer considered probable. On October 2, 2020, the Court of Appeals for the Federal Circuit overturned the lower court’s ruling and reinstated the jury verdict in a two-to-one decision. On December 2, 2020, Teva filed a request for panel and en banc review. On February 9, 2021, the Federal Circuit granted panel rehearing. In its February 9, 2021 order, the Court vacated the October 2, 2020 judgment and scheduled oral argument for February 23, 2021. The Court will hear oral argument only on the issue of whether there is enough evidence to support the jury’s verdict of induced infringement during the time period from January 8, 2008 through April 30, 2011 (the “skinny label” period). If further appeals are decided against Teva, the case would be remanded to the district court for it to consider Teva’s other legal and equitable defenses that have not yet been considered by the district court.

In 2014, Teva Canada succeeded in its challenge of the bortezomib (the generic equivalent of Velcade®) product and mannitol ester patents under the Patented Medicines (Notice Of Compliance) Regulations (“PM (NOC)”). At the time of Teva’s launch in 2015, annual sales of Velcade were approximately 94 million Canadian dollars. Additionally, Teva commenced an action under Section 8 of PM (NOC) to recover damages for being kept off of the market during the PM (NOC) proceedings. Janssen and Millennium filed a counterclaim for infringement of the same two patents as well as a patent covering a process to prepare bortezomib. The product patent expired in October 2015; the other patents expire in January 2022 and March 2025. In 2017, Teva entered into an agreement with Janssen and Millennium which limited the damages payable by either party depending on the outcome of the infringement/impeachment action. As a result, the most Janssen and Millennium could have recovered is 200 million Canadian dollars plus post-judgment interest. In June 2018, the court ruled that Janssen and Millennium pay Teva 5 million Canadian dollars in Section 8 damages. Janssen and Millennium filed an appeal, which was denied by the appellate court on November 4, 2019. On January 3, 2020, Janssen and



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

Millennium applied for leave to appeal to the Canadian Supreme Court. On May 8, 2020, the Canadian Supreme Court denied Janssen and Millennium's application. This matter is now closed.

### Product Liability Litigation

Teva's business inherently exposes it to potential product liability claims. Teva maintains a program of insurance, which may include commercial insurance, self-insurance (including direct risk retention), or a combination of both approaches, in amounts and on terms that it believes are reasonable and prudent in light of its business and related risks. However, Teva sells, and will continue to sell, pharmaceuticals that are not covered by its product liability insurance; in addition, it may be subject to claims for which insurance coverage is denied as well as claims that exceed its policy limits. Product liability coverage for pharmaceutical companies is becoming more expensive and increasingly difficult to obtain. As a result, Teva may not be able to obtain the type and amount of insurance it desires, or any insurance on reasonable terms, in all of its markets.

Teva and its subsidiaries are parties to litigation relating to previously unknown nitrosamine impurities discovered in certain products. The discovery led to a global recall of single and combination valsartan medicines around the world starting in July 2018 and to subsequent recalls on other products. The nitrosamine impurities in valsartan are allegedly found in the active pharmaceutical ingredient (API) supplied by multiple API manufacturers. Teva's products allegedly at issue in the various nitrosamine-related litigations pending in the United States include valsartan, losartan, metformin and ranitidine. There are currently two Multi-District Litigations ("MDL") pending in the United States District Courts. One MDL is pending in the United States District Court for the District of New Jersey for valsartan, losartan and irbesartan. The second MDL is pending in the United States District Court for the Southern District of Florida for ranitidine. The lawsuits against Teva in the MDLs consist of individual personal injury and/or product liability claims and economic damages claims brought by consumers and end payors on behalf of purported classes of other consumers and end payors as well as medical monitoring claims. Defendants' motions to dismiss in the valsartan, losartan and irbesartan MDL were denied in part and granted in part, allowing plaintiffs to file amended complaints. On December 31, 2020, the court in the ranitidine MDL granted the generic defendants' motion to dismiss on the grounds of preemption and deficient pleading, allowing plaintiffs to re-plead certain claims. Certain plaintiffs appealed the decision. In addition to these MDLs, Teva has also been named in a consolidated proceeding pending in the United States District Court for the District of New Jersey brought by individuals and end payors seeking economic damages on behalf of purported classes of consumers and end payors who purchased Teva's, as well as other generic manufacturers' metformin products. A motion to dismiss in that consolidated action is pending. Similar lawsuits are pending in Canada and Germany.

### Competition Matters

As part of its generic pharmaceuticals business, Teva has challenged a number of patents covering branded pharmaceuticals, some of which are among the most widely-prescribed and well-known drugs on the market. Many of Teva's patent challenges have resulted in litigation relating to Teva's attempts to market generic versions of such pharmaceuticals under the federal Hatch-Waxman Act. Some of this litigation has been resolved through settlement agreements in which Teva obtained a license to market a generic version of the drug, often years before the patents expire.

Teva and its subsidiaries have 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

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**Notes to Consolidated Financial Statements—(Continued)**

what the generic price allegedly would have been and disgorgement of profits, which are automatically tripled under the relevant statutes, plus attorneys' fees and costs. The alleged damages generally depend on the size of the branded market and the length of the alleged delay, and can be substantial—potentially measured in multiples of the annual brand sales—particularly where the alleged delays are lengthy or branded drugs with annual sales in the billions of dollars are involved.

Teva believes that its settlement agreements are lawful and serve to increase competition, and has defended them vigorously. In Teva's experience to date, these cases have typically settled for a fraction of the high end of the damages sought, although there can be no assurance that such outcomes will continue.

In June 2013, the U.S. Supreme Court held, in Federal Trade Commission ("FTC") 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.

Beginning 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 with allegations 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 cases also allege that Cephalon improperly asserted its PROVIGIL patent against the generic pharmaceutical companies. Separately, Apotex challenged Cephalon's PROVIGIL patent and, in October 2011, the court found the patent to be invalid and unenforceable based on inequitable conduct. Teva has either settled or reached agreements in principle to settle with all plaintiffs in such cases, except for an action brought by the State of Louisiana. The settlement with the State of California that was reached in 2019 received final court approval in June 2020. All settlements entered into in connection with the above proceeding are covered by the settlement fund explained below.

In May 2015, Cephalon entered into a consent decree with the FTC (the "Modafinil Consent Decree") under which the FTC dismissed its claims against Cephalon in the FTC Modafinil Action in exchange for payment of \$1.2 billion (less set-offs for prior settlements) by Cephalon and Teva into a settlement fund. Under the Modafinil Consent Decree, Teva also agreed to certain injunctive relief with respect to the types of settlement agreements Teva may enter into to resolve patent litigation in the United States for a period of ten years. The remaining balance of the settlement fund after consideration of the settlement with the State of California noted above is approximately \$19 million. In February 2019, in connection with the settlement of other unrelated FTC antitrust lawsuits, as described below, Teva and the FTC agreed to amend certain non-financial provisions of the Modafinil Consent Decree and to restart its ten-year term.

Additionally, the European Commission issued a Statement of Objections and a Supplementary Statement of Objection in July 2017 and June 2020, respectively, and a final decision against both Cephalon and Teva in November 2020, finding that the 2005 settlement agreement between the parties had the object and effect of hindering the entry of generic modafinil, and imposed fines totaling €60.5 million on Teva and Cephalon. Teva and Cephalon filed an appeal against the decision in February 2021. A provision for this matter was included in the financial statements.

Teva and its affiliates have been named as defendants in lawsuits that allege that multiple patent litigation settlement agreements relating to AndroGel® 1% (testosterone gel) violate the antitrust laws. The first of these lawsuits (the "Georgia AndroGel Litigation") was filed in January 2009 in California federal court, and later transferred to Georgia federal court, with the FTC and the State of California, and later private plaintiffs,

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challenging a September 2006 patent litigation settlement between Watson Pharmaceuticals, Inc. ("Watson"), from which Teva later acquired certain assets and liabilities, and Solvay Pharmaceuticals, Inc. ("Solvay"). The second lawsuit (the "Philadelphia AndroGel Litigation") was filed by the FTC in September 2014 in federal court in Philadelphia, challenging Teva's December 2011 patent litigation settlement with AbbVie. The FTC stipulated to dismiss Teva from both litigations, in exchange for Teva's agreement to amend the Modafinil Consent Decree, as described above. On July 16, 2018, the direct purchaser plaintiffs' motion for class certification in the Georgia AndroGel Litigation was denied and Teva later settled with most of the retailer plaintiffs in the Georgia AndroGel Litigation as well as the three direct purchasers that had sought class certification. These settlement amounts were paid in full. In addition, on January 7, 2021, Teva settled all claims with the remaining retailer plaintiff in the Georgia AndroGel Litigation and thus no claims remain in the Georgia AndroGel Litigation. In August 2019, certain other direct-purchaser plaintiffs (who would have been members of the direct purchaser class in the Georgia AndroGel Litigation, had it been certified) filed their own claims in the federal court in Philadelphia (where the Philadelphia AndroGel Litigation has been pending), challenging (in one complaint) both the September 2006 settlement between Watson and Solvay, and the December 2011 settlement between Teva and AbbVie. Those claims remain pending. Annual sales of AndroGel® 1% were approximately \$350 million at the time of the earlier Watson/Solvay settlement and approximately \$140 million at the time Actavis launched its generic version of AndroGel® 1% in November 2015. A provision for these matters was included in the financial statements.

In December 2011, three groups of plaintiffs sued Wyeth and Teva for alleged violations of the antitrust laws in connection with their settlement of patent litigation involving extended release venlafaxine (generic Effexor XR®) entered into in November 2005. The cases were filed by a purported class of direct purchasers, by a purported class of indirect purchasers and by certain chain pharmacies in the U.S. District Court for the District of New Jersey. The plaintiffs claim that the settlement agreement between Wyeth and Teva unlawfully delayed generic entry. In October 2014, the court granted Teva's motion to dismiss in the direct purchaser cases, after which the parties agreed that the court's reasoning applied equally to the indirect purchaser cases. Plaintiffs appealed and, in August 2017, the Third Circuit reversed the district court's decision and remanded for further proceedings. In March 2020, the district court temporarily stayed discovery and referred the case to mediation, and discovery remains stayed. Annual sales of Effexor XR® were approximately \$2.6 billion at the time of settlement and at the time Teva launched its generic version of Effexor XR® in July 2010.

In February 2012, two purported classes of direct-purchaser plaintiffs sued GSK and Teva in New Jersey federal court for alleged violations of the antitrust laws in connection with their settlement of patent litigation involving lamotrigine (generic Lamictal®) entered into in February 2005. The plaintiffs claim that the settlement agreement unlawfully delayed generic entry and seek unspecified damages. In December 2012, the court dismissed the case, but in June 2015, the U.S. Court of Appeals for the Third Circuit reversed and remanded for further proceedings. In December 2018, the district court granted the direct-purchaser plaintiffs' motion for class certification, but on April 22, 2020, the Third Circuit reversed that ruling and remanded for further class certification proceedings. The district court's decision on the direct purchaser plaintiffs' renewed motion for class certification remains pending. Annual sales of Lamictal® were approximately \$950 million at the time of the settlement and approximately \$2.3 billion at the time Teva launched its generic version of Lamictal® in July 2008.

In April 2013, purported classes of direct purchasers of, and end payers for, Niaspan® (extended release niacin) sued Teva and Abbott for violating the antitrust laws by entering into a settlement agreement in April 2005, to resolve patent litigation over the product. A multidistrict litigation has been established in the U.S. District Court for the Eastern District of Pennsylvania. Throughout 2015 and in January 2016, several individual direct-purchaser opt-out plaintiffs filed complaints with allegations nearly identical to those of the direct purchasers' class. In August 2019, the district court certified the direct-purchaser class, but in June 2020, the

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court denied the indirect purchasers' motion for class certification without prejudice. On September 4, 2020, the indirect purchasers filed a renewed motion for class certification, which remains pending. In October 2016, the District Attorney for Orange County, California, filed a similar complaint in California state court, which has since been amended, alleging violations of state law. Defendants moved to strike the District Attorney's claims for restitution and civil penalties to the extent not limited to alleged activity occurring in Orange County. The Superior Court denied that motion. The Court of Appeals subsequently reversed the decision and in June 2020, the California Supreme Court reversed the Court of Appeals' decision, allowing the District Attorney's claims to proceed. Annual sales of Niaspan® were approximately \$416 million at the time of the settlement and approximately \$1.1 billion at the time Teva launched its generic version of Niaspan® in September 2013.

Beginning in 2013, several putative class actions were filed 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. The cases were consolidated as a multidistrict litigation in federal court in California and were settled in 2018. The FTC also filed suit to challenge the Lidoderm® settlement, although in February 2019, the FTC dismissed its claims against Actavis and Allergan, in exchange for Teva's agreement to amend the Modafinil Consent Decree, as described above. In July 2019, Teva also settled a complaint brought by the State of California. On September 16, 2019, end-payers Blue Cross Blue Shield of Michigan and Blue Care Network of Michigan (collectively "BCBSM") filed their own lawsuit against Watson, and other defendants, in Michigan state court relating to the Lidoderm® settlement. Defendants moved to dismiss that lawsuit on June 5, 2020, and those motions were granted in part and denied in part on October 16, 2020. In January 2021, Watson and BCBSM reached an agreement in principle to settle the lawsuit. On January 24, 2020, the State of Mississippi filed a complaint against Teva and Watson in Mississippi state court relating to the Lidoderm® settlement, which it subsequently amended on June 12, 2020. Teva and Watson have moved to dismiss that amended complaint, and their motion remains pending.

Since January 2014, numerous lawsuits have been filed in the U.S. District Court for the Southern District of New York by purported classes of end-payers for, and direct-purchasers of, Actos® and Actoplus Met (pioglitazone and pioglitazone plus metformin) against Takeda, the innovator, and several generic manufacturers, including Teva, Actavis and Watson. The lawsuits allege, among other things, that the settlement agreements between Takeda and the generic manufacturers violated the antitrust laws. The court dismissed the end-payers' lawsuits against all defendants in September 2015. On February 8, 2017, the Court of Appeals for the Second Circuit affirmed the dismissal in part and vacated and remanded the dismissal in part with respect to the claims against Takeda. The direct purchasers' case had been stayed pending resolution of the appeal in the end payer matter and the direct purchasers amended their complaint for a second time following the Second Circuit's decision, but on October 8, 2019, the district court dismissed, with prejudice, the direct purchasers' claims against the generic manufacturers (including Teva, Actavis, and Watson). At the time of Teva's settlement, annual sales of Actos® and Actoplus Met were approximately \$3.7 billion and approximately \$500 million, respectively. At the time Teva launched its authorized generic version of Actos® and Actoplus Met in August 2012, annual sales of Actos® and Actoplus Met were approximately \$2.8 billion and approximately \$430 million, respectively.

In May 2015, a purported class of end payers for Namenda IR® (memantine hydrochloride) filed a lawsuit against Forest Laboratories, LLC ("Forest"), the innovator, and several generic manufacturers, including Teva, alleging, among other things, that the settlement agreements between Forest and the generic manufacturers to resolve patent litigation over Namenda IR® violated the antitrust laws. Teva reached a settlement agreement with these plaintiffs in July 2020, which received preliminary approval on October 13, 2020 and is awaiting final court approval. Annual sales of Namenda IR® at the time of the patent litigation settlement were approximately \$1.1 billion and approximately \$550 million at the time other manufacturers first launched generic versions of Namenda IR® in July 2015.

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In January 2019, generic manufacturer Cipla Limited filed a lawsuit against Amgen, which was later amended to include Teva as a defendant, in Delaware federal court, alleging, among other things, that a January 2, 2019 settlement agreement between Amgen and Teva, resolving patent litigation over cinacalcet (generic Sensipar®), violated the antitrust laws. On August 14, 2020, Cipla Limited agreed to dismiss its claims against Teva, with prejudice, and those claims have since been dismissed. Putative classes of direct-purchaser and end-payer plaintiffs have also filed antitrust lawsuits (which have since been coordinated in federal court in Delaware) against Amgen and Teva related to the January 2, 2019 settlement. On July 22, 2020, a magistrate judge recommended that plaintiffs' claims be dismissed and on November 30, 2020, the district court overruled the magistrate judge's recommendation, denied Teva's motion to dismiss in part, and instructed plaintiffs to file an amended complaint. Annual sales of Sensipar® in the United States were approximately \$1.4 billion at the time Teva launched its generic version of Sensipar® in December 2018, and at the time of the January 2, 2019 settlement.

On December 16, 2016, the U.K. Competition and Markets Authority ("CMA") issued a statement of objections (a provisional finding of breach of the Competition Act) in respect of certain allegations against Allergan, Actavis UK and certain Auden McKenzie entities alleging competition law breaches in connection with the supply of 10mg and 20mg hydrocortisone tablets in the U.K. On March 3, 2017 and February 28, 2019, the CMA issued second and third statements of objections in respect of certain additional allegations relating to the same products and covering part of the same time periods as in the first statement of objections. On February 12, 2020, the CMA issued a Supplementary Statement of Objections effectively combining the three previously issued statements referenced above and a Statement of Draft Penalty Calculation was issued on October 28, 2020. On January 9, 2017, Teva completed the sale of Actavis UK to Accord Healthcare Limited, in connection with which Teva will indemnify Accord Healthcare for potential fines imposed by the CMA and/or damages awarded by a court against Actavis UK in relation to the December 16, 2016 and March 3, 2017 statements of objections, and resulting from conduct prior to the closing date of the sale. In addition, Teva agreed to indemnify Allergan against losses arising from this matter in the event of any such fines or damages. A liability for this matter has been recorded in the financial statements.

In October 2019, the European Commission commenced an inspection of Teva and subsequently requested information for purposes of investigating whether Teva may have abused a dominant position in the Multiple Sclerosis field, dating back to at least 2014. No formal proceedings have been initiated. Annual sales of COPAXONE® in the European Economic Area for the past year were approximately \$431 million.

Between September 1, 2020 and December 20, 2020, separate plaintiffs purporting to represent putative classes of direct and indirect purchasers and opt-out retailer purchasers of Bystolic® (nebivolol hydrochloride) filed separate complaints in the U.S. District Court for the Southern District of New York against several generic manufacturers, including Teva, Actavis, and Watson, alleging, among other things, that the settlement agreements these generic manufacturers entered into with Forest Laboratories, Inc., the innovator, to resolve patent litigation over Bystolic® violated the antitrust laws. The cases have been coordinated and remain in their preliminary stages, pending a decision regarding potential transfer. Annual sales of Bystolic® in the United States were approximately \$700 million at the time of Watson's 2013 settlement with Forest.

**Government Investigations and Litigation Relating to Pricing and Marketing**

Teva is involved in government investigations and litigation arising from the marketing and promotion of its pharmaceutical products in the United States.

In 2015 and 2016, Actavis and Teva USA each respectively received subpoenas from the U.S. Department of Justice ("DOJ") Antitrust Division seeking documents and other information relating to the marketing and

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**Notes to Consolidated Financial Statements—(Continued)**

pricing of certain Teva USA generic products and communications with competitors about such products. On August 25, 2020, a federal grand jury in the Eastern District of Pennsylvania returned a three count indictment charging Teva USA with criminal felony Sherman Act violations. See No. 20-cr-200 (E.D. Pa.). The indictment alleges Teva USA participated in a conspiracy with certain other generic drug manufacturers to maintain and fix prices, allocate customers, and other alleged antitrust offenses concerning the sale of generic drugs, including Pravastatin, Carbamazepine, Clotrimazole, Etodolac (IR and ER), Fluocinonide (Cream E-Cream, Gel, and Ointment), Warfarin, Etodolac (IR), Nadolol, Temozolomide, and Tobramycin. On September 8, 2020, Teva USA pled not guilty to all counts. A tentative trial date is yet to be scheduled. While the Company is unable to estimate a range of loss at this time, a conviction on these criminal charges could have a material adverse impact on the Company's business, including monetary penalties and debarment from federally funded health care programs.

In May 2018, Teva received a civil investigative demand from the DOJ Civil Division, pursuant to the federal False Claims Act, seeking documents and information produced since January 1, 2009 relevant to the Civil Division's investigation concerning allegations that generic pharmaceutical manufacturers, including Teva, engaged in market allocation and price-fixing agreements, paid illegal remuneration, and caused false claims to be submitted in violation of the False Claims Act. An adverse resolution of this matter may include fines, penalties, financial forfeiture and compliance conditions.

In 2015 and 2016, Actavis and Teva USA each respectively received a subpoena from the Connecticut Attorney General seeking documents and other information relating to potential state antitrust law violations. Subsequently, on December 15, 2016, a civil action was brought by the attorneys general of twenty states against Teva USA and several other companies asserting claims under federal antitrust law alleging price fixing of generic products in the United States. That complaint was later amended to add new states as named plaintiffs, as well as new allegations and new state law claims, and on June 18, 2018, the attorneys general of 49 states plus Puerto Rico and the District of Columbia filed a consolidated amended complaint against Actavis and Teva, as well as other companies and individuals. On May 10, 2019, most (though not all) of these attorneys general filed yet another antitrust complaint against Actavis, Teva and other companies and individuals, alleging price-fixing and market allocation with respect to additional generic products. On November 1, 2019, the state attorneys general filed an amended complaint, bringing the total number of plaintiff states and territories to 54. The amended complaint alleges that Teva was at the center of a conspiracy in the generic pharmaceutical industry, and asserts that Teva and others fixed prices, rigged bids, and allocated customers and market share with respect to certain additional products. On June 10, 2020, most, but not all, of the same states, with the addition of the U.S. Virgin Islands, filed a third complaint in the District of Connecticut naming, among other defendants, Actavis, but not Teva USA in a similar complaint relating to dermatological generics products. In the various complaints described above, the states seek a finding that the defendants' actions violated federal antitrust law and state antitrust and consumer protection laws, as well as injunctive relief, disgorgement, damages on behalf of various state and governmental entities and consumers, civil penalties and costs. All such complaints have been transferred to the generic drug multidistrict litigation in the Eastern District of Pennsylvania ("Pennsylvania MDL"). On July 13, 2020, the court overseeing the Pennsylvania MDL chose the attorneys' general November 1, 2019 complaint, referenced above, along with three complaints filed by private plaintiffs, to proceed first in the litigation as bellwether complaints. Teva moved the court to reconsider that ruling, and the motion was granted on February 9, 2021. As a result, the attorneys' general November 1, 2019 amended complaint is not expected to be among the bellwether complaints in the Pennsylvania MDL.

Beginning on March 2, 2016, and continuing through December 2020, numerous complaints have been filed in the United States on behalf of putative classes of direct and indirect purchasers of several generic drug products, as well as several individual direct and indirect purchaser opt-out plaintiffs. These complaints, which allege that the defendants engaged in conspiracies to fix prices and/or allocate market share of generic products have been brought against various manufacturer defendants, including Teva and Actavis. The plaintiffs generally



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seek injunctive relief and damages under federal antitrust law, and damages under various state laws. On October 16, 2018, the court denied certain of the defendants' motions to dismiss as to certain federal claims, pending as of that date, and on February 15, 2019, the court granted in part and denied in part defendants' motions to dismiss as to certain state law claims. On July 18, 2019, and again on May 6, 2020, certain individual plaintiffs commenced a civil action in the Pennsylvania Court of Common Pleas of Philadelphia County against many of the defendants in the Pennsylvania MDL, including Teva and Actavis, but no complaint has been filed in either action and the July 18, 2019 case has been placed in deferred status. On November 13, 2019, and again on August 24, 2020, certain counties in New York commenced civil actions against many of the defendants in the Pennsylvania MDL, including Teva and Actavis, and the complaints have been transferred to the Pennsylvania MDL. On December 15, 2020, several additional New York counties filed suit in New York state court raising similar allegations. On March 1, 2020, Harris County in Texas filed a complaint against several generic manufacturers including Teva and Actavis in the District Court for the Southern District of Texas, which has been transferred to the Pennsylvania MDL. There is also one similar complaint brought in Canada, which alleges that the defendants engaged in conspiracies to fix prices and/or allocate market share of generic drug products to the detriment of a class of private payors. The action is in its early stages.

In March 2017, Teva received a subpoena from the U.S. Attorney's office in Boston, Massachusetts requesting documents related to Teva's donations to patient assistance programs. Subsequently, in August 2020, the U.S. Attorney's office in Boston, Massachusetts brought a civil action in the U.S. District Court for the District of Massachusetts alleging violations of the federal Anti-Kickback Statute, and asserting causes of action under the federal False Claims Act and state law. It is alleged that Teva caused the submission of false claims to Medicare through Teva's donations to bona fide independent charities that provide financial assistance to patients. An adverse judgment may involve damages, civil penalties and injunctive remedies. On October 19, 2020, Teva filed a motion to dismiss the complaint, which remains pending.

In December 2016, Teva resolved certain claims under the U.S. Foreign Corrupt Practices Act ("FCPA") with the SEC and the DOJ. The settlement included a fine, disgorgement and prejudgment interest, a three-year deferred prosecution agreement ("DPA") for Teva and the retention of an independent compliance monitor for a period of three years. In February 2020 the term of the monitorship provided for by the DPA and Teva's consent judgement with the SEC expired and on March 4, 2020, following Teva's certification to the SEC and the DOJ confirming that Teva had complied with its disclosure obligations under the DPA, the DOJ filed a motion to dismiss the information filed against Teva at the time the DPA was entered into. On July 21, 2020, the information was dismissed.

### **Opioids Litigation**

Since May 2014, more than 3,000 complaints have been filed with respect to opioid sales and distribution against various Teva affiliates, along with several other pharmaceutical companies, by a number of cities, counties, states, other governmental agencies, tribes and private plaintiffs (including various putative class actions of individuals) in both state and federal courts. Most of the federal cases have been consolidated into a multidistrict litigation in the Northern District of Ohio ("MDL Opioid Proceeding") and many of the cases filed in state court have been removed to federal court and consolidated into the MDL Opioid Proceeding. Two cases that were included in the MDL Opioid Proceeding were recently transferred back to federal district court for additional discovery, pre-trial proceedings and trial. Those cases are: *City of Chicago v. Purdue Pharma L.P. et al.*, No. 14-cv-04361 (N.D. Ill.) and *City and County of San Francisco v. Purdue Pharma L.P. et al.*, No. 18-cv-07591-CRB (N.D. Cal.). Other cases remain pending in various states. In some jurisdictions, such as Illinois, New York, Pennsylvania, South Carolina, Texas, Utah and West Virginia, certain state court cases have been transferred to a single court within their respective state court systems for coordinated pretrial proceedings. Complaints asserting claims under similar provisions of different state law, generally contend that the defendants



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

allegedly engaged in improper marketing and distribution of opioids, including ACTIQ® and FENTORA®. The complaints also assert claims related to Teva's generic opioid products. In addition, over 950 personal injury plaintiffs, including various putative class actions of individuals, have asserted personal injury and wrongful death claims in over 600 complaints, nearly all of which are consolidated in the MDL Opioid Proceeding. Furthermore, approximately 700 complaints have named Anda, Inc. (and other distributors and manufacturers) alleging that Anda failed to develop and implement systems sufficient to identify suspicious orders of opioid products and prevent the abuse and diversion of such products to individuals who used them for other than legitimate medical purposes. Plaintiffs seek a variety of remedies, including restitution, civil penalties, disgorgement of profits, treble damages, attorneys' fees and injunctive relief. Certain plaintiffs assert that the measure of damages is the entirety of the costs associated with addressing the abuse of opioids and opioid addiction and certain plaintiffs specify multiple billions of dollars in the aggregate as alleged damages. The individual personal injury plaintiffs further seek non-economic damages. In many of these cases, plaintiffs are seeking joint and several damages among all defendants.

Absent resolutions, trials are expected to proceed in several states in 2021, unless postponed as a result of the COVID-19 pandemic.

In May 2019, Teva settled the Oklahoma litigation brought by the Oklahoma Attorney General (State of Oklahoma, ex. rel. Mike Hunter, Attorney General of Oklahoma vs. Purdue Pharma L.P., et. al.) for \$85 million. The settlement did not include any admission of violation of law for any of the claims or allegations made. As the Company demonstrated a willingness to settle part of the litigation, for accounting purposes, management considered a portion of opioid-related cases as probable and, as such, recorded an estimated provision in the second quarter of 2019. Given the relatively early stage of the cases, management viewed no amount within the range to be the most likely outcome. Therefore, management recorded a provision for the reasonably estimable minimum amount in the assessed range for such opioid-related cases in accordance with Accounting Standards Codification 450 "Accounting for Contingencies."

On October 21, 2019, Teva reached a settlement with the two plaintiffs in the MDL Opioid Proceeding that was scheduled for trial for the Track One case, Cuyahoga and Summit Counties of Ohio. Under the terms of the settlement, Teva will provide the two counties with opioid treatment medication, buprenorphine naloxone (sublingual tablets), known by the brand name Suboxone®, with a value of \$25 million at wholesale acquisition cost and distributed over three years to help in the care and treatment of people suffering from addiction, and a cash payment in the amount of \$20 million, to be paid in four payments over three years.

Also on October 21, 2019, Teva and certain other defendants reached an agreement in principle with a group of Attorneys General from North Carolina, Pennsylvania, Tennessee and Texas for a nationwide settlement framework (the "framework"). The framework is designed to provide a mechanism by which the Company attempts to seek resolution of remaining potential and pending opioid claims by both the U.S. states and political subdivisions (i.e., counties, tribes and other plaintiffs) thereof. Under this framework, Teva would provide buprenorphine naloxone (sublingual tablets) with an estimated value of up to approximately \$23 billion at wholesale acquisition cost over a ten year period. In addition, Teva would also provide cash payments of up to \$250 million over a ten year period. As of January 2021, the Company continues to negotiate the terms and conditions of the framework. The Company cannot predict if the framework will be finalized with its current terms and obligations. The Company considered a range of potential settlement outcomes. The current provision remains a reasonable estimate of the ultimate costs if the nationwide settlement framework is finalized based on recent discussions. However, if not finalized for the entirety of the cases, a reasonable upper end of a range of loss cannot be determined. An adverse resolution of any of these lawsuits or investigations may involve large monetary penalties, damages, and/or other forms of monetary and non-monetary relief and could have a material and adverse effect on Teva's reputation, business, results of operations and cash flows.



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

Separately, on April 27, 2018, Teva received subpoena requests from the United States Attorney's office in the Western District of Virginia and the Civil Division seeking documents relating to the manufacture, marketing and sale of branded opioids. In August 2019, Teva received a grand jury subpoena from the United States Attorney's Office for the Eastern District of New York for documents related to the Company's anti-diversion policies and procedures and distribution of its opioid medications, in what the Company understands to be part of a broader investigation into manufacturers' and distributors' monitoring programs and reporting under the Controlled Substances Act. In September 2019, Teva received subpoenas from the New York State Department of Financial Services (NYDFS) as part of an industry-wide inquiry into the effect of opioid prescriptions on New York health insurance premiums. Following a Statement of Changes and Notice of Hearing filed by the NYDFS, a hearing is currently scheduled to take place in June 2021. Currently, Teva cannot predict how the nationwide settlement framework agreement (if finalized) will affect these investigations and administrative actions. In addition, a number of state attorneys general, including a coordinated multistate effort, have initiated investigations into sales and marketing practices of Teva and its affiliates with respect to opioids. Other states are conducting their own investigations outside of the multistate group. Teva is cooperating with these ongoing investigations and cannot predict their outcome at this time.

In addition, several jurisdictions and consumers in Canada have initiated litigation regarding opioids alleging similar claims as those in the United States. The cases in Canada may be consolidated and are in their early stages.

### Shareholder Litigation

On November 6, 2016 and December 27, 2016, two putative securities class actions were filed in the U.S. District Court for the Central District of California against Teva and certain of its current and former officers and directors. Those lawsuits were consolidated and transferred to the U.S. District Court for the District of Connecticut (the "Ontario Teachers Securities Litigation"). On December 13, 2019, the lead plaintiff in that action filed an amended complaint, purportedly on behalf of purchasers of Teva's securities between February 6, 2014 and May 10, 2019. The amended complaint asserts that Teva and certain of its current and former officers and directors violated federal securities and common laws in connection with Teva's alleged failure to disclose pricing strategies for various drugs in its generic drug portfolio and by making allegedly false or misleading statements in certain offering materials. The amended complaint seeks unspecified damages, legal fees, interest, and costs. In July 2017, August 2017, and June 2019, other putative securities class actions were filed in other federal courts based on similar allegations, and those cases have been transferred to the U.S. District Court for the District of Connecticut. Between August 2017 and October 2020, twenty complaints were filed against Teva and certain of its current and former officers and directors seeking unspecified compensatory damages, legal fees, costs and expenses. The similar claims in these complaints have been brought on behalf of plaintiffs, in various forums across the country, who have indicated that they intend to "opt-out" of the plaintiffs' class if one is certified in the Ontario Teachers Securities Litigation. On March 10, 2020, the Court consolidated the Ontario Teachers Securities Litigation with all of the above-referenced putative class actions for all purposes and the "opt-out" cases for pretrial purposes. The case is now in discovery. Pursuant to that consolidation order, plaintiffs in several of the "opt-out" cases filed amended complaints on May 28, 2020. On January 22, 2021, the Court dismissed the "opt-out" plaintiffs' claims arising from statements made prior to the five year statute of repose, but denied Teva's motion to dismiss their claims under Israeli laws. The Ontario Teachers Securities Litigation plaintiffs filed a Motion for Class Certification and Appointment of Class Representatives and Class Counsel on June 19, 2020, which the defendants opposed. That motion is pending. Motions to approve securities class actions were also filed in the Tel Aviv District Court in Israel with similar allegations to those made in the Ontario Teachers Securities Litigation.

On September 23, 2020, a putative securities class action was filed in the U.S. District Court for the Eastern District of Pennsylvania against Teva and certain of its former officers alleging, among other things, violations of

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Section 10(b) of the Securities and Exchange Act of 1934 and SEC Rule 10b-5. The complaint, purportedly filed on behalf of persons who purchased or otherwise acquired Teva securities between October 29, 2015 and August 18, 2020, alleges that Teva and certain of its former officers violated federal securities laws by allegedly making false and misleading statements regarding the commercial performance of COPAXONE, namely, by failing to disclose that Teva had caused the submission of false claims to Medicare through Teva's donations to bona fide independent charities that provide financial assistance to patients, which allegedly impacted COPAXONE's commercial success and the sustainability of its revenues and resulted in the above referenced August 2020 False Claims Act complaint filed by the DOJ. The securities class action complaint seeks unspecified damages, legal fees, interest, and costs. The case is in its preliminary stages. Motions for the appointment of lead plaintiff and selection of counsel were filed in late November 2020 and remain pending. A motion to approve a securities class action was also filed in the Central District Court in Israel, which has been stayed pending the U.S. litigation, with similar allegations to those made in the above complaint filed in the U.S. District Court for the Eastern District of Pennsylvania.

Motions to approve derivative actions against certain past and present directors and officers have been filed in Israeli Courts alleging negligence and recklessness with respect to the acquisition of the Rimsa business, the acquisition of Actavis Generics and the patent settlement relating to Lidoderm®. Motions for document disclosure prior to initiating derivative actions were filed with respect to several U.S. and EU settlement agreements, opioids, the U.S. price-fixing investigations and allegations related to the DOJ's complaint regarding Copaxone patient assistance program in the U.S. In October 2020, Teva filed a notice with the Tel Aviv District Court to settle the derivative proceeding with regard to the acquisition of Actavis Generics and two related actions, including the derivative proceedings related to allegations in connection with the Lidoderm® patent settlement agreement. Various motions were filed in Israel to approve a derivative action, discovery and a class action related to claims regarding Teva's above-mentioned FCPA resolution with the SEC and DOJ. The parties have reached a settlement which was approved by the Tel Aviv District Court on April 6, 2020.

**Environmental Matters**

Teva or its subsidiaries are party to a number of environmental proceedings, or have received claims, including under the federal Superfund law or other federal, provincial or state and local laws, imposing liability for alleged noncompliance, or for the investigation and remediation of releases of hazardous substances and for natural resource damages. Many of these proceedings and claims seek to require the generators of hazardous wastes disposed of at a third party-owned site, or the party responsible for a release of hazardous substances that impacted a site, to investigate and clean the site or to pay or reimburse others for such activities, including for oversight by governmental authorities and any related damages to natural resources. Teva or its subsidiaries have received claims, or been made a party to these proceedings, along with others, as an alleged generator of wastes that were disposed of or treated at third-party waste disposal sites, or as a result of an alleged release from one of Teva's facilities or former facilities.

Although liability among the responsible parties, under certain circumstances, may be joint and several, these proceedings are frequently resolved so that the allocation of clean-up and other costs among the parties reflects the relative contributions of the parties to the site conditions and takes into account other pertinent factors. Teva's potential liability varies greatly at each of the sites; for some sites the costs of the investigation, clean-up and natural resource damages have not yet been determined, and for others Teva's allocable share of liability has not been determined. At other sites, Teva has taken an active role in identifying those costs, to the extent they are identifiable and estimable, which do not include reductions for potential recoveries of clean-up costs from insurers, indemnitors, former site owners or operators or other potentially responsible parties. In addition, enforcement proceedings relating to alleged violations of federal, state, commonwealth or local requirements at some of Teva's facilities may result in the imposition of significant penalties (in amounts not



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

expected to materially adversely affect Teva's results of operations) and the recovery of certain costs and natural resource damages, and may require that corrective actions and enhanced compliance measures be implemented.

### Other Matters

On February 1, 2018, former shareholders of Ception Therapeutics, Inc., a company that was acquired by and merged into Cephalon in 2010, prior to Cephalon's acquisition by Teva, filed breach of contract and other related claims against the Company, Teva USA and Cephalon in the Delaware Court of Chancery. Among other things, the plaintiffs allege that Cephalon breached the terms of the 2010 Ception-Cephalon merger agreement by failing to exercise commercially reasonable efforts to develop and commercialize CINQAIR® (reslizumab) for the treatment of eosinophilic esophagitis ("EE"). The plaintiffs claim damages of at least \$200 million, an amount they allege is equivalent to the milestones payable to the former shareholders of Ception in the event Cephalon were to obtain regulatory approval for EE in the United States (\$150 million) and Europe (\$50 million). Defendants moved to dismiss the complaint and on December 28, 2018, the court granted the motion in part and dismissed all of plaintiffs' claims, except for their claim against Cephalon for breach of contract. Trial in this matter is currently scheduled for October 2021.

### NOTE 13—Income taxes:

#### a. Income (loss) before income taxes:

|                                                   | Year ended December 31, |                   |                   |
|---------------------------------------------------|-------------------------|-------------------|-------------------|
|                                                   | 2020                    | 2019              | 2018              |
|                                                   | (U.S. \$ in millions)   |                   |                   |
| Parent Company and its Israeli subsidiaries ..... | \$ 947                  | \$ 542            | \$ 1,022          |
| Non-Israeli subsidiaries .....                    | (5,353)                 | (1,807)           | (3,618)           |
|                                                   | <u>\$ (4,406)</u>       | <u>\$ (1,265)</u> | <u>\$ (2,596)</u> |

#### b. Income taxes:

|                      | Year ended December 31, |                 |                 |
|----------------------|-------------------------|-----------------|-----------------|
|                      | 2020                    | 2019            | 2018            |
|                      | (U.S. \$ in millions)   |                 |                 |
| In Israel .....      | \$ 60                   | \$ 107          | \$ 131          |
| Outside Israel ..... | (228)                   | (385)           | (326)           |
|                      | <u>\$ (168)</u>         | <u>\$ (278)</u> | <u>\$ (195)</u> |
| Current .....        | \$ 182                  | \$ 885          | \$ 700          |
| Deferred .....       | (350)                   | (1,163)         | (895)           |
|                      | <u>\$ (168)</u>         | <u>\$ (278)</u> | <u>\$ (195)</u> |



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

|                                                                           | 2020                  | 2019      | 2018      |
|---------------------------------------------------------------------------|-----------------------|-----------|-----------|
|                                                                           | (U.S. \$ in millions) |           |           |
| Income (Loss) before income taxes                                         | \$(4,406)             | \$(1,265) | \$(2,596) |
| Statutory tax rate in Israel                                              | 23.0%                 | 23.0%     | 23.0%     |
| Theoretical provision for income taxes                                    | \$(1,013)             | \$ (291)  | \$ (597)  |
| Increase (decrease) in the provision for income taxes due to:             |                       |           |           |
| The Parent Company and its Israeli subsidiaries -                         |                       |           |           |
| Mainly tax benefits arising from reduced tax rates under benefit programs | (183)                 | (44)      | (134)     |
| Non-Israeli subsidiaries, including impairments *                         | 1,369                 | (115)     | 381       |
| U.S. Tax Cuts and Jobs Act effect                                         |                       |           | 97        |
| Increase (decrease) in other uncertain tax positions—net                  | (341)                 | 172       | 58        |
| Effective consolidated income taxes                                       | \$ (168)              | \$ (278)  | \$ (195)  |

\* In 2020 and 2018, 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 different than Teva's average tax rates, the impact of impairment, restructuring and legal settlement charges and adjustments to valuation allowances on deferred tax assets on such subsidiaries.

In 2020, Teva released a valuation allowance on its deferred tax assets in one jurisdiction and recorded a valuation allowance in another jurisdiction, with both adjustments reflecting changes in the business forecasts of profitability in these jurisdictions. The net effect of these adjustments did not materially impact Teva's effective tax rate for 2020.

### c. Deferred income taxes:

|                                                                                               | December 31,          |          |
|-----------------------------------------------------------------------------------------------|-----------------------|----------|
|                                                                                               | 2020                  | 2019     |
|                                                                                               | (U.S. \$ in millions) |          |
| Long-term deferred tax assets (liabilities), net:                                             |                       |          |
| Inventory related                                                                             | \$ 212                | \$ 144   |
| Sales reserves and allowances                                                                 | 173                   | 198      |
| Provision for legal settlements                                                               | 235                   | 260      |
| Intangible assets (*)                                                                         | (1,064)               | (1,733)  |
| Carryforward losses and deductions and credits (**)                                           | 2,176                 | 1,689    |
| Property, plant and equipment                                                                 | (142)                 | (170)    |
| Deferred interest                                                                             | 527                   | 648      |
| Provisions for employee related obligations                                                   | 107                   | 106      |
| Other                                                                                         | 54                    | 122      |
|                                                                                               | 2,278                 | 1,264    |
| Valuation allowance—in respect of carryforward losses and deductions that may not be utilized | (2,547)               | (1,974)  |
|                                                                                               | \$ (269)              | \$ (710) |

(\*) The decrease in deferred tax liability is mainly due to impairment and amortization.



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

(\*\*) The amounts are shown after reduction for unrecognized tax benefits of \$ 63 million and \$115 million as of December 31, 2020 and 2019, respectively.

This amount represents the tax effect of gross carryforward losses and deductions with the following expirations: 2021-2022—\$79 million; 2023-2029—\$663 million; 2030 and thereafter—\$171 million. The remaining balance—\$1,327 million—can be utilized with no expiration date.

The deferred income taxes are reflected in the balance sheets among:

|                                                   | December 31,          |                 |
|---------------------------------------------------|-----------------------|-----------------|
|                                                   | 2020                  | 2019            |
|                                                   | (U.S. \$ in millions) |                 |
| Long-term assets—deferred income taxes .....      | 695                   | 386             |
| Long-term liabilities—deferred income taxes ..... | (964)                 | (1,096)         |
|                                                   | <u>\$(269)</u>        | <u>\$ (710)</u> |

### d. Uncertain tax positions:

The following table summarizes the activity of Teva's gross unrecognized tax benefits:

|                                                                                                            | Year ended December 31, |                |                |
|------------------------------------------------------------------------------------------------------------|-------------------------|----------------|----------------|
|                                                                                                            | 2020                    | 2019           | 2018           |
|                                                                                                            | (U.S. \$ in millions)   |                |                |
| Balance at the beginning of the year .....                                                                 | \$1,223                 | \$1,072        | \$1,034        |
| Increase (decrease) related to prior year tax positions, net ...                                           | (238)                   | 23             | 76             |
| Increase related to current year tax positions .....                                                       | 10                      | 246            | 11             |
| Decrease related to settlements with tax authorities and lapse of applicable statutes of limitations ..... | (105)                   | (118)          | (49)           |
| Other .....                                                                                                | (2)                     | —              | —              |
| Balance at the end of the year .....                                                                       | <u>\$ 888</u>           | <u>\$1,223</u> | <u>\$1,072</u> |

Uncertain tax positions, mainly of a long-term nature, include accrued potential penalties and interest of \$173 million, \$164 million and \$131 million as of December 31, 2020, 2019 and 2018, respectively. The total amount of interest and penalties reflected in the consolidated statements of income was a net increase of \$9 million, \$33 million and \$19 million for the years ended December 31, 2020, 2019 and 2018, respectively. Substantially all the above uncertain tax benefits, if recognized, would reduce Teva's annual effective tax rate. Teva does not expect uncertain tax positions to change significantly over the next 12 months, except in the case of settlements with tax authorities, the likelihood and timing of which is difficult to estimate.

### e. Tax assessments:

Teva files income tax returns in various jurisdictions with varying statutes of limitations. Teva and its subsidiaries in Israel have received final tax assessments through tax year 2007.

In 2013, Teva settled the 2005-2007 income tax assessment with the Israeli tax authorities, paying \$213 million. No further taxes are due in relation to these years. Certain guidelines which were set pursuant to the agreement reached in relation to the 2005-2007 assessment have been implemented in the audit of tax years 2008-2011, and are reflected in the provisions.

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

The Israeli tax authorities issued tax assessment decrees for 2008-2012 and 2013-2016, challenging the Company's positions on several issues. Teva has protested the 2008-2012 and 2013-2016 decrees before the Central District Court in Israel. The Company believes it has adequately provided for these items, however, adverse results could be material.

In the United States, Teva has one tax issue in dispute for the 2009-2011 audit cycle, which is currently in litigation. The 2012-2014 audit cycle is ongoing, with an assessment report expected to be received in 2021. Additionally, Teva's U.S. subsidiaries have multiple audit cycles open. The Company believes it has adequately provided for these items and that any adverse results would have an immaterial impact on Teva's financial statements.

Teva filed a claim seeking the refund of withholding taxes paid to the Indian tax authorities in 2012. Trial in this case is scheduled to begin in March 2021. A final and binding decision against Teva in this case may lead to an impairment in the amount of \$141 million.

The Company's subsidiaries in Europe have received final tax assessments mainly through tax year 2014.

### f. Basis of taxation:

The Company and its subsidiaries are subject to tax in many jurisdictions, and estimation is required in recording the assets and liabilities related to income taxes. The Company believes that its accruals for tax liabilities are adequate for all open years. The Company considers various factors in making these assessments, including past history, recent interpretations of tax law, and the specifics of each matter. Because tax regulations are subject to interpretation and tax litigation is inherently uncertain, these assessments can involve a series of complex judgments regarding future events.

#### *Incentives Applicable until 2013*

Under the incentives regime applicable to the Company until 2013, industrial projects of Teva and certain of its Israeli subsidiaries were eligible for "Approved Enterprise" status.

Most of the projects in Israel have been granted Approved Enterprise status under the "alternative" tax benefit track which offered tax exemption on undistributed income for a period of two to ten years, depending on the location of the enterprise. Upon distribution of such exempt income, the distributing company is subject to corporate tax at the rate ordinarily applicable to the Approved Enterprise's income.

#### *Amendment 69 to the Investment Law*

Pursuant to Amendment 69 to the Investment Law ("Amendment 69"), a company that elected by November 11, 2013 to pay a corporate tax rate as set forth in that amendment (rather than the tax rate applicable to Approved Enterprise income) with respect to undistributed exempt income accumulated by the company up until December 31, 2011 is entitled to distribute a dividend from such income without being required to pay additional corporate tax with respect to such dividend. A company that has so elected must make certain qualified investments in Israel over the five-year period commencing in 2013. Teva invested the entire required amount in 2013.

During 2013, Teva applied the provisions of Amendment 69 to certain exempt profits Teva accrued prior to 2012. Consequently, Teva paid \$577 million in corporate tax on exempt income of \$9.4 billion. Part of this income was distributed as dividends during 2013-2018, while the remainder is available to be distributed as dividends in future years with no additional corporate tax liability.

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

***Incentives Applicable starting 2014: The Incentives Regime – Amendment 68 to the Investment Law***

Under Amendment 68 to the Investment Law, which Teva started applying in 2014, upon an irrevocable election made by a company, a uniform corporate tax rate will apply to all qualifying industrial income of such company ("Preferred Enterprise"), as opposed to the previous law's incentives, which were limited to income from Approved Enterprises during the benefits period. Under the law, when the election is made, the uniform tax rate for 2014 until 2016 was 9% in areas in Israel designated as Development Zone A and 16% elsewhere in Israel. The uniform tax rate for Development Zone A, as of January 1, 2017, is 7.5% (as part of changes enacted in Amendment 73, as described below). The profits of these "Preferred Enterprise" will be freely distributable as dividends, subject to a 20% or lower withholding tax, under an applicable tax treaty. Certain "Special Preferred Enterprises" that meet more stringent criteria (significant investment, R&D or employment thresholds) will enjoy further reduced tax rates of 5% in Zone A and 8% elsewhere. In order to be classified as a "Special Preferred Enterprises," the approval of three governmental authorities in Israel is required.

***The New Technological Enterprise Incentives Regime – Amendment 73 to the Investment Law***

Since 2017, a portion of the Company's taxable income in Israel is entitled to a preferred 6% tax rate under Amendment 73 to the Investment Law as it pertains to Special Preferred Technological Enterprises.

The new incentives regime applies to "Preferred Technological Enterprises" or "Special Preferred Technological Enterprises." A "Preferred Technological Enterprise" is an enterprise that meet certain conditions, including, inter alia:

- a. Investment of at least 7% of income, or at least NIS 75 million (approximately \$22 million) in R&D activities; and
- b. One of the following:
  - a. At least 20% of the workforce (or at least 200 employees) are employed in R&D;
  - b. A venture capital investment approximately equivalent to at least \$2 million was previously made in the company; or
  - c. Growth in sales or workforce by an average of 25% over the three years preceding the tax year.

A "Special Preferred Technological Enterprise" is an enterprise that meets, inter alia conditions 1 and 2 above, and in addition has total annual consolidated revenues above NIS 10 billion (approximately \$2.9 billion).

Preferred Technological Enterprises are subject to a corporate tax rate of 7.5% on their income derived from intellectual property in areas in Israel designated as Zone A and 12% elsewhere, while Special Preferred Technological Enterprises are subject to 6% on such income. The withholding tax on dividends from these enterprises is 4% to foreign companies (or a lower rate under a tax treaty, if applicable).

Income not eligible for Preferred Technological Enterprise benefits is taxed at the regular corporate tax rate, which is 23%, or the preferred tax rate, as the case may be.

The Parent Company and its Israeli subsidiaries elected to compute their taxable income in accordance with Income Tax Regulations (Rules for Accounting for Foreign Investors Companies and Certain Partnerships and Setting their Taxable Income), 1986. Accordingly, the taxable income or loss is calculated in U.S. dollars. Applying these regulations reduces the effect of U.S. dollar—NIS exchange rate on the Company's Israeli taxable income.



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

Non-Israeli subsidiaries are taxed according to the tax laws in their respective country of residence. Certain manufacturing subsidiaries operate in several jurisdictions outside Israel, some of which benefit from tax incentives such as reduced tax rates, investment tax credits and accelerated deductions.

### *U.S. Tax reform*

On December 22, 2017, the U.S. enacted the Tax Cuts and Jobs Act (the "Act"), which among other provisions, reduced the U.S. corporate tax rate from 35% to 21%, effective January 1, 2018, and imposed a one-time deemed repatriation tax based on the post-1986 earnings and profits of the Company's U.S. owned foreign subsidiaries.

The one-time deemed repatriation tax is based on the post-1986 earnings and profits for which the Company has previously deferred from U.S. income taxes and is payable over 8 years. The year ended December 31, 2017 included a \$112 million provisional estimate for Teva's one-time deemed repatriation taxes liability. During 2018, Teva completed its analysis of the impacts of the Act and recorded an additional expense of \$97 million, pursuant to guidance issued by the U.S. Department of Treasury and revisions to the Company's estimates since the assessment date.

### **NOTE 14—Equity:**

#### **a. Ordinary shares and ADSs**

As of December 31, 2020 and 2019, Teva had approximately 1.2 billion ordinary shares issued. Teva ordinary shares are traded on the Tel-Aviv Stock Exchange and on the New York Stock Exchange, in the form of American Depositary Shares ("ADSs"), each of which represents one ordinary share.

#### **b. Mandatory convertible preferred shares**

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

#### **c. Stock-based compensation plans**

Stock-based compensation plans are comprised of stock options, RSUs, PSUs, and other equity-based awards to employees, officers, directors and consultants of the Company and its affiliates. The purpose of the plans is to (a) attract, retain, motivate, and reward such individuals, and (b) promote the creation of long-term value for shareholders of the Company by closely aligning the interests of such individuals with those of the shareholders.

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.



## TEVA PHARMACEUTICAL INDUSTRIES LIMITED 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.

The 2015 Plan expired on June 30, 2020 (except with respect to awards outstanding on that date), and no additional awards under the 2015 Plan may be made.

On June 11, 2020, the Teva 2020 Long-Term Equity-Based Incentive Plan was approved by Teva's shareholders and became effective on July 1, 2020. Under the plan, 68 million shares, including options exercisable into ordinary shares, RSUs and PSUs, were approved for grant.

As of December 31, 2020, 74 million shares remain available for future awards under the 2020 Long-Term Equity-Based Incentive Plan.

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 and RSUs is generally from 1 to 4 years from the date of grant. The vesting period of PSUs is generally 3 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 ten years.

### Status of options

A summary of the status of the options granted by Teva as of December 31, 2020, 2019 and 2018, 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,  |                                          |                          |                                          |                          |                                          |
|------------------------------------------------|--------------------------|------------------------------------------|--------------------------|------------------------------------------|--------------------------|------------------------------------------|
|                                                | 2020                     |                                          | 2019                     |                                          | 2018                     |                                          |
|                                                | Number<br>(in thousands) | Weighted<br>average<br>exercise<br>price | Number<br>(in thousands) | Weighted<br>average<br>exercise<br>price | Number<br>(in thousands) | Weighted<br>average<br>exercise<br>price |
| Balance outstanding at beginning of year ..... | 40,064                   | \$37.90                                  | 48,393                   | \$38.62                                  | 43,121                   | \$44.32                                  |
| Changes during the year:                       |                          |                                          |                          |                                          |                          |                                          |
| Granted .....                                  | —                        | —                                        | —                        | —                                        | 12,401                   | 19.12                                    |
| Exercised .....                                | —                        | —                                        | (11)                     | 16.99                                    | (84)                     | 17.01                                    |
| Forfeited .....                                | (3,610)                  | 40.24                                    | (8,318)                  | 42.12                                    | (7,040)                  | 39.38                                    |
| Expired .....                                  | (1,220)                  | 49.35                                    | —                        | —                                        | (5)                      | 50.65                                    |
| Balance outstanding at end of year ..          | <u>35,234</u>            | 37.27                                    | <u>40,064</u>            | 37.90                                    | <u>48,393</u>            | 38.62                                    |
| Balance exercisable at end of year ..          | <u>28,556</u>            | 40.56                                    | <u>26,601</u>            | 43.41                                    | <u>24,086</u>            | 46.89                                    |



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

The weighted average fair value of options granted during these years was generally estimated by using the Black-Scholes option-pricing model as follows:

|                             | Year ended December 31, |      |       |
|-----------------------------|-------------------------|------|-------|
|                             | 2020                    | 2019 | 2018  |
| Weighted average fair value | —                       | —    | \$7.4 |

The fair value of these options was estimated on the date of grant, based on the following weighted average assumptions:

|                         | Year ended December 31, |      |         |
|-------------------------|-------------------------|------|---------|
|                         | 2020                    | 2019 | 2018    |
| Expected volatility     | —                       | —    | 40%     |
| Risk-free interest rate | —                       | —    | 2.6%    |
| Expected term           | —                       | —    | 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 following tables summarize information as of December 31, 2020 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 |
|--------------------------|-----------------------------------------|---------------------------------|---------------------------------|
|                          | Number of shares                        | \$                              | Years                           |
| Lower than \$15.01       | 592                                     | 11.40                           | 6.84                            |
| \$15.01 - \$25.00        | 10,087                                  | 18.93                           | 7.12                            |
| \$25.01 - \$35.00        | 7,221                                   | 34.61                           | 6.16                            |
| \$35.01 - \$45.00        | 5,216                                   | 40.66                           | 1.46                            |
| \$45.01 - \$55.00        | 7,895                                   | 51.06                           | 4.10                            |
| \$55.01 - \$65.00        | 4,223                                   | 59.26                           | 4.30                            |
| Total                    | 35,234                                  | 37.27                           | 5.07                            |

### (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 |
|--------------------------|-----------------------------------------|---------------------------------|---------------------------------|
|                          | Number of shares                        | \$                              | Years                           |
| Lower than \$15.01       | 394                                     | 11.40                           | 6.84                            |
| \$15.01 - \$25.00        | 5,431                                   | 18.81                           | 7.09                            |
| \$25.01 - \$35.00        | 5,423                                   | 34.61                           | 6.16                            |
| \$35.01 - \$45.00        | 5,216                                   | 40.66                           | 1.46                            |
| \$45.01 - \$55.00        | 7,895                                   | 51.06                           | 4.10                            |
| \$55.01 - \$65.00        | 4,197                                   | 59.28                           | 4.30                            |
| Total                    | 28,556                                  | 40.56                           | 4.65                            |



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

The aggregate intrinsic value represents the total pre-tax intrinsic value, based on the Company's closing stock price of \$9.65 on December 31, 2020, 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, 2020, there were no exercisable options that were in-the-money.

The total intrinsic value of options exercised during the years ended December 31, 2019 and 2018 was immaterial, based on the Company's average stock price of \$11.50 and \$20.92, for the years then ended, respectively. No options were exercised during 2020.

### Status of non-vested RSUs and PSUs

The following table summarizes information about the number of RSUs and PSUs granted and outstanding:

|                                  | Year ended December 31,  |                                                 |                          |                                                 |                          |                                                 |
|----------------------------------|--------------------------|-------------------------------------------------|--------------------------|-------------------------------------------------|--------------------------|-------------------------------------------------|
|                                  | 2020                     |                                                 | 2019                     |                                                 | 2018                     |                                                 |
|                                  | Number<br>(in thousands) | Weighted<br>average<br>grant date<br>fair value | Number<br>(in thousands) | Weighted<br>average<br>grant date<br>fair value | Number<br>(in thousands) | Weighted<br>average<br>grant date<br>fair value |
| Balance outstanding at beginning |                          |                                                 |                          |                                                 |                          |                                                 |
| of year                          | 15,977                   | \$16.49                                         | 10,403                   | \$20.93                                         | 7,468                    | \$27.95                                         |
| Granted                          | 10,848                   | 11.42                                           | 9,303                    | 15.36                                           | 5,900                    | 18.80                                           |
| Vested                           | (4,324)                  | 19.49                                           | (2,435)                  | 30.24                                           | (1,638)                  | 37.30                                           |
| Forfeited                        | (1,781)                  | 18.18                                           | (1,294)                  | 18.74                                           | (1,327)                  | 32.50                                           |
| Balance outstanding at end of    |                          |                                                 |                          |                                                 |                          |                                                 |
| year                             | <u>20,720</u>            | 13.81                                           | <u>15,977</u>            | 16.49                                           | <u>10,403</u>            | 20.93                                           |

The Company expenses compensation costs are based on the grant-date fair value. For the years ended December 31, 2020, 2019 and 2018, the Company recorded stock-based compensation costs as follows:

|                                                | Year ended December 31, |              |              |
|------------------------------------------------|-------------------------|--------------|--------------|
|                                                | 2020                    | 2019         | 2018         |
|                                                | (U.S. \$ in millions)   |              |              |
| Employee stock options                         | \$ 30                   | \$ 46        | \$ 74        |
| RSUs and PSUs                                  | <u>99</u>               | <u>73</u>    | <u>81</u>    |
| Total stock-based compensation expense         | 129                     | 119          | 155          |
| Tax effect on stock-based compensation expense | <u>14</u>               | <u>14</u>    | <u>18</u>    |
| Net effect                                     | <u>\$115</u>            | <u>\$105</u> | <u>\$137</u> |

As of December 31, 2020, the total unrecognized compensation cost before tax on employee stock options and RSUs/PSUs amounted to \$20 million and \$164 million, respectively. This cost is expected to be recognized over a weighted average period of approximately 1.1 years and 2.5 years, respectively.

### d. Dividends

Teva has not paid dividends on Teva ordinary shares or ADSs since December 2017.



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

### e. Accumulated other comprehensive loss

The components of accumulated other comprehensive loss attributable to Teva are presented in the table below:

|                                                                         | Net Unrealized Gains/(Losses)                     |                                      |                                        | Benefit Plans                                                          |                  |
|-------------------------------------------------------------------------|---------------------------------------------------|--------------------------------------|----------------------------------------|------------------------------------------------------------------------|------------------|
|                                                                         | Foreign<br>currency<br>translation<br>adjustments | Available-<br>for-sale<br>securities | Derivative<br>financial<br>instruments | Actuarial<br>gains/(losses)<br>and prior<br>service<br>(costs)/credits | Total            |
|                                                                         | (U.S. \$ in millions)                             |                                      |                                        |                                                                        |                  |
| Balance as of January 1, 2018 . . . . .                                 | \$(1,139)                                         | \$ (4)                               | \$(619)                                | \$ (91)                                                                | \$(1,853)        |
| Cumulative effect of new accounting standard** . . .                    | —                                                 | 5                                    | —                                      | —                                                                      | 5                |
| Other comprehensive income/(loss) before<br>reclassifications . . . . . | (729)                                             | (1)                                  | 87                                     | 4                                                                      | (639)            |
| Amounts reclassified to the statements of income . .                    | —                                                 | 1                                    | 28                                     | 13                                                                     | 42               |
| Net other comprehensive income/(loss) before<br>tax . . . . .           | (729)                                             | —                                    | 115                                    | 17                                                                     | (597)            |
| Corresponding income tax . . . . .                                      | (10)                                              | —                                    | —                                      | (4)                                                                    | (14)             |
| Net other comprehensive income/(loss) after<br>tax* . . . . .           | (739)                                             | —                                    | 115                                    | 13                                                                     | (611)            |
| Balance as of December 31, 2018 . . . . .                               | <u>(1,878)</u>                                    | <u>1</u>                             | <u>(504)</u>                           | <u>(78)</u>                                                            | <u>(2,459)</u>   |
| Other comprehensive income/(loss) before<br>reclassifications . . . . . | 100                                               | (1)                                  | 54                                     | (11)                                                                   | 142              |
| Amounts reclassified to the statements of income . .                    | —                                                 | —                                    | 30                                     | (10)                                                                   | 20               |
| Net other comprehensive income/(loss) before<br>tax . . . . .           | 100                                               | (1)                                  | 84                                     | (21)                                                                   | 162              |
| Corresponding income tax . . . . .                                      | (16)                                              | —                                    | —                                      | 1                                                                      | (15)             |
| Net other comprehensive income/(loss) after<br>tax* . . . . .           | 84                                                | (1)                                  | 84                                     | (20)                                                                   | 147              |
| Balance as of December 31, 2019 . . . . .                               | <u>(1,794)</u>                                    | <u>—</u>                             | <u>(420)</u>                           | <u>(98)</u>                                                            | <u>(2,312)</u>   |
| Other comprehensive income/(loss) before<br>reclassifications . . . . . | (190)                                             | —                                    | 22                                     | (7)                                                                    | (175)            |
| Amounts reclassified to the statements of income . .                    | —                                                 | —                                    | 35                                     | (12)                                                                   | 23               |
| Net other comprehensive income/(loss) before<br>tax . . . . .           | (190)                                             | —                                    | 57                                     | (19)                                                                   | (152)            |
| Corresponding income tax . . . . .                                      | 65                                                | —                                    | —                                      | 1                                                                      | 66               |
| Net other comprehensive income/(loss) after<br>tax* . . . . .           | (125)                                             | —                                    | 57                                     | (18)                                                                   | (86)             |
| Balance as of December 31, 2020 . . . . .                               | <u>\$(1,919)</u>                                  | <u>—</u>                             | <u>\$(363)</u>                         | <u>\$(117)</u>                                                         | <u>\$(2,399)</u> |

\* Amounts do not include foreign currency translation adjustments attributable to non-controlling interests of \$56 million gain in 2020, \$14 million gain in 2019 and \$26 million gain in 2018.

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



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

### NOTE 15—Other assets impairments, restructuring and other items:

|                                                    | Year ended December 31, |              |              |
|----------------------------------------------------|-------------------------|--------------|--------------|
|                                                    | 2020                    | 2019         | 2018         |
|                                                    | (U.S. \$ in millions)   |              |              |
| Impairment of long-lived tangible assets (1) ..... | \$416                   | \$139        | \$500        |
| Contingent consideration (see note 2) .....        | (81)                    | 59           | 57           |
| Restructuring .....                                | 120                     | 199          | 488          |
| Other .....                                        | 24                      | 26           | (58)         |
| Total .....                                        | <u>\$479</u>            | <u>\$423</u> | <u>\$987</u> |

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

Following Teva's two-year restructuring plan, described below, and its ongoing plant rationalization efforts, the Company may change its current plans with respect to any given asset and/or the assumptions underlying such plans. Consequently, additional impairments may be recorded in the future.

#### *Impairments*

Impairments of tangible assets for the years ended December 31, 2020, 2019 and 2018 were \$416 million, \$139 million and \$500 million, respectively. The impairment for the year ended December 31, 2020 was mainly related to the sale of certain assets from Teva's business venture in Japan, which was completed on February 1, 2021, as well as plant rationalization. See note 2.

#### *Contingent consideration*

In 2020, Teva recorded an income of \$81 million for contingent consideration, compared to an expense of \$59 million and \$57 million in 2019 and 2018 respectively. The income in 2020 was mainly related to a change in the future royalty payments to Allergan in connection with lenalidomide (generic equivalent of Revlimid®), which was part of the Actavis Generics acquisition, partially offset by the change in the estimated future royalty payments to Eagle in connection with expected future bendamustine sales. The expense in 2019 was mainly related to a change in the estimated future royalty payments from Eagle in connection with bendamustine sales and an increase in the expected future royalty payments to Eagle due to the orphan drug status granted to BENDEKA®, offset by the change in future royalty payments in connection with lenalidomide (generic equivalent of Revlimid®), which was part of the Actavis Generics acquisition.

#### *Restructuring*

In 2020, Teva recorded \$120 million of restructuring expenses, compared to \$199 million in 2019 and \$488 million in 2018. The expenses in 2020 were primarily related to residual expenses of the restructuring plan announced in 2017 and other network consolidation impacts.

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



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

The following tables provide the components of costs associated with Teva's restructuring plan, including other costs associated with Teva's restructuring plan and recorded under different items:

|                      | Year ended December 31, |              |              |
|----------------------|-------------------------|--------------|--------------|
|                      | 2020                    | 2019         | 2018         |
|                      | (U.S. \$ in millions)   |              |              |
| Restructuring        |                         |              |              |
| Employee termination | \$ 71                   | \$159        | \$410        |
| Other                | 49                      | 40           | 78           |
| Total                | <u>\$120</u>            | <u>\$199</u> | <u>\$488</u> |

The following table provides the components of and changes in the Company's restructuring accruals:

|                                 | Employee<br>termination costs | Other         | Total          |
|---------------------------------|-------------------------------|---------------|----------------|
|                                 | (U.S. \$ in millions)         |               |                |
| Balance as of January 1, 2019   | \$(204)                       | \$(29)        | \$(233)        |
| Provision                       | (159)                         | (40)          | (199)          |
| Utilization and other*          | 155                           | 62            | 217            |
| Balance as of December 31, 2019 | <u>\$(208)</u>                | <u>\$ (7)</u> | <u>\$(215)</u> |
| Provision                       | (71)                          | (49)          | (120)          |
| Utilization and other*          | 164                           | 49            | 213            |
| Balance as of December 31, 2020 | <u>\$(115)</u>                | <u>\$ (7)</u> | <u>\$(122)</u> |

\* Includes adjustments for foreign currency translation.

*Significant regulatory and other events*

In July 2018, the FDA completed an inspection of Teva's manufacturing plant in Davie, Florida in the United States, and issued a Form FDA-483 to the site. In October 2018, the FDA notified Teva that the inspection of the site is classified as "official action indicated" (OAI). On February 5, 2019, Teva received a warning letter from the FDA that contained four additional enumerated concerns related to production, quality control and investigations at this site. Teva has been working diligently to address the FDA's concerns in a manner consistent with current good manufacturing practice (cGMP) requirements as quickly and as thoroughly as possible. An FDA follow up inspection occurred in January 2020, resulting in some follow up findings and Teva received a letter from the FDA dated April 24, 2020 notifying it that the site continues to be classified as OAI. If Teva is unable to remediate the findings to the FDA's satisfaction, Teva may face additional consequences. These would potentially include delays in FDA approval for future products from the site, financial implications due to loss of revenues, impairments, inventory write-offs, customer penalties, idle capacity charges, costs of additional remediation and possible FDA enforcement action. Teva expects to generate approximately \$190 million in revenues from this site in 2021, assuming remediation or enforcement does not cause any unscheduled slowdown or stoppage at the facility, however, delays in FDA approvals of future products from the site may occur.

In July 2018, Teva announced the voluntary recall of valsartan and certain combination valsartan medicines in various countries due to the detection of trace amounts of a previously unknown nitrosamine impurity called NDMA found in valsartan API supplied by Zhejiang Huahai Pharmaceuticals Co. Ltd. ("Huahai"). Since July 2018, Teva has been actively engaged with global regulatory authorities in reviewing its sartan and other



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

products to determine whether NDMA and/or other related nitrosamine impurities are present in specific products. Where necessary, Teva has initiated additional voluntary recalls. In December 2019, Teva reached a settlement with Huahai resolving Teva's claims related to certain sartan API supplied by Huahai. Under the settlement agreement, Huahai agreed to compensate Teva for some of its direct losses and provide it with prospective cost reductions for API. The settlement does not release Huahai from liability for any losses Teva may incur as a result of third party personal injury or product liability claims relating to the sartan API at issue. In addition, multiple lawsuits have been filed in connection with this matter, which may lead to additional customer penalties, impairments and litigation costs.

In the second quarter of 2020, Teva's operations in its manufacturing facilities in Goa, India were temporarily suspended due to a water supply issue. During the second half of 2020, Teva has completed partial remediation of this issue and has restarted limited supply from its Goa facilities. The impact to Teva's financial results for the twelve months ended December 31, 2020 was immaterial, however, if the full remediation takes longer than expected there may be further loss of sales, customer penalties or impairments to related assets.

### NOTE 16—Other income:

|                                                                       | Year ended December 31, |             |              |
|-----------------------------------------------------------------------|-------------------------|-------------|--------------|
|                                                                       | 2020                    | 2019        | 2018         |
|                                                                       | (U.S. \$ in millions)   |             |              |
| Gain on divestitures, net of divestitures related costs (1) . . . . . | \$ 8                    | 50          | 67           |
| Section 8 and similar payments (2) . . . . .                          | —                       | 5           | 195          |
| Gain (loss) on sale of assets . . . . .                               | 11                      | (1)         | 9            |
| Other, net . . . . .                                                  | 20                      | 22          | 20           |
| Total other income . . . . .                                          | <u>\$ 40</u>            | <u>\$76</u> | <u>\$291</u> |

- (1) Mainly related to the divestment of several activities in the International Markets segment.
- (2) Section 8 of the Patented Medicines (Notice of Compliance) Regulation relates to recoveries of lost revenue related to patent infringement proceedings in Canada.

### NOTE 17—Financial expenses, net:

|                                                    | Year ended December, 31 |              |              |
|----------------------------------------------------|-------------------------|--------------|--------------|
|                                                    | 2020                    | 2019         | 2018         |
|                                                    | (U.S. \$ in millions)   |              |              |
| Interest expenses and other bank charges . . . . . | 963                     | 881          | 920          |
| Income from investments (1) . . . . .              | (104)                   | (41)         | (39)         |
| Foreign exchange (gains) losses, net . . . . .     | (26)                    | (15)         | 13           |
| Other, net (2) . . . . .                           | —                       | (4)          | 65           |
| Total finance expense, net . . . . .               | <u>\$ 834</u>           | <u>\$822</u> | <u>\$959</u> |

- (1) In 2020, Income from investments comprised mainly of revaluation gain of Teva's investment in American Well Corporation ("American Well"). See note 20.
- (2) In 2018, Other, net comprised mainly of a make-whole payment of \$46 million following early redemption of senior notes during 2018.



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

### NOTE 18—Earnings (loss) per share:

The net income (loss) attributable to Teva and the weighted average number of ordinary shares used in the computation of basic and diluted earnings (loss) per share for the years ended December 31, 2020, 2019 and 2018 are as follows:

|                                                                                                          | Year ended December, 31                  |          |           |
|----------------------------------------------------------------------------------------------------------|------------------------------------------|----------|-----------|
|                                                                                                          | 2020                                     | 2019     | 2018      |
|                                                                                                          | (U.S. \$ in millions, except share data) |          |           |
| Net income (loss) used for the computation of basic and diluted earnings (loss) per share . . . . .      | (3,990)                                  | \$ (999) | \$(2,399) |
| Weighted average number of shares used in the computation of basic earnings (loss) per share . . . . .   | 1,095                                    | 1,091    | 1,021     |
| Weighted average number of shares used in the computation of diluted earnings (loss) per share . . . . . | 1,095                                    | 1,091    | 1,021     |

Basic earnings and loss per share are computed by dividing net income (loss) attributable to Teva's ordinary shareholders by the weighted average number of ordinary shares outstanding (including fully vested restricted share units ("RSUs")) during the period, net of treasury shares.

In computing diluted loss per share for the years ended December 31, 2020, 2019 and 2018, no account was taken of the potential dilution that could occur upon the exercise of employee stock options, RSUs and PSUs, amounting to 104 million, 113 million and 51 million weighted average shares, respectively, and convertible senior debentures, since they had an anti-dilutive effect on loss per share.

Additionally, in computing diluted loss per share for the period between January 1, 2018 and December 17, 2018, no account was taken of the potential dilution of the mandatory convertible preferred shares amounting to 74 million since they had an anti-dilutive effect on loss per share.

Basic and diluted loss per share was \$3.64 for the year ended December 31, 2020, compared to basic and diluted loss per share of \$0.91 and \$2.35 for the years ended December 31, 2019 and December 31, 2018, respectively.

### NOTE 19—Segments:

Teva operates its business and reports its financial results in three segments:

- (a) North America segment, which includes the United States and Canada.
- (b) Europe segment, which includes the European Union and certain other European countries.
- (c) International Markets segment, which includes all countries other than those in the North America and Europe segments.

In addition to these three segments, Teva has other sources of revenues included in other activities, primarily the sale of APIs to third parties, certain contract manufacturing services and an out-licensing platform offering a portfolio of products to other pharmaceutical companies through its affiliate Medis.

Teva's Chief Executive Officer ("CEO"), who is the chief operating decision maker ("CODM"), reviews financial information prepared on a consolidated basis, accompanied by disaggregated information about revenues and contributed profit by the three identified reportable segments, namely North America, Europe and International Markets, to make decisions about resources to be allocated to the segments and assess their performance.



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

Segment profit is comprised of gross profit for the segment less R&D expenses, S&M expenses, G&A expenses and other income related to the segment. Segment profit does not include amortization and certain other items.

Teva manages its assets on a company basis, not by segments, as many of its assets are shared or commingled. Teva's CODM does not regularly review asset information by reportable segment and, therefore, Teva does not report asset information by reportable segment.

Teva's CEO may review its strategy and organizational structure. Any changes in strategy may lead to a reevaluation of the Company's segments and goodwill allocation to reporting units, as well as fair value attributable to its reporting units. See note 7.

### a. Segment information:

|                          | Year ended December 31, |                |                       |
|--------------------------|-------------------------|----------------|-----------------------|
|                          | 2020                    |                |                       |
|                          | North America           | Europe         | International Markets |
|                          | (U.S. \$ in millions)   |                |                       |
| Revenues . . . . .       | \$8,447                 | \$4,757        | \$2,154               |
| Gross profit . . . . .   | 4,489                   | 2,666          | 1,096                 |
| R&D expenses . . . . .   | 622                     | 247            | 70                    |
| S&M expenses . . . . .   | 1,013                   | 830            | 427                   |
| G&A expenses . . . . .   | 443                     | 261            | 136                   |
| Other income . . . . .   | (10)                    | (3)            | (11)                  |
| Segment profit . . . . . | <u>\$2,421</u>          | <u>\$1,331</u> | <u>\$ 474</u>         |
|                          |                         |                |                       |
|                          | Year ended December 31, |                |                       |
|                          | 2019                    |                |                       |
|                          | North America           | Europe         | International Markets |
|                          | (U.S. \$ in millions)   |                |                       |
| Revenues . . . . .       | \$8,542                 | \$4,795        | \$2,246               |
| Gross profit . . . . .   | 4,350                   | 2,704          | 1,167                 |
| R&D expenses . . . . .   | 652                     | 262            | 88                    |
| S&M expenses . . . . .   | 1,021                   | 890            | 481                   |
| G&A expenses . . . . .   | 439                     | 239            | 138                   |
| Other income . . . . .   | (14)                    | (5)            | (3)                   |
| Segment profit . . . . . | <u>\$2,252</u>          | <u>\$1,318</u> | <u>\$ 464</u>         |
|                          |                         |                |                       |
|                          | Year ended December 31, |                |                       |
|                          | 2018                    |                |                       |
|                          | North America           | Europe         | International Markets |
|                          | (U.S. \$ in millions)   |                |                       |
| Revenues . . . . .       | \$9,297                 | \$5,186        | \$2,422               |
| Gross profit . . . . .   | 4,979                   | 2,884          | 1,254                 |
| R&D expenses . . . . .   | 713                     | 283            | 96                    |
| S&M expenses . . . . .   | 1,154                   | 1,003          | 518                   |
| G&A expenses . . . . .   | 484                     | 325            | 153                   |
| Other income . . . . .   | (209)                   | —              | (11)                  |
| Segment profit . . . . . | <u>\$2,837</u>          | <u>\$1,273</u> | <u>\$ 498</u>         |



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

|                                                         | Year ended           |                  |                  |
|---------------------------------------------------------|----------------------|------------------|------------------|
|                                                         | December 31,         |                  |                  |
|                                                         | 2020                 | 2019             | 2018             |
|                                                         | (U.S.\$ in millions) |                  |                  |
| North America profit                                    | \$ 2,421             | \$2,252          | \$ 2,837         |
| Europe profit                                           | 1,331                | 1,318            | 1,273            |
| International Markets profit                            | 474                  | 464              | 498              |
| Total reportable segments profit                        | 4,225                | 4,034            | 4,608            |
| Profit (loss) of other activities                       | 163                  | 108              | 115              |
| Total segments profit                                   | 4,388                | 4,142            | 4,723            |
| Amounts not allocated to segments:                      |                      |                  |                  |
| Amortization                                            | 1,020                | 1,113            | 1,166            |
| Other asset impairments, restructuring and other items  | 479                  | 423              | 987              |
| Goodwill impairment                                     | 4,628                | —                | 3,027            |
| Intangible asset impairments                            | 1,502                | 1,639            | 1,991            |
| Gain on divestitures, net of divestitures related costs | (8)                  | (50)             | (66)             |
| Other R&D expenses (income)                             | 37                   | (15)             | 83               |
| Costs related to regulatory actions taken in facilities | 23                   | 45               | 14               |
| Legal settlements and loss contingencies                | 60                   | 1,178            | (1,208)          |
| Other unallocated amounts                               | 219                  | 252              | 366              |
| Consolidated operating income (loss)                    | (3,572)              | (443)            | (1,637)          |
| Financial expenses, net                                 | 834                  | 822              | 959              |
| Consolidated income (loss) before income taxes          | <u>\$(4,406)</u>     | <u>\$(1,265)</u> | <u>\$(2,596)</u> |

### b. Segment revenues by major products and activities:

The following tables present revenues by major products and activities for each segment for the year ended December 31, 2020, 2019 and 2018:

#### North America segment:

|                  | Year ended December 31, |                |                |
|------------------|-------------------------|----------------|----------------|
|                  | 2020                    |                |                |
|                  | 2020                    | 2019           | 2018           |
|                  | (U.S. \$ in millions)   |                |                |
| Generic products | \$4,010                 | \$3,963        | \$4,056        |
| AJOVY            | 134                     | 93             | 3              |
| AUSTEDO          | 637                     | 412            | 204            |
| BENDEKA/TREANDA  | 415                     | 496            | 642            |
| COPAXONE         | 884                     | 1,017          | 1,759          |
| ProAir*          | 241                     | 274            | 397            |
| QVAR             | 179                     | 250            | 182            |
| Anda             | 1,462                   | 1,492          | 1,347          |
| Other            | 485                     | 546            | 708            |
| Total            | <u>\$8,447</u>          | <u>\$8,542</u> | <u>\$9,297</u> |

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



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

### Europe segment:

|                            | Year ended December 31, |                |                |
|----------------------------|-------------------------|----------------|----------------|
|                            | 2020                    | 2019           | 2018           |
|                            | (U.S. \$ in millions)   |                |                |
| Generic products .....     | \$3,513                 | \$3,470        | \$3,593        |
| AJOVY .....                | 31                      | 3              | —              |
| COPAXONE .....             | 400                     | 432            | 535            |
| Respiratory products ..... | 353                     | 354            | 402            |
| Other .....                | 459                     | 536            | 656            |
| Total .....                | <u>\$4,757</u>          | <u>\$4,795</u> | <u>\$5,186</u> |

### International Markets segment:

|                        | Year ended December 31, |                |                |
|------------------------|-------------------------|----------------|----------------|
|                        | 2020                    | 2019           | 2018           |
|                        | (U.S. \$ in millions)   |                |                |
| Generic products ..... | \$1,792                 | \$1,893        | \$2,022        |
| COPAXONE .....         | 53                      | 63             | 72             |
| Other .....            | 309                     | 291            | 328            |
| Total .....            | <u>\$2,154</u>          | <u>\$2,246</u> | <u>\$2,422</u> |

Teva revenues from external customers attributed to Israel were less than 5% of the consolidated revenues in the years ended December 31, 2020, 2019 and 2018, respectively.

### c. Supplemental data—major customers:

The following table represents the percentage of consolidated third party net sales to Teva's major customers during the years ended December 31, 2020, 2019 and 2018.

|                                     | Percentage of Third Party Net Sales |      |      |
|-------------------------------------|-------------------------------------|------|------|
|                                     | 2020                                | 2019 | 2018 |
| McKesson Corporation .....          | 12%                                 | 13%  | 12%  |
| AmerisourceBergen Corporation ..... | 12%                                 | 12%  | 14%  |



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

Most of Teva's revenues from these customers were in the North America segment.

**d. Property, plant and equipment—by geographical location were as follows:**

|                                           | December 31,          |                |
|-------------------------------------------|-----------------------|----------------|
|                                           | 2020                  | 2019           |
|                                           | (U.S. \$ in millions) |                |
| Israel .....                              | \$1,611               | \$1,670        |
| United States .....                       | 790                   | 864            |
| Croatia .....                             | 539                   | 517            |
| Germany .....                             | 933                   | 665            |
| Czech republic .....                      | 330                   | 343            |
| Hungary .....                             | 325                   | 330            |
| Ireland .....                             | 267                   | 271            |
| Other .....                               | 1,501                 | 1,776          |
| Total property, plant and equipment ..... | <u>\$6,296</u>        | <u>\$6,436</u> |



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

### NOTE 20 —Fair value measurement:

Financial items carried at fair value as of December 31, 2020 and 2019 are classified in the tables below in one of the three categories described in note 1f:

|                                                                      | December 31, 2020     |               |                |                |
|----------------------------------------------------------------------|-----------------------|---------------|----------------|----------------|
|                                                                      | Level 1               | Level 2       | Level 3        | Total          |
|                                                                      | (U.S. \$ in millions) |               |                |                |
| Cash and cash equivalents:                                           |                       |               |                |                |
| Money markets .....                                                  | \$ 367                | \$—           | \$ —           | \$ 367         |
| Cash, deposits and other .....                                       | 1,810                 | —             | —              | 1,810          |
| Investment in securities:                                            |                       |               |                |                |
| Equity securities* .....                                             | 25                    | 259           | —              | 284            |
| Other, mainly debt securities .....                                  | 5                     | —             | 10             | 15             |
| Derivatives:                                                         |                       |               |                |                |
| Asset derivatives—options and forward contracts .....                | —                     | 24            | —              | 24             |
| Liabilities derivatives—options and forward contracts .....          | —                     | (79)          | —              | (79)           |
| Contingent consideration** .....                                     | —                     | —             | (268)          | (268)          |
| Total .....                                                          | <u>\$2,207</u>        | <u>\$204</u>  | <u>\$(258)</u> | <u>\$2,153</u> |
|                                                                      |                       |               |                |                |
|                                                                      | December 31, 2019     |               |                |                |
|                                                                      | Level 1               | Level 2       | Level 3        | Total          |
|                                                                      | (U.S. \$ in millions) |               |                |                |
| Cash and cash equivalents:                                           |                       |               |                |                |
| Money markets .....                                                  | \$ 577                | \$—           | \$ —           | \$ 577         |
| Cash, deposits and other .....                                       | 1,398                 | —             | —              | 1,398          |
| Investment in securities:                                            |                       |               |                |                |
| Equity securities .....                                              | 42                    | —             | —              | 42             |
| Other, mainly debt securities .....                                  | 2                     | —             | 12             | 14             |
| Derivatives:                                                         |                       |               |                |                |
| Asset derivatives—options and forward contracts .....                | —                     | 32            | —              | 32             |
| Liability derivatives—options and forward contracts .....            | —                     | (41)          | —              | (41)           |
| Liabilities derivatives—interest rate and cross-currency swaps ..... | —                     | (22)          | —              | (22)           |
| Contingent consideration** .....                                     | —                     | —             | (460)          | (460)          |
| Total .....                                                          | <u>\$2,019</u>        | <u>\$(31)</u> | <u>\$(448)</u> | <u>\$1,540</u> |

\* During the third quarter of 2020, Teva recorded a gain of \$134 million under share in profits of associated companies, net, reflecting the difference between the book value of Teva's investment in American Well and its fair value as of the date it completed its initial public offering in September 2020. The investment was reclassified from "investment in associated companies" to "investment in marketable securities," since Teva no longer had significant influence in American Well. This represented a transfer into Level 3 measurement within fair value hierarchy. By December 31, 2020, Teva recorded an additional gain of \$80 million under financial expenses, net, reflecting the revaluation gain of this security as of December 31, 2020 and transferred it to Level 2 measurement within fair value hierarchy due to a change in discount rate.



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

Due to management's intention and ability to sell this security in the next twelve months, the balance as of December 31, 2020 was reclassified to short term investments.

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

Teva determined the fair value of the liabilities for the contingent consideration based on a probability-weighted discounted cash flow analysis. This fair value measurement is based on significant unobservable inputs in the market and thus represents a Level 3 measurement within the fair value hierarchy. The fair value of the contingent consideration is based on several factors, such as: the cash flows projected from the success of unapproved product candidates; the probability of success of product candidates, including risks associated with uncertainty regarding achievement and payment of milestone events; the time and resources needed to complete the development and approval of product candidates; the life of the potential commercialized products and associated risks of obtaining regulatory approvals in the United States and Europe, and the risk adjusted discount rate for fair value measurement. A probability of success factor ranging from 80% to 100% was used in the fair value calculation to reflect inherent regulatory and commercial risk of the contingent payments and IPR&D. The discount rate applied ranged from 7.5% to 8.0%. The weighted average discount rate, calculated based on the relative fair value of Teva's contingent consideration liabilities, was 7.7%. The contingent consideration is evaluated quarterly, or more frequently, if circumstances dictate. Changes in the fair value of contingent consideration are recorded in consolidated statements of income. Significant changes in unobservable inputs, mainly the probability of success and cash flows projected, could result in material changes to the contingent consideration liabilities.

The fair value measurement of the investment in equity securities is based on a discount rate for fair value measurement, related to restriction of sale of shares, and thus represents a Level 2 measurement within the fair value hierarchy. The discount rate applied for the fair value measurement at December 31, 2020 was 4%.

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

|                                                         | December 31,<br>2020  | December 31,<br>2019 |
|---------------------------------------------------------|-----------------------|----------------------|
|                                                         | (U.S. \$ in millions) |                      |
| Fair value at the beginning of the period               | \$(448)               | \$(497)              |
| Transfer into Level 3- equity securities                | 179                   |                      |
| Revaluation of equity securities                        | 80                    |                      |
| Revaluation of debt securities                          | (2)                   | 2                    |
| Reclassification to Level 2- equity securities          | (259)                 |                      |
| Adjustments to provisions for contingent consideration: |                       |                      |
| Actavis Generics transaction                            | 156                   | 92                   |
| Eagle transaction                                       | (75)                  | (151)                |
| Settlement of contingent consideration:                 |                       |                      |
| Eagle transaction                                       | 111                   | 106                  |
| Fair value at the end of the period                     | <u>\$(258)</u>        | <u>\$(448)</u>       |

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.



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

### Financial instruments not measured at fair value

Financial instruments measured on a basis other than fair value consist of senior notes and convertible senior debentures (see note 9), and are presented in the below table in terms of fair value:

|                                                                                                   | Estimated fair value* |                 |
|---------------------------------------------------------------------------------------------------|-----------------------|-----------------|
|                                                                                                   | December 31,          |                 |
|                                                                                                   | 2020                  | 2019            |
|                                                                                                   | (U.S. \$ in millions) |                 |
| Senior notes included under long-term liabilities . . . . .                                       | \$22,684              | \$22,686        |
| Senior notes and convertible senior debentures included<br>under short-term liabilities . . . . . | 3,207                 | 2,318           |
| Fair value at the end of the period . . . . .                                                     | <u>\$25,891</u>       | <u>\$25,004</u> |

\* The fair value was estimated based on quoted market prices.

### NOTE 21—Long-term employee-related obligations:

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

|                                         | December 31,          |              |
|-----------------------------------------|-----------------------|--------------|
|                                         | 2020                  | 2019         |
|                                         | (U.S. \$ in millions) |              |
| Accrued severance obligations . . . . . | \$ 82                 | \$ 76        |
| Defined benefit plans . . . . .         | 192                   | 165          |
| Total . . . . .                         | <u>\$275</u>          | <u>\$241</u> |

As of December 31, 2020 and 2019, Teva had \$86 million and \$82 million, respectively, deposited in funds managed by financial institutions and earmarked by management to cover severance pay liability. Such deposits are not considered to be “plan assets” and are therefore included in other non-current assets.

Most of the change resulted from actuarial updates, as well as from exiting from several defined benefit plans in several countries.

The Company expects to expense an approximate contribution of \$116 million in 2021 to pension funds and insurance companies in connection with its severance and pension pay obligations.

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

#### b. Terms of arrangements:

##### Israel

Israeli law generally requires payment of severance pay upon dismissal of an employee or upon termination of employment in certain other circumstances. The Parent Company and its Israeli subsidiaries make ongoing deposits into employee pension plans to fund their severance liabilities. Generally, employees that joined the Company after 2005, have signed an arrangement, pursuant to which such deposits are made in lieu of the Company’s severance liability. Therefore, no obligation is provided for in the financial statements. Severance pay liabilities with respect to employees who were employed by the Parent Company and its Israeli subsidiaries prior to that date, as well as employees who have special contractual arrangements, are provided for in the financial statements based upon the number of years of service and the latest monthly salary of such employees.



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

### *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: \$13 million in 2021; \$12 million in 2022; \$12 million in 2023; \$11 million in 2024; \$12 million in 2025 and \$65 million in the aggregate between 2026 to 2030. These amounts do not include amounts that may be paid to employees who cease working with the Company before their normal retirement age.



## 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 2020 and 2019:

|                                                           | 2020                                          |             |             |             |
|-----------------------------------------------------------|-----------------------------------------------|-------------|-------------|-------------|
|                                                           | 4th quarter                                   | 3rd quarter | 2nd quarter | 1st quarter |
|                                                           | U.S \$ in millions (except per share amounts) |             |             |             |
| Net revenues                                              | 4,454                                         | 3,978       | 3,870       | 4,357       |
| Gross profit                                              | 2,048                                         | 1,852       | 1,763       | 2,063       |
| Net income (loss)                                         | 162                                           | (4,340)     | 53          | 25          |
| Net income (loss) attributable to Teva                    | 150                                           | (4,349)     | 140         | 69          |
| Net income (loss) attributable to ordinary shareholders   | 150                                           | (4,349)     | 140         | 69          |
| Earnings per share attributable to ordinary shareholders: |                                               |             |             |             |
| Basic                                                     | 0.14                                          | (3.97)      | 0.13        | 0.06        |
| Diluted                                                   | 0.14                                          | (3.97)      | 0.13        | 0.06        |

|                                                           | 2019                                          |             |             |             |
|-----------------------------------------------------------|-----------------------------------------------|-------------|-------------|-------------|
|                                                           | 4th quarter                                   | 3rd quarter | 2nd quarter | 1st quarter |
|                                                           | U.S \$ in millions (except per share amounts) |             |             |             |
| Net revenues                                              | 4,468                                         | 4,093       | 4,177       | 4,149       |
| Gross profit                                              | 1,958                                         | 1,830       | 1,893       | 1,856       |
| Net income (loss)                                         | 75                                            | (307)       | (671)       | (97)        |
| Net income (loss) attributable to Teva                    | 110                                           | (314)       | (689)       | (105)       |
| Net income (loss) attributable to ordinary shareholders   | 110                                           | (314)       | (689)       | (105)       |
| Earnings per share attributable to ordinary shareholders: |                                               |             |             |             |
| Basic                                                     | 0.10                                          | (0.29)      | (0.63)      | (0.10)      |
| Diluted                                                   | 0.10                                          | (0.29)      | (0.63)      | (0.10)      |



**TEVA PHARMACEUTICAL INDUSTRIES LIMITED**  
**SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS**  
**Three Years Ended December 31, 2020**  
**(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, 2020 .....                                                       | \$ 209                                | \$ (11)                              | \$ 2                             | \$                | \$ 200                          |
| Year ended December 31, 2019 .....                                                       | \$ 232                                | \$ (16)                              | \$—                              | \$ (7)            | \$ 209                          |
| Year ended December 31, 2018 .....                                                       | \$ 232                                | \$ 13                                | \$ (9)                           | \$ (4)            | \$ 232                          |
| Allowance in respect of carryforward tax losses and deductions that may not be utilized: |                                       |                                      |                                  |                   |                                 |
| Year ended December 31, 2020 .....                                                       | \$1,974                               | \$670                                | \$—                              | \$ (97)           | \$2,547                         |
| Year ended December 31, 2019 .....                                                       | \$1,633                               | \$555                                | \$—                              | \$(214)           | \$1,974                         |
| Year ended December 31, 2018 .....                                                       | \$1,504                               | \$407                                | \$ 5                             | \$(283)           | \$1,633                         |



## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not Applicable.

## ITEM 9A. CONTROLS AND PROCEDURES

### Disclosure Controls and Procedures

Teva maintains “disclosure controls and procedures” (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) that are designed to provide reasonable assurance that information required to be disclosed in Teva’s reports filed or submitted under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to Teva’s management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objective.

After evaluating the effectiveness of our disclosure controls and procedures as of December 31, 2020, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, Teva’s disclosure controls and procedures were effective at the reasonable assurance level.

### Report of Teva Management on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, as amended. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

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

Our management assessed the effectiveness of Teva’s internal control over financial reporting as of December 31, 2020. 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, 2020, Teva’s internal control over financial reporting was effective.

### Attestation Report of the Registered Public Accounting Firm

Our internal control over financial reporting as of December 31, 2020 has been audited by Kesselman & Kesselman, an independent registered public accounting firm in Israel and a member of PricewaterhouseCoopers International Limited (“PwC”), as stated in their report which is included under “Item 8—Financial Statements.”

### Changes in Internal Control over Financial Reporting

During the year ended December 31, 2020, there were no changes in internal control over financial reporting that materially affected or are reasonably likely to materially affect Teva’s internal control over financial reporting.



## **ITEM 9B. OTHER INFORMATION**

None.

## **PART III**

### **ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

Reference is made to Teva's 2021 Proxy Statement, which will be filed no later than 120 days after the close of the registrant's fiscal year ended December 31, 2020, with respect to Teva's directors, executive officers and corporate governance, which is incorporated herein by reference and made a part hereof in response to the information required by Item 10.

### **ITEM 11. EXECUTIVE COMPENSATION**

Reference is made to Teva's 2021 Proxy Statement, which will be filed no later than 120 days after the close of Teva's fiscal year ended December 31, 2020, with respect to Teva's executive compensation, which is incorporated herein by reference and made a part hereof in response to the information required by Item 11.

### **ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

Reference is made to Teva's 2021 Proxy Statement, which will be filed no later than 120 days after the close of Teva's fiscal year ended December 31, 2020, with respect to the security ownership of certain beneficial owners and management and related stockholder matters of Teva, which is incorporated herein by reference and made a part hereof in response to the information required by Item 12.

### **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

Reference is made to Teva's 2021 Proxy Statement, which will be filed no later than 120 days after the close of Teva's fiscal year ended December 31, 2020, with respect to certain relationships and related transactions, and director independence of Teva, which is incorporated herein by reference and made a part hereof in response to the information required by Item 13.

### **ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

Reference is made to Teva's 2021 Proxy Statement, which will be filed no later than 120 days after the close of Teva's fiscal year ended December 31, 2020, with respect to principal accountant fees and services provided to Teva, which is incorporated herein by reference and made a part hereof in response to the information required by Item 14.



## PART IV

### ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) The following financial statements are filed as part of this Annual Report on Form 10-K:

|                                                               | <u>page</u> |
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| <b>Consolidated Financial Statements:</b>                     |             |
| Balance Sheets .....                                          | 90          |
| Statements of Income (Loss) .....                             | 91          |
| Statements of Comprehensive Income (Loss) .....               | 92          |
| Statements of Changes in Equity .....                         | 93          |
| Statements of Cash Flows .....                                | 94          |
| Notes to Consolidated Financial Statements .....              | 96          |
| <b>Financial Statement Schedule:</b>                          |             |
| Schedule II—Valuation and Qualifying Accounts .....           | 168         |

### Exhibits

The information called for by this Item is incorporated herein by reference to the Exhibit Index in this Form 10-K.

- 3.1 Memorandum of Association (1)(2)
- 3.2 Amendment to Memorandum of Association (1)(3)
- 3.3 Articles of Association (1)(4)
- 4.1 Second Amended and Restated Deposit Agreement, dated as of December 4, 2018, among Teva Pharmaceutical Industries Limited, Citibank, N.A., as depositary, and the holders from time to time of shares (5)
- 4.2 Senior Indenture, dated as of January 31, 2006, by and among Teva Pharmaceutical Finance Company LLC, Teva Pharmaceutical Industries Limited and The Bank of New York, as trustee (6)
- 4.3 First Supplemental Senior Indenture, dated as of January 31, 2006, by and among Teva Pharmaceutical Finance Company LLC, Teva Pharmaceutical Industries Limited and The Bank of New York, as trustee, including the form of 0.25% Convertible Senior Debentures due 2026 (7)
- 4.4 Second Supplemental Senior Indenture, dated as of January 31, 2006, by and among Teva Pharmaceutical Finance Company LLC, Teva Pharmaceutical Industries Limited and The Bank of New York, as trustee, including the form of 6.150% Senior Notes due 2036 (8)
- 4.5 Third Supplemental Senior Indenture, dated as of March 16, 2010, by and among Teva Pharmaceutical Finance Company LLC, Teva Pharmaceutical Industries Limited and The Bank of New York, as trustee, relating to Teva's 0.25% Convertible Senior Debentures due 2026 (9)
- 4.6 Senior Indenture, dated as of November 10, 2011, by and among Teva Pharmaceutical Finance IV, LLC, Teva Pharmaceutical Industries Limited and The Bank of New York Mellon, as trustee (10)
- 4.7 Second Supplemental Senior Indenture, dated as of December 18, 2012, by and among Teva Pharmaceutical Finance IV, B.V., Teva Pharmaceutical Industries Limited and The Bank of New York Mellon, as trustee, including the form of 2.950% Senior Notes due 2022 (11)
- 4.8 Senior Indenture, dated as of November 10, 2011, by and among Teva Pharmaceutical Finance Company B.V., Teva Pharmaceutical Industries Limited and The Bank of New York Mellon, as trustee (12)



- 4.9 First Supplemental Senior Indenture, dated as of November 10, 2011, by and among Teva Pharmaceutical Finance Company B.V., Teva Pharmaceutical Industries Limited and The Bank of New York Mellon, as trustee, including the form of 3.650% Senior Notes due 2021 (13)
- 4.10 Second Supplemental Senior Indenture, dated as of December 18, 2012, by and among Teva Pharmaceutical Finance Company LLC, Teva Pharmaceutical Industries Limited and The Bank of New York Mellon, as trustee, including the form of 2.250% Senior Notes due 2020 (14)
- 4.11 Senior Indenture, dated as of November 10, 2011, by and among Teva Pharmaceutical Finance IV B.V., Teva Pharmaceutical Industries Limited and The Bank of New York Mellon, as trustee (15)
- 4.12 First Supplemental Senior Indenture, dated as of November 10, 2011, by and among Teva Pharmaceutical Finance IV B.V., Teva Pharmaceutical Industries Limited and The Bank of New York Mellon, as trustee, including the form of 3.650% Senior Notes due 2021(16)
- 4.13 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 (17)
- 4.14 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 (18)
- 4.15 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 (19)
- 4.16 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 (20)
- 4.17 First Supplemental Senior Indenture, dated as of July 21, 2016, by and among Teva Pharmaceutical Finance Netherlands III B.V., Teva Pharmaceutical Industries Limited and The Bank of New York Mellon, as trustee, including the form of 2.200% Senior Notes due 2021, the form of 2.800% Senior Notes due 2023, the form of 3.150% Senior Notes due 2026 and the form of 4.100% Senior Notes due 2046 (21)
- 4.18 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 (22)
- 4.19 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 (23)
- 4.20 Guarantee, dated as of July 28, 2016, by Teva Pharmaceutical Industries Limited (relating to the 2022 Notes) (24)
- 4.21 Guarantee, dated as of July 28, 2016, by Teva Pharmaceutical Industries Limited (relating to the 2025 Notes) (25)
- 4.22 Senior Indenture, dated as of March 14, 2018, by and among Teva Pharmaceutical Finance Netherlands III B.V., Teva Pharmaceutical Industries Limited and the Bank of New York Mellon, as trustee (26)
- 4.23 First Supplemental Senior Indenture, dated as of March 14, 2018, by and among Teva Pharmaceutical Finance Netherlands III B.V., Teva Pharmaceutical Industries Limited and the Bank of New York Mellon, as trustee, including the form of 6.000% Senior Notes due 2024 and the form of 6.750% Senior Notes due 2028 (27)



- 4.24 Senior Indenture, dated as of March 14, 2018, by and among Teva Pharmaceutical Finance Netherlands II B.V., Teva Pharmaceutical Industries Limited and the Bank of New York Mellon, as trustee (28)
- 4.25 First Supplemental Senior Indenture, dated as of March 14, 2018, by and among Teva Pharmaceutical Finance Netherlands II B.V., Teva Pharmaceutical Industries Limited and the Bank of New York Mellon, as trustee, including the form of 3.250% Senior Notes due 2022 and the form of 4.500% Senior Notes due 2025 (29)
- 4.26 Second Supplemental Senior Indenture, dated as of November 25, 2019, among Teva Pharmaceutical Finance Netherlands II B.V., Teva Pharmaceutical Industries Limited, The Bank of New York Mellon, as trustee, and The Bank of New York Mellon, London Branch, as paying agent, including the form of the 6.000% Senior Notes due 2025 (30)
- 4.29 Second Supplemental Senior Indenture, dated as of November 25, 2019, among Teva Pharmaceutical Finance Netherlands III B.V., Teva Pharmaceutical Industries Limited and The Bank of New York Mellon, as trustee, including the form of the 7.125% Senior Notes due 2025 (31)
- 4.30 Description of Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934 (32)
- 4.31 Other long-term debt instruments: The registrant hereby undertakes to provide the Securities and Exchange Commission with copies upon request.
- 10.1 Senior Unsecured Revolving Credit Agreement, dated as of April 8, 2019, by and among Teva Pharmaceutical Industries Limited, Teva Pharmaceuticals USA, Inc., Teva Pharmaceutical Finance Netherlands III B.V., Teva Pharmaceutical Finance Netherlands II B.V., Bank of America, N.A. and the lenders party thereto (33)
- 10.2 Employment Agreement, dated September 7, 2017, between Teva Pharmaceutical Industries Limited and Kåre Schultz (34)
- 10.3 Amendment No. 1 to Employment Agreement, dated as of June 9, 2020, between Teva Pharmaceutical Industries Limited and Kåre Schultz (35)
- 10.4 Employment Agreement, dated as of June 18, 2017, between Teva Pharmaceuticals USA, Inc. and Hafrun Fridriksdottir (36)
- 10.5 Amendment to Employment Agreement between Teva Pharmaceuticals USA, Inc. and Hafrun Fridriksdottir, dated as of January 4, 2019 (37)
- 10.6 Employment Agreement, dated as of May 6, 2018, between Teva Pharmaceuticals USA Inc. and Brendan O'Grady (38)
- 10.7 Employment Agreement, dated as of March 12, 2020, between Teva Pharmaceutical Industries Limited and Eric Drapé \*
- 10.8 Employment Agreement, dated as of May 30, 2013, between Teva Sante and Eric Drapé\*
- 10.9 Transfer Agreement of Employment Contract, dated as of March 20, 2020, between Teva Sante, Teva Pharmaceutical Industries Limited and Eric Drapé \*
- 10.10 Employment Agreement, dated as of November 6, 2019, between Teva Pharmaceutical Industries Limited and Eli Kalif (39)
- 10.11 Amendment to Employment Agreement between Teva Pharmaceutical Industries Limited and Eli Kalif, dated as of February 6, 2020 (40)
- 10.12 Teva Pharmaceutical Industries Limited 2015 Long-Term Equity-Based Incentive Plan (41)



|         |                                                                                                                                                                                                                                      |
|---------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 10.13   | Teva Pharmaceuticals USA, Inc. Supplemental Deferred Compensation Plan (42)                                                                                                                                                          |
| 10.14   | Teva Pharmaceuticals USA, Inc. Defined Contribution Supplemental Executive Retirement Plan (43)                                                                                                                                      |
| 10.15   | Form of Indemnification and Release Agreement (44)                                                                                                                                                                                   |
| 10.16   | Form Director Award Agreement (45)                                                                                                                                                                                                   |
| 10.17   | Hafrun Fridriksdottir Award Agreement under the Teva Pharmaceutical Industries Limited 2015 Long-Term Equity-Based Incentive Plan applicable to selected 2016 grants (46)                                                            |
| 10.18   | Kåre Schultz Award Agreement under the Teva Pharmaceutical Industries Limited 2015 Long-Term Equity-Based Incentive Plan applicable to November 3, 2017 grant (47)                                                                   |
| 10.19   | Form Award Agreement under the Teva Pharmaceutical Industries Limited 2015 Long-Term Equity-Based Incentive Plan applicable to selected 2016 grants made to Hafrun Fridriksdottir (48)                                               |
| 10.20   | Form Award Agreement under the Teva Pharmaceutical Industries Limited 2015 Long-Term Equity-Based Incentive Plan applicable to selected 2016 grants made to Eric Drapé (49)                                                          |
| 10.21   | Form Award Agreement under the Teva Pharmaceutical Industries Limited 2015 Long-Term Equity-Based Incentive Plan applicable to selected 2017 grants made to Hafrun Fridriksdottir, Eric Drapé and Kåre Schultz (50)                  |
| 10.22   | Teva Pharmaceutical Industries Limited 2020 Long-Term Equity-Based Incentive Plan (51)                                                                                                                                               |
| 10.23   | 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, Hafrun Fridriksdottir, Eric Drapé and Brendan O'Grady (52) |
| 10.24   | Form Bonus Letter Agreement (53)                                                                                                                                                                                                     |
| 10.25   | Form Award Agreement under Teva's 2020 Long-Term Equity-Based Incentive Plan (54)                                                                                                                                                    |
| 10.26   | Form Award Agreement under the Teva Pharmaceutical Industries Limited 2015 Long-Term Equity-Based Incentive Plan applicable to selected 2016 grants and 2017 grants made to Brendan O'Grady (55)                                     |
| 10.27   | Form Award Agreement (RSUs and PSUs) under the Teva Pharmaceutical Industries Limited 2015 Long-Term Equity-Based Incentive Plan (56)                                                                                                |
| 10.28   | Teva Pharmaceutical Industries Limited Israeli Subplan of Teva's 2020 Long-Term Equity-Based Incentive Plan (57)                                                                                                                     |
| 18      | Kesselman & Kesselman Preferability Letter dated August 5, 2020 (58)                                                                                                                                                                 |
| 21      | Subsidiaries of the Registrant *                                                                                                                                                                                                     |
| 23      | Consent of Kesselman & Kesselman, independent registered public accountants *                                                                                                                                                        |
| 31.1    | Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 *                                                                                                                             |
| 31.2    | Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 *                                                                                                                             |
| 32      | Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 *                                                  |
| 101.INS | Inline XBRL Instance Document (The instance document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document)                                                                |



|         |                                                                                          |
|---------|------------------------------------------------------------------------------------------|
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document                                           |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document                             |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document                              |
| 101.LAB | Inline XBRL Taxonomy Extension Labels Linkbase Document                                  |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document                            |
| 104     | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101) |

\* Filed herewith

1. English translation or summary from Hebrew original, which is the official version.
2. Incorporated by reference to Exhibit 3.1 to Registration Statement on Form F-1(Reg. No. 33-15736).
3. Incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K filed on December 14, 2018.
4. Incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K filed on June 9, 2020.
5. Incorporated by reference to Exhibit 4.1 to Current Report on Form 8-K filed on December 4, 2018.
6. Incorporated by reference to Exhibit 4.1 to Form 6-K filed on January 31, 2006.
7. Incorporated by reference to Exhibit 4.2 to Form 6-K filed on January 31, 2006.
8. Incorporated by reference to Exhibit 4.3 to Form 6-K filed on January 31, 2006.
9. Incorporated by reference to Exhibit 4.1 to Form 6-K filed on May 4, 2010.
10. Incorporated by reference to Exhibit 4.1 to Form 6-K filed on November 10, 2011.
11. Incorporated by reference to Exhibit 4.2 to Form 6-K filed on December 18, 2012.
12. Incorporated by reference to Exhibit 4.3 to Form 6-K filed on November 10, 2011.
13. Incorporated by reference to Exhibit 4.4 to Form 6-K filed on November 10, 2011.
14. Incorporated by reference to Exhibit 4.4 to Form 6-K filed on December 18, 2012.
15. Incorporated by reference to Exhibit 4.5 to Form 6-K filed on November 10, 2011.
16. Incorporated by reference to Exhibit 4.6 to Form 6-K filed on November 10, 2011.
17. Incorporated by reference to Exhibit 4.1 to Form 6-K filed on March 31, 2015.
18. Incorporated by reference to Exhibit 4.2 to Form 6-K filed on March 31, 2015.
19. Incorporated by reference to Exhibit 4.2 to Form 6-K filed on July 25, 2016.
20. Incorporated by reference to Exhibit 4.1 to Form 6-K filed on July 21, 2016.
21. Incorporated by reference to Exhibit 4.2 to Form 6-K filed on July 21, 2016.
22. Incorporated by reference to Exhibit 4.2 to Form 6-K filed on July 28, 2016.
23. Incorporated by reference to Exhibit 4.3 to Form 6-K filed on July 28, 2016.
24. Incorporated by reference to Exhibit 4.5 to Form 6-K filed on July 28, 2016.
25. Incorporated by reference to Exhibit 4.6 to Form 6-K filed on July 28, 2016.
26. Incorporated by reference to Exhibit 4.1 to Current Report on Form 8-K filed on March 14, 2018.
27. Incorporated by reference to Exhibit 4.2 to Current Report on Form 8-K filed on March 14, 2018.
28. Incorporated by reference to Exhibit 4.5 to Current Report on Form 8-K filed on March 14, 2018.
29. Incorporated by reference to Exhibit 4.6 to Current Report on Form 8-K filed on March 14, 2018.
30. Incorporated by reference to Exhibit 4.2 to Current Report on Form 8-K filed on November 25, 2019.
31. Incorporated by reference to Exhibit 4.6 to Current Report on Form 8-K filed on November 25, 2019.
32. Incorporated by reference to Exhibit 4.33 to Annual Report on Form 10-K filed on February 21, 2020.
33. Incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed on April 10, 2019.
34. Incorporated by reference to Exhibit 10.20 to Annual Report on Form 10-K filed on February 12, 2018.
35. Incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed on June 9, 2020.
36. Incorporated by reference to Exhibit 10.32 to Annual Report on Form 10-K filed on February 12, 2018.
37. Incorporated by reference to Exhibit 10.26 to Annual Report on Form 10-K filed on February 19, 2019.
38. Incorporated by reference to Exhibit 10.10 to Annual Report on Form 10-K filed on February 21, 2020.
39. Incorporated by reference to Exhibit 10.13 to Annual Report on Form 10-K filed on February 21, 2020.
40. Incorporated by reference to Exhibit 10.32 to Annual Report on Form 10-K filed on February 21, 2020.
41. Incorporated by reference to Exhibit A to Proxy Statement filed on June 8, 2017.



- 42. Incorporated by reference to Exhibit 10.49 to Annual Report on Form 10-K filed on February 12, 2018.
- 43. Incorporated by reference to Exhibit 10.50 to Annual Report on Form 10-K filed on February 12, 2018.
- 44. Incorporated by reference to Exhibit 10.51 to Annual Report on Form 10-K filed on February 12, 2018.
- 45. Incorporated by reference to Exhibit 10.52 to Annual Report on Form 10-K filed on February 12, 2018.
- 46. Incorporated by reference to Exhibit 10.53 to Annual Report on Form 10-K filed on February 12, 2018.
- 47. Incorporated by reference to Exhibit 10.54 to Annual Report on Form 10-K filed on February 12, 2018.
- 48. Incorporated by reference to Exhibit 10.56 to Annual Report on Form 10-K filed on February 12, 2018.
- 49. Incorporated by reference to Exhibit 10.61 to Annual Report on Form 10-K filed on February 12, 2018.
- 50. Incorporated by reference to Exhibit 10.60 to Annual Report on Form 10-K filed on February 12, 2018.
- 51. Incorporated by reference to Exhibit Appendix A to our Definitive Proxy Statement filed on April 22, 2020.
- 52. Incorporated by reference to Exhibit 10.63 to Annual Report on Form 10-K filed on February 12, 2018.
- 53. Incorporated by reference to Exhibit 10.64 to Annual Report on Form 10-K filed on February 12, 2018.
- 54. Incorporated by reference to Exhibit 10.2 to Quarterly Report on Form 10-Q filed on November 5, 2020.
- 55. Incorporated by reference to Exhibit 10.30 to Annual Report on Form 10-K filed on February 21, 2020.
- 56. Incorporated by reference to Exhibit 10.31 to Annual Report on Form 10-K filed on February 21, 2020.
- 57. Incorporated by reference to Exhibit 10.3 to Quarterly Report on Form 10-Q filed on November 5, 2020.
- 58. Incorporated by reference to Exhibit 18 to Quarterly Report on Form 10-Q filed on August 5, 2020.

## **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 10, 2021

## POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENT, that each of the undersigned directors and/or officers of Teva Pharmaceutical Industries Limited, a corporation organized under the laws of Israel, hereby constitutes and appoints Kåre Schultz, Eli Kalif, David M. Stark and Deborah A. Griffin, and each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign, execute and deliver with the U.S. Securities and Exchange Commission any and all amendments to this annual report on Form 10-K, with all exhibits thereto, and other documents in connection therewith, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming that all said attorneys-in-fact and agents, or any of them or their or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this annual report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

|     | <u>Name</u>                                         | <u>Title</u>                                                                       | <u>Date</u>       |
|-----|-----------------------------------------------------|------------------------------------------------------------------------------------|-------------------|
| By: | <u>/s/ Dr. Sol J. Barer</u><br>Dr. Sol J. Barer     | Chairman of the Board of Directors                                                 | February 10, 2021 |
| By: | <u>/s/ Kåre Schultz</u><br>Kåre Schultz             | President and Chief Executive Officer and Director                                 | February 10, 2021 |
| By: | <u>/s/ Eli Kalif</u><br>Eli Kalif                   | Executive Vice President, Chief Financial Officer<br>(Principal Financial Officer) | February 10, 2021 |
| By: | <u>/s/ Deborah A. Griffin</u><br>Deborah A. Griffin | Senior Vice President, Chief Accounting Officer<br>(Principal Accounting Officer)  | February 10, 2021 |
| By: | <u>/s/ Rosemary A. Crane</u><br>Rosemary A. Crane   | Director                                                                           | February 10, 2021 |
| By: | <u>/s/ Amir Elstein</u><br>Amir Elstein             | Director                                                                           | February 10, 2021 |



|     | <u>Name</u>                                                         | <u>Title</u> | <u>Date</u>       |
|-----|---------------------------------------------------------------------|--------------|-------------------|
| By: | <u>/s/ Jean-Michel Halfon</u><br>Jean-Michel Halfon                 | Director     | February 10, 2021 |
| By: | <u>/s/ Abbas Hussain</u><br>Abbas Hussain                           | Director     | February 10, 2021 |
| By: | <u>/s/ Gerald M. Lieberman</u><br>Gerald M. Lieberman               | Director     | February 10, 2021 |
| By: | <u>/s/ Roberto A. Mignone</u><br>Roberto A. Mignone                 | Director     | February 10, 2021 |
| By: | <u>/s/ Dr. Perry D. Nisen</u><br>Dr. Perry D. Nisen                 | Director     | February 10, 2021 |
| By: | <u>/s/ Nechemia (Chemi) J. Peres</u><br>Nechemia (Chemi) J. Peres   | Director     | February 10, 2021 |
| By: | <u>/s/ Prof. Ronit Satchi-Fainaro</u><br>Prof. Ronit Satchi-Fainaro | Director     | February 10, 2021 |
| By: | <u>/s/ Janet Vergis</u><br>Janet Vergis                             | Director     | February 10, 2021 |



Exhibit 10.7

EXECUTION VERSION

## EMPLOYMENT AGREEMENT

This Employment Agreement (this “**Agreement**”) is entered on March 12, 2020, and is made by and between **TEVA PHARMACEUTICAL INDUSTRIES LTD.**, an Israeli corporation located at 5 Basel Street, Petach Tikva, Israel, Company No. 52-001395-4 (the “**Company**”, “**Teva**”), and Eric Drapé (“**Executive**”).

**WHEREAS**, the Company wishes to employ Executive as Executive Vice President – Teva Global Operations (“**EVP TGO**”), and Executive wishes to be so employed; and

**WHEREAS**, the parties have agreed on the terms pursuant to which Executive shall serve as EVP TGO, 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 March 1, 2020 (the “**Effective Date**”) and until the termination of this Agreement pursuant to Section 7 of this Agreement (the “**Term**”).
- 1.2 Executive shall report directly to the President and Chief Executive Officer of Teva (“**CEO**”). Executive shall have all of the duties, authorities and responsibilities customarily exercised by an individual serving as the Executive Vice President – Global Operations of a company the size and nature of the Company. In addition, the Executive shall have such additional executive duties and responsibilities as may be assigned to him by the CEO.
- 1.3 The Executive shall devote his full business time, attention, and efforts to the performance of his duties under this Agreement and shall not engage in any other business or occupation during the Term, including, without limitation, any activity that (a) conflicts with the interests of the Company or its affiliates, (b) interferes with the proper and efficient performance of his duties for the Company or (c) interferes with the exercise of his judgment in the Company’s or its affiliates’ best interests. Notwithstanding the foregoing, nothing herein shall preclude the Executive from: (i) serving, with the prior written consent of the CEO, as a member of the board of directors or advisory boards (or their equivalents in the case of a non-corporate entity) of non-competing businesses and charitable organizations; (ii) engaging in charitable activities and community affairs; (iii) speaking at meetings of business, charitable and civic organizations; or (iv) managing his personal investments and affairs; provided, however, that the activities set out in clauses (i), (ii), (iii) and (iv) shall be limited by the Executive so as not to be in contradiction to any Company policy and/or materially interfere, individually or in the aggregate, with the performance of his duties and responsibilities hereunder or create a potential business or fiduciary conflict.



- 1.4 During the Term, and as part of Executive's position, Executive may be required to serve as a director, officer or committee member of the Company and its subsidiaries and affiliates (collectively, the "**Company Group**"), and the fulfillment of such position shall not constitute an employer-employee relationship between Executive and any such entity (other than the Company), and notwithstanding any such position, Executive shall only be considered to be an employee of the Company and shall not be entitled to receive any additional compensation for serving in such additional position.
- 1.5 Executive's principal place of employment shall be at the Company's principal offices in Israel. However, Executive acknowledges and agrees that he shall be required to travel abroad extensively on Company business.
- 1.6 Executive acknowledges and agrees that no collective and/or special bargaining agreement that might apply to the Company's employees shall apply to Executive in his capacity as an employee of the Company, unless required by applicable Law.
- 1.7 This Agreement and all compensation and benefits payable hereunder are subject to the Company's compensation plans and policies applicable to senior officers or any successor compensation plans or policies, including the Company's Compensation Policy for Executive Officers and Directors adopted by the shareholders at the 2019 annual general meeting of shareholders (the "**Compensation Policy**") and nothing herein shall derogate in any way from the Company's rights thereunder.

## 2. **Base Salary**

- 2.1 The Executive's gross annual base salary shall be 620,500 EUR (the "**Annual Salary**"). The Annual Salary shall be divided by 12 and converted to local currency in accordance with Company practice, and each such 1/12 shall constitute Executive's monthly salary (the "**Monthly Salary**"). The Annual Salary shall be reviewed, from time to time, by the Human Resources & Compensation Committee of the Company's Board of Directors (the "**Compensation Committee**") and/or the Board of Directors.
- 2.2 Executive hereby acknowledges and agrees that in light of his position and areas of responsibility, which require a special degree of trust, and since he is part of the Company's senior management, the provisions of the Hours of Work and Rest Law, 5711-1951, shall not apply to his employment.



- 2.3 It is hereby agreed that only the Monthly Salary payable to Executive pursuant to Section 2.1 shall constitute the basis for the calculation of all social benefits granted to Executive pursuant to this Agreement (including Pension Contributions and Severance Contributions (as such terms are defined in Sections 6.1 and 6.5) and for any other purpose or benefit plan for which deductions are calculated based on a percentage of Executive's salary.
- 2.4 The parties hereby acknowledge and agree that the compensation terms set forth in this Agreement constitute fair consideration to Executive, given, inter alia, his managerial responsibilities and obligations towards the Company and that the Executive shall not be entitled to receive any other payment or compensation of any kind beyond the Monthly Salary and the other payments and benefits specified in this Agreement unless otherwise agreed between the Company and the Executive in writing and approved as required by applicable Law.
- 2.5 The Company shall pay or reimburse Executive for all reasonable out-of-pocket business expenses incurred by Executive in performing his duties under this Agreement, subject to presentation of appropriate supporting documentation and in accordance with the expense reimbursement policy of the Company.

### 3. Annual Bonus

- 3.1 For each fiscal year that ends during the Term, the Executive shall be eligible to be considered for an annual bonus under the Company's annual cash bonus plan in accordance with the Compensation Policy (the "**Annual Bonus**") and subject to the sole discretion of the CEO, the Compensation Committee and the Board of Directors, with a target amount equal to 100% of Executive's Annual Salary. If payable, the Annual Bonus shall be paid to the Executive at the same time as annual bonuses are generally payable to other similarly situated senior executives of the Company, subject to the Executive's continuous employment through the payment date. .

### 4. Equity Awards

- 4.1 Annual Equity-based Awards. During the Term, the Executive shall be considered for equity-based compensation awards under the terms of Teva's 2015 Long Term Equity-Based Incentive Plan (the "**2015 Plan**"), or any successor equity compensation plan(s), at the sole discretion of the CEO, the Compensation Committee and the Board of Directors. Any such awards shall be granted on such terms and conditions as may be determined by the Compensation Committee and the Board of Directors.



## 5. Executive Benefits

- 5.1 **General.** During the Term, Executive (and, to the extent eligible, his dependents) shall be entitled to participate in any and all health, medical, dental, group insurance, welfare, fringe benefits, perquisites and other employee benefit plans, programs and arrangements, and for the avoidance of doubt excluding study fund, that are generally available from time to time to similarly situated senior executives of the Company and their dependents (the “**Executive Benefits**”). Nothing contained herein shall be construed to limit the Company’s ability to amend, suspend, or terminate any employee benefit plan or policy at any time without providing the Executive notice, and the right to do so is expressly reserved.
- 5.2 **Relocation.** From January 1, 2020 until the third anniversary thereafter, Executive shall be provided relocation benefits as set forth in the Company’s Long Term International Assignment Policy (the “**Relocation Policy**”), as shall be amended from time to time.
- 5.3 **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.
- 5.4 **Vacation.** Executive shall be entitled to twenty three and a half (23.5) paid vacation working days per calendar year during the Term, which shall accrue in accordance with Company policy. Executive shall be required to utilize at least five (5) consecutive vacation days every calendar year, and may accumulate the remaining vacation days up to 47 days in total and in accordance with Company policy which may be revised from time to time. Any accumulated vacation days above 47 days shall be forfeited by the Company with no consideration. The dates of Executive’s annual vacation shall be coordinated in advance with the CEO.
- 5.5 **Sick Leave.** Executive shall be entitled to twenty two (22) paid sick working days per calendar year during the Term (without any reduction in the compensation or benefits payable hereunder), which may accumulate during the Term in accordance with the Company’s practice or policy, as in effect from time to time but in no event shall exceed twelve (12) months. The sick pay shall include the Monthly Salary and all other amounts and benefits to which Executive is entitled under this Agreement, as if Executive worked at the Company during the period of his illness (in respect of period for which he is entitled to receive payment as aforesaid), less any amount that Executive is entitled to receive with respect to the aforementioned period of his illness, including from any Israeli pension fund; provided that Executive provides the Company with medical confirmation of his illness.



- 5.6 Recreation Pay. Executive shall be entitled to fifteen (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 applicable Law and the Company's policy in effect at the applicable time with respect to its employees generally.
- 5.7 Car. The Company shall furnish the Executive with a car owned or leased by Teva, and which the Executive shall use during the Term. Subject to the provisions of any applicable Law, and the Company's policy on the matter, the Company shall bear all costs relating to the use and maintenance of the car. The Executive undertakes to use the car in a reasonable manner.

## 6. Pension Insurance

- 6.1 Subject to approval of the Compensation Committee and the Board (if applicable), the Company shall reimburse Executive on a monthly basis an amount equal to the required monthly French contribution, to be paid by the Executive to French social security, to enable Executive's continued social security coverage (the "**Pension Contribution**"). By signing this Agreement Executive declares that he is covered by a sufficient loss of ability to work insurance in France. In no event shall the Pension Contribution be less than 7.5% of the Executive Monthly Salary.
- 6.2 Executive declares and warrants that the Pension Contribution pursuant to Section 6.1 is in lieu of the Company's obligation under applicable Law to insure the Executive under a pension plan.
- 6.3 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.
- 6.4 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 6 shall not impose on the Company any additional current or future cost or expense, directly or indirectly.



- 6.5 In addition, the Company shall contribute and deposit, on a monthly basis, 8.33% of the Monthly Salary on account of severance 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 of doubt, 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.

## 7. Termination of Employment

- 7.1 **General.** Executive's employment with the Company shall terminate upon the earliest to occur of (a) Executive's death, (b) a termination by reason of a Disability (as defined in Section 7.8.5), (c) a termination by the Company with or without Cause (as defined in Section 7.8.3), and (d) a termination by Executive with or without Good Reason (as defined in Section 7.8.6). The date on which employee-employer relations cease to exist between the parties shall be referred to in this Agreement as the "**Date of Termination**." Upon any termination of Executive's employment for any reason, except as may otherwise be requested by the Company in writing and agreed upon in writing by Executive, Executive shall be deemed to have resigned, effective immediately, from any and all directorships, committee memberships, and any other positions Executive holds with any member of the Company Group. If for any reason this Section 7.1 is deemed to be insufficient to effectuate the resignations contemplated by the immediately preceding sentence, then Executive shall without incurring any costs on him, upon the Company's request, execute any documents or instruments that the Company may deem necessary or desirable to effectuate such resignations. In addition, Executive hereby designates the Secretary or any Assistant Secretary of the Company to execute any such documents or instruments as Executive's attorney-in-fact to effectuate such resignations if execution by the Secretary or any Assistant Secretary of the Company is deemed by the Company to be a more expedient means to effectuate such resignation or resignations. In addition, Executive undertakes to cooperate with the Company to ensure the orderly transition of position and provide any other assistance that may be required by the Company in connection with the Executive's duties and responsibilities.
- 7.2 **Termination Due to Death or Disability.** Executive's employment shall terminate automatically upon his death. The Company may terminate Executive's employment immediately upon the occurrence of a Disability, such termination to be effective upon Executive's receipt of written notice of such termination and subject to applicable proceedings pursuant to applicable Law. Upon Executive's death or in the event that Executive's employment is terminated due to his Disability, Executive or his estate or his Beneficiaries (as defined in Section 7.8.2), as the case may be, shall be entitled to:



- 7.2.1 The Accrued Obligations (as defined in Section 7.8.1); and
- 7.2.2 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.

Notwithstanding the foregoing provisions of this Section 7.2, the payments and benefits described in this Section 7.2 (other than the components of the Accrued Obligations and any portion of the Severance Payment required to be paid pursuant to applicable Law) (a) are subject to Executive's or his estate or his Beneficiaries, as the case may be, execution and non-revocation of the Release of Claims in accordance with Section 7.6 and (b) shall immediately terminate, and the Company shall have no further obligations to Executive with respect thereto, in the event that Executive breaches any provision of Sections 9, 10, 11, 12 and/or 13. In addition, in the event Executive breaches any provision of Sections 9, 10, 11, 12 and/or 13, Executive shall repay to the Company all payments and benefits which were made and/or paid by the Company pursuant to Section 7.2 (other than the components of the Accrued Obligations and the portion of the Severance Payment required to be paid pursuant to applicable Law).

7.3 Termination by the Company for Cause.

- 7.3.1 The Company may terminate Executive's employment at any time and without any advance notice, in the event of Cause, subject to applicable proceedings pursuant to applicable Law.
- 7.3.2 In the event that the Company terminates Executive's employment for Cause, he shall be entitled only to those components of the Accrued Obligations required to be paid by applicable Law, and subject to applicable Law.
- 7.3.3 Following such termination of Executive's employment by the Company for Cause, except as set forth in this Section 7.3, Executive shall have no further rights to any compensation or any benefits under this Agreement.

7.4 Termination by the Company without Cause. The Company may terminate Executive's employment at any time without Cause, effective six (6) months following the date of Executive's receipt of notice of such termination (the "**Company Notice Period**"); provided, however, that the Company may, in its sole and absolute discretion and by written notice, waive the services of the Executive during the Company Notice Period or in respect of any part of such period, and at the Company's sole discretion accelerate the effective date of such termination of employee-employer relationship (such accelerated date shall constitute the Termination Date), all on the condition that the Company pay the Executive the Monthly Salary and all additional compensation and benefits to which the Executive is entitled in respect of the Notice Period without regard to any such Company waiver.



In the event that Executive's employment is terminated by the Company without Cause (other than due to death or Disability), Executive shall be entitled to:

- 7.4.1 The Accrued Obligations;
- 7.4.2 The Severance Payment (as defined in Section 7.8.10);
- 7.4.3 The Non-Compete Payment (as defined in Section 7.8.7); and
- 7.4.4 If Executive's employment is terminated by the Company without Cause within one (1) year following a Change in Control event (as defined in the Compensation Policy as in effect on the date hereof), the CIC Amount (as defined in Section 7.8.4).

Notwithstanding the foregoing, the payments and benefits described in this Section 7.4 (other than the components of the Accrued Obligations and the portion of the Severance Payment required to be paid pursuant to applicable Law) (a) are subject to Executive's execution and non-revocation of the Release of Claims in accordance with Section 7.6 and (b) shall immediately terminate, and the Company shall have no further obligations to Executive with respect thereto, in the event that Executive breaches any provision of Sections 9, 10, 11, 12 and/or 13. In addition, in the event Executive breaches any provision of Sections 9, 10, 11, 12 and/or 13, Executive shall repay to the Company all payments and benefits which were made and/or paid by the Company pursuant to this Section 7.4 (other than the components of the Accrued Obligations and the portion of the Severance Payment required to be paid pursuant to applicable Law).

- 7.5 Termination by Executive with or without Good Reason. Executive may terminate his employment with or without Good Reason by providing the Company six (6) months' prior written notice of such termination (the "**Executive Notice Period**"); provided, however, that the Company may, in its sole and absolute discretion, by written notice, waive the services of the Executive during the Executive Notice Period or in respect of any part of such period, and at Company's sole discretion accelerate the effective date of such termination of employee-employer relationship (such accelerated date shall constitute the Termination Date) and still have it treated as a termination without Good Reason.



In the event of a termination of employment by Executive for Good Reason, Executive shall be entitled to the same payments and benefits as provided in Sections 7.4.1, 7.4.2 and 7.4.3, subject to the same conditions on payment and benefits as described in Section 7.4 (including execution and non-revocation of the Release of Claims in accordance with Section 7.6 and compliance with Sections 9, 10, 11, 12 and 13). Notwithstanding the above, the Company may terminate the employment of Executive without Cause in accordance with Section 7.4 after receipt of the "Good Reason Notice" (as defined in Section 7.8.6).

In the event of a termination of employment by Executive without Good Reason, Executive shall only be entitled to the (i) Accrued Obligations; (ii) Severance Contributions accumulated in the bank; and (iii) the Non-Compete Payment, subject to the same conditions on payment and benefits as described in Section 7.4 (including execution and non-revocation of the Release of Claims in accordance with Section 7.6 and compliance with Sections 9, 10, 11, 12 and 13).

- 7.6 **Release.** Notwithstanding any provision in this Agreement to the contrary, the payment of any amount or provision of any benefit pursuant to Section 7 (other than the components of the Accrued Obligations and those components of the Severance Payment required to be paid pursuant to applicable Law) (collectively, the "**Severance Benefits**") shall be conditioned upon Executive's execution, delivery to the Company, and non-revocation of the Release of Claims (as defined in Section 7.8.9) within thirty (30) days following the Date of Termination. If Executive fails to execute the Release of Claims in such a timely manner, 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 the Release of Claims may be satisfied on his behalf by his estate or a person having legal power of attorney over his affairs.
- 7.7 **Full Settlement.** The payments and benefits provided under this Section 7 shall be in full satisfaction of all obligations of the Company Group to Executive under this Agreement or any other agreement, plan, arrangement or policy of the Company Group in connection with his termination of employment. For the avoidance of doubt, Executive's sole and exclusive remedy upon a termination of employment shall be receipt of the payments and benefits specified in this Section 7.
- 7.8 **Definitions.** For purposes of this Agreement, the following terms have the following meanings:
- 7.8.1 "**Accrued Obligations**" means (a) any unpaid Monthly Salary earned through the Date of Termination, and any unused vacation days and recreation days accrued in accordance with Company policy and this Agreement through the Date of Termination, which amounts shall be paid on the next regular payroll date immediately following the Date of Termination, (b) any other payment to which Executive is entitled under the applicable terms of any applicable plan, program, agreement, corporate governance document or arrangement of the Company, including Company reimbursement of any unreimbursed business expenses and rights to any Company indemnification as set forth in Section 8.



- 7.8.2 “**Beneficiaries**” means, subject to applicable Law, the executors of Executive’s estate, the Executive’s legal heirs and with respect to the Pension Contributions those beneficiaries whom the Executive stipulated in a written notice to any applicable pension providers.
- 7.8.3 “**Cause**” means (A) the Executive’s indictment for, conviction of or pleading of guilty or nolo contendere to, (i) a felony or (ii) any crime involving moral turpitude; (B) the Executive’s embezzlement, dishonesty, misappropriation of Company property, breach of fiduciary duty or fraud with regard to the Company or any of its assets or businesses; (C) the Executive’s willful misconduct or gross negligence in the performance of the Executive’s duties or continual failure to perform the material duties of his position; (D) the Executive’s material violation of a Company rule or regulation; (E) the Executive’s breach of a material provision of this Agreement; or (F) circumstances entitling the Company under any applicable law to terminate the employment of the Executive without payment of severance pay.
- 7.8.4 “**CIC Amount**” means one and a half (1.5) million USD converted into local currency at the Date of Termination and in accordance with the Company’s practice and policies.
- 7.8.5 “**Disability**” means that Executive, due to a physical or mental disability, has been substantially unable to perform his duties under this Agreement for a continuous period of ninety (90) days or longer, as determined by a physician selected by the Company and reasonably acceptable to Executive.
- 7.8.6 “**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: (A) the Company’s breach of a material provision of this Agreement, (B) a material diminution in the Executive’s duties or responsibilities that is inconsistent with the Executive’s position as described herein, or (C) a material reduction in the Executive’s Annual Salary.



- 7.8.7 “**Non-Compete Payment**” means the payment defined in Section 14.
- 7.8.8 “**Law**” means any Israeli law, rule or regulation, and the regulations of any securities exchange on which the Company’s securities are listed, or any applicable judgment, order, writ, decree, permit or license of any governmental authority.
- 7.8.9 “**Release of Claims**” means the release of claims in favor of the Company Group substantially in the form attached hereto as Exhibit A.
- 7.8.10 “**Severance Payment**” means an amount equal to fifteen (15) times of the then-current Monthly Salary deduced by the amounts accumulated pursuant to Section 6.5 as a result of the Severance Contributions.

## 8. Indemnification

In accordance with and subject to the provisions of Israeli law and the applicable provisions of the Company’s Articles of Association and the Compensation Policy, the Indemnification and Release Agreement between Executive and the Company, dated October 2, 2019, shall continue to apply in full force and effect in accordance with its terms, and is incorporated by reference to this Agreement.

## 9. Confidentiality and Disclosure of Information

Executive shall execute the Confidentiality, Disclosure of Information and Assignment of Inventions Agreement attached hereto as Exhibit B concurrently with the execution of this Agreement and agrees to abide by the terms thereof, which shall be deemed incorporated into this Section 9.

## 10. Non-Competition

By signing this Agreement, the Executive hereby acknowledges and agrees that, in his capacity as Executive Vice President - Teva Global Operations the Executive will have a great deal of exposure and access to a broad variety of commercially valuable proprietary information of the Company Group, including, by way of illustration, confidential information regarding the Company Group’s current and future products and strategies, costs and other financial information, R&D and marketing plans and strategies, etc. As a result of the Executive’s knowledge of the above information and in consideration for the benefits offered by the Company under this Agreement, including, but not limited to, the Non-Compete Payment, the Executive affirms and recognizes his continuing obligations with respect to the use and disclosure of confidential and proprietary information of the Company Group pursuant to the Company Group’s policies and the terms and conditions of this Agreement, and hereby agrees that, during the Term and for the six (6) months following the Date of Termination, the Executive shall not, directly or indirectly (whether as an officer, director, owner, employee, partner, consultant or other direct or indirect service provider) engage, directly or indirectly, anywhere in the world, in any activity, business or any other engagement in the pharmaceutical industry, which competes with the business of any member of the Company Group as of the Date of Termination (including any business that any member of the Company Group is actively planning to enter as of the Date of Termination), except with the Company’s prior written approval. Notwithstanding anything to the contrary contained in this Section 10, the foregoing shall not prevent Executive from acquiring for his own personal investment not more than 1% of the outstanding voting securities of any publicly-traded corporation.



## **11. Non-Solicitation**

Executive hereby agrees that during the Term and for the six (6) months following the Date of Termination, the Executive shall not, directly or indirectly, (i) solicit or induce, or in any manner attempt to solicit or induce, any person employed by, or as agent of, the Company Group to terminate such person's contract of employment or agency, as the case may be, with the Company Group, or (ii) divert, or attempt to divert, any person, concern or entity from doing business with the Company Group, or attempt to induce any such person, concern or entity to cease being a customer or supplier of the Company Group.

It is hereby agreed and clarified that, when determining the above non-solicitation undertaking, the parties took into account the entire consideration provided to Executive pursuant to this Agreement, which is being made in consideration, *inter alia*, for such undertaking.

## **12. No Disparagement**

During the Term and at all times thereafter, the Executive agrees not to (i) make any disparaging or defamatory comments regarding any member of the Company Group or any of its current or former directors, officers, employees or products or (ii) make any negative or disparaging comments concerning any aspect of the Executive's relationship with any member of the Teva Group or any conduct or events relating to any termination of the Executive's employment with the Company.

Nothing herein shall prevent Executive from testifying truthfully in any legal proceeding, to any governmental or regulatory body or as may otherwise be required by applicable Law.

It is hereby agreed and clarified that, when determining the above non-disparagement undertaking, the parties took into account the entire consideration provided to Executive pursuant to this Agreement, which is being made in consideration, *inter alia*, for such undertaking.



### 13. Cooperation.

During the Term and at all times thereafter, Executive agrees to cooperate with the Company and its attorneys in connection with any matter related to the period he was employed by the Company and/or his services to any other member of the Company Group, including but not limited to any threatened, pending, and/or subsequent litigation, government investigation, or other formal inquiry against any member of the Company Group, and shall make himself available upon reasonable notice to prepare for and appear at deposition, hearing, arbitration, mediation, or trial in connection with any such matters. Such cooperation will include willingness to be interviewed by representatives of the Company and to participate in legal proceedings by deposition or testimony. To the extent reasonably practicable, the Company shall coordinate with Executive to minimize scheduling conflicts with Executive's business and personal commitments. The Company shall reimburse Executive for any reasonable pre-approved out-of-pocket expenses (including travel expenses) incurred in connection with providing such assistance and subject to any terms and limitation in the Indemnification and Release Agreement.

### 14. Non-Compete, Non-Solicitation and No Disparagement Payments.

In consideration for Executive's undertaking set forth in Sections 9, 10, 11, 12 and 13, and subject to compliance therewith, following the Date of Termination and subject to the provisions of Section 7, Executive shall receive an amount equal to three (3) times the Monthly Salary in effect immediately prior to the Date of Termination, to be paid in six (6) equal monthly installments (the "Non-Compete Payment").

Notwithstanding the foregoing, in the event that Executive's employment is terminated by the Company for Cause, Executive shall remain subject to Sections 9, 10, 11, 12 and 13, 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 9, 10, 11, 12 and 13.

### 15. 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.

### 16. Return of Car, Equipment and Documents

As of no later than the Date of Termination, or earlier than that if required by the Company, Executive shall return to the Company the car, cell phone (or other hand-held device), laptop, credit card(s) and any other company equipment, if any, provided to Executive, and any other confidential or proprietary information of the Company that is in Executive's possession; provided, however, that nothing in this Agreement or elsewhere shall prevent Executive from retaining and utilizing documents relating to his personal benefits, personal contact list, and the like; and such other records and documents as may reasonably be approved by the CEO (such approval not to be unreasonably withheld or delayed). Executive shall confirm such return in writing to the Company promptly upon Company's written request, together with confirmation that Executive no longer has any Company property or confidential or proprietary information of the Company in his possession or control.



## 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 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.

## 18. Tax Payments; Clawback

- 18.1 Tax and Social Security Payments. Executive hereby acknowledges and agrees that the payments and benefits granted to him under this Agreement shall be subject to income tax deductions and other mandatory tax deductions which the Company is required to deduct and/or withhold by applicable Law, and further represents that, except as specifically set forth in this Agreement, nothing in this Agreement shall be construed as imposing on the Company the obligation to pay taxes or any other obligatory payment imposed on Executive due to any payment or benefit, except that the Company shall pay taxes related to the use of car pursuant to Section 5.7.
- 18.2 Clawback. All payments made pursuant to this Agreement are subject to the "clawback" provisions in the Compensation Policy as may be amended from time to time. By signing this Agreement, Executive grants the Company a power of attorney to deduct from the Monthly Salary and/or any other payments due to Executive by the Company, any amounts owed by him, in accordance with applicable Law and any Company clawback provisions in the Compensation Policy.

## 19. 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 19 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.



## 20. Notices

Any notice or other communication required or permitted to be delivered under this Agreement shall be (a) in writing; (b) delivered personally, by email received by the intended receiver of such email, by facsimile, by courier service or by certified or registered mail, first class postage prepaid and return receipt requested; (c) deemed to have been received on the date of delivery or, if so mailed, on the third business day after the mailing thereof; and (d) addressed as follows (or to such other address as the party entitled to notice shall hereafter designate in accordance with the terms hereof):

If to the Company: to the Company's headquarters, Attn: CEO;

If to Executive: to the last address on file with the Company.

## Miscellaneous

- 20.1 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, except that any confidentiality and/or assignment of invention agreements by and between Executive and a company member of the Company Group shall continue to apply and in the event of a conflict between this Agreement and such agreement(s), the stricter arrangement shall apply.
- 20.2 Amendment or Waiver. No provision in this Agreement may be amended unless such amendment is set forth in writing that expressly refers to the provision of this Agreement that is being amended and that is signed by Executive and by an authorized officer of the Company. No waiver by either party of any breach of any condition or provision contained in this Agreement shall be deemed a waiver of any similar or dissimilar condition or provision at the same or any prior or subsequent time. To be effective, any waiver must be set forth in writing signed by the waiving party and must specifically refer to the condition(s) or provision(s) of this Agreement being waived.



- 20.3 Inconsistencies. Subject to applicable Law, in the event of any inconsistency between any provision of this Agreement and any provision of any applicable plan, program, agreement, corporate governance document or arrangement of the Company or its affiliates, the provisions of this Agreement shall control unless Executive and the Company otherwise agree in a writing that expressly refers to the provision of this Agreement whose control they are waiving.
- 20.4 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.”
- 20.5 Survivorship. The provisions of this Agreement that by their terms call for performance subsequent to the termination of either Executive’s employment or this Agreement (including the terms of Sections 7 through 14, 18 and Section 20) shall survive such termination in accordance with their applicable terms.
- 20.6 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.
- 20.7 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all such counterparts shall together constitute one and the same instrument. Signatures delivered by facsimile shall be effective for all purposes.
- 20.8 Board Approvals. Any reference made in this Agreement to an approval required of the Board or a committee of the Board shall also include any approval of the Board or any committee of the Board as may be required by Law, the Compensation Policy or the Company’s corporate documents.

— Signature page follows —



IN WITNESS WHEREOF, the parties have executed this Agreement in one or more counterparts as of the Effective Date.

**TEVA PHARMACEUTICAL INDUSTRIES LTD.**

/s/ Mark Sabag  
By: Mark Sabag  
Title:

/s/ Kåre Schultz  
By: Kåre Schultz  
Title: President & CEO

**EXECUTIVE**

/s/ Eric Drapé  
Name: Eric Drapé  
Dated: March 12, 2020

[Signature Page to Employment Agreement]



## Exhibit A

### Form of Release Agreement

This Release Agreement (this "**Release Agreement**") is dated as of [ ] and is entered into by Eric Drapé ("**Executive**", "**Me**" or "**I**") and TEVA PHARMACEUTICAL INDUSTRIES LTD. (the "**Company**") in connection with the termination of Executive's employment with the Company.

#### 1. General Release.

(a) In consideration for the receipt of those payments that are in excess of the amounts required to be paid to Me by Law (as detailed in the settlement of account attached hereto), I, on behalf of myself and my family, agents, representatives, heirs, executors, trustees, administrators, attorneys, successors and assigns (the "**Releasors**"), hereby irrevocably and unconditionally (i) represent and warrant that I have received in a timely manner full and complete payment of all amounts due to Me under my employment agreement with the Company or under any applicable law and/or in connection with the termination of my employment, both at law and pursuant to the terms of the employment agreement, and (ii) release, settle, cancel, acquit, discharge and acknowledge to be fully satisfied, and covenant not to sue the Company and each of its respective past and/or present subsidiaries, affiliates, successors and assigns, and each of their respective predecessors, and past and/or present stockholders, partners, members, directors, managers, officers, employees, agents or other representatives, and employee benefit plans of the Company or its affiliates, including, but not limited to, trustees and administrators of these plans, in each case, in their individual and/or representative capacities (collectively, the "**Releasees**") from any and all claims, contractual or otherwise, demands, costs, rights, causes of action, charges, debts, liens, promises, obligations, complaints, losses, damages and all liability of whatever kind and nature, whether known or unknown, and hereby waive any and all rights that I, he, she or it may have, from the beginning of time up to and including the time of signing this Release Agreement, in respect of my employment or separation from employment with the Company, or is in any way connected with or related to any applicable compensatory or benefit plan, program, policy or arrangement, including, but not limited to, any claims relating to salaries, benefits, bonuses, compensation, fringe benefits, social benefits according to any law or agreement, amounts of pension fund, overtime, severance pay, sick pay, recreation payments, vacation payments, prior notice payments, options or other securities, reimbursement of expenses and/or any other payments or benefits due to Me by any of the Releasees, or claims under any policy, agreement, understanding or promise, written or oral, formal or informal, between the Company and any of its affiliates and myself, now or hereafter recognized, including claims for wrongful discharge, slander and defamation, as well as all claims for counsel fees and costs; provided that such released claims shall not include any claims to enforce my rights under, or with respect to, any post-termination obligations of the Company expressly undertaken by the Company under my employment agreement with the Company (including vested accrued benefits and compensation under the Company's employee benefit plans and arrangements as set forth in Section 7 to the Employment Agreement), rights as a shareholder of the Company and rights to indemnification and liability insurance coverage.

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(b) The Releasors agree not to bring any action, suit or proceeding whatsoever (including the initiation of governmental proceedings or investigations of any type) against any of the Releasees hereto for any matter or circumstance concerning which the Releasors have released the Releasees under this Release Agreement. Further, the Releasors agree not to encourage any other person or suggest to any other person that he, she or it institute any legal action against the Releasees, and I hereby declare, confirm and undertake that, if the Releasors or anyone else in their name should deliver a claim as mentioned above, I shall reimburse the Releasees and anyone else on their behalf to the full extent of the sum of the legal expenses and legal fees incurred by them as a result of any such claim; and in the event that Releasors prevail in such legal action, then the Releasees shall reimburse such sum to Me or the Releasors. The Releasors hereby agree to waive the right to any relief (monetary or otherwise) in any action, suit or proceeding I may bring in violation of this Release Agreement.

(c) This Release Agreement shall constitute a dismissal and compromise notice for the purposes of Section 29 of the Severance Pay Law 5713-1963.

**2. Legal Advice, Reliance.** I represent and acknowledge that (a) I have been given adequate time to consider this Release Agreement and have been advised to discuss all aspects of this Release Agreement with my private attorney, (b) I have carefully read and fully understand all the provisions of this Release Agreement, (c) I have voluntarily entered into this Release Agreement, without duress or coercion, and (d) I have not heretofore assigned or transferred or purported to assign or transfer, to any person or entity, any of the claims described in Section 1(a), any portion thereof or any interest therein. I understand that if I request additional time to review the terms of this Release Agreement, a reasonable extension of time shall be granted.

### 3. Miscellaneous.

(a) No Violation of Law. I agree and acknowledge that this Release Agreement is not and shall not be construed to be an admission by the Company of any violation of any applicable laws of Israel, or of any duty owed by the Company to Me.

(b) Governing Law; Severability. This Release Agreement shall be governed by the laws of the State of Israel, without regard to its conflict of laws rules. In the event that any one or more of the provisions of this Release Agreement is held to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

(c) Counterparts. This Release Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

\* \* \* \* \*

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Very truly yours,

**EXECUTIVE**

\_\_\_\_\_  
Name: \_\_\_\_\_  
Dated: \_\_\_\_\_

ACCEPTED AND AGREED:

**TEVA PHARMACEUTICAL INDUSTRIES LTD**

\_\_\_\_\_  
By: \_\_\_\_\_  
Title: \_\_\_\_\_

\_\_\_\_\_  
By: \_\_\_\_\_  
Title: \_\_\_\_\_

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## Exhibit B

### 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 has had and 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 March 12, 2020 (hereinafter, the “**Employment Agreement**”) and any other confidentiality and/or assignment of inventions obligations and agreements by and between Executive and a company member of the Company Group. 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 has had and 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).

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“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 B** 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 has been and 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**”).

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- 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 Law 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.

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- 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. Executive acknowledges that the Company has entered into the Employment Agreement in reliance on his undertaking set forth in this Section 2, 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.
- 2.10. 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.

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### 3. **Miscellaneous**

- 3.1. Survivorship. The provisions of Sections 1 and 2 shall survive termination or expiration of the Employment Agreement and shall be and remain in full force and effect at all times thereafter.
- 3.2. Governing Law. This Agreement shall be governed by and construed according to the laws of the State of Israel. Any dispute arising under or relating to this Agreement or any transactions contemplated herein shall be resolved in accordance with Section 20.6 of the Employment Agreement.
- 3.3. 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.

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IN WITNESS WHEREOF, Executive has signed this Proprietary Information, Non-Disclosure and Assignment of Inventions Agreement as of March 1, 2020.

**EMPLOYEE**

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ACCEPTED AND AGREED:

**TEVA PHARMACEUTICAL INDUSTRIES LTD**

---

Name:

Title:

---

Name:

Title:

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Exhibit 10.8



## CONTRAT DE TRAVAIL A DUREE INDETERMINEE

### ENTRE LES SOUSSIGNES :

**La société TEVA SANTE**, société par actions simplifiée au capital de 109.599.592 Euros dont le siège social est sis 110 Esplanade du Général de Gaulle, Paris La Défense Cedex (92931), France, immatriculée sous le numéro 401 972 476 au RCS de Nanterre, représentée par Sima de Cayron, agissant en sa qualité de Directeur des Ressources Humaines, dûment habilité à cet effet,

Ci-après dénommée « **la Société** »,

D'une part,

ET

**Monsieur Eric Drapé**,  
Né le Mai 30, 1961  
Demeurant 4 Place de l'Eglise, 92210 Saint-Cloud, France  
de nationalité française  
N° de sécurité sociale : 1610569384234 11

Ci-après dénommée le « **Salarié** »,

D'autre part,

Ensemble dénommées les « **Parties** ».

A titre purement informatif, la convention collective applicable actuellement appliquée aux cadres de la Société est, sous réserve de modification ultérieure, la Convention Collective Nationale de l'Industrie Pharmaceutique (la « Convention Collective »).

### Teva Santé SAS

**Siège Social** : Cœur Défense – 110 Esplanade du Général de Gaulle – 92931 La Défense Cedex  
Tél. 01.55.91.78.00 | Fax. 01.55.91.78.01

Société par actions simplifiée au capital de 109 599 592€  
RCS Nanterre 401 972 476 | APE 2120Z | TVA intracommunautaire FR 54 401 972 476

## INDEFINITE TERM EMPLOYMENT AGREEMENT

### Translation for Information Purposes Only

### BETWEEN THE UNDERSIGNED:

**TEVA SANTE**, a simplified joint stock company (SAS) with a share capital of 109,599,592 Euros and registered office located in 110 Esplanade du Général de Gaulle, Paris La Défense Cedex (92931), France, registered under the number 401 972 476 RCS Nanterre, represented by Sima de Cayron, in his capacity as HR Director, duly authorized thereto,

Hereafter referred to as the “**Company**”,

Of the first part,

AND

**Mr Eric Drapé**,  
Born on May 30, 1961  
Residing at 4 Place de l'Eglise, 92210 Saint-Cloud, France  
French national,  
Social security number 1610569384234 11

hereafter referred to as the “**Employee**”,

Of the other part,

Together hereafter referred to as the “**Parties**”.

For purely information purposes, it is reminded that the collective bargaining agreement which is currently applied to the Executives unless future modification - is the *Convention Collective Nationale de l'industrie pharmaceutique* (the “CBA” or the “Collective Bargaining Agreement”).



La Société remettra un exemplaire du règlement intérieur le cas échéant, et met à la disposition de la Salariée la Convention Collective ainsi que les accords collectifs applicables dans l'entreprise.

## ARTICLE 1 – ENGAGEMENT

Le Salarié est engagé en qualité de **Senior Vice President & Head of Sterile and Respiratory Operations (Europe and Israel)**.

Le présent contrat prend effet le 26<sup>th</sup> Août 2013 au plus tard, sous réserve des résultats de la visite médicale d'embauche décidant de l'aptitude du Salarié à tenir cet emploi.

Le présent contrat est conclu sans période d'essai.

Le Salarié accepte cet engagement et déclare formellement n'être lié à aucune autre entreprise et être libre de tout engagement en vigueur.

## ARTICLE 2 – FONCTION

larié est engagé en qualité de **Senior Vice President & Head of Sterile and Respiratory Operations (Europe et Israel)** avec le statut de **Cadre, Groupe XI** de la Convention Collective.

A ce titre, le Salarié aura notamment les fonctions décrites en Annexe A.

Compte tenu de la nature de ses fonctions, les attributions du Salarié sont susceptibles d'évoluer. Ainsi, le Salarié peut également, sur demande de la Société, se voir confier des tâches supplémentaires ou complémentaires, conformément à ses fonctions et qualifications, sans que cela ne conduise à une augmentation de la rémunération prévue dans le contrat.

Le Salarié rendra compte au Président et CEO Teva Global Opérations ou à toute autre personne qui pourrait leur être substituée par la Société.

The Company will provide the Employee with a copy of the internal rules and regulations, if applicable. The CBA and collective agreements applicable to the Company will be at the Employee's disposal.

## ARTICLE 1 – HIRING

The Employee is hired in the position of **Senior Vice President & Head of Sterile and Respiratory Operations (Europe and Israel)**.

The present contract shall start on 26<sup>th</sup> August 2013 at the latest. However, it shall be confirmed only after the Employee's mandatory medical exam, stating that he is physically able to perform his role.

The present contract is not subject to any probationary period.

The Employee accepts this appointment and expressly declares that he is not bound by any other agreement with any other company.

## ARTICLE 2 – POSITION

The Employee is employed as **Senior Vice President & Head of Sterile and Respiratory Operations (Europe and Israel)** with executive status, **Group XI** of the Collective Bargaining Agreement currently applied by the Company.

In this respect, the Employee will perform the duties described in the attached Appendix A.

Given the scope of his functions, the duties of the Employee may change. The Employee may be required to perform additional or complementary tasks, according to his function and qualification, without any corresponding increase in the level of remuneration set out in the contract.

The Employee reports to the President and CEO Teva Global Operations or to any other person that the Company may substitute in their place.



## ARTICLE 3 – LIEU DE TRAVAIL ET MOBILITÉ

A titre informatif, il est indiqué que le Salarié est rattaché au siège social de la Société actuellement situé 110 Esplanade du Général de Gaulle, Paris La Défense Cedex (92931), France.

Dans le cadre de ses fonctions, le Salarié sera amené à effectuer de fréquents déplacements de plus ou moins longue durée en Europe, notamment aux Pays-Bas, au Royaume Uni, en Croatie, en Hongrie, en Irlande, et dans d'autres pays, notamment en Russie, en Israël et aux Etats Unis, ce que le Salarié accepte expressément.

Les conditions des déplacements du Salarié se feront conformément à la politique des déplacements professionnels en vigueur dans la Société au moment des déplacements.

## ARTICLE 4 – REMUNERATION

### 4.1 Rémunération fixe

Le Salarié perçoit un salaire annuel brut forfaitaire de **420.000 euros** (quatre cent vingt mille euros) payable en 12 échéances mensuelles égales.

Compte tenu de sa qualité de cadre dirigeant au sens de l'article L. 3111-2 du code du travail, il est expressément précisé que cette rémunération forfaitaire de base couvrira l'intégralité du temps consacré par le Salarié à l'exercice de sa fonction sans limitation de durée.

La rémunération fixe sera revue pour la première fois au cours du premier trimestre 2015.

### 4.2 Rémunération variable

En supplément de son salaire fixe, le Salarié pourra percevoir une rémunération variable.

Les objectifs et les conditions de versement de la rémunération variable sont définis unilatéralement par la Société et peuvent être modifiés à sa seule discrétion, étant précisé que ces modifications seront portées à la connaissance du Salarié au début de la période ouvrant droit à rémunération variable.

## ARTICLE 3 – PLACE OF WORK AND MOBILITY

For information purposes only, it is indicated that the Employee will be attached to the Company's registered office currently located in 110 Esplanade du Général de Gaulle, Paris La Défense Cedex (92931), France.

Within the scope of his duties, the Employee will be required to undertake travel of variable duration in Europe, notably the Netherlands, UK, Croatia, Hungary, Ireland, , and other countries, in particular to Russia, Israel and the USA, which the Employee expressly agrees to.

Travel conditions and arrangements shall be made in accordance with the Company's policy in force at the time of the travel.

## ARTICLE 4 – REMUNERATION

### 4.1 Base salary

The Employee shall receive a yearly gross remuneration of **420,000 Euros** (four hundred twenty thousand Euros), paid in 12 equal installments.

Given the Employee's "cadre dirigeant" status (article L. 3111-2 French Labour Code), this basic remuneration is a lump sum compensation, set in consideration of the Employee's total working time without any limit.

The base salary will be reviewed for the first time during the first quarter of 2015.

### 4.2 Variable remuneration

In addition to his fixed salary, the Employee may be eligible to variable remuneration.

The targets and the conditions of payment of the variable remuneration are determined solely by the Company and may change at its sole discretion. Such amendments shall be communicated to the Employee upon the start of period giving rise to the right to variable remuneration.



Sous réserve de l'atteinte des objectifs fixés, le Salarié pourra bénéficier d'une rémunération annuelle sur objectifs laquelle pourra atteindre 50% du salaire de base lorsque le Salarié aura atteint 100% des objectifs. Si le Salarié réalise plus de 100% des objectifs, le montant du bonus annuel pourra dépasser 50% du salaire de base, à la discrétion de la Société.

#### 4.3 Bonus exceptionnel

Le Salarié pourra également percevoir un bonus exceptionnel d'un montant total de 425.000 euros bruts réparti entre trois échéances égales d'un montant de 141.667 euros bruts en décembre 2013, décembre 2014 et décembre 2015.

Le droit à chacune de ces sommes est soumis à une condition de présence du Salarié dans la Société au moment de son versement.

#### ARTICLE 5 – DUREE DU TRAVAIL

Compte tenu de la nature de sa fonction, de son degré d'autonomie, de l'étendue de ses responsabilités dont l'importance implique une grande indépendance dans l'organisation de son emploi du temps ainsi que de son niveau de rémunération se situant dans les niveaux les plus élevés des systèmes de rémunération de la société, le Salarié est considéré comme un cadre dirigeant au sens de l'article L. 3111-2 du code du travail.

En conséquence, la réglementation relative à la durée du travail et aux temps de repos ne lui sera pas applicable.

#### ARTICLE 6 – FRAIS PROFESSIONNELS

Les frais professionnels et notamment les frais de déplacements raisonnablement engagés par le Salarié lui seront remboursés sur présentation de justificatifs et conformément aux règles en vigueur au sein de la Société.

#### ARTICLE 7 – VEHICULE

La Société met un véhicule à la disposition du Salarié à des fins professionnelles, conformément aux usages en vigueur au sein de la Société.

Subject to the achievement of the objectives set out, the Employee may be entitled to an annual variable remuneration of 50% of base salary at the maximum when 100% of targets are reached. Above 100% of targets reached by the Employee, the amount of the annual bonus could be higher than 50% of base salary at the Company's discretion.

#### 4.3 Exceptional bonus

The Employee will also be entitled to an exceptional bonus of 425,000 Euros gross split over three equal installments of 141,667 Euros gross in December 2013, December 2014 and December 2015.

The right to each of these sums is subject to the presence of the Employee within the Company at the time it is due to be paid.

#### ARTICLE 5 – WORKING TIME

Given the nature of his position, his level of autonomy, the importance of his duties which implies a large independence in the organization of his work schedule, as well as the level of his remuneration, which is one of the highest in the Company, the Employee is considered as a top executive ("cadre dirigeant") according to the article L.3111-2 of the French Labor Code.

As a consequence, the Employee is not subject to working hours or mandatory time-off provisions.

#### ARTICLE 6 – PROFESSIONAL EXPENSES

Reasonable professional expenses, such as travel expenses, incurred by the Employee are reimbursed upon presentation of supporting documents and according to the procedures in force within the Company.

#### ARTICLE 7 – VEHICLE

The Company provides the Employee with a car for professional use, in accordance with the Company's car policy in force.



La Société se réserve le droit d'attribuer le véhicule de son choix au Salarié.

Le Salarié est autorisé à utiliser à des fins personnelles le véhicule qui lui est confié. L'utilisation personnelle du véhicule constitue un avantage en nature dont il est tenu compte tant sur le plan fiscal que sur le plan social, et qui donne lieu au paiement de cotisations sociales. Cet avantage en nature figure sur le bulletin de paie du Salarié.

Les frais d'entretien de la voiture sont à la charge de la Société.

En cas d'accident, le Salarié doit informer dans les 48 heures la Société ainsi que la compagnie d'assurance en précisant les circonstances de l'accident.

Cette mise à disposition du véhicule peut être remise en cause à tout moment par la Société en fonction des nécessités du service sous réserve du respect d'un préavis raisonnable et sans que cela ne constitue une modification du contrat.

#### **ARTICLE 8 – AVANTAGES SOCIAUX ET SITUATION AU REGARD DE LA CCN DE RETRAITE ET DE PREVOYANCE DES CADRES**

Le Salarié sera affilié aux régimes sociaux (retraite, mutuelle et prévoyance) en vigueur au sein de la Société en faveur des salariés de sa catégorie.

Toutes variations des taux de cotisations imposées par les Caisses, dans le cadre de l'évolution des dispositions légales, réglementaires et conventionnelles, seront d'application obligatoire, le Salarié ne pouvant s'y opposer.

Le Salarié relèvera de l'article 4 de la Convention Collective Nationale de retraite et de prévoyance des cadres du 14 mars 1947.

The Company reserves the right to provide the Employee with the car it may choose.

The Employee is authorized to use the car provided to him for private purpose. The personal use of the car constitutes a benefit-in-kind, which generates tax issues and gives place to the payment of social security contributions. This benefit-in-kind is mentioned on the Employee's pay statement.

Expenses of servicing of the car are the responsibility of the Company.

In the event of accident, the Employee has to inform in the 48 hours the Company as well as the insurance company by specifying the circumstances of the accident.

This provision of the car could be called into question at any time by the Company according to the business interests, subject to the respect of a reasonable notice. This shall not constitute a modification of the contract.

#### **ARTICLE 8 – SOCIAL BENEFITS AND SITUATION REGARDING THE CBA FOR PENSION AND WELFARE BENEFITS FOR EXECUTIVES**

The Employee shall be registered with the social schemes (retirement, health and welfare scheme) entered into by the Company in favour of employees of the same category.

All changes of rates imposed by the Social security entity, in the context of changing legal provisions, regulations and agreements, will become mandatory, the Employee cannot oppose them.

The Employee shall benefit from Article 4 of the national collective bargaining agreement regarding pension and welfare benefits for executives dated March 14, 1947.



## ARTICLE 9 – CONGES PAYES

Le Salarié bénéficiera du nombre de jours de congés payés déterminé en application des dispositions légales et conventionnelles en vigueur.

Les dates des congés sont fixées conformément aux dispositions légales en tenant compte des exigences et nécessités de service et souhaits du Salarié.

Sauf accord écrit de la Société, aucun report de congés payés ne sera autorisé d'une année sur l'autre.

## ARTICLE 10 – OBLIGATIONS GENERALES

Le Salarié s'engage à accomplir ses fonctions avec loyauté et soin, et à protéger au mieux les intérêts de la Société, à tout moment.

Il s'engage, pendant toute la durée du présent contrat, à se conformer aux règles régissant le fonctionnement interne de celle-ci, y compris aux règles édictées au niveau du groupe, à condition que ces instructions et règles ne soient pas en opposition avec les lois applicables.

## ARTICLE 11 – EXCLUSIVITE

Pendant la durée du Contrat, le Salarié s'engage à consacrer l'intégralité de son activité professionnelle à l'exécution de ses fonctions au sein de la Société.

Plus précisément, le Salarié s'interdit, pour son propre compte ou pour le compte d'une autre personne physique ou morale, à quelque titre que ce soit (notamment, sans, que cette liste soit limitative, en tant qu'administrateur, gérant, salarié, consultant, actionnaire ou associé), d'être directement ou indirectement engagé, concerné ou intéressé dans aucun autre commerce, industrie, activité professionnelle ou emploi quel qu'il soit sans l'autorisation préalable expresse écrite de la Société.

De même, le Salarié s'interdit de s'intéresser directement ou indirectement, de quelque manière que ce soit, à toute société ou entreprise ayant une activité concurrente ou complémentaire à celle de la Société, et ce pendant toute la durée de son contrat de travail.

## ARTICLE 9 – PAID HOLIDAY

The Employee shall be entitled to the number of days holiday provided by French law and the provisions of the applicable collective bargaining agreement.

The period of leave is determined in accordance with statutory provisions, taking into account both the Employee's obligation to ensure the effective performance of his duties and wishes.

Except for with the written consent of the Company, the Employee's holiday entitlement shall not be carried forward from one year to the next.

## ARTICLE 10 – GENERAL OBLIGATIONS

The Employee undertakes to carry out employment duties with loyalty and care, and to protect the Company's interests, as best as possible, at any and all times.

The Employee undertakes, during the term of this contract, to comply with the internal rules of the Company, including the rules implemented at the group level, provided that these instructions and rules do not conflict with the applicable law.

## ARTICLE 11 – EXCLUSIVITY

For the duration of the Contract, the Employee shall devote all of the Employee's working time to the performance of employment duties within the Company.

More specifically, the Employee undertakes that he will not, either individually, or on behalf of any other individual or corporate entity, in any capacity whatsoever (particularly, but without limitation, as director, manager, employee, consultant, shareholder or partner) become directly or indirectly involved, concerned or interested in any other business, industry, professional activity or employment of any kind without the prior written consent of the Company.

The Employee also agrees not to have any direct or indirect interest, in whatever way, in any company or firm whose activity is in competition or complementary to the Company's activity, while he is employed by the Company.



## ARTICLE 12 – DISCRETION ET CONFIDENTIALITE

Sous réserve de ce qui sera strictement nécessaire pour les besoins des missions qui lui sont confiées au sein de la Société, le Salarié s'engage à ne pas divulguer, communiquer, ni utiliser directement ou indirectement les informations confidentielles de toute nature dont il aura eu connaissance dans le cadre ou à l'occasion de ses fonctions concernant les affaires et activités de la Société, de leurs actionnaires, clients, fournisseurs, salariés ou mandataires sociaux, et ce aussi bien pendant la durée du présent contrat qu'après la rupture de celui-ci, sans limitation de durée.

On entend par information confidentielle, sans que cette liste soit limitative, inventions, savoir-faire, secrets commerciaux, cahiers de laboratoire, matériaux biologiques, dessins et concepts (d'ingénierie), listes de prix, données financières, budgets, clients, ventes aux clients, propositions des clients, prévisions des ventes, méthodes opérationnelles, vendeurs, fournisseurs, sous-traitants et partenaires (ainsi que leurs conditions de vente), acheteurs, toute proposition liée à l'acquisition ou à la vente de toute société ou entreprise gérée par Teva, toute proposition liée à l'expansion ou à la réduction des activités (affaires-, recherche et développement-, construction-, technique-, ventes-et production-), projets et processus, appareils, concepts, compositions, formules, développements, recherches, techniques, améliorations, procédures, idées, matériel informatique, logiciels, méthodes de comptabilité, approches commerciales, projets marketing, informations sur le personnel et l'emploi (y compris les détails sur les salariés et les directeurs, le niveau de rémunération et les avantages qui leur sont attribués) ; obtenus, développés, modifiés, utilisés, générés et/ou employés par ou pour le compte de Teva.

Toute violation de la présente clause rendra le Salarié automatiquement redevable d'une pénalité fixe égale aux salaires bruts perçus effectivement pendant les **six (6) mois** précédant le départ de la personne sollicitée, sans que cela ne porte préjudice aux droits que se réserve la Société de poursuivre le Salarié en réparation du préjudice matériel et moral.

## ARTICLE 12 – DISCRETION AND CONFIDENTIALITY

Unless strictly necessary to the carrying out of the Employee's duties assigned within the Company, the Employee undertakes not to communicate, disclose or use directly or indirectly confidential information of any kind which he would have gained in the course of, or due to, his position relating to the businesses or activities of the Company; of their shareholders, clients, retailers, employees, corporate officers, and so during the execution and upon the termination of the contract, under the conditions defined below, unless he is obliged to do so by the law.

For the purpose of this clause, confidential information includes, but will not be limited to, any inventions, know-how, trade secrets, laboratory notebooks, biological materials, (engineering) designs and drawings, price lists, pricing methodologies, pricing policies, licenses, contract information, financial forecasts, financial data, budgets, customers, customer sales, customer proposals, sale forecasts, methods of operation, vendors, suppliers & contractors & Partners (and their terms of business), purchasers, any proposals relating to the acquisition or disposal of any company owned or business operated by Teva, any proposals relating to the expansion or contracting of activities, (business-research & development-, construction-, technical-, sales-and production-) plans & processes, apparatus, designs, compositions, formula, developments, research, techniques, improvements, procedures, ideas, computer hardware, computer software, methods of accounting, manners of doing business, 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 Teva.

In the event that this clause is breached the Employee will automatically be liable to the payment of a fixed penalty equal to the gross salary received for the **six (6) months** preceding the departure of the solicited person, without prejudice to the Company's right to file an action against the Employee to obtain full remedy of the prejudice suffered.



## ARTICLE 13 – PROPRIÉTÉ INTELLECTUELLE

L. Salarié devra informer sans délai la Société de toute idée ou invention qu'il aurait pu créer ou développer et qui pourrait être effectivement ou potentiellement intéressante pour l'activité de la Société.

Sous réserve des droits détenus et qui seront développés par les partenaires de la Société, le Salarié reconnaît que toute marque, dessins, droits, brevets, bases de données ou tout autre élément de propriété intellectuelle, qu'ils soient existants ou futurs, qui pourraient être créés pendant l'exécution normale du contrat de travail ou en utilisant les outils, équipement ou savoir-faire mis à la disposition du Salarié pendant la relation contractuelle, demeureront la propriété exclusive de la Société ou de toute autre entité qu'elle désignera à cet effet, et si cela lui était demandé (soit pendant l'exécution du contrat de travail, soit après) il effectuera toutes les formalités nécessaires afin de transférer les droits susmentionnés auprès de la Société qui en serait le propriétaire et utilisateur unique.

## ARTICLE 14 – MATÉRIELS ET DOCUMENTS

Tous documents, biens, matériels et supports d'information de toute nature que la Société confie au Salarié demeurent la propriété exclusive de la Société.

La Société met notamment à la disposition du Salarié un ordinateur portable et un téléphone portable.

Le Salarié s'interdit d'en faire un usage autre que professionnel ainsi que d'en faire des copies sur tout support de quelque nature que ce soit pour son usage personnel, sauf autorisation expresse et préalable de la Société.

Le Salarié s'engage à restituer à tout moment à la demande de la Société ou lors de la rupture du Contrat, les éléments susvisés, et plus généralement tout écrit ou tout enregistrement réalisé par lui sur tout support de quelque nature que ce soit relatifs à l'activité de la Société ou dont il aurait eu connaissance dans le cadre de l'exécution du Contrat et qui proviendrait de la Société.

## ARTICLE 13 – INTELLECTUAL PROPERTY

The Employee shall promptly disclose to the Company any idea or invention created or developed by him which is actually or potentially relevant to the business of the Company.

Subject to the rights held and developed by the Company's partners, the Employee acknowledges that all trade marks, registered designs, design rights, copyright, database rights and all other intellectual property rights, whether in existence now or coming into existence at any time in the future, will, on creation either during the normal course of employment or by using materials, tools or knowledge made available through his employment, vest in and be the exclusive property of the Company which the Company shall nominate and if required to do so (whether during or after the termination of his employment), he will execute all instruments and do all things necessary to vest ownership in the above rights in the Company as sole beneficial owner.

## ARTICLE 14 – MATERIAL AND DOCUMENTS

All documents, goods, materials and equipment of any kind provided by the Company to the Employee remain the property of the Company and must be returned upon request.

The Company notably provides the Employee with a laptop and mobile phone.

The Employee agrees not to make use of such items for any purpose other than that of the business and not to make copies of any description for personal use without the prior express authorisation of the Company.

The Employee undertakes at any time, upon request by the Company or upon termination of the Contract, to return to the Company any of the above mentioned items and, more generally, any written document or recording by him of any nature relating to the business of the Company, or of which he would have had knowledge of during the course of the Contract and whose author would be the Company.



## ARTICLE 15 – LOYAUTE

Il est rappelé aux Parties que les relations contractuelles sont basées sur une confiance réciproque. La confiance par essence implique la bonne foi, laquelle s'exprime au travers de la loyauté. A ce titre, les Parties sont tenues l'une envers l'autre par cette obligation de loyauté, qui perdure au-delà de la rupture du contrat de travail.

## ARTICLE 16 – NON-SOLLICITATION DES SALARIES

Pendant toute la durée du contrat et pendant **six (6) mois** à l'issue du départ effectif du Salarié, ce dernier devra s'abstenir d'embaucher ou de solliciter - directement ou indirectement - d'encourager ou de faciliter le débauchage de tout salarié de la Société pour son propre compte ou pour le compte de son nouvel employeur ou de toute autre société.

Toute violation de la présente clause rendra le Salarié automatiquement redevable d'une pénalité fixe égale aux salaires bruts perçus effectivement pendant les **six (6) mois** précédant le départ de la personne sollicitée, sans que cela ne porte préjudice aux droits que se réserve la Société de poursuivre le Salarié en réparation du préjudice matériel et moral.

## ARTICLE 17 – CLAUSE DE NON-CONCURRENCE ET DE NON-SOLLICITATION DE CLIENTELE

Compte tenu du caractère extrêmement sensible du savoir-faire et des informations techniques et commerciales auxquels le Salarié a accès dans l'exercice de ses fonctions, de la nature particulièrement concurrentielle des activités de la Société, des fonctions du Salarié ainsi que des responsabilités qui lui sont confiées, les Parties conviennent d'une obligation de non-concurrence et de non-sollicitation de clientèle qui a vocation à prendre effet à l'issue de la relation de travail, c'est-à-dire à la date du départ effectif du Salarié.

Passée la présente relation contractuelle de travail, les Parties conviennent, dans le seul but de protéger les intérêts légitimes de la Société, que le Salarié s'interdit d'exercer, directement ou indirectement, une activité concurrente à celle de la Société et plus particulièrement toute activité dans le secteur de la fabrication, du développement, du marketing, de la promotion et de la commercialisation de tous produits et dispositifs pharmaceutiques, médicaux et vétérinaires.

## ARTICLE 15 – LOYALTY

The Parties are aware that contractual relationships are based on mutual trust. Trust includes by nature good faith, which is expressed by loyalty. The parties have to respect this loyalty obligation which continues to exist even after the termination of the employment contract.

## ARTICLE 16 – NON-SOLICITATION OF EMPLOYEES

During the whole duration of the contract and for **six (6) months** after effective departure of the Employee, the Employee shall not hire or solicit - directly or indirectly - encourage or facilitate the poaching of any employee of the Company on his behalf or on the behalf of his new employer or any other company.

In the event that this clause is breached, the Employee will automatically be liable to the payment of a fixed penalty equal to the gross salary received for the **six (6) months** preceding the departure of the solicited person, without prejudice to the Company's right to file an action against the Employee to obtain full remedy of the prejudice suffered.

## ARTICLE 17 – NON-COMPETE AND NON-POACHING OF CLIENTS CLAUSE

Considering the extreme sensitiveness of the know-how and technical and commercial information to which the Employee has access in the framework of his functions, the extremely competitive nature of the activities of the Company, the functions and responsibilities of the Employee, the Parties agree that a non-competition obligation and a non-poaching obligation regarding clients will take effect at the end of the employment relationship, i.e. on the date of the effective departure of the Employee.

After this employment contract has terminated, in order to protect the legitimate interests of the Company, the Parties agree that the Employee undertakes not to directly or indirectly carry out any activity that would compete with that of the Company and, in particular, any activity which is related to manufacturing, development, marketing, promoting and distributing of any pharmaceutical, medical and veterinary products and devices.



Le Salarié s'engage à s'abstenir de solliciter, de démarcher les clients de la Société, de les détourner ou tenter de les détourner, ni directement ni indirectement, à son profit ou à celui d'un tiers, et de leur apporter son concours sous quelque forme que ce soit, pour son propre compte ou pour le compte d'un tiers, ni directement, ni indirectement.

Par client de la Société, la présente clause vise toute personne physique ou morale en contact avec la Société ou pour lesquelles le Salarié a été amené à travailler à titre permanent ou occasionnel dans le cadre de ses fonctions en France et en Europe au sein de la Société. La qualité de client est étendue aux filiales et sous-filiales des personnes morales directement clientes.

Cette interdiction est limitée à une durée de **six (6) mois** à compter de la date du départ effectif du Salarié.

Cette interdiction porte sur le territoire suivant : **France, Pays-Bas, Royaume-Uni, l'Irlande, la Croatie, la Hongrie, et l'Allemagne**

Le Salarié reconnaît que les conditions d'application de l'obligation de non concurrence telles qu'elles sont exposées ci-dessus ne l'empêchent pas d'exercer une activité conforme à son expérience et à sa formation et ne portent pas atteinte à sa liberté de travail.

En cas d'application de la clause de non-concurrence, il sera versé au Salarié pendant toute la durée d'application de la clause, une indemnité mensuelle d'un montant brut correspondant à **50%** de la rémunération moyenne mensuelle brute de base perçue au titre des douze derniers mois de présence du Salarié au sein de la Société.

The Employee undertakes to refrain from soliciting, approaching the clients of the Company, poaching or tempting to poach clients, either directly or indirectly - either individually or on behalf of any third party, and from bring them his support in any way, on his behalf or behalf of any third party, either directly or indirectly.

Client of the Company mentioned in the present clause refers to any individual or corporate entity in contact with the Company or for which the Employee has worked permanently or occasionally in relation to his functions in France and in Europe within the Company. Client also refers to subsidiaries and subsubsidiaries of corporate entities which are direct clients.

The prohibition on competition will remain binding for a period of **six (6) months**, starting on the date of effective departure of the Employee.

This prohibition applies to the following territories: **France, Netherlands, UK, Ireland, Croatia, Hungary, and Germany**

The Employee acknowledges that the conditions in which the above non-compete provision applies will not prevent him from carrying out an activity that corresponds to his training and experience, and will not impact his freedom to work.

In the event that the non-competition clause is implemented, the Employee will receive a gross monthly indemnity for a gross amount which corresponds to **50%** of the average monthly gross base salary paid to the Employee for the 12 last months of presence of the Employee within the Company.



La présente clause de non-concurrence pourra être levée dans le cadre de la rupture du contrat de travail, que celle-ci soit à l'initiative de la Société ou du Salarié, conformément aux dispositions de la Convention Collective.

Toute violation des dispositions de la présente clause libère la Société du versement de l'indemnité de non-concurrence et rend le Salarié redevable des sommes reçues à ce titre ainsi que des cotisations sociales acquittées par la Société et qui ne lui seraient pas remboursées.

Par ailleurs, en cas de violation de cette interdiction, le Salarié s'expose au paiement, par manquement constaté, d'une indemnité forfaitaire égale à la rémunération de ses **six (6) derniers mois** d'activité sans préjudice du droit pour la Société de faire cesser ladite violation par tout moyen et de demander réparation de l'entier préjudice subi.

#### ARTICLE 18 – PREAVIS

Chacune des Parties pourra rompre le présent contrat de travail en respectant une période de préavis de **12 mois**.

Cependant, cette période de préavis ne sera pas due en cas de licenciement pour faute grave ou lourde du Salarié.

#### ARTICLE 19 – PROTECTION DES DONNEES

La Société traite les données personnelles du Salarié pour les finalités liées à l'exécution de son contrat de travail et le fonctionnement de la Société.

Conformément à la législation française en vigueur, le Salarié pourra exercer son droit d'accès et de rectification de ses données personnelles collectées par la Société, en application des dispositions de la loi n° 78-17 du 6 janvier 1978 modifiée.

#### ARTICLE 20 – DROIT APPLICABLE

Le contrat est soumis au Droit français.

Si l'une des dispositions du contrat devait être déclarée invalide, la validité des autres clauses ne serait pas pour autant affectée.

Fait à Paris  
Le 30 Mai 2013

It will be possible to renounce to the present clause upon termination of the contract, either at the Company's initiative or at the Employee's, in compliance with the provisions of the CBA.

In the event that this clause is breached, the Company will be released from paying the non-compete indemnity and the Employee will be liable for any sums paid in this respect and which have not been reimbursed. Moreover, the Employee will be liable for the payment, in the case of each breach, of an all-inclusive contractual indemnity equal to the remuneration of his last **six (6) months** of activity, without prejudice to the Company's right to obtain the cessation of the breach by all available means, and to fully remedy any loss suffered.

#### ARTICLE 18 – NOTICE PERIOD

Each party shall have the right to terminate this employment contract by giving a **12-month** notice period.

However, this notice period will not be due in case of dismissal for gross or serious misconduct.

#### ARTICLE 19 – DATA PROTECTION

The Company shall process personal data relating to the Employee for the purpose of performance of this contract and the business of the Company.

In line with French legislation currently in force, the Employee may exercise all rights to access and modify his personal data held by the Company in compliance with the law n° 78-17 of January 6, 1978, as modified.

#### ARTICLE 20 – GOVERNING LAW

The contract is governed by French Law.

Should any provision of the contract become invalid, the validity of the other provisions shall not be affected thereby.

Signed in Paris  
On May 30<sup>th</sup>, 2013



Fait à Paris,  
le 30 Mai 2013  
En deux (2) exemplaires originaux  
dont un pour chaque partie

Signed in Paris,  
On May 30<sup>th</sup>, 2013  
In two (2) originals, one for each party

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**Le Salarié**  
**Monsieur Eric Drapé**

*«Bon pour accord»*  
/s/ Eric Drapé

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**TEVA SANTE (\*)**  
Représentée par Sima de Cayron, agissant en sa qualité de Directeur  
des Ressources Humaines

*«Bon pour accord»*  
/s/ Sima de Cayron

(\*) *Parapher le bas de chaque page et, sur la dernière page, faire  
précéder la signature de la mention manuscrite «Bon pour  
accord»*

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**The Employee**  
**Mr Eric Drapé**

*« Read and Approved »*  
/s/ Eric Drapé

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**TEVA SANTE (\*)**  
Represented by Sima de Cayron, in his capacity as HR Director

*“Read and Approved”*  
/s/ Sima de Cayron

(\*) *Initial the bottom of each page and, on the last page, write by  
hand “Read and Approved” before the signature*



Exhibit 10.9



## CONVENTION DE TRANSFERT DU CONTRAT DE TRAVAIL (Ci-après la "Convention")

### ENTRE LES SOUSIGNEES :

La société **TEVA SANTE**, société par actions simplifiée dont le siège social est sis 110 Esplanade du General de Gaulle, Paris La Défense Cedex (92931), France, immatriculée sous le numéro 401 972 476 au RCS de Nanterre,

Représentée par Karima ZERHOUNI agissant en sa qualité de Directeur des Ressources Humaines, dûment habilité aux fins des présentes.

Ci-après dénommée "**TEVA SANTE**";

### ET

La société **TEVA PHARMACEUTICAL INDUSTRIES LTD**, société de droit Israélien, dont le siège social est 5 Basel Street, Petach Tikwa, Israel, société enregistrée sous le numéro 52-001395-4, représentée par Mark Sabag et Ephie Nissenfeld.

Ci-après dénommée "**TEVA PHARMACEUTICAL**";

### ET

Monsieur **Eric Drapé**, né le 30 mai 1961 à Lyon (France), demeurant 4 Place de l'Eglise à Saint-Cloud (92210) en France, de nationalité française. N° de sécurité sociale : 1610569384234 11

Ci-après dénommé "**Monsieur Drapé**" ou le "**Salarié**";

Ci-après désignées collectivement les "**Parties**" et individuellement une "**Partie**".

### IL EST PREALABLEMENT RAPPELE CE QUI SUIVIT :

Le Salarié a été embauché à compter du 26 août 2013 par contrat à durée indéterminée conclu le 30 mai 2013, en qualité de "*Senior Vice President & Head of Sterile and Respiratory Operations (Europe and Israel)*" (le "**Contrat de travail**").

## TRANSFER AGREEMENT OF THE EMPLOYMENT CONTRACT (Hereinafter the "Agreement")

### BETWEEN THE UNDERSIGNED:

The company **TEVA SANTE**, a simplified joint stock company (SAS) and registered office located 110 Esplanade du General de Gaulle, Paris La Défense Cedex (92931), France, registered with the Nanterre register of companies under number 401 972 476,

Represented by Karima ZERHOUNI as Human Resources Director, duly appointed for the purpose hereof.

Hereinafter referred to as "**TEVA SANTE**";

### AND

The company **TEVA PHARMACEUTICAL INDUSTRIES LTD**, with registered address located at 5 Basel Street, Petach Tikwa, Israel, Company No. 52-001395-4, represented by Mark Sabag and Ephie Nissenfeld.

Hereinafter referred to as "**TEVA PHARMACEUTICAL**";

### AND

Mr. **Eric Drapé**, born on 30 May 1961 in Lyon (France), residing at 4 Place de l'Eglise, Saint-Cloud (92210) in France, French national. Social security number: 1610569384234 11

Hereinafter referred to as Mr. "**Drapé**" or the "**Employee**";

Hereinafter collectively referred to as the "**Parties**" and individually one "**Party**".

### THE FOLLOWING PROVISIONS ARE HEREBY REMINDED :

The Employee has been hired as from 26 August 2013 under an indefinite term employment contract concluded on 30 May 2013, as "*Senior Vice President & Head of Sterile and Respiratory Operations (Europe and Israel)*" (the "**Employment contract**").



Il a été proposé au Salarié d'occuper le poste de *Executive Vice President – Global Operations* au sein de TEVA PHARMACEUTICAL. Le Salarié s'est ainsi vu proposer un transfert volontaire de son Contrat de travail à TEVA PHARMACEUTICAL.

La présente Convention emporte ainsi novation du Contrat de travail et fixe les termes et conditions de la poursuite du Contrat de travail au sein de TEVA PHARMACEUTICAL et, par suite, la disparition des relations contractuelles entre TEVA SANTE et le Salarié.

C'est dans ce contexte qu'intervient la signature de la présente Convention tripartite de transfert.

Le Contrat de travail transféré est annexé à la présente Convention.

#### IL A ETE CONVENU CE QUI SUIT :

##### Article 1 : Cessation des relations contractuelles entre TEVA SANTE et le Salarié

TEVA SANTE et le Salarié sont convenus de la fin des relations contractuelles les unissant.

En conséquence, le Salarié cessera définitivement de faire partie des effectifs de TEVA SANTE, à compter du 1 Mars 2020 (ci-après dénommée la "**Date de Transfert**"), sans aucune période de préavis. Il cessera donc d'être rémunéré par TEVA SANTE à compter de cette Date.

Dans la mesure où il s'agit d'un transfert de contrat de travail, les Parties conviennent qu'aucune somme ne sera versée au Salarié au titre de la cessation de ses relations contractuelles avec TEVA SANTE, qui ne saurait être assimilée ni à une démission du Salarié de TEVA SANTE, ni à un licenciement par celle-ci, ni à une rupture conventionnelle.

La présente Convention tripartite de transfert est en conséquence exclusive de toute indemnité de rupture et de tout préavis à la charge aussi bien de TEVA SANTE que du Salarié.

The Employee has been offered to hold the position of Executive Vice President – Global Operations within TEVA PHARMACEUTICAL. A voluntary transfer of his Employment contract within TEVA PHARMACEUTICAL has therefore been offered to the Employee.

This Agreement thus entails the novation of the Employment contract and lays down the terms and conditions for the continuation of the Employment contract with TEVA PHARMACEUTICAL and, consequently, the termination of any contractual relationship between TEVA SANTE and the Employee.

The signing of this tripartite transfer Agreement is made in this context.

The transferred Employment contract is attached to this Agreement.

#### THE FOLLOWING PROVISIONS ARE HEREBY AGREED UPON:

##### Article 1 : Ending of the contractual relationships between TEVA SANTE and the Employee

TEVA SANTE and the Employee agreed on the ending of any contractual relationship between them.

Consequently, as from March 1, 2020 (hereinafter referred to as the "**Date of Transfer**"), the Employee will no longer be part of the headcount of TEVA SANTE, without any notice period. He will therefore no longer be paid by TEVA SANTE as from this Date.

As it is a transfer of employment contract, the Parties expressly agree that there will be no payment made to the Employee as for the termination of his contractual relationships with TEVA SANTE, which does not amount to resignation from the Employee with TEVA SANTE, nor to a dismissal or a termination by mutual agreement.

Consequently, this tripartite transfer Agreement does not entail the payment of any severance payment and does not give rise to any notice period from either TEVA SANTE or the Employee.



Elle a uniquement pour effet de permettre d'un commun accord la poursuite du Contrat de travail entre le Salarié et TEVA PHARMACEUTICAL, la société TEVA PHARMACEUTICAL devenant à compter de la Date de Transfert son nouvel employeur.

TEVA SANTE versera au Salarié son salaire ainsi que l'ensemble des droits acquis et échus jusqu'à la Date de Transfert.

A compter de la Date de Transfert, TEVA PHARMACEUTICAL sera seule responsable du versement des salaires et autres droits acquis par le Salarié postérieurement à la Date de Transfert.

Il est précisé que les droits à congés payés acquis et non pris par le Salarié auprès de TEVA SANTE à la Date de Transfert, dans la limite de 47 jours de congés payés, seront transférés à TEVA PHARMACEUTICAL et pourront être pris suivant les modalités en vigueur au sein de TEVA PHARMACEUTICAL. Au-delà de la limite de ces 47 jours, les congés payés acquis et non pris par le Salarié seront payés au Salarié par TEVA SANTE.

## **Article 2 : Transfert du Contrat de travail du Salarié au sein de TEVA PHARMACEUTICAL**

Par la présente Convention, les Parties décident d'un commun accord du transfert définitif du Contrat de travail du Salarié au sein de TEVA PHARMACEUTICAL.

Ce transfert définitif du Contrat de travail opère ainsi une novation de Contrat de travail du Salarié par substitution de la société TEVA PHARMACEUTICAL à TEVA SANTE en sa qualité d'employeur et conclusion d'un nouveau contrat de travail entre les parties.

A la Date de Transfert, TEVA PHARMACEUTICAL deviendra l'unique employeur du Salarié.

## **Article 3 : Nouvelles clauses contractuelles**

A compter de la Date de transfert, le Contrat de travail du Salarié sera modifié, l'ensemble de ses clauses étant remplacé par les termes de l'accord signé entre Monsieur Drapé et TEVA PHARMACEUTICAL le Mars 20, 2020, annexé à la présente Convention.

It only has the effect of allowing, by mutual agreement, the continuation of the Employment contract between the Employee and TEVA PHARMACEUTICAL, which becomes his new employer as of the Transfer Date.

TEVA SANTE will pay the Employee his salary as well as all the rights acquired and expired until the Transfer Date.

As from the Transfer Date, TEVA PHARMACEUTICAL will be solely responsible and liable for the payment of wages and other rights acquired by the Employee after the Transfer Date.

It is specified that the entitlement to 47 days paid holidays acquired and not taken by the Employee within TEVA PHARMACEUTICAL on the Transfer Date, will be transferred to TEVA PHARMACEUTICAL and may be taken according to the procedures in force within TEVA PHARMACEUTICAL. To the extent the Employee acquired more than 47 days of paid holidays, such acquired paid holidays in excess of the 47 days will be paid to the Employee by TEVA SANTE.

## **Article 2 : Transfer of the Employment contract of the Employee within TEVA PHARMACEUTICAL**

By this Agreement, the Parties agree by mutual agreement of the definitive transfer of the Employment contract of the Employee within TEVA PHARMACEUTICAL.

The definitive transfer of this Employment contract entails the novation of the Employment contract of the Employee by substituting TEVA PHARMACEUTICAL to TEVA SANTE as an employer and entering into a new employment contract.

At the Transfer Date, TEVA PHARMACEUTICAL will become the sole employer of the Employee.

## **Article 3 : New contractual clauses**

As from the Transfer date, the Employment contract shall be modified, with all of its clauses being replaced by the terms of the agreement signed between Mr. Drapé and TEVA PHARMACEUTICAL on March 12, 2020, which will be attached to this Agreement.



Le Contrat de travail sera ainsi soumis à compter du 1 Mars 2020, au droit israélien, applicable à l'accord précité.

**Article 4 : Levée de la clause de non-concurrence et non-sollicitation de clientèle applicable au sein de TEVA SANTE**

Dans le cadre de la présente Convention, TEVA SANTE libère le Salarié de l'interdiction de non-sollicitation de clientèle prévue à l'article 17 de son Contrat de travail conclu avec TEVA SANTE.

La présente renonciation décharge TEVA SANTE de tout paiement de la contrepartie financière qui dépendait de l'application de clause.

**Article 5 : Transfert de données**

En signant cette Convention de transfert de son Contrat de travail, le Salarié accepte que les éléments de son dossier soient transmis par la société TEVA SANTE à la TEVA PHARMACEUTICAL afin de permettre la poursuite de son emploi au sein de cette dernière.

En tant que nouvel employeur, et en conséquence du transfert du Contrat de travail, TEVA PHARMACEUTICAL aura accès à certaines des données personnelles du Salarié (pouvant inclure des données personnelles « sensibles ») afin de respecter ses diverses obligations. Les catégories de données personnelles peuvent notamment inclure : les coordonnées du Salarié, le détail de sa rémunération et toute autre information liée à la poursuite de son emploi.

Concernant les données personnelles qui pourraient être transférées et traitées par TEVA PHARMACEUTICAL pendant toute la durée de l'emploi du Salarié, conformément à la loi Informatique et Libertés n° 78-17 du 6 janvier 1978, modifiée en 2018, et le Règlement général sur la protection des données (UE) 679/2016, le Salarié bénéficie d'un droit d'accès et de rectification aux informations qui le concernent.

As from March 1, 2020, the Employment contract shall thus be subject to Israelite law, applicable to the aforementioned agreement.

**Article 4: Waiving of the non-compete and non-poaching of clients commitment applicable within TEVA SANTE**

In the framework of this Agreement, TEVA SANTE releases the Employee from his non-compete and non-poaching commitment provided for by Article 17 of his Employment contract concluded with TEVA SANTE.

This waiver releases TEVA SANTE from paying any financial indemnity relating to the application of this Article.

**Article 5 : Data transfer**

By signing this transfer Agreement of his Employment contract, the Employee agrees that his file will be provided by TEVA SANTE to TEVA PHARMACEUTICAL in order to enable the continuation of his employment within TEVA PHARMACEUTICAL.

As a new employer, and as a result of the transfer of the Employment contract, TEVA PHARMACEUTICAL will have access to some of the Employee's personal data (which may include "sensitive" personal data) in order to meet its various obligations. Personal data may in particular include: contact details of the Employee, information regarding his remuneration and any other information related to the continuation of his employment.

Regarding the personal data that could be transferred and processed by TEVA PHARMACEUTICAL during the performance of the employment of the Employee, in accordance with the Data Protection Act No. 78-17 of 6 January 1978, amended in 2018, and the General Data Protection Regulation (EU) 679/2016, the Employee has the right to access and rectify the information concerning him.



En paraphant la présente page, le Salarié marque son accord explicite aux transferts et traitements des données personnelles sensibles le concernant.

## Article 6 : Information du salarié

Le Salarié reconnaît avoir reçu toute l'information nécessaire et avoir bénéficié d'un temps de réflexion suffisant pour prendre sa décision en connaissance de cause avant de signer la présente Convention.

## Article 7 : Langue

La version définitive de la présente Convention qui lie les Parties est la version française, la version anglaise de l'accord n'étant fournie qu'à titre d'information. En cas de contradiction entre les versions françaises et anglaises, la version française prévaudra.

## Article 8 : Loi applicable – Tribunaux compétents

La présente Convention est soumise à la loi française et tout litige s'y rapportant sera de la compétence exclusive des tribunaux français.

## Annexe – Contrat de travail du Salarié conclu avec TEVA PHARMACEUTICAL

Fait en trois exemplaires originaux

A Paris, le Mars 20, 2020

**Pour la société TEVA SANTE**

/s/ Karima ZERHOUNI

Directeur des Ressources Humaines

**Pour la société TEVA PHARMACEUTICAL INDUSTRIES**

/s/ Eric Drapé

**M. Eric Drapé**

By initiating this page, the Employee expressly agrees to the transfer and processing of sensitive personal data concerning him.

## Article 6 : Employee information

The Employee acknowledges having received all the necessary information and has had sufficient time to make an informed decision before signing this Agreement.

## Article 7 : Language

The definitive version of this Agreement that binds the Parties is the French language version, the English version being provided for information purposes only. In the event of a contradiction between the two versions, the French version shall prevail.

## Article 8 : Governing law – Competent Courts

This Agreement is governed by French law and any dispute relating hereto shall be subject to the exclusive jurisdiction of the French courts.

## Annex – Employment contract of the Employee concluded with TEVA PHARMACEUTICAL

In three originals,

In Paris, on March 20, 2020

/s/ Karima ZERHOUNI

Director of Human Resources

/s/ Eric Drapé

**Eric Drapé**

*(Chaque page doit être paraphée et les signatures ci-dessus doivent être précédées de la mention manuscrite suivante : « Lu et approuvé » )*

*(Each page must be initialed and the signatures are to be preceded by the handwritten comment: "READ AND AGREED")*



*Annexe – Contrat de travail du Salarié au sein de TEVA PHARMACEUTICAL INDUSTRIES*

*[Employment contract of Mr. Drapé concluded within TEVA PHARMACEUTICAL INDUSTRIES TO BE ATTACHED]*



## Exhibit 21

The following is a list of subsidiaries of the Company as of December 31, 2020, omitting some subsidiaries which, considered in the aggregate, would not constitute a significant subsidiary.

| <u>Name of Subsidiary</u>                                         | <u>Jurisdiction of Organization</u> |
|-------------------------------------------------------------------|-------------------------------------|
| Actavis Group PTC ehf                                             | Iceland                             |
| Actavis Pharma Holding ehf                                        | Iceland                             |
| IVAX UK Limited                                                   | United Kingdom                      |
| Mepha Schweiz AG                                                  | Switzerland                         |
| Merckle GmbH                                                      | Germany                             |
| Norton (Waterford) Limited                                        | Ireland                             |
| Orvet UK                                                          | United Kingdom                      |
| PLIVA HRVATSKA d.o.o.                                             | Croatia                             |
| Plus Chemicals, branch of Teva Pharmaceuticals International GmbH | Switzerland                         |
| Ratiopharm GmbH                                                   | Germany                             |
| Teva API B.V.                                                     | Netherlands                         |
| Teva Canada Limited                                               | Canada                              |
| Teva Capital Services Switzerland GmbH                            | Switzerland                         |
| Teva Czech Industries s.r.o                                       | Czech Republic                      |
| Teva Finance Services II B.V.                                     | Curacao                             |
| Teva Italia S.r.l                                                 | Italy                               |
| Teva Limited Liability Company                                    | Russia                              |
| Teva Pharma S.L.U                                                 | Spain                               |
| Teva Pharmaceuticals Europe B.V.                                  | Netherlands                         |
| Teva Pharmaceutical Finance Netherlands III B.V                   | Netherlands                         |
| Teva Pharmaceuticals International GmbH                           | Switzerland                         |
| Teva Pharmaceuticals USA, Inc.                                    | United States                       |
| Teva Pharm. Works Private Ltd. Company                            | Hungary                             |
| Teva Santé SAS                                                    | France                              |
| Teva Takeda Pharma Ltd.                                           | Japan                               |
| Teva UK Limited                                                   | United Kingdom                      |



**Exhibit 23**

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-168331, 333-206753, 333-212851, 333-214077, 333-220382 and 333-241003) and Form S-3 (No. 333-222767) of Teva Pharmaceutical Industries Limited of our report dated February 10, 2021 relating to the financial statements and financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ Kesselman & Kesselman  
Kesselman & Kesselman  
Certified Public Accountants (Isr.)  
A member of PricewaterhouseCoopers International Limited  
Tel-Aviv, Israel  
February 10, 2021



## Exhibit 31.1

### CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER

I, Kåre Schultz, certify that:

1. I have reviewed this annual report on Form 10-K of Teva Pharmaceutical Industries Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
  - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. disclosed in this report any change in the company's internal control over financial reporting that occurred during the company's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: February 10, 2021

/s/ Kåre Schultz

Kåre Schultz

President and Chief Executive Officer



## Exhibit 31.2

### CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 CERTIFICATION OF THE CHIEF FINANCIAL OFFICER

I, Eli Kalif, certify that:

1. I have reviewed this annual report on Form 10-K of Teva Pharmaceutical Industries Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
  - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. disclosed in this report any change in the company's internal control over financial reporting that occurred during the company's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: February 10, 2021

/s/ Eli Kalif

Eli Kalif  
Chief Financial Officer



Exhibit 32

CERTIFICATION OF THE CEO AND CFO PURSUANT TO SECTION 906

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER AND CHIEF  
FINANCIAL OFFICER

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Teva Pharmaceutical Industries Limited (the "Company") on Form 10-K for the period ended December 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Kåre Schultz, President and Chief Executive Officer of the Company, and Eli Kalif, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 10, 2021

/s/ Kåre Schultz

Kåre Schultz  
President and Chief Executive Officer

/s/ Eli Kalif

Eli Kalif  
Chief Financial Officer



Årsregnskap 2020

# Teva Norway AS

Org.nr. 982 222 311



## Resultatregnskapet

Teva Norway AS

| Driftsinntekter og driftskostnader                    | Note  | 2020               | 2019               |
|-------------------------------------------------------|-------|--------------------|--------------------|
| Salgsinntekt                                          | 13    | 286 038 815        | 257 156 977        |
| <b>Sum driftsinntekter</b>                            |       | <b>286 038 815</b> | <b>257 156 977</b> |
| <br>                                                  |       |                    |                    |
| Varekostnad                                           | 4, 5  | 228 869 229        | 195 496 309        |
| Lønnskostnad                                          | 2, 10 | 18 532 421         | 18 308 331         |
| Avskrivning av driftsmidler og immaterielle eiendeler | 12    | 9 587 566          | 9 712 428          |
| Annen driftskostnad                                   |       | 26 978 150         | 32 141 288         |
| <b>Sum driftskostnader</b>                            |       | <b>283 967 366</b> | <b>255 658 356</b> |
| <br>                                                  |       |                    |                    |
| <b>Driftsresultat</b>                                 |       | <b>2 071 450</b>   | <b>1 498 621</b>   |
| <br>                                                  |       |                    |                    |
| <b>Finansinntekter og finanskostnader</b>             |       |                    |                    |
| Annen renteinntekt                                    |       | 553                | 4 818              |
| Annen finansinntekt                                   |       | 376 663            | 1 273 783          |
| Rentekostnad til foretak i samme konsern              |       | 1 627 947          | 2 490 678          |
| Annen rentekostnad                                    |       | 21 856             | 48 709             |
| Annen finanskostnad                                   |       | 738 540            | 1 856 832          |
| <b>Resultat av finansposter</b>                       |       | <b>-2 011 126</b>  | <b>-3 117 618</b>  |
| <br>                                                  |       |                    |                    |
| Ordinært resultat før skattekostnad                   |       | 60 323             | -1 618 997         |
| Skattekostnad på ordinært resultat                    | 3     | 1 764 954          | 1 393 757          |
| <br>                                                  |       |                    |                    |
| <b>Årsresultat</b>                                    | 9     | <b>-1 704 631</b>  | <b>-3 012 754</b>  |
| <br>                                                  |       |                    |                    |
| <b>Overføringer</b>                                   |       |                    |                    |
| Avsatt till annen egenkapital                         |       | -1 704 631         | -3 012 754         |
| <b>Sum overføringer</b>                               |       | <b>-1 704 631</b>  | <b>-3 012 754</b>  |



## Balanse

Teva Norway AS

| Eiendeler                              | Note  | 2020               | 2019               |
|----------------------------------------|-------|--------------------|--------------------|
| <b>Anleggsmidler</b>                   |       |                    |                    |
| <b>Immaterielle eiendeler</b>          |       |                    |                    |
| Konsesjoner, patenter o.l.             | 12    | 5 561 388          | 6 951 735          |
| Goodwill                               | 12    | 4 622 431          | 12 546 597         |
| Utsatt skattefordel                    | 3     | 6 552 916          | 8 317 870          |
| <b>Sum immaterielle eiendeler</b>      |       | <b>16 736 735</b>  | <b>27 816 202</b>  |
| <br><b>Varige driftsmidler</b>         |       |                    |                    |
| Driftsløsøre, inventar o. a. utstyr    | 12    | 341 158            | 545 211            |
| <b>Sum varige driftsmidler</b>         |       | <b>341 158</b>     | <b>545 211</b>     |
| <br><b>Sum anleggsmidler</b>           |       | <b>17 077 892</b>  | <b>28 361 412</b>  |
| <br><b>Omløpsmidler</b>                |       |                    |                    |
| <br>Lager av varer og annen beholdning | 4     | 100 731 074        | 69 848 351         |
| <br><b>Fordringer</b>                  |       |                    |                    |
| Kundefordringer                        | 6, 11 | 80 190 345         | 51 664 637         |
| Andre kortsiktige fordringer           | 6     | 327 691            | 797 465            |
| <b>Sum fordringer</b>                  |       | <b>80 518 036</b>  | <b>52 462 102</b>  |
| <br>Bankinnskudd, kontanter o.l.       | 7     | 12 535 462         | 5 187 064          |
| <b>Sum omløpsmidler</b>                |       | <b>193 784 572</b> | <b>127 497 517</b> |
| <br><b>Sum eiendeler</b>               |       | <b>210 862 465</b> | <b>155 858 929</b> |



## Balanse

Teva Norway AS

|                                        | Note | 2020               | 2019               |
|----------------------------------------|------|--------------------|--------------------|
| <b>Egenkapital og gjeld</b>            |      |                    |                    |
| <b>Innskutt egenkapital</b>            |      |                    |                    |
| Aksjekapital (71 000 aksjer á kr 100)  | 8    | 7 100 000          | 7 100 000          |
| Overkurs                               | 9    | 4 400 000          | 4 400 000          |
| Annen innskutt egenkapital             | 9    | 3 242 018          | 3 242 018          |
| <b>Sum innskutt egenkapital</b>        |      | <b>14 742 018</b>  | <b>14 742 018</b>  |
| <br><b>Opptjent egenkapital</b>        |      |                    |                    |
| Annen egenkapital                      | 9    | 209 056            | 1 913 686          |
| <b>Sum opptjent egenkapital</b>        |      | <b>209 056</b>     | <b>1 913 686</b>   |
| <br><b>Sum egenkapital</b>             |      | <b>14 951 074</b>  | <b>16 655 704</b>  |
| <br><b>Gjeld</b>                       |      |                    |                    |
| <b>Kortsiktig gjeld</b>                |      |                    |                    |
| Leverandørgjeld                        | 11   | 45 379 840         | 18 452 873         |
| Betalbar skatt                         | 3    | 0                  | 4 142 361          |
| Skyldige offentlige avgifter           |      | 16 902 094         | 10 951 444         |
| Annen kortsiktig gjeld                 | 11   | 133 629 456        | 105 527 928        |
| <b>Sum kortsiktig gjeld</b>            |      | <b>195 911 391</b> | <b>139 074 606</b> |
| <br><b>Avsetning for forpliktelser</b> |      |                    |                    |
| Pensjonsforpliktelser                  | 10   | 0                  | 128 619            |
| <b>Sum avsetning for forpliktelser</b> |      | <b>0</b>           | <b>128 619</b>     |
| <br><b>Sum gjeld</b>                   |      | <b>195 911 391</b> | <b>139 203 225</b> |
| <br><b>Sum egenkapital og gjeld</b>    |      | <b>210 862 465</b> | <b>155 858 929</b> |

Sandvika, 10.06.2021  
Styret i Teva Norway AS

Jan Willem Scheer  
Styreleder

Per Morten Hamar  
Styremedlem/Daglig leder

Kim Vallentin Peetz  
Styremedlem



## Regnskapsprinsipper

Årsregnskapet er satt opp i samsvar med regnskapslovens bestemmelser og god regnskapsskikk.

### Bruk av estimater

I utarbeidelse av årsregnskapet har man brukt estimater og forutsetninger som har påvirket resultatregnskapet og verdsettelsen av eiendeler og gjeld, samt usikre eiendeler og forpliktelser på balansedagen i henhold til god regnskapsskikk. Områder som i stor grad inneholder slike skjønnsmessige vurderinger, høy grad av kompleksitet, eller områder hvor forutsetninger og estimater er vesentlige for årsregnskapet, er beskrevet i notene.

### Valuta

Transaksjoner i utenlandsk valuta omregnes til kursen på transaksjonstidspunktet. Pengeposter i utenlandsk valuta omregnes til norske kroner ved å benytte balansedagens kurs. Ikke-pengeposter som måles til historisk kurs uttrykt i utenlandsk valuta, omregnes til norske kroner ved å benytte valutakursen på transaksjonstidspunktet. Ikke-pengeposter som måles til virkelig verdi uttrykt i utenlandsk valuta, omregnes til valutakursen fastsatt på måletidspunktet. Valutakursendringer resultatføres løpende i regnskapsperioden under andre finansposter.

### Inntekter

Inntektsføring ved salg av varer skjer på leveringstidspunktet. Tjenester inntektsføres etter hvert som de leveres.

### Skatt

Skattekostnaden i resultatregnskapet omfatter både periodens betalbare skatt og endring i utsatt skatt. Utsatt skatt er beregnet med 22 % på grunnlag av de midlertidige forskjeller som eksisterer mellom regnskapsmessige og skattemessige verdier, samt ligningsmessig underskudd til fremføring ved utgangen av regnskapsåret.

Skatteøkende og skattereduserende midlertidige forskjeller som reverserer eller kan reverseres i samme periode er utlignet og nettoført. Netto utsatt skattefordel balanseføres i den grad det er sannsynlig at denne kan bli utnyttet.

### Leasing

Operasjonell leasing kostnadsføres som driftskostnad basert på fakturert leasingleie.

### Klassifisering av balanseposter

Eiendeler bestemt til varig eie eller bruk klassifiseres som anleggsmidler. Eiendeler som er tilknyttet varekretsløpet klassifiseres som omløpsmidler. Fordringer for øvrig klassifiseres som omløpsmidler hvis de skal tilbakebetales innen ett år. For gjeld legges analoge kriterier til grunn. Første års avdrag på langsiktige fordringer og langsiktig gjeld klassifiseres likevel ikke som omløpsmiddel og kortsiktig gjeld.

### Anskaffelseskost

Anskaffelseskost for eiendeler omfatter kjøpesummen, med fradrag for bonuser, rabatter og lignende, og med tillegg for kjøpsutgifter (frakt, toll, offentlige avgifter som ikke refunderes og andre direkte kjøpsutgifter). Ved kjøp i utenlandsk valuta balanseføres eiendelen til kursen på transaksjonstidspunktet. For varige driftsmidler og immaterielle eiendeler omfatter anskaffelseskost også direkte utgifter for å klargjøre eiendelen for bruk, for eksempel utgifter til testing av eiendelen.

### Immaterielle eiendeler

Utgifter til egne utviklingsaktiviteter kostnadsføres løpende. Utgifter til andre immaterielle eiendeler balanseføres i den grad det kan identifiseres en fremtidig økonomisk fordel knyttet til utvikling av en identifiserbar immateriell eiendel og utgiftene kan måles pålitelig. I motsatt fall kostnadsføres slike utgifter løpende. Balanseført utvikling avskrives lineært over økonomisk levetid.

**Varige driftsmidler**

Tomter avskrives ikke. Andre varige driftsmidler balanseføres og avskrives lineært til restverdi over driftsmidlenes forventede utnyttbare levetid. Ved endring i avskrivningsplan fordeles virkningen over gjenværende avskrivningstid ("knekkpunktmetoden"). Vedlikehold av driftsmidler kostnadsføres løpende som driftskostnader. Påkostninger og forbedringer tillegges driftsmidlets kostpris og avskrives i takt med driftsmidlet. Skillet mellom vedlikehold og påkostning/forbedring regnes i forhold til driftsmidlets stand på anskaffelsestidspunktet. Leide (leasede) driftsmidler balanseføres som driftsmidler hvis leiekontrakten anses som finansiell.

**Varer**

Varer er vurdert til det laveste av anskaffelseskost og netto salgsverdi. Netto salgsverdi er estimert salgspris ved ordinær drift etter fradrag for beregnede nødvendige utgifter for gjennomføring av salget. Anskaffelseskost inkluderer utgifter påløpt ved anskaffelse av varene og kostnader for å bringe varene til nåværende plassering og tilordnes ved bruk av FIFO - prinsippet.

**Fordringer**

Kundefordringer og andre fordringer oppføres til pålydende etter fradrag for avsetning til forventet tap. Avsetning til tap gjøres på grunnlag av en individuell vurdering av de enkelte fordringene. For øvrige kundefordringer utføres en uspesifisert avsetning for å dekke forventet tap på krav.

**Pensjoner - Innskuddsbasert ordning**

Kostnaden til innskuddsbasert pensjonsordning tilsvarer periodens premie til forsikringsselskapet.

**Garanti**

Det er avsatt til forventede garantikostnader. Garantiaavsetningen er i balansen oppført under annen kortsiktig gjeld.

**Kontantstrømoppstilling**

Kontantstrømoppstillingen er utarbeidet etter den indirekte metoden. Kontanter og kontantekvivalenter omfatter kontanter, bankinnskudd og andre kortsiktige, likvide plasseringer.



Note 2 Lønnskostnader, antall ansatte, godtgjørelser, lån til ansatte mm.

| <b>Lønnskostnader</b> | <b>2020</b>       | <b>2019</b>       |
|-----------------------|-------------------|-------------------|
| Lønninger             | 14 583 422        | 13 436 986        |
| Arbeidsgiveravgift    | 2 347 096         | 2 721 707         |
| Pensjonskostnader     | 1 515 693         | 2 075 925         |
| Andre ytelser         | 86 210            | 73 713            |
| <b>Sum</b>            | <b>18 532 421</b> | <b>18 308 331</b> |

|                     |    |    |
|---------------------|----|----|
| Sysselsatte årsverk | 14 | 15 |
|---------------------|----|----|

| <b>Ytelser til ledende personer</b> | <b>Daglig leder</b> | <b>Styret</b> |
|-------------------------------------|---------------------|---------------|
| Lønn/styrehonorar                   | 1 743 413           | -             |
| Pensjonsutgifter                    | 148 964             | -             |
| Annen godtgjørelse                  | 267 077             | -             |
| <b>Sum</b>                          | <b>2 159 454</b>    | <b>0</b>      |

Der er ikke gitt lån/sikkerhetsstillelse til daglig leder, styrets leder eller andre nærstående parter

| <b>Kostnadsført godtgjørelse til revisor</b>                 | <b>2020</b>    | <b>2019</b>    |
|--------------------------------------------------------------|----------------|----------------|
| Lovpålagt revisjon                                           | 215 000        | 275 000        |
| Andre attestasjonstjenester                                  | -              | -              |
| Skatterådgivning (inkl. teknisk bistand med ligningspapirer) | -              | -              |
| Annen bistand                                                | 8 000          | 8 000          |
| <b>Sum</b>                                                   | <b>223 000</b> | <b>283 000</b> |



## Note 3 Skatt

### Beregning av utsatt skatt/utsatt skattefordel:

|                                               | 2020               | 2019               | Endring           |
|-----------------------------------------------|--------------------|--------------------|-------------------|
| Midlertidig forskjeller:                      |                    |                    |                   |
| Varige driftsmidler                           | 3 665 240          | 11 514 968         | 7 849 728         |
| Varebeholdning                                | -19 885 764        | -37 321 496        | -17 435 732       |
| Vinst/(tap)                                   | 1 716 340          | 2 145 425          | 429 085           |
| Pensjonspremie/- forpliktelse                 | 0                  | -128 619           | -128 619          |
| Andre forskjeller                             | -253 750           | -1 472 185         | -1 218 435        |
| Netto midlertidig forskjeller                 | -14 757 934        | -25 261 907        | -10 503 973       |
| Akkumulert fremførbart underskudd             | -10 405 619        | 0                  | 10 405 619        |
| <b>Grunnlag for beregning av utsatt skatt</b> | <b>-25 163 553</b> | <b>-25 261 907</b> | <b>-98 354</b>    |
| Utsatt skattefordel (22%)                     | -5 535 982         | -5 557 620         | -21 638           |
| Herav ikke balanseført utsatt skattefordel    | -1 016 935         | -2 760 251         | -1 743 317        |
| <b>Utsatt skatt i balansen</b>                | <b>-6 552 916</b>  | <b>-8 317 871</b>  | <b>-1 764 954</b> |

### Grunnlag for skattekostnad, endring i utsatt skatt og betalbar skatt

|                                          | 2020        | 2019              |
|------------------------------------------|-------------|-------------------|
| Skattepliktig inntekt:                   |             |                   |
| Resultat før skattekostnad               | 60 323      | -1 618 997        |
| Permanente forskjeller                   | 38 030      | 30 089            |
| Estimatavvik pensjon direkte balanseført | 0           | -731 458          |
| Endring i midlertidige forskjeller       | -10 503 973 | 21 149 281        |
| Anvendelse av framførbart underskudd     | 10 405 620  | -                 |
| <b>Skattepliktig inntekt</b>             | <b>0</b>    | <b>18 828 915</b> |

|                                         | 2020     | 2019             |
|-----------------------------------------|----------|------------------|
| Betalbar skatt:                         |          |                  |
| Betalbar skatt på årets resultat        | 0        | 4 142 361        |
| Betalbar skatt på mottatt konsernbidrag | -        | -                |
| <b>Betalbar skatt i balansen</b>        | <b>0</b> | <b>4 142 361</b> |

|                                        | 2020             | 2019             |
|----------------------------------------|------------------|------------------|
| Årets skattekostnad:                   |                  |                  |
| Betalbar skatt på årets resultat       | 0                | 4 142 361        |
| Skatt estimatavvik direkte balanseført | 0                | 160 921          |
| For mye, lite avsatt tidligere år      | -                | -                |
| Sum betalbar skatt                     | 0                | 4 303 282        |
| Endring i utsatt skattefordel          | 1 764 954        | -2 909 525       |
| <b>Årets skattekostnad</b>             | <b>1 764 954</b> | <b>1 393 757</b> |

|                                      |           |            |
|--------------------------------------|-----------|------------|
| Avstemning av årets skattekostnad:   |           |            |
| Resultat før skatt                   | 60 323    | -1 618 997 |
| Beregnet skatt av resultat før skatt | 13 271    | -356 179   |
| Skattekostnad i resultatregnskapet   | 1 764 954 | 1 393 757  |
| Differanse                           | 1 751 683 | 1 749 936  |

|                                        |           |           |
|----------------------------------------|-----------|-----------|
| Skatteeffekt av permanente forskjeller | 8 367     | 6 620     |
| Ikke balanseført utsatt skattefordel   | -         | -         |
| Andre forskjeller                      | 1 743 317 | 1 743 317 |
| Sum forklart differanse                | 1 751 684 | 1 749 936 |



## Note 4 Varer

|                      | 2020               | 2019              |
|----------------------|--------------------|-------------------|
| Inkjøpte ferdigvarer | 100 731 074        | 69 848 351        |
| <b>Sum</b>           | <b>100 731 074</b> | <b>69 848 351</b> |

|                                             | 2020               | 2019              |
|---------------------------------------------|--------------------|-------------------|
| Varebeholdning vurdert til anskaffelseskost | 100 731 074        | 69 848 351        |
| Varebeholdning vurdert til virkelig verdi   | -                  | -                 |
| <b>Sum</b>                                  | <b>100 731 074</b> | <b>69 848 351</b> |

## Note 5 Transaksjoner med nærstående

Ytelser til ledende er omtalt i note 2, og mellomværende med konsernselskaper er omtalt i note 11.

### Selskapets transaksjoner med nærstående parter:

2020

#### *a) Salg av varer og tjenester*

|                         |           |
|-------------------------|-----------|
| Salg av varer           |           |
| - Tilknyttede selskaper | 4 164 307 |
| Salg av tjenester       |           |
| - Tilknyttede selskaper | -         |

#### *b) Kjøp av varer og tjenester*

|                         |             |
|-------------------------|-------------|
| Kjøp av varer           |             |
| - Tilknyttede selskaper | 247 374 722 |
| Kjøp av tjenester       |             |
| - Tilknyttede selskaper | 2 904 460   |

## Note 6 Fordringer og gjeld

| Kundefordringer                      | 2020              | 2019              |
|--------------------------------------|-------------------|-------------------|
| Kundefordringer til pålydende        | 80 190 345        | 51 664 637        |
| Avsetning til tap på kundefordringer | -                 | -                 |
| <b>Kundefordringer i balansen</b>    | <b>80 190 345</b> | <b>51 664 637</b> |



## Note 7 Bundne bankinskudd, trekkrettigheter

| <b>Bundne bankinskudd</b> | <b>2020</b> | <b>2019</b> |
|---------------------------|-------------|-------------|
| Skattetrekkskonto         | 666 987     | 739 401     |
| Leiegaranti               | 554 778     | 543 900     |
| <b>Trekkrettigheter</b>   | <b>2020</b> | <b>2019</b> |
| Ubenyttet kassekredit     | -           | -           |

## Note 8 Aksjekapital og aksjonærinformasjon

Teva Pharmaceutical Industries Ltd. har forretningskontor i Jerusalem, Israel, hvor en kan få utlevert konsernregnskap der selskapet inngår.

Aksjekapitalen på kr. 7 100 000 består av 71 000 aksjer á kr. 100.

| <b>Oversikt over de største aksjonærene</b> | <b>Antall</b> | <b>Eierandel</b> |
|---------------------------------------------|---------------|------------------|
| Teva Pharmaceuticals Europe B.V.            | 71 000        | 100%             |
| <b>Totalt</b>                               | <b>71 000</b> | <b>100%</b>      |

## Note 9 Egenkapital

|                               | <b>Aksjekapital</b> | <b>Overkurs</b>  | <b>Annen<br/>innskutt<br/>egenkapital</b> | <b>Annen<br/>egenkapital</b> | <b>Sum<br/>egenkapital</b> |
|-------------------------------|---------------------|------------------|-------------------------------------------|------------------------------|----------------------------|
| Egenkapital 01.01.2020        | 7 100 000           | 4 400 000        | 3 242 018                                 | 1 913 686                    | 16 655 704                 |
| Estimatavvik pensjon          |                     |                  |                                           | 0                            | 0                          |
| Årets resultat                | -                   | -                | -                                         | -1 704 631                   | -1 704 631                 |
| <b>Egenkapital 31.12.2020</b> | <b>7 100 000</b>    | <b>4 400 000</b> | <b>3 242 018</b>                          | <b>209 056</b>               | <b>14 951 074</b>          |



## Note 10 Pensjoner

Selskapet har pensjonsordninger som omfatter i alt 14 personer. Selskapet har en kollektiv lukket etter Lov om foretakspensjon og en innskuddsordning for de øvrige ansatte. Ledende ansatte har også en tilleggspensjonsordning. Forpliktelsene knyttet til den kollektive ordningen er dekket gjennom et forsikringsselskap. Tilleggspensjonsordningen finansieres over selskapets drift. Innskuddspensjonen inklusive arbeidsgiveravgift kostnadsføres løpende.

Selskapets pensjonsordninger tilfredsstiller kravene i lov om obligatorisk tjenestepensjon.

| Resultatregnskap                                        | 2020     |          | Sum              |
|---------------------------------------------------------|----------|----------|------------------|
|                                                         | Sikret   | Usikret  |                  |
| Nåverdi av årets pensjonsopptjening                     | -        | -        | 0                |
| Rentekostnad av pensjonsforpliktelsen                   | -        | -        | 0                |
| Avkastning på pensjonsmidler                            | -        | -        | 0                |
| Resultatførte planavvik/estimatendringer                | -        | -        | 0                |
| Arbeidsgiveravgift                                      | -        | -        | 0                |
| <b>Netto pensjonskostnad ytelseordning</b>              | <b>0</b> | <b>0</b> | <b>0</b>         |
| Kostnader ved innskuddsordning inkl. arbeidsgiveravgift |          |          | 1 660 964        |
| <b>Sum netto pensjonskostnad</b>                        |          |          | <b>1 660 964</b> |

| Balansen                                   | 2020     |          | 2019              |          |
|--------------------------------------------|----------|----------|-------------------|----------|
|                                            | Sikret   | Usikret  | Sikret            | Usikret  |
| Opptjente pensjonsforpliktelser            | 0        | -        | -8 111 619        | -        |
| Beregnet eff. Av fremtidig lønnsreg.       | -        | -        | -                 | -        |
| <b>Brutto pensjonsforpliktelse</b>         | <b>0</b> | <b>0</b> | <b>-8 111 619</b> | <b>0</b> |
| Pensjonsmidler (til markedsverdi)          | 0        | -        | 7 983 000         | -        |
| Ikke resultatført estimatavvik/planendring | -        | -        | -                 | -        |
| Arbeidsgiveravgift                         | -        | -        | -                 | -        |
| <b>Netto pensjonsmidler</b>                | <b>0</b> | <b>0</b> | <b>-128 619</b>   | <b>0</b> |

| Økonomiske forutsetninger              | 2020 | 2019   |
|----------------------------------------|------|--------|
| Diskonteringsrente                     | -    | 1,80%  |
| Forventet lønnsregulering              | -    | 2,25%  |
| Forventet pensjonsregulering           | -    | 0,70%  |
| Forventet G-regulering                 | -    | 2,00%  |
| Forventet avkastning på pensjonsmidler | -    | 4,20%  |
| Levealder-tariff                       | -    | K2013  |
| Arbeidsgiveravgift                     | -    | 14,10% |

Den ytelsesbaserte pensjonsordningen ble avvirket i 2020

## Note 11 Mellomværende med selskap i samme konsern m.v.

|                         | Kundefordringer  |                  | Andre fordringer |               |
|-------------------------|------------------|------------------|------------------|---------------|
|                         | 2020             | 2019             | 2020             | 2019          |
| Foretak i samme konsern | 4 236 095        | 2 436 636        | 0                | 13 800        |
| <b>Sum</b>              | <b>4 236 095</b> | <b>2 436 636</b> | <b>0</b>         | <b>13 800</b> |

|                         | Leverandørgjeld   |                   | Øvrig gjeld        |                   |
|-------------------------|-------------------|-------------------|--------------------|-------------------|
|                         | 2020              | 2019              | 2020               | 2019              |
| Foretak i samme konsern | 42 718 414        | 12 228 570        | 111 372 506        | 90 037 695        |
| <b>Sum</b>              | <b>42 718 414</b> | <b>12 228 570</b> | <b>111 372 506</b> | <b>90 037 695</b> |



## Note 12 Varige driftsmidler og immaterielle eiendeler

|                                     | Immaterielle     |           |                  |                |                   |
|-------------------------------------|------------------|-----------|------------------|----------------|-------------------|
|                                     | Varemerker       | eiendeler | Goodwill         | Driftsløsøre   | Sum               |
| Anskaffelsekost 01.01.2020          | 57 293 069       | 847 402   | 39 620 831       | 1 359 514      | 99 120 816        |
| Tilgang                             | -                | -         | -                | 69 000         | 69 000            |
| Avgang                              | -                | -         | -                | -              | 0                 |
| Anskaffelsekost 31.12.2020          | 57 293 069       | 847 402   | 39 620 831       | 1 428 514      | 99 189 816        |
| Akkumulerte avskrivninger           | 51 731 681       | 847 402   | 34 998 400       | 1 087 356      | 88 664 840        |
| <b>Bokført verdi per 31.12.2020</b> | <b>5 561 388</b> | <b>0</b>  | <b>4 622 431</b> | <b>341 158</b> | <b>10 524 976</b> |
| Årets avskrivninger                 | 1 390 347        | -         | 7 924 166        | 273 053        | 9 587 566         |
| Forventet økonomisk levetid         | 10 år            | 5 år      | 5 år             | 5 år           |                   |
| Avskrivningsplan                    | Lineær           | Lineær    | Lineær           | Lineær         |                   |

### Årlig leie av ikke balansførte driftsmidler

| Driftsmiddel | Leieperiode (år) | Årlig leie (NOK) |
|--------------|------------------|------------------|
| Biler        | 3                | 1 122 855        |
| Bygninger    | 5                | 1 095 299        |

## Note 13 Driftsinntekter

|                                       | 2020               | 2019               |
|---------------------------------------|--------------------|--------------------|
| Salgsinntekter                        | 286 038 815        | 257 156 977        |
| <b>Sum</b>                            | <b>286 038 815</b> | <b>257 156 977</b> |
| <b>Fordeling på virksomhetsområde</b> |                    |                    |
| Generika/OTC/Handelsvarer             | 286 038 815        | 257 156 977        |
| <b>Sum</b>                            | <b>286 038 815</b> | <b>257 156 977</b> |
| <b>Geografisk fordeling</b>           |                    |                    |
| Norge                                 | 286 038 815        | 257 156 977        |
| <b>Sum</b>                            | <b>286 038 815</b> | <b>257 156 977</b> |

## Note 14 Hendelser etter balansedato

I 2019 inngikk Teva en utlisensieringsavtale med KaroPharma på produktene Flux, Decubal, Lactocare og Apobase i hhv Sverige, Danmark og Norge. I januar 2021 ble en ny avtale med KaroPharma signert der KaroPharma kjøper disse merkevarene fra Teva. Avtalen er ventet å gjelde fra 1. april 2021, og fra denne datoen vil da KaroPharma fullt og helt ta over og eie disse merkevarene. For Teva Norway AS gjelder dette produktene Flux, Decubal og Apobase. Omsetningen og inntektene fra OTC porteføljen har som følge av denne avtalen gått ned sammenliknet med når Teva markedsførte disse produktene selv, men som mer enn kompenseres av betydelig vekst innenfor flere andre strategisk viktige produktområder i Teva. Da det forventes fortsatt vekst innenfor disse produktområdene i årene fremover, ser vi ingen finansielle utfordringer i Teva Norge som følge av denne avtalen med KaroPharma.

Koronautbruddet har ikke hatt noen negativ finansiell innvirkning på selskapet, og varetilgangen har vært tilnærmet normal gjennom hele 2020. Som følge av myndighetenes fokus på å bygge opp et beredskapslager på legemidler etter koronautbruddet i mars/april så vi et økt salg på flere av våre generiske produkter i kvartal 2. Det har dermed ikke vært nødvendig med tilgang til økt finansiering, bankopplåning eller tilskudd av kapital fra selskapet/eiere under 2020.

Ingen av våre ansatte har vært smittet av Korona i 2020, og driften har dermed gått som normalt, med unntak av at de ansatte til stor del har jobbet hjemmefra.



Til generalforsamlingen i Teva Norway AS

## *Uavhengig revisors beretning*

### *Uttalelse om revisjonen av årsregnskapet*

---

#### *Konklusjon*

Vi har revidert Teva Norway AS' årsregnskap som består av balanse per 31. desember 2020, resultatregnskap og kontantstrømoppstilling for regnskapsåret avsluttet per denne datoen og noter til årsregnskapet, herunder et sammendrag av viktige regnskapsprinsipper.

Etter vår mening er det medfølgende årsregnskapet avgitt i samsvar med lov og forskrifter og gir et rettviseende bilde av selskapets finansielle stilling per 31. desember 2020, og av dets resultater og kontantstrømmer for regnskapsåret avsluttet per denne datoen i samsvar med regnskapslovens regler og god regnskapsskikk i Norge.

---

#### *Grunnlag for konklusjonen*

Vi har gjennomført revisjonen i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder de internasjonale revisjonsstandardene International Standards on Auditing (ISA-ene). Våre oppgaver og plikter i henhold til disse standardene er beskrevet i Revisors oppgaver og plikter ved revisjon av årsregnskapet. Vi er uavhengige av selskapet slik det kreves i lov og forskrift, og har overholdt våre øvrige etiske forpliktelser i samsvar med disse kravene. Etter vår oppfatning er innhentet revisjonsbevis tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

---

#### *Øvrig informasjon*

Ledelsen er ansvarlig for øvrig informasjon. Øvrig informasjon omfatter informasjon i årsrapporten bortsett fra årsregnskapet og den tilhørende revisjonsberetningen.

Vår uttalelse om revisjonen av årsregnskapet dekker ikke øvrig informasjon, og vi attesterer ikke den øvrige informasjonen.

I forbindelse med revisjonen av årsregnskapet er det vår oppgave å lese øvrig informasjon med det formål å vurdere hvorvidt det foreligger vesentlig inkonsistens mellom øvrig informasjon og årsregnskapet, kunnskap vi har opparbeidet oss under revisjonen, eller hvorvidt den tilsynelatende inneholder vesentlig feilinformasjon.

Dersom vi konkluderer med at den øvrige informasjonen inneholder vesentlig feilinformasjon er vi pålagt å rapportere det. Vi har ingenting å rapportere i så henseende.

---

#### *Styrets og daglig leders ansvar for årsregnskapet*

Styret og daglig leder (ledelsen) er ansvarlig for å utarbeide årsregnskapet i samsvar med lov og forskrifter, herunder for at det gir et rettviseende bilde i samsvar med regnskapslovens regler og god regnskapsskikk i Norge. Ledelsen er også ansvarlig for slik internkontroll som den finner nødvendig for å kunne utarbeide et årsregnskap som ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil.

---

PricewaterhouseCoopers AS, Strømsø Torg 9, Postboks 2078 Strømsø, NO-3003 Drammen

T: 02316, org. no.: 987 009 713 MVA, [www.pwc.no](http://www.pwc.no)

Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap



Uavhengig revisors beretning - Teva Norway AS



Ved utarbeidelsen av årsregnskapet må ledelsen ta standpunkt til selskapets evne til fortsatt drift og opplyse om forhold av betydning for fortsatt drift. Forutsetningen om fortsatt drift skal legges til grunn for årsregnskapet så lenge det ikke er sannsynlig at virksomheten vil bli avviklet.

---

### *Revisors oppgaver og plikter ved revisjonen av årsregnskapet*

Vårt mål med revisjonen er å oppnå betryggende sikkerhet for at årsregnskapet som helhet ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil, og å avgi en revisjonsberetning som inneholder vår konklusjon. Betryggende sikkerhet er en høy grad av sikkerhet, men ingen garanti for at en revisjon utført i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, alltid vil avdekke vesentlig feilinformasjon som eksisterer. Feilinformasjon kan oppstå som følge av misligheter eller utilsiktede feil. Feilinformasjon blir vurdert som vesentlig dersom den enkeltvis eller samlet med rimelighet kan forventes å påvirke økonomiske beslutninger som brukerne foretar basert på årsregnskapet.

For videre beskrivelse av revisors oppgaver og plikter vises det til:  
<https://revisorforeningen.no/revisjonsberetninger>

### *Uttalelse om andre lovmessige krav*

---

#### *Konklusjon om årsberetningen*

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, mener vi at opplysningene i årsberetningen om årsregnskapet, forutsetningen om fortsatt drift og forslaget til resultatdisponering er konsistente med årsregnskapet og i samsvar med lov og forskrifter.

---

#### *Konklusjon om registrering og dokumentasjon*

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, og kontrollhandlingene vi har funnet nødvendig i henhold til internasjonal standard for attestasjonsoppdrag (ISAE) 3000 «Attestasjonsoppdrag som ikke er revisjon eller forenklet revisorkontroll av historisk finansiell informasjon», mener vi at ledelsen har oppfylt sin plikt til å sørge for ordentlig og oversiktlig registrering og dokumentasjon av selskapets regnskapsopplysninger i samsvar med lov og god bokføringsskikk i Norge.

Drammen, 10. juni 2021  
**PricewaterhouseCoopers AS**

Stein Erik Rotegård  
Statsautorisert revisor  
(elektronisk signert)

(2)



Revisjonsberetning

### Signers:

| Name                 | Method        | Date             |
|----------------------|---------------|------------------|
| Rotegård, Stein Erik | BANKID_MOBILE | 2021-06-11 08:48 |

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## Kontantstrømoppstilling

Teva Norway AS

|                                                                    | 2020               | 2019               |
|--------------------------------------------------------------------|--------------------|--------------------|
| <b>Kontantstrømmer fra operasjonelle aktiviteter</b>               |                    |                    |
| Resultat før skattekostnad                                         | 60 323             | -1 618 997         |
| Periodens betalte skatt                                            | -4 142 361         | -843 481           |
| Avskrivninger                                                      | 9 587 566          | 9 712 428          |
| Nedskrivning/reversering anleggsmidler                             | 0                  | 1 013 217          |
| Forskjell mellom kostnadsført pensjon og inn-/utbet. i pensj.ordn. | -128 619           | -193 534           |
| Endring i varelager                                                | -30 882 723        | 41 468 104         |
| Endring i kundefordringer                                          | -28 525 708        | 33 264 629         |
| Endring i vareleverandørgjeld                                      | 26 926 967         | -3 052 779         |
| Endring i andre tidsavgrensingsposter                              | 13 173 342         | -38 605 283        |
| <b>Netto kontantstrøm fra operasjonelle aktiviteter</b>            | <b>-13 931 213</b> | <b>41 144 304</b>  |
| <b>Kontantstrøm fra investeringsaktiviteter</b>                    |                    |                    |
| Utbetalinger ved kjøp av varige driftsmidler                       | -69 000            | 0                  |
| Innbetalinger på lånefordring konsern (korts./langs.)              | 13 800             | 32 316 787         |
| <b>Netto kontantstrøm fra investeringsaktiviteter</b>              | <b>-55 200</b>     | <b>32 316 787</b>  |
| <b>Kontantstrømmer fra finansieringsaktiviteter</b>                |                    |                    |
| Innbetalinger gjeld konsernselskaper                               | 21 334 811         | -72 689 124        |
| <b>Netto kontantstrømmer fra finansieringsaktiviteter</b>          | <b>21 334 811</b>  | <b>-72 689 124</b> |
| <b>Netto kontantstrøm for perioden</b>                             | <b>7 348 398</b>   | <b>771 968</b>     |
| Effekt av valutakursendringer på kontanter og kontantekvivalenter  | 0                  | 0                  |
| Kontanter og kontantekvivalenter ved periodens begynnelse          | 5 187 064          | 4 415 095          |
| <b>Kontanter og kontantekvivalenter ved periodens slutt</b>        | <b>12 535 462</b>  | <b>5 187 063</b>   |
| <br>Denne består av:                                               |                    |                    |
| Bankinnskudd m.v.                                                  | 12 535 462         | 5 187 064          |
| <br>Ubenyttet driftskreditt utgjør i tillegg                       | 0                  | 0                  |



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## ÅRSBERETNING 2020

### Teva Norway AS

#### Om selskapet:

Virksomhetsområdet til Teva Norway AS er salg av legemidler og handelsvarer i Norge, primært til norske apotek og sykehus. Teva Norway AS er en del av det internasjonale legemiddelselskapet Teva Pharmaceutical Industries Ltd. Teva er et globalt legemiddelselskap, med tilstedeværelse i over 60 land og 43 000 ansatte. Teva er ledende innen generiske legemidler (kopi-medisiner), men satser også innen innovative legemidler, spesielt luftveissykdommer, multippel sklerose, migrene og kreftsykdommer. Den norske filialen er organisert i en nordisk gruppe av land, der også Benelux inngår. Norge får hjelp fra de øvrige nordiske landene, særlig fra Sverige og Danmark, når det gjelder enkelte støttefunksjoner. Det norske teamet er for en stor del en salgs/markedsførings-organisasjon.

Selskapet er lokalisert i Sandvika kommune.

#### Resultat:

Omsetningen i 2020 var på 286 MNOK mot en omsetning i 2019 på 257 MNOK. Årsaken til denne økningen i omsetningen skyldes flere faktorer. Fortsatt god vekst på et migrenelegemiddel som ble lansert i slutten av 2019, vekst på flere produkter til sykehus gjennom anbud, økt omsetning av generiske legemidler i eksisterende portefølje primært som følge av oppbygging av nasjonalt beredskapslager, samt lansering og re-lansering av flere generiske legemidler. Driftsresultatet (før finans inntekter/ kostnader) var på 2,1 MNOK i 2020, sammenlikning med 1,5 MNOK i 2019. Resultatet før skatt er på 0,1 MNOK, mot 2019 på -1,6 MNOK grunnet korrigering av tidligere års feil. Egenkapitalgraden er redusert fra 10,7 % i 2019 til 7,7 % i 2020.

#### Framtidsutsikter:

Med en bred, eksisterende portefølje innenfor flere viktige produktkategorier og forventet fortsatt vekst innenfor flere av disse, primært som følge av mange nye lanseringer de kommende årene, ansees fremtidsutsiktene som positive.

#### Finansiell risiko:

Selskapets finansielle risiko er beskjedent med lav rente- og valutarisiko. All fakturering fra leverandører utenfor Norge er i økende grad endret til NOK slik at valutarisikoen er redusert. Vår målsetting er å holde denne risiko på et fortsatt lavt nivå fremover. Kunderisiko er i hovedsak begrenset til tre grossister som er offentlig godkjente distributører av legemidler.

#### Annen risiko:

I 2020 har inntektene til Teva Norway AS i stor grad kommet fra den generiske virksomheten, der Teva Norway AS er en ledende aktør. Med økt fokus på nye lanseringer fremover, forventes det at denne delen av virksomheten fortsatt vil bidra betydelig også de neste årene, i tillegg til vekst fra nye innovative legemidler. Legemiddelmarkedet i Norge er i stadig forandring, spesielt med hensyn på myndighetenes finansiering av legemidler, der nasjonale anbud blir brukt i økende grad. Dette vil også innebære en viss risiko for oss da vinnerne av anbudene tar mesteparten av markedet i anbudsperioden. Teva har stort og økende fokus også på denne delen av virksomheten, og vant et par anbud som startet opp i kvartal 2 i 2020.



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## Arbeidsmiljø:

Arbeidsmiljøet anses som godt. Totalt sykefravær har i 2020 blitt redusert til 0,26 % mot 4,16 % i 2019, og er fremdeles under gjennomsnittet i Norge. Det er ikke rapportert om skader eller ulykker på arbeidsplassen.

## Ytre miljø:

Driften av Teva Norway AS medfører verken forurensing eller utslipp som kan være til skade for det ytre miljø. Destruksjon av varer foregår i ett offentlig godkjent forbrenningsanlegg. Teva er også medlem i Grønt Punkt, som er en finansieringsordning for retur av emballasje.

## Likestilling:

Teva globalt har stort fokus på mangfold og inkludering, og har startet opp et større globalt prosjekt for å øke fokuset på dette ytterligere de kommende år. Teva Norway AS hadde ved utgangen av året 14 ansatte hvorav 8 er kvinner. Bedriften finner det ikke nødvendig å iverksette spesielle tiltak i forhold til likestilling, men vil ta en aktiv rolle i Tevas strategi og arbeid med dette fremover.

## Fortsatt drift:

Årets regnskap er utarbeidet under forutsetningen av fortsatt drift og gir en rettvise oversikt over utviklingen og resultatet av selskapets virksomhet og av dets stilling. Selskapet vurderes å ha en tilfredsstillende kapitalbase basert på dagens forretning. Styret er av den oppfatning om at selskapets egenkapital er forsvarlig ut fra risikoen ved og omfanget av virksomheten.

## Hendelser etter balansedato:

I 2019 inngikk Teva en utlisensieringsavtale med KaroPharma på produktene Flux, Decubal, Lactocare og Apobase i hhv Sverige, Danmark og Norge. I januar 2021 ble en ny avtale med KaroPharma signert der KaroPharma kjøper disse merkevarene fra Teva. Avtalen er ventet å gjelde fra 1. april 2021, og fra denne datoen vil da KaroPharma fullt og helt ta over og eie disse merkevarene. For Teva Norway AS gjelder dette produktene Flux, Decubal og Apobase. Omsetningen og inntektene fra OTC porteføljen har som følge av denne avtalen gått ned sammenliknet med når Teva markedsførte disse produktene selv, men som mer enn kompenseres av betydelig vekst innenfor flere andre strategisk viktige produktområder i Teva. Da det forventes fortsatt vekst innenfor disse produktområdene i årene fremover, ser vi ingen finansielle utfordringer i Teva Norge som følge av denne avtalen med KaroPharma.

## Koronautbruddets effekt på virksomheten:

Koronautbruddet har ikke hatt noen negativ finansiell innvirkning på selskapet, og varetilgangen har vært tilnærmet normal gjennom hele 2020. Som følge av myndighetenes fokus på å bygge opp et beredskapslager på legemidler etter koronautbruddet i mars/april så vi et økt salg på flere av våre generiske produkter i kvartal 2. Det har dermed ikke vært nødvendig med tilgang til økt finansiering, bankopplåning eller tilskudd av kapital fra selskapet/eiere under 2020.

Ingen av våre ansatte har vært smittet av Korona i 2020, og driften har dermed gått som normalt, med unntak av at de ansatte til stor del har jobbet hjemmefra.



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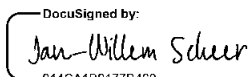
## Redegjørelse for årsregnskapet og resultatdisponering:

Etter styrets oppfatning gir resultatregnskap og balanse med noter uttrykk for virksomhetens resultat for 2020 og økonomiske stilling ved årsskiftet. Styret foreslår at selskapets underkudd på -1,7 MNOK overføres fra annen egenkapital:

Overført fra annen egenkapital

-1.704.631 NOK

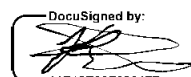
Sandvika, 10. Juni 2021

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Jan Willem Scheer

Styreleder

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Per Morten Hamar

Daglig leder/ Styremedlem

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Styremedlem