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

FORM 20-F

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2019

OR

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

OR

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

Date of event requiring this shell company report _____

Commission file number 001-35773

RedHill Biopharma Ltd.
(Exact name of Registrant as specified in its charter)

N/A
(Translation of Registrant's name into English)

Israel
(Jurisdiction of incorporation or organization)

21 Ha'arba'a Street, Tel Aviv 6473921, Israel
(Address of principal executive offices)

Micha Ben Chorin, Chief Financial Officer
21 Ha'arba'a Street, Tel Aviv 6473921, Israel
Tel: 972-3-541-3131; Fax: 972-3-541-3144
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of class	Trading Symbol(s)	Name of each exchange on which registered
American Depositary Shares, each representing ten Ordinary Shares (1)	RDHL	NASDAQ Global Market
Ordinary Shares, par value NIS 0.01 per share (2)	RDHL	NASDAQ Global Market

(1) Evidenced by American Depositary Receipts.
(2) Not for trading, but only in connection with the listing of the American Depositary Shares.

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

None
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None
(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: 352,695,668 Ordinary Shares

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☐ No ☒

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act 1934.

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, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated filer ☐ **Accelerated filer ☒** **Non-accelerated filer ☐**
Emerging growth company ☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, 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. ☐

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☐

International Financing Reporting Standards as issued by the International Accounting Standards Board ☒ Other ☐

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 [ ] Item 18 [ ]

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

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Unless the context otherwise requires, all references to "RedHill," "we," "us," "our," the "Company" and similar designations refer to RedHill Biopharma Ltd., a limited liability company incorporated under the laws of the State of Israel, and its direct and indirect subsidiaries, including RedHill Biopharma Inc., a wholly-owned subsidiary incorporated in Delaware in January 2017. The term "including" means "including but not limited to", whether or not explicitly so stated. The term "NIS" refers to New Israeli Shekels, the lawful currency of the State of Israel, the terms "dollar", "US$", "$" or "U.S." refer to U.S. dollars, the lawful currency of the United States of America. Our functional and presentation currency is the U.S. dollar. Unless otherwise indicated, U.S. dollar amounts herein (other than amounts originally receivable or payable in dollars) have been translated for the convenience of the reader from the original NIS amounts at the representative rate of exchange as of March 3, 2020 ($1 = NIS 3.461). The dollar amounts presented should not be construed as representing amounts that are receivable or payable in dollars or convertible into dollars, unless otherwise indicated. Foreign currency transactions in currencies other than U.S. dollars are translated in this Annual Report into U.S. dollars using exchange rates in effect at the date of the transactions.

Unless otherwise indicated or the context requires, the term "therapeutic candidates" refers to investigational drug products that are still in development and have not been approved by the FDA or other relevant regulatory authority and the term "commercial products" means products approved by the Food and Drug Administration ("FDA") that we commercialize or promote from time to time.

FORWARD-LOOKING STATEMENTS

Some of the statements under the sections entitled "Item 3. Key Information – Risk Factors," "Item 4. Information on the Company," "Item 5. Operating and Financial Review and Prospects" and elsewhere in this Annual Report may include forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. In some cases, you can identify forward-looking statements by terms, including "anticipates," "believes," "could," "estimates," "expects," "intends," "may," "plans," "potential," "predicts," "projects," "should," "will," "would," and similar expressions intended to identify forward-looking statements. Forward-looking statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties, many of which are beyond the Company's control and cannot be predicted or quantified. In addition, the section of this Annual Report entitled, "Item 4. Information on the Company", contains information obtained from independent industry and other sources that we may not have independently validated. You should not put undue reliance on any forward-looking statements. Unless we are required to do so under U.S. federal securities laws or other applicable laws, we do not intend to update or revise any forward-looking statements.

Factors that could cause our actual results to differ materially from those expressed or implied in such forward-looking statements include, but are not limited to:

- estimates of our expenses, future revenues, capital requirements and our needs for additional financing;
- our ability to obtain additional financing;
- the timing of the commercial launch of our commercial products;
- the commercialization and market acceptance of our commercial products;
- our ability to generate revenues from our commercial products;
- our reliance on third parties to satisfactorily conduct key portions of our commercial operations, including manufacturing and other supply chain functions, market analysis services, safety monitoring, regulatory reporting and sales data analysis and the risk that those third parties may not perform such functions satisfactorily;
- our ability to establish and maintain an appropriate sales and marketing infrastructure;
- our ability to establish and maintain corporate collaborations;
- that our current commercial products or commercial products that we may commercialize or promote in the future may be withdrawn from the market by regulatory authorities and our need to comply with continuing laws, regulations and guidelines to maintain clearances and approvals for those products;
- our exposure to significant drug product liability claims;

- the completion of any postmarketing studies or trials;
- our ability to acquire products approved for marketing in the U.S. that achieve commercial success and to maintain our own marketing and commercialization capabilities;
- our estimates of the markets, their size, characteristics and their potential for our commercial products and therapeutic candidates and our ability to serve those markets;
- the successful commercialization of products we in-license or acquire;
- the expected closing of our in-license for Movantik® being delayed or not occurring at all;
- our inability to enforce claims relating to a breach of a representation and warranty by a counterparty;
- the hiring and continued employment of sales personnel and contractors;
- our receipt and timing of regulatory clarity and approvals for our commercial products and therapeutic candidates, and the timing of other regulatory filings and approvals;
- the initiation, timing, progress, and results of our research, development, manufacturing, preclinical studies, clinical trials, and other commercial efforts and therapeutic candidate development, as well as the extent and number of additional studies that we may be required to conduct;
- our ability to advance our therapeutic candidates into clinical trials or to successfully complete our preclinical studies or clinical trials or develop a commercial companion diagnostic for the detection of Mycobacterium avium paratuberculosis ("MAP");
- our reliance on third parties to conduct key portions of our clinical trials, including data management services and the risk that those third parties may not perform such functions satisfactorily;
- the research, manufacturing, clinical development, commercialization, and market acceptance of our therapeutic candidates;
- the interpretation of the properties and characteristics of our commercial products or therapeutic candidates and of the results obtained in research, preclinical studies or clinical trials;
- the implementation of our business model, strategic plans for our business, commercial products, and therapeutic candidates;
- heightened attention on the problems associated with opioids;
- the impact of other companies and technologies that compete with us within our industry;
- the scope of protection we are able to establish and maintain for intellectual property rights covering our commercial products and therapeutic candidates and our ability to operate our business without infringing or violating the intellectual property rights of others;
- parties from whom we license or acquire our intellectual property defaulting in their obligations toward us;
- the failure by a licensor or a partner of ours to meet their respective obligations under our acquisition, in-license or other development or commercialization agreements or renegotiate the obligations under such agreements, or if other events occur that are not within our control, such as bankruptcy of a licensor or a partner;
- our reliance on the actions of third parties, including sublicensors and their other sublicensees, to maintain our rights under our in-licenses which are sublicenses;
- the effect of a potential occurrence of patients suffering serious adverse events using investigative drugs under our Expanded Access Program;
- our ability to implement network systems and controls that are effective at preventing cyber-attacks, malware intrusions, malicious viruses and ransomware threats; and
- the impact on our business of the political and security situation in Israel, the U.S. and other places in which we operate.

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. Selected Financial Data

The following table sets forth our selected financial data, which is derived from our financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. We have derived the selected financial data as of December 31, 2019, and 2018 and for the years ended December 31, 2019, 2018, and 2017 from our audited financial statements included elsewhere in this Annual Report on Form 20-F. We have derived the selected financial data as of December 31, 2017, 2016, and 2015 and for the years ended December 31, 2016, and 2015 from our financial statements not included in this Annual Report. You should read this selected financial data and other information provided in this Annual Report in conjunction with, and is qualified in its entirety by, our historical financial information including "Item 5. Operating and Financial Review and Prospects" and our financial statements and related notes appearing elsewhere in this Annual Report.

	Year Ended December 31 U.S. Dollars, in thousands				
	2019	2018	2017	2016	2015
Statements of Comprehensive Loss					
Net revenues	6,291	8,360	4,007	101	3
Cost of revenues	2,259	2,837	2,126	—	—
Gross profit	4,032	5,523	1,881	101	3
Research and development expenses, net	17,419	24,862	32,969	25,241	17,771
Selling, marketing and business development expenses	18,333	12,486	12,014	1,555	1,386
General and administrative expenses	11,481	7,506	8,025	3,848	2,748
Other (income) expenses	—	—	845	—	100
Operating loss	43,201	39,331	51,972	30,543	22,002
Financial income	1,335	678	6,505	1,548	1,124
Financial expenses	438	167	77	375	212
Financial income, net	897	511	6,428	1,173	912
Loss and comprehensive loss	42,304	38,820	45,544	29,370	21,090
Loss per Ordinary Share (in U.S. dollars)					
Basic	0.14	0.17	0.26	0.23	0.19
Diluted	0.14	0.17	0.26	0.24	0.19
Weighted average number of Ordinary Shares used in computing loss per Ordinary Share	296,921,897	231,204,129	176,578,990	128,513,729	110,813,742
Weighted average number of Ordinary Shares used in computing diluted loss per share	296,921,897	231,204,129	176,578,990	128,808,543	111,714,566

	As of December 31 (U.S. Dollars, in thousands)				
	2019	2018	2017	2016	2015
Balance Sheet Data					
Cash and short-term investments	47,872	53,185	46,205	66,154	58,138
Working capital	42,598	46,407	39,846	62,459	54,996
Total assets (1)	74,099	62,411	57,343	74,212	66,828
Total liabilities (1)	14,097	11,225	12,278	11,511	6,751
Accumulated deficit	(208,363)	(169,086)	(132,944)	(89,635)	(61,944)
Equity	60,002	51,186	45,065	62,701	60,077
Number of Ordinary Shares (in thousands) outstanding at the end of the year	352,696	283,687	212,729	164,974	127,114

(1) The Company has adopted IFRS 16 retrospectively from January 1, 2019, with no restatement for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. Right-of-use assets and lease liabilities as of December 31, 2019, are approximately $3.6 million and $3.8 million, respectively.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

You should carefully consider the risks we describe below, in addition to the other information set forth elsewhere in this Annual Report, including our financial statements and the related notes beginning on page F-1, before deciding to invest in our American Depositary Shares ("ADSs"). The risks and uncertainties described below in this Annual Report on Form 20-F for the year ended December 31, 2019, are not the only risks facing us. We may face additional risks and uncertainties not currently known to us or that we currently deem to be immaterial. Any of the risks described below or incorporated by reference in this Form 20-F, and any such additional risks, could materially adversely affect our reputation, business, financial condition or results of operations. In such case, you may lose all or part of your investment.

Risks Related to Our Financial Condition and Capital Requirements

We have a history of operating losses. We expect to incur additional losses in the future and may never be profitable.

Since our incorporation in 2009, we have focused primarily on the development and acquisition of late-stage clinical therapeutic candidates, and more recently we have focused primarily on the acquisition and commercialization or promotion of products in the U.S. Since we established commercial presence in the U.S. in 2017, we have promoted or commercialized various GI-related commercial products; however, we currently commercialize only one of these products, Aemcolo® (rifamycin), for which we obtained exclusive U.S. rights to commercialize in 2019. Other than Talicia®, which is the first product we developed that has been approved for marketing by the FDA and which we plan to launch in the first quarter of 2020 in the U.S., most of our therapeutic candidates are in late-stage clinical development and none of our therapeutic candidates is approved for sale. On February 23, 2020, we entered into a license agreement with AstraZeneca AB (the "AstraZeneca License Agreement"), pursuant to which AstraZeneca has agreed to sublicense the worldwide rights (excluding Europe, Canada, and Israel) to commercialize and develop Movantik® (naloxegol), an FDA-approved product for the treatment of opioid-induced constipation ("OIC") in adult patients with chronic, non-cancer pain, subject to certain closing conditions, including the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended ("HSR Clearance").

We are expected to incur significant additional losses as we continue to focus our resources on commercializing Aemcolo® and launching and commercializing Talicia® (collectively, "our current commercial products"), and prioritizing, selecting, and advancing our therapeutic candidates and other commercial products that we may commercialize or promote in the future, including Movantik®, subject to HSR Clearance and satisfaction of other closing conditions.

All of our therapeutic candidates will require additional clinical trials before we can obtain the regulatory approvals in order to initiate commercial sales of them, if at all. We have incurred losses since inception, principally as a result of research and development, selling, marketing and business development, and general and administrative expenses in support of our operations. We experienced net losses of approximately $42.3 million in 2019, $38.8 million in 2018 and $45.5 million in 2017. As of December 31, 2019, we had an accumulated deficit of approximately $208.4 million. Our ability to generate sufficient revenues to sustain our business operations in accordance with our plan and to achieve profitability depends mainly upon our ability, alone or with others, to successfully commercialize or promote our current commercial products and products that we may acquire or for which we may acquire commercialization rights in the future, develop our therapeutic candidates, obtain the required regulatory approvals in various territories. We may be unable to achieve any or all of these goals with regard to our current commercial products, our therapeutic candidates or products we may commercialize or promote in the future. As a result, we may never achieve sufficient revenues to sustain our business operations in accordance with our plan or be profitable.

Our limited operating history makes it difficult to evaluate our business and prospects.

We have limited operating history, and our operations to date have been limited primarily to certain commercialization and promotion of products in the U.S., acquiring and in-licensing therapeutic candidates and rights to commercialize or promote products in the U.S., research and development, raising capital and recruiting scientific, commercial and management personnel, and third-party partners. Talicia® is our first and only product that was developed internally and approved for marketing by the FDA. To date, we have only generated limited revenues from commercializing and promoting several other commercial products. Likewise, besides Talicia® and RHB-106, which we previously out-licensed to a third party, we have no other experience achieving regulatory approval for or out-licensing our therapeutic candidates. Consequently, any predictions about our future performance may not be accurate, and we may not be able to fully assess our ability to commercialize our current commercial products or ones we may acquire or develop in the future, complete the development or obtain regulatory approval for our current and future therapeutic candidates or obtain regulatory approvals, reimbursement by third-party payors, achieve market acceptance or competitive pricing of our current commercial products or products that we may commercialize or promote in the future.

Our current working capital is not sufficient to commercialize our current commercial products or to complete the research and development with respect to any or all of our therapeutic candidates. We will need to raise additional capital to achieve our strategic objectives and to execute our business plans, and our failure to raise sufficient capital or on favorable terms would significantly impair our ability to fund the commercialization of our current commercial products or the products we may commercialize or promote in the future, attract development or commercial partners or retain key personnel, and to fund operations and develop our therapeutic candidates.

As of December 31, 2019, we had cash and short-term investments of approximately $47.9 million, and as of December 31, 2018, we had cash and short-term investments of approximately $53.2 million. We have funded our operations primarily through public and private offerings of our securities and through strategic investments. On February 23, 2020, we entered into a credit agreement with HCRM (as defined below) in order to fund our growing operations and our expected in-license for Movantik® (see "– *Our term loan facility imposes significant operating and financial restrictions on us, which may prevent us from capitalizing on business opportunities and may restrict our operational flexibility, and our failure to comply with the restrictive covenants in our term loan facility could have a material adverse effect on our business*."). We will need to raise additional capital to achieve our strategic objectives of commercializing our current commercial products and other products that we may commercialize or promote in the future and acquiring, in-licensing and developing therapeutic candidates. We plan to fund our future operations through commercialization of Talicia® and Aemcolo®, out-licensing of our therapeutic candidates and commercialization of in-licensed or acquired products (including Movantik®, subject to HSR Clearance and satisfaction of other closing conditions), and we will also need to raise additional capital through equity or debt financing or non-dilutive financing. We are not yet certain of the financial impact of our

commercialization activities, and the amounts we raise may not be sufficient to complete the research and development of all of our therapeutic candidates.

To date, our business has generated limited revenues and is not profitable. As we plan to continue expending funds in continuing to commercialize Aemcolo®, launch Talicia®, and acquire additional products (such as Movantik®) and therapeutic candidates, and in research and development, we will need to raise additional capital in the future through equity or debt financing, non-dilutive financing or pursuant to development or commercialization agreements with third parties with respect to particular therapeutic candidates and commercial products approved for sale in the U.S. However, we cannot be certain that we will be able to raise capital on commercially reasonable terms or at all, or that our actual cash requirements will not be greater than anticipated. We may have difficulty raising needed capital or securing development or commercialization partners in the future as a result of, among other factors, unsuccessful commercialization of Talicia®, our limited revenues from commercialization of Aemcolo® and products that we may commercialize or promote in the future (including, following the expected closing of the AstraZeneca License Agreement, subject to certain closing conditions, including HSR Clearance), as well as the inherent business risks associated with our Company, our current commercial products, products that we may commercialize or promote in the future, our therapeutic candidates, and present and future market conditions. To the extent we are able to generate meaningful revenues from our current and future commercial products, we may still need to raise capital because the revenues from our current and future commercial products may not be sufficient to cover all of our operating expenses and may not be sufficient to cover our commercial operations expenses. In addition, global and local economic conditions may make it more difficult for us to raise needed capital or secure a development or commercialization partner in the future and may impact our liquidity. If we are unable to obtain sufficient future financing, we may be forced to delay, reduce the scope of, or eliminate one or more of our commercialization programs for our current commercial products and products that we may commercialize or promote in the future, or research and development programs for our therapeutic candidates, any of which may have an adverse effect on our reputation, business, financial condition or results of operations. Moreover, to the extent we are able to raise capital through the issuance of debt or equity securities, it could result in substantial dilution to existing shareholders.

Our long-term capital requirements are subject to numerous risks.

Our long-term capital requirements are expected to depend on many potential factors, including but not limited to:

- the number and type of commercial products we commercialize or are in the process of launching;
- the number and type of therapeutic candidates in development;
- our ability to successfully commercialize our current commercial products and products that we may commercialize or promote in the future, including through securing commercialization agreements with third parties and favorable pricing and market share or through our own commercialization capabilities;
- the existence and entrance of generics into the market, including entrances into the market as a result of adverse outcomes in Abbreviated New Drug Application (“ANDA”) litigation, that could compete with our products and erode the profitability of our commercial products or products that we may commercialize or promote in the future;
- the progress, success, and cost of our clinical trials and research and development programs, including manufacturing;
- our ability to successfully complete our clinical trials and research and development programs, including recruitment and completion of relevant pediatric and oncology studies, since the pediatric population and the very advanced disease state and poor prognosis of the oncology patients in our oncology studies make it particularly difficult to recruit and successfully treat the patients, and to successfully complete the studies;
- the identification and acquisition of additional therapeutic candidates and commercial products;
- the costs, timing, and outcome of regulatory review and obtaining regulatory clarity and approval of our therapeutic candidates and addressing regulatory and other issues that may arise post-approval;
- the costs of enforcing our issued patents and defending intellectual property-related claims;
- the costs of manufacturing, developing and maintaining sales, marketing, and distribution channels for our commercial products;
- our consumption of available resources, especially at a more rapid consumption than currently anticipated, resulting in the need for additional funding sooner than anticipated; and
- the amount and frequency of any milestone or royalty payments for which we are responsible.

Risks Related to Our Indebtedness

Our term loan facility imposes significant operating and financial restrictions on us, which may prevent us from capitalizing on business opportunities and may restrict our operational flexibility, and our failure to comply with the restrictive covenants in our term loan facility could have a material adverse effect on our business.

On February 23, 2020, we, through our wholly-owned U.S. subsidiary RedHill Biopharma Inc. entered into a credit agreement and certain security documents with HCR Collateral Management, LLC ("HCRM") for up to $115 million in a non-dilutive, six-year term loan facility. Under the terms of the term loan facility, RedHill Biopharma Inc. will receive $30 million following the closing of the term loan facility to support our commercial operations. Subject to HSR Clearance, RedHill Biopharma Inc. is entitled to borrow an additional $50 million in term loans under the term loan facility to fund the acquisition of rights to Movantik® from AstraZeneca. Two further additional tranches of term loans, the second of which is at the mutual agreement of RedHill and HCRM, totaling $35 million will be available upon satisfaction of certain conditions. The borrowings under the term loan facility are secured by a first priority lien on substantially all of the current and future assets of our wholly-owned U.S. subsidiary, RedHill Biopharma Inc., all of our assets related in any material respect to Talicia®, and all of the equity interests of RedHill Biopharma Inc.

Our term loan facility contains a number of restrictive covenants that impose financial and operating restrictions on us, including our ability to:

- create liens;
- make certain investments;
- incur, assume or guarantee indebtedness;
- make restricted payments, including paying dividends and making certain acquisitions;
- merge, consolidate, sell or otherwise dispose of substantially all our assets;
- enter into transactions with affiliates and insiders;
- enter into sale and leaseback transactions;
- enter into agreements that restrict the ability of any persons to make payments to us or RedHill Biopharma Inc.;
- prepay other indebtedness;
- dispose of assets;
- terminate, or alter the responsibilities of, certain executive officers; and
- permit net sales to drop below a certain threshold.

Our term loan facility also contains a number of other covenants regarding our commercial operations, including covenants that require us to maintain a minimum cash balance at all times and to operate our business with respect to Talicia® in a manner agreed upon with HCRM, including by maintaining a certain number of sale representatives.

Our ability to comply with the various covenants under the term loan facility may be affected by events beyond our control, and we may not be able to continue to meet the covenants. Failure to comply with such covenants could result in an event of default that, as the term loan facility provides us with limited or no opportunity to cure certain such failures, if not waived, could result in the acceleration of all our indebtedness under our term loan facility. Our term loan facility also includes various cross-default provisions with respect to our other indebtedness and our commercial agreements. If HCRM accelerates the indebtedness under the terms of the term loan facility, we may not have sufficient funds to repay our existing debt. If we are unable to repay those amounts, HCRM could proceed against the collateral granted to it to secure such indebtedness, which could have a material adverse effect on our reputation, business, financial condition or results of operations.

Our term loan facility and the restrictive covenants contained in our term loan facility could also have important consequences on our financial position and results of operations, including increasing our vulnerability to increases in interest rates because the debt under our loan agreement bears interest at variable rates. In addition, our term loan facility indebtedness uses LIBOR as a benchmark for establishing the interest rate. LIBOR is the subject of recent national, international and other regulatory guidance and proposals for reform. These reforms and other pressures may cause LIBOR

to perform differently than in the past or to be replaced entirely. The consequences of these developments cannot be entirely predicted but could include an increase in the cost of our term loan facility.

We may be unable to generate sufficient cash flow to make the required payments under the term loan facility.

Making the required payments under our loan term facility will require a significant amount of cash. Our ability to generate sufficient cash depends on numerous factors beyond our control, and our business may not generate sufficient cash flow from the sale of our commercial products. Our ability to make the required payments under our term loan facility will depend on our ability to generate cash in the future. To some extent, this is subject to general economic, market, financial, competitive, regulatory and other factors that are beyond our control.

If our cash flows and capital resources are insufficient to make the required payments under our term loan facility, we may be forced to reduce or delay the incurrence of expenses, sell assets, seek additional capital or restructure or refinance our term loan facility. These alternative measures may not be successful and may not permit us to meet our scheduled payment obligations. Our ability to restructure or refinance our debt will depend on the market conditions and our financial position at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. If we are unable to restructure or refinance our indebtedness, HCRM may accelerate the indebtedness, and if we are unable to repay those amounts, HCRM could proceed against the collateral granted to it to secure such indebtedness, which would have a material adverse effect on our reputation, business, financial condition or results of operations.

The indebtedness under our term loan facility is secured by substantially all of the current and future assets of RedHill Biopharma Inc., all of our assets related in any material respect to Talicia®, and all of the equity interests of RedHill Biopharma Inc. As a result of these security interests, such assets would only be available to satisfy claims of our general creditors or to holders of our equity securities if we were to become insolvent to the extent the value of such assets exceeded the amount of our indebtedness and other obligations. In addition, the existence of these security interests may adversely affect our financial flexibility.

Indebtedness under our term loan facility is secured by substantially all of the current and future assets RedHill Biopharma Inc., all of our assets related in any material respect to Talicia®, and all of the equity interests of RedHill Biopharma Inc. Accordingly, if an event of default were to occur under our term loan facility, HCRM could foreclose on its security interests and liquidate some or all of these assets and would have a prior right to these assets, to the exclusion of our general creditors in the event of our bankruptcy, insolvency, liquidation, or reorganization. In that event, our assets would first be used to repay in full all indebtedness and other obligations secured by such assets, resulting in a substantial portion of our assets being unavailable to satisfy the claims of our unsecured indebtedness. Only after satisfying the claims of our unsecured creditors is any amount available for our equity holders. The pledge of these assets may limit our flexibility in raising capital for other purposes. Because these assets are pledged under the term loan facility, and because of the limitations on incurring debt and granting liens in the term loan facility, our ability to incur additional secured indebtedness or to sell or dispose of assets to raise capital may be impaired, which could have an adverse effect on our financial flexibility.

If certain individuals no longer serve as chief executive officer of RedHill or chief commercial officer of RedHill Biopharma Inc. or their titles, duties or authorities are diminished, we may be obligated to pay all outstanding obligations under our term loan facility.

Our term loan facility provides that, if (i) we terminate Dror Ben-Asher or Risk Scruggs from their employment as the full-time, active chief executive officer of RedHill and full-time, active chief commercial officer of RedHill Biopharma Inc., respectively, or diminish their respective titles, duties or authorities as of the date we entered into our term loan facility or (ii) we permit any of the foregoing to occur and, in the case of each of clause (i) and (ii), we do not find replacements within 90 days for such individuals who are approved in writing by HCRM after its good faith consideration of potential replacements proposed by us, this constitutes an event of default and all outstanding obligations under the term loan facility can become immediately due and payable. Whether Mr. Ben-Asher and Mr. Scruggs remain as chief executive officer of RedHill and chief commercial officer of RedHill Biopharma Inc., respectively, is not entirely under our control. Although we intend to find an appropriate replacement satisfactory to HCRM if either Mr. Ben-Asher

or Mr. Scruggs leaves their current position, we cannot assure you that we will be able to find such a replacement within the time period permitted under our term loan facility, if at all, or that such replacement will be satisfactory to HCRM. We cannot assure you that we will be able to repay all outstanding obligations payable under the term loan facility in such an event or that we will be able to find alternative financing. Even if alternative financing is available, it may be on unfavorable terms, and the interest rate charged on any new borrowings could be substantially higher than the interest rate under our term loan facility, thus adversely affecting our reputation, business, financial condition or results of operations.

Risks Related to Our Business and Regulatory Matters

If we or our development or commercialization partners are unable to obtain or maintain the FDA or other foreign regulatory clearance and approval for our commercial products or therapeutic candidates, we or our commercialization partners will be unable to commercialize our current commercial products, products we may commercialize or promote in the future or our therapeutic candidates, upon approval, if any.

Our current commercial products must maintain, and the products we may commercialize or promote in the future may be required to obtain and maintain, FDA and other foreign regulatory clearance and approval.

Aemcolo® was approved by the FDA in 2018 for the treatment of travelers' diarrhea caused by non-invasive strains of *E. coli* in adults and Talicia® was approved for marketing in the U.S. for the treatment of *H. pylori* infection in adults in November 2019. In addition, Movantik® (the worldwide rights (excluding Europe, Canada, and Israel) to which we expect to in-license upon the closing of the AstraZeneca License Agreement following the satisfaction of certain closing conditions, including HSR Clearance) was approved for marketing in the U.S. for the treatment of OIC in adult patients with chronic, non-cancer pain. However, future regulatory developments may lead to a loss of the right to commercialize Aemcolo® or Talicia® or any product we may commercialize or promote in the future (including Movantik®).

We currently have six therapeutic candidates in development, most of which are in late-clinical stage development, and for which we currently intend to develop with the goal of eventually seeking FDA approval. Our commercial products and therapeutic candidates are subject to extensive governmental laws, regulations, and guidelines relating to the development, clinical trials, manufacturing, marketing, promotion, and commercialization of pre- and post-approval prescription drugs. We may not be able to submit for or obtain marketing approval for any of our therapeutic candidates in a timely manner or at all.

Any material delay in obtaining or maintaining, or the failure to obtain or maintain, required regulatory clearances and approvals will increase our costs and may materially adversely affect our ability to generate meaningful revenues and could adversely impact our reputation, business, financial condition, results of operations or ability to attain or sustain revenues from other markets. We also are, and will be, subject to numerous regulatory requirements from both the FDA and other foreign regulatory authorities that govern the conduct of clinical trials, manufacturing and marketing authorization, pricing and third-party reimbursement. Moreover, clearance or approval by one regulatory authority does not ensure clearance or approval by other regulatory authorities in separate jurisdictions. Each jurisdiction may have different approval processes and requirements and may impose additional testing, development and manufacturing requirements for our current commercial products and products that we may commercialize or promote in the future and for or our therapeutic candidates.

Additionally, the FDA or other foreign regulatory authorities may require, or companies may pursue, additional clinical trials after a product is approved for marketing. Such postmarketing studies may be mandated by the FDA or other foreign regulatory authorities as conditions for initial or continued approval for marketing. The FDA or other foreign regulatory authorities have expressed statutory authority to require holders of NDAs to conduct postmarketing trials to specifically address safety and other issues identified by the regulatory authority. For example, in connection with our potential in-license for Movantik®, we will assume a portion of the costs of and responsibility for a postmarketing clinical trial on major adverse cardiovascular events (MACE).

Certain changes related to an approved drug, including changes to the product labeling, manufacturing process, indications and other certain specifications set forth within the product's NDA, may not be made until a new NDA or NDA supplement reflecting the applicable changes is submitted to and approved by the FDA. An NDA supplement for a new indication

typically requires clinical data similar to that in the original application, including relevant pediatric data, and the FDA typically uses the same procedures and standards in reviewing NDA supplements as it does in reviewing NDAs.

Even if a therapeutic candidate receives regulatory marketing approval, such approval will be limited to a specific disease state(s) and might contain significant limitations on use in the form of warnings, precautions or contraindications, or in the form of onerous risk management plans, restrictions on distribution, among other possible restrictions. Further, even after regulatory approval is obtained, later discovery of previously unknown information, such as safety risks, problems with a product or such information, the extent or severity of which were previously unknown, may result in restrictions on the product's ability to be marketed as initially approved or even complete withdrawal of the product's NDA approval and, in effect, its removal from the market.

Additionally, the FDA or other foreign regulatory authorities may change their clearance or approval policies or adopt new laws, regulations or guidelines that materially delay or impair our ability to commercialize our current commercial products and products that we may commercialize or promote in the future, or our ability to obtain the necessary regulatory clearances or approvals for any of our current or future therapeutic candidates.

If we are unable to maintain, train and build an effective sales and marketing infrastructure, or establish and maintain compliant and adequate sales and marketing capabilities, we will not be able to successfully commercialize and grow our current commercial products and any products we may commercialize or promote in the future.

We and our employees, as well as our contractors, must comply with applicable regulatory requirements and restrictions relating to marketing and advertising. If we are unable to establish and maintain compliant and adequate sales and marketing capabilities, including training our new sales personnel (including sales contractors) regarding applicable regulatory requirements and restrictions, we may not be able to increase our product revenue, may generate increased expenses, and may be subject to regulatory investigations and enforcement actions.

Our sales and marketing efforts, as well as promotions, must comply with various laws and regulations. Under applicable FDA marketing regulations, prescription drug promotions must be consistent with and not contrary to labeling, present "fair balance" between risks and benefits, be truthful and not false or misleading, be adequately substantiated (when required), and include adequate directions for use. Additionally, our marketing activities may be subject to enforcement by the Federal Trade Commission (FTC), state attorneys general, and consumer class-action liability if we engage in any practices that appear misleading or deceptive to the applicable agencies or consumers.

In addition to the requirements applicable to approved drug products, we may also be subject to enforcement action in connection with any promotion of an investigational new drug. A sponsor or investigator, or any person acting on behalf of a sponsor or investigator, may not represent in a promotional context that an investigational new drug is safe or effective for the purposes for which it is under investigation or otherwise promote the therapeutic candidate.

If the FDA investigates our marketing and promotional materials or other communications and finds that any of our current or future commercial products are being marketed or promoted in violation of the applicable regulatory restrictions, we could be subject to FDA enforcement action. Any enforcement action (or related lawsuit, which could follow such action) brought against us in connection with alleged violations of applicable drug promotion requirements, or prohibitions, could have an adverse effect on our reputation, business, financial condition or results of operations, as well as the reputation of any approved drug products we may commercialize or promote in the future. In addition, we may also be reliant on third parties' compliance with such regulations. For example, the initial marketing and promotional materials or other communications we intend to use to commercialize Movantik®, upon the expected closing of our in-license for Movantik®, have been developed by the sublicensor.

Moreover, laws and regulations covering commercialization activities in the pharmaceutical industry are constantly changing, and we will need to continually update and adjust our policies and sales and marketing and commercialization activities to meet legal and regulatory requirements. Our ability to comply with legal and regulatory requirements at any time in time does not guarantee we will continue to be able to comply in the future.

In addition to complying with applicable laws and regulations covering commercialization activities in the pharmaceutical industry, we must also comply with various contractual terms governing our use of third-party intellectual property in our commercialization materials.

In order to establish an appropriate sales and marketing infrastructure, we will need to expand the size of our organization. We may experience difficulties in managing this growth and integrating new personnel.

We have recently significantly increased our sales force in preparation for the launch of Talicia® and the commercialization of Aemcolo®. To further establish and maintain our own commercialization capabilities in the U.S. we may need to further expand, among others, our development, regulatory, manufacturing, sales and marketing capabilities, and to increase or maintain our personnel to accommodate sales. For example, subject to the expected closing of our in-license for Movantik®, we expect to assume or enter into a new contract with the service provider for the existing sales force responsible for promoting Movantik® in the U.S. We may not be able to secure personnel, organizations or vendors that are adequate in number or expertise to successfully and lawfully market and sell our products in the U.S. If we are unable to expand our sales and marketing capability, train our sales force or contractors effectively or provide any other capabilities necessary to commercialize products, we may need to contract with third parties to market and sell our products which could have an adverse effect on our financial condition and our results of operation.

We may also have difficulty in integrating into our existing U.S. operations the significant number of sales and other commercial personnel or contractors that we are hiring or engaging to support the commercialization of Aemcolo®, the planned launch of Talicia®, and the expected promotion of Movantik®. Sales personnel or contractors' productivity may decrease as we hire new, less experienced sales personnel or contractors, who are not yet familiar with our commercial products. In addition, we may be exposed to greater regulatory and compliance risks with our expanded sales force and activities.

Future growth may impose significant added responsibilities on members of management, including the need to identify, recruit, maintain, motivate and integrate additional employees or contractors. In addition, management may have to divert a disproportionate amount of its attention away from running our day-to-day activities and devote a substantial amount of time to managing these growth activities.

Although Talicia® has received marketing approval from the FDA, it may not become commercially viable. In addition, we may also not successfully commercialize Aemcolo® or, following the potential closing of our in-license for Movantik®, continue the successful commercialization of Movantik®.

Although Talicia® has received marketing approval from the FDA, it may not become a commercially viable product. In addition, we may also not successfully commercialize Aemcolo® or, following the potential closing of our in-license for Movantik®, continue the successful commercialization of Movantik®. Talicia®, Aemcolo® or Movantik® may not be, or continue to be, commercially successful for various reasons, including but not limited to:

- difficulty in large-scale manufacturing, including yield and quality, and in shipping product internationally;
- low market acceptance by physicians, healthcare payors, patients and the medical community as a result of lower demonstrated clinical safety or efficacy compared to products, prevalence, and severity of adverse side effects, or other potential disadvantages relative to alternative treatment methods;
- insufficient or unfavorable levels of reimbursement from government or commercial payors, such as, for example, Medicare, Medicaid, and applicable private insurance companies, health maintenance organizations, and other health plan administrators;
- infringement on proprietary rights of others for which we or third parties involved in the development or commercialization of our products or potential future therapeutic candidates have not received licenses;
- incompatibility with other marketed products;
- other potential advantages of alternative treatment methods and competitive forces or advancements that may make it more difficult for us to penetrate a particular market segment, if at all;
- ineffective marketing, sales, and distribution activities and support;
- lack of significant competitive advantages over other products on the market;

- lack of cost-effectiveness or unfavorable pricing compared to other alternatives available on the market;
- inability to generate sufficient revenues to sustain our business operations in accordance with our plan from the sale or marketing of a product;
- changes to product labels, indications or other relevant information that may trigger additional regulatory requirements that may have a direct or indirect impact on the commercialization of our products;
- our inability or unwillingness, for cost or other reasons, to commercialize Talicia® and Aemcolo® to the extent any are approved for commercialization at the time of any such collaboration issues or, following the potential closing of our in-license for Movantik®, continue to commercialize Movantik®;
- timing of market introduction of competitive products, including from generic competitors; and
- changes in any laws, regulations, or other relevant policies related to drug pricing or other marketing conditions and requirements that may directly or indirectly limit, restrict, or otherwise negatively impact our ability or success in marketing or commercializing.

Physicians, various other healthcare providers, patients, payors or the medical community, in general, may be unwilling to accept, utilize or recommend Talicia®, Aemcolo® or, following the potential closing of our in-license for Movantik®. If we are unable, either on our own or through third parties, to manufacture, commercialize or market Talicia®, or to commercialize or market Aemcolo® or Movantik®, we may not achieve or continue to achieve market acceptance or generate meaningful revenue from Talicia®, Aemcolo® or, following the potential closing of our in-license for Movantik®.

Although Aemcolo® was approved by the FDA before we acquired rights to it, such approval is contingent upon the completion of two additional postmarketing studies in specified pediatric populations.

The Pediatric Research Equity Act (PREA), amended the federal Food, Drug, and Cosmetic Act (FDCA) by authorizing the FDA to require that NDA submissions must each contain an assessment of the safety and effectiveness of the product for the claimed indications in all relevant pediatric subpopulations that supports dosing and administration for each pediatric subpopulation for which the product is safe and effective. The FDA may, in some cases, grant deferrals for submission of some or all pediatric data until after the product's approval for use in adults (in addition to full and partial waivers).

Aemcolo® received FDA approval on November 16, 2018, for the treatment of travelers' diarrhea caused by non-invasive strains of *Escherichia coli* in adults, subject to the completion of the deferred pediatric studies required by PREA as mandatory postmarketing studies. In acquiring the ownership rights to Aemcolo®, we assumed responsibility for completing any postmarketing requirements or commitments that may be required to retain approval. Accordingly, we must conduct two randomized, placebo-controlled studies to evaluate the safety, tolerability, and efficacy of Aemcolo® for the treatment of travelers' diarrhea in (i) children from 6 to 11 years of age and (ii) children from 12 to 17 years of age, respectively.

In conducting the required pediatric postmarket studies for Aemcolo®, we must comply with various regulatory requirements set forth in, or pursuant to, PREA (in addition to other FDA regulations to which clinical trials are subject, more generally). For example, pediatric-study sponsors must submit periodic reports to the FDA on the status of each study and other relevant information, such as (among other things) whether any difficulties have been encountered, as well as annual reports regarding clinical safety. Such sponsors are also required to submit to FDA a timetable for completion in connection with each pediatric-postmarket study, along with a set of milestone dates (which typically include dates for final protocol submission, clinical study completion, and final report submission) by which FDA will measure the study's progress and compliance with applicable requirements. After submitted to, and approved by FDA, pediatric-study sponsors must adhere to the agreed-upon timetables and milestones in conducting each study. Any failure to meet the deadlines established by the applicable timetable or milestone dates for a given pediatric study constitutes a violation of the FDCA (per PREA).

The timelines and milestones established for the contemplated postmarket Aemcolo® studies, in relevant part, require that we complete the study in children from 6 to 11 years of age by June of 2022 and the study in children from 12 to 17 years of age by June of 2021, with submission of the final study reports by December of 2022 and 2021, respectively. Upon completion of the Aemcolo® studies®, if achieved, we will submit the required reports containing the safety and efficacy results of each study as supplements to the approved NDA for Aemcolo®, along with the proposed labeling changes

(incorporating the relevant dosage and administration information for the studied pediatric populations) that we believe to be warranted based on the data derived from such studies. We cannot be certain that the safety and efficacy results of the pediatric postmarket studies for Aemcolo® will be favorable, and it is possible that such study results could ultimately cause FDA to require certain pediatric-specific labeling for Aemcolo® that may negatively affect its reputation, competitive advantages, and/or profitability.

If we fail to complete the required pediatric postmarketing studies for Aemcolo® in accordance with PREA, we may be subject to the traditional FDA enforcement actions authorized under most other contexts, such as warning letters, seizure, injunction, and withdrawal or suspension of the marketing approval for Aemcolo®, among others, any of which may have a material adverse effect on our reputation, business, financial condition or results of operations. In addition, FDA is required to issue PREA-Non-Compliance Letters to any sponsors who fail to meet specified PREA requirements and to publicly post each such Non-Compliance Letter on the designated FDA webpage. The postmarket pediatric obligations we assumed upon acquiring Aemcolo® could subject us to any of the above-described actions, as well as more substantial consequences beyond the scope of FDA's traditional enforcement authority. In particular, noncompliance with PREA's postmarket pediatric requirements could give rise to civil monetary penalties of up to $250,000 per violation and up to a total of $10 million for all violations adjudicated in a single proceeding.

Although Movantik® has already been approved by the FDA, such approval is contingent upon the completion of an additional postmarketing safety study, which will continue following the potential closing of our in-license. If the study results are unfavorable, such that they reflect a negative benefit-risk profile for Movantik, this could lead to label changes or possibly market withdrawal.

Movantik® first received FDA approval on September 16, 2014, for the treatment of OIC in adult patients with chronic non-cancer pain. Its label was later updated to include patients with chronic pain related to prior cancer or its treatment who do not require frequent (e.g. weekly) opioid dosage escalation. Subject to the potential closing of our in-license for Movantik®, we have agreed to assume responsibility for completing any postmarketing requirements or commitments that may be required to retain approval. Accordingly, we will be required to continue the post-marketing observational epidemiological study to evaluate the incidence or rate of the MACE of Movantik®.

The timelines and milestones established for the MACE study, in relevant part, will require that we complete the study by December 2021, with submission of the final study report by December 2023. The completion of the study relies upon our ability to enroll an adequate number of patients with at least one year of exposure to Movantik®. Enrollment to date is slow and the milestones may need to be extended. Upon completion of the MACE study, if achieved, we expect to submit the required report containing the safety and efficacy results of the study as supplements to the approved NDA for Movantik®, along with any proposed labeling changes (incorporating the relevant dosage and administration information for the studied populations) that we believe to be warranted based on the data derived from such study. We cannot be certain that the safety and efficacy results of the MACE study for Movantik® will be favorable, and it is possible that such study results could ultimately cause FDA to require certain labeling for Movantik® that may negatively affect its reputation, competitive advantages or profitability.

If we fail to complete the required MACE study for Movantik®, we may be subject to FDA enforcement actions, such as warning letters, seizure, injunction, and withdrawal or suspension of the marketing approval for Movantik®, among others, any of which may have a material adverse effect on our reputation, business, financial condition or results of operations. The postmarketing obligations we have agreed to assume upon acquiring Movantik® could subject us to any of the above-described actions, as well as more substantial consequences beyond the scope of FDA's traditional enforcement authority. In addition, failure to fulfill any postmarketing commitments that we agreed to assume could also result in our breach of the AstraZeneca License Agreement and cause us to lose our rights thereunder.

Any collaborative arrangements that we have established or may establish may not be successful, or we may otherwise not realize the anticipated benefits from these collaborations, including commercialization of our current commercial products. We do not control third parties with whom we have or may have collaborative arrangements, and we rely on such third parties to achieve results which may be significant to us. In addition, any future collaborative arrangements may place the commercialization of our current commercial products or products that we may commercialize or promote in the future or the development of our therapeutic candidates outside our control and may require us to relinquish important rights or may otherwise be on terms unfavorable to us.

Each of our collaborative arrangements requires us to rely on external consultants, advisors, and experts for assistance in several key functions, including clinical development, manufacturing, regulatory, market research, intellectual property, and commercialization. We do not control these third parties, but we rely on such third parties to achieve results, which may be significant to us. With respect to Aemcolo®, we rely on Cosmo Pharmaceuticals N.V. (“Cosmo”) the party responsible for, among others, the manufacture, supply, generation of product information, and other operating responsibilities. With respect to Talicia®, we rely on Recipharm AB and other contracting parties for the manufacture of Talicia® and its components. At various stages throughout the duration of a set transition period, subject to the potential closing of our in-license for Movantik® we will rely on AstraZeneca to, among other things, manufacture, supply and provide other operating services with respect to Movantik®.

Relying upon collaborative arrangements to commercialize our current commercial products and other products that we may commercialize or promote in the future (including, subject to the potential closing of our in-license for Movantik®, our potential royalty and cost-sharing relationship with Daiichi Sankyo, Inc. (”Daiichi Sankyo”) with respect to Movantik®) and to develop our therapeutic candidates, subjects us to a number of risks, including but not limited to the following:

- we will be responsible for making certain royalty payments under our various in-licenses even if our operating costs exceed the revenues generated from the relevant products;
- our collaborators may default on their obligations to us and we may be forced to either terminate, litigate or renegotiate such arrangements;
- our collaborators may have claims that we breached our obligations to them which may result in termination, renegotiation, litigation or delays in performance of such arrangements;
- we may not be able to control the amount and timing of resources that our collaborators may devote to our current commercial products, products that we may commercialize or promote in the future or our therapeutic candidates;
- our collaborators may fail to comply with applicable laws, rules, or regulations when performing services for us, and we could be held liable for such violations;
- our collaborators may experience financial difficulties, making it difficult for them to fulfill their obligations to us, including payment obligations, or they may experience changes in business focus;
- our collaborators’ partners may fail to secure adequate commercial supplies for our current commercial products or products that we may commercialize or promote;
- our collaborators’ partners may have a shortage of qualified personnel;
- we may be required to relinquish important rights, such as marketing and distribution rights;
- business combinations or significant changes in a collaborator’s business or business strategy may adversely affect a collaborator’s willingness or ability to complete its obligations under any arrangement;
- under certain circumstances, a collaborator could move forward with a competing therapeutic candidate or commercial product developed either independently or in collaboration with others, including our competitors;
- collaborative arrangements are often terminated or allowed to expire, which may limit or terminate our rights to commercialize our current commercial products or products we may commercialize or promote in the future, or could delay the development and may increase the cost of developing our therapeutic candidates;
- our collaborators may not wish to extend the terms of our agreements related to our commercial products or therapeutic candidates beyond the existing terms, in which case, we will not have access to existing rights upon the expiration and will therefore not be able to develop such therapeutic candidates or commercialize or promote such products following the initial terms of our agreements; and
- our collaborators may wish to terminate the collaborative arrangements due to any disagreements or conflicts with us, a change in their assessment that the arrangement is no longer valuable, a change in control or in management or in strategy, changes in product development or business strategies of our collaborators.

In addition, our reliance upon our partners in connection with commercial activities subjects us to a number of additional risks, including but not limited to, the following:

- we do not generally control our partners' communications with the FDA or other foreign regulatory authorities, and the FDA or other foreign regulatory authorities may determine to withdraw the products from the market due to any action or inaction taken by our partners (see "Item 3. Key Information – Our current commercial products or products which we may commercialize or promote in the future may be subject to recalls or market withdrawal that could have an adverse effect on our reputation, business, financial condition or results of operations.");
- in many instances, we rely on our partners to take enforcement action to protect the IP and regulatory protections, if any, of some of our commercial products. Their failure to diligently protect these products could materially affect our commercial success;
- we rely on our partners to be responsible for the manufacture of some of our current commercial products, including through third-party manufacturers with the requisite quality and manufacturing standards as required under applicable laws and regulations, and we also rely on those same partners to supply their respective products and APIs, which may result in us having those respective products and APIs in insufficient quantities or not delivered in as timely a manner as is necessary to achieve adequate or successful promotion and sale of their respective products;
- our partners relating to our commercial products may significantly create or change reimbursement agreements or increase or decrease the price of their respective products to a level that could adversely affect our sales or revenues;
- our partners may make decisions related to the product and take critical actions to support the product, including with respect to promotion, sales and marketing, medical affairs and pharmacovigilance, and any action or inaction taken by those same partners may adversely affect the sales of their respective commercial products;
- our partners may terminate their agreements with us after an agreed-upon period for reasons set forth in those same partners' respective agreements with us;
- our partners for future commercial products may change or create new agreements with wholesalers, Pharmacy Benefit Managers or other important stakeholders, which may significantly impact our ability to achieve commercial success, or they may fail to negotiate reimbursement agreements with payors which could also negatively affect our commercial success;
- our partners may change the price of their respective commercial products to a level that could adversely affect our sales or revenues; and
- our partners may not be successful in maintaining or expanding reimbursement from government or third-party payors, such as insurance companies, health maintenance organizations and other health plan administrators, which may adversely affect the sales of their respective products

If any of these or other scenarios materialize, they could have an adverse effect on our reputation, business, financial condition or results of operations.

Our current commercial products or products which we may commercialize or promote in the future may be subject to recalls or market withdrawal that could have an adverse effect on our reputation, business, financial condition or results of operations.

The FDA and similar foreign governmental authorities have the authority to require the recall of regulated products in the event of material deficiencies or defects in design or manufacture. In the case of the FDA, the authority to require a recall must be based on an FDA finding that there is a reasonable probability that the product would cause serious injury or death. In addition, foreign governmental bodies have the authority to require the recall of our products in the event of material deficiencies or defects in design or manufacture.

Product manufacturers or owners, as applicable, may, on their own initiative, recall a product if any material deficiency in a product is found. A government-mandated or voluntary recall by us or one of our collaborators, as applicable, could occur as a result of manufacturing errors, design or labeling defects or other deficiencies and issues. Recalls of any of our products would divert managerial and financial resources and will have an adverse effect on our reputation, business, financial condition or results of operations. The FDA requires that certain classifications of recalls be reported to the FDA

within 10 working days after the recall is initiated. Companies are required to maintain certain records of recalls even if they are not reportable to the FDA. We may initiate voluntary recalls involving our products in the future that we determine do not require notification of the FDA. If the FDA disagrees with our determinations, they could require us to report those actions as recalls. A future recall announcement could harm our reputation with customers and negatively affect our sales. In addition, the FDA could take enforcement action for failing to report the recalls when they were conducted.

Regulatory authorities in other jurisdictions may have similar procedures that may subject any product we may commercialize or promote to limitations or withdrawal requests. In addition, the FDA or other foreign regulatory authorities may determine that the chemistry, manufacturing and controls ("CMC") of marketed products that we develop, acquire or to which we acquire commercialization rights, such as our current commercial products, is unsatisfactory due to the manufacturing standards of the products. If either of these or any regulatory action is taken, our current commercial products or any product we commercialize or promote in the future could be withdrawn from the market at any time. In addition, we may suffer from delays in further commercialization of any product we commercialize or promote.

If we acquire products, technologies, companies or businesses that own rights to, or otherwise acquire commercialization and related rights to, products, such transactions could result in additional costs, integration or operating difficulties, dilution and other adverse consequences. Such acquired products, technologies or businesses that own rights to products may not achieve commercial success or further establish our marketing and commercialization capabilities.

Part of our strategy is to identify and acquire rights to products that have been cleared or approved for marketing in the U.S. or elsewhere, and in particular, those with a therapeutic focus on GI or with therapeutic activities which are overlapping or complementary to our existing commercial activities (for example, Movantik®). Management has evaluated, and expects to continue to evaluate, a wide array of potential strategic acquisitions. From time to time, management may engage in discussions regarding potential acquisitions or licensing of rights to certain products that management believes are important to our business. Any one of these transactions could have a material effect on our reputation, business financial condition or results of operations. In connection with these acquisitions or licensing transactions, we may:

- issue equity securities that may substantially dilute our shareholders' percentage of ownership;
- be obligated to make upfront milestones, royalty or other contingent or non-contingent payments;
- incur debt or non-recurring and other charges, or assume liabilities; and
- incur amortization expenses related to intangible assets or incur large and immediate write-offs of assets or goodwill or impairment charges.

For example, to fund our growing operations and our potential in-license for Movantik®, we entered into a credit agreement with HCRM (see "Item 3. Risk Factors – Our term loan facility imposes significant operating and financial restrictions on us, which may prevent us from capitalizing on business opportunities and may restrict our operational flexibility, and our failure to comply with the restrictive covenants in our term loan facility could have a material adverse effect on our business.")

In addition, the process of integrating an acquired product, technology, company or business may create operating difficulties and expenditures and pose numerous additional risks to our operations, including:

- difficulty and expense in integrating the acquired product, technology, company or business, and personnel in accordance with our business strategy and existing operations, including the failure to achieve the expected benefits and synergies;
- obligations to further develop and commercialize the acquired product, technology, company or business, in particular in jurisdictions outside of those in which we have experience operating;
- higher than anticipated acquisition costs and expenses;
- failure to manufacture or supply, or procure manufacturers or suppliers for, the acquired product, technology, company or business economically or successfully commercialize or achieve market acceptance of the acquired product;

- exposure to liabilities of the acquired product, technology, company or business, including contract terms and conditions that are less favorable to us than our standard contractual terms, known or unknown risks relating to the validity or enforceability of patents, expiration of patents or exclusivity rights, generic competition, product defects or product liability claims, litigation and clinical, development or other liabilities;
- disruption of our business and diversion of our management's and technical personnel's time and attention from their day-to-day responsibilities;
- adverse effects on our reputation, business, financial condition or results of operations, including due to expenditures or acquisition-related costs, costs of commercialization or amortization or impairment costs for acquired goodwill and other intangible assets;
- impairment of relationships with key suppliers and manufacturers due to changes in management and ownership and difficulty in maintaining existing agreements, licenses and other arrangements or rights on substantially similar terms as existed prior to the acquisition;
- regulatory changes and market dynamics after the acquisition; and
- potential loss of key employees, particularly those of the acquired entity.

If any of the above events (or more) occur, or if we cannot effectively manage or respond to such events following one or more acquisitions, they may have a material adverse effect on our reputation, business, results of operations or financial condition.

Moreover, there can be no assurance that we will accurately or consistently identify products approved or cleared for marketing that will achieve commercial success, that we will be able to successfully acquire or commercialize such products or that such acquisitions would further establish our marketing and commercialization capabilities. In addition, pursuant to the credit agreement with HCRM, we will need lender consent in order to complete future in-licenses or acquisitions of additional therapeutic candidates or products, which may limit us from executing our business strategy.

We have undertaken efforts to expand our product portfolio with our pending in-license agreement with AstraZeneca. If we are unable to successfully continue the commercialization of Movantik® pursuant to the pending AstraZeneca License Agreement, if consummated, our business and results of operations will suffer.

On February 23, 2020, we entered into the AstraZeneca License Agreement. Upon the potential closing of our in-license for Movantik®, our GI portfolio will be significantly larger and more complex than it is today. If the in-license for Movantik® is consummated, our future success will significantly depend upon the arrangement we enter into with the existing Movantik® sales force. In addition, there can be no guarantee that we will be able to establish our own manufacturing capabilities, including through third parties, in order to continue the successful commercialization of Movantik®. Our management team could face further challenges in effectively and collaboratively working with AstraZeneca (as well as Nektar Therapeutics, the originator of Movantik®, and Daiichi Sankyo, with which we expect to enter into a co-commercialization agreement for Movantik®) in accordance with the terms of the AstraZeneca License Agreement. In order to support our growing portfolio, we will need to achieve revenues from sales of Movantik® consistent with our business expectations, which may prove more difficult than currently expected. Our reputation, business, financial condition and results of operations may be materially adversely affected by any failure to meet such expectations.

Our potential in-license for Movantik® has not been consummated and we can make no guarantee that the transaction will close on the anticipated timeline, or at all. Furthermore, until such potential closing has occurred, we will not control or have any rights to commercialize Movantik®.

The potential closing of our in-license for Movantik® is subject to certain closing conditions, including conditions that are out of our control, such as HSR Clearance, and we can make no assurances that the transaction will close in a timely manner or at all. In the event that the in-license for Movantik® is not consummated, we will have spent considerable time and resources and incurred substantial costs, such as legal, accounting, and advisory fees, which must be paid even if the transaction is not consummated. In addition, if the in-license is not consummated, our reputation in our industry and in the investment community could be damaged. Furthermore, we will not obtain control of our rights to Movantik® until all of the closing conditions have been either satisfied or waived.

We may not be able to enforce claims relating to a breach of the representations and warranties that our counterparties provided under their respective agreements.

In connection with the various agreements and arrangements we have entered into or may enter into in order to, among other things, acquire, license, manufacture, supply, promote or commercialize our current products or any future products (including, our potential in-license for Movantik®), our counterparties have given certain representations and warranties and undertaken certain indemnification obligations as applicable. Nonetheless, we may not be able to enforce any claims against such other parties relating to breaches of these representations and warranties or obligations. Moreover, even if we are able to eventually recover any losses resulting from a breach of these representations and warranties or obligations, we may temporarily be required to bear these losses ourselves.

Expanding and maintaining our commercial infrastructure for our commercial capabilities in the U.S. is a significant undertaking that requires substantial financial and managerial resources, and we may encounter delays or may not be successful in our efforts.

Establishing, maintaining or expanding the necessary commercial capabilities is competitive and time-consuming, and the commercialization of Aemcolo®, as well as the anticipated launch of Talicia® and potential commercialization of Movantik®, subject to certain conditions, including HSR Clearance, will require a significant expenditure of operating, financial and management resources. Even with those investments, we may not be able to effectively commercialize our current commercial products, or we may incur more expenditures than anticipated in order to maximize our sales. We cannot guarantee that we will be able to establish, maintain or expand our sales, marketing, distribution, and market access capabilities and enter into and maintain any agreements necessary for commercialization with payors and third-party providers on acceptable terms, if at all. If we are unable to establish, maintain or expand such capabilities, either on our own or by entering into agreements with others, or are unable to do so in an efficient manner or on a timely basis, we will not be able to maximize our commercialization of our current commercial products or products that we may commercialize or promote in the future, which would adversely affect our reputation, business, financial condition or results of operations.

Even if the commercialization of our current and future commercial products is successful, we may fail to further our business strategy as anticipated or to achieve anticipated benefits and success. We may incur higher than expected costs in connection with the commercialization of our current commercial products, and we may encounter general economic or business conditions that adversely affect these products.

In addition, if we incur higher than expected costs in connection with the commercialization of our current and future commercial products, we may need to reduce or terminate our commercial activities, which may have a material adverse effect on our reputation, business, financial condition or results of operations.

We have no history of independently commercializing products that we developed and for which we obtained regulatory approval, such as Talicia®, and a limited history of commercializing products in the U.S. Due to our inexperience, we may have difficulty commercializing current commercial products, including Talicia®, or promoting or commercializing any products for which we may obtain FDA approval or to which we may acquire commercialization or promotion rights in the future, including Movantik®.

Compared to competitors in the industry, we have relatively limited experience marketing and selling products in the U.S. In particular, we have no experience in commercializing products that we developed and for which we obtained regulatory approval, such as Talicia®, which may materially increase our marketing and sales expenses or cause us to be ineffective in these efforts. Talicia® will be the first product that we are commercializing that we developed and for which we obtained regulatory approval. Our prior experience promoting and commercializing several other commercial products in the U.S. that we no longer commercialize or promote was limited and brief. There can be no assurance we will successfully commercialize our current commercial products or any products we may commercialize or promote in the future.

In addition, many companies, both public and private, including well-known pharmaceutical companies and smaller niche-focused companies, are currently selling, marketing and distributing drug products that directly compete with our current commercial products and therapeutic candidates that we may seek to commercialize in the future. Many of these companies have significantly greater financial capabilities, marketing, and sales experience and resources than us. As a result, our

competitors may be more successful than we are in commercializing products, and we may not be able to generate sufficient revenue to achieve or sustain profitability.

Our failure to accurately forecast demand for our commercial products, or to quickly adjust to forecast changes, could adversely affect our business and financial results.

Market uncertainty makes it difficult for us to accurately forecast future commercial product demand. We will be setting target levels for the manufacture of our commercial products in advance of purchases based upon our forecasts of commercial product sales.

If our forecasts exceed demand, we could experience excess inventory of active pharmaceutical ingredients ("APIs") or of our commercial products, which can increase our inventory costs and result in obsolete inventory. Alternatively, if demand exceeds our forecasts, this may cause a shortage of commercial products, or the APIs used in our products, which could result in an inability to satisfy the demand for our commercial products and a resulting material loss of market share and potential revenue. A failure to accurately predict the level of demand for our commercial products could adversely affect our revenues and net income. Moreover, the supply agreement that we have entered into in connection with our potential in-license for Movantik® limits the extent to which we can deviate from our forecasts.

In addition, some of our suppliers may require extensive advance notice of our requirements in order to produce APIs or commercial products in the quantities we desire. Long lead times may require us to place orders far in advance of the time when the commercial products will be offered for sale, and limitations on our flexibility to change such orders may not only make it difficult for us to accurately forecast demand for our commercial products, but also expose us to risks relating to shifts in consumer demand and trends and adversely affecting our operating results.

We rely on data from third parties in connection with the sale of our commercial products and our assessment of product acquisition opportunities. Inaccuracies in such data may affect the revenues of our commercial products and our allocation of resources, and as a result, may adversely affect our reputation, business, financial condition or results of operations.

We rely on data from third parties, including data providers, in connection with our commercial business. Revenues for the commercialization of some of our commercial products, as well as our assessment of opportunities to acquire rights to products, are dependent on the volume of sales of commercial products, which is calculated based on information obtained from third parties. Although we take steps to verify this data, the information we receive may be inaccurate or incomplete. In the event the information we receive is inaccurate or incomplete, this may affect our reported revenue for a reporting period or our decisions of whether to acquire rights to certain products.

If third parties do not manufacture or sell our current commercial products, our therapeutic candidates, upon approval, if any, or products we may commercialize or promote in the future in sufficient quantities, within the required timeframes, at an acceptable cost and in accordance with applicable quality standards and other regulatory requirements, the commercialization of our current commercial products or products we may commercialize or promote in the future may be adversely affected, or clinical development of our therapeutic candidates.

We do not currently own or operate manufacturing facilities. We rely on, and expect to continue to rely on, third parties to manufacture commercial quantities of our current commercial products and products that we may commercialize or promote in the future and clinical quantities of our therapeutic candidates. We rely on the manufacturer of Talicia® to provide sufficient quantities of Talicia® in the required timeframe. We rely on Cosmo to provide sufficient quantities of Aemcolo® in the required timeframe. In addition, upon the potential closing of our in-license for Movantik®, we expect that AstraZeneca will provide sufficient quantities of both Movantik® and the API used in connection therewith for a set transition period. Prior to the expiration of such transition period, we will need to arrange for one or more alternative third parties to satisfy our supply requirements thereafter. Our reliance on third parties includes our reliance on them for quality assurance related to regulatory compliance. Our current and anticipated future reliance upon others for the manufacture of our therapeutic candidates and any products that we may commercialize or promote may adversely affect our future operations and our ability to commercialize our current commercial products and any products that we may commercialize or promote on a timely and competitive basis, and to develop therapeutic candidates.

We may not be able to maintain our existing or future third-party manufacturing arrangements on acceptable terms, if at all. If for some reason our manufacturers or our development or commercialization partners' manufacturers do not perform as agreed or expected or terminate or fail to renew the agreements for any reason, we or our partners may be required to replace them, in which event we may incur added costs and delays in identifying, engaging, qualifying under applicable regulatory requirements and training any such replacements and entering into agreements with such replacements on acceptable terms. In addition, our ability to enter into such alternative arrangements within a reasonable period of time, if at all, may be contractually limited by the terms of our manufacturing agreements existing at that time. Obtaining the necessary FDA or other regulatory approvals or other qualifications required for changes in manufacturing sites, methods or processes under applicable regulatory requirements could result in a significant interruption of supply. In the case of the manufacturer of Talicia® and Movantik®, in particular, the delay in identifying, engaging, qualifying and training its replacement may be extended, leading to a significant interruption of supply. Any such additional costs and delays may adversely impact our ability to obtain regulatory clearances and approvals for our therapeutic candidates or any product we may commercialize or promote or make such commercialization or marketing economically unfeasible.

We rely on third parties to manufacture and supply us with high-quality APIs and their starting materials ("API") in the quantities and quality we require on a timely basis.

We currently do not manufacture any APIs ourselves. Instead, we rely and, with respect to Movantik® will rely, subject to certain closing conditions, including HSR Clearance, on third-party vendors for the development, manufacture, and supply of our APIs that are used to formulate our current commercial products and products we may commercialize or promote in the future and our therapeutic candidates. If these suppliers are incapable or unwilling to meet our current or future needs on acceptable terms or at all, we could experience delays in supplying product to market or commercial supply shortages that would adversely affect our sales of products we currently or may commercialize or promote in the future, or delays in obtaining regulatory clearances or approvals for our therapeutic candidates.

While there may be several alternative suppliers of APIs on the market, for most of our products we have yet to conclude extensive investigations into the quality or availability of their APIs. Changing API suppliers or finding and qualifying new API suppliers can be costly and take a significant amount of time. Many APIs require significant lead-time to manufacture. There can also be challenges in maintaining similar quality or technical standards from one manufacturing batch to the next. In connection with our potential in-license for Movantik®, we expect that AstraZeneca will provide the necessary API during a set transition period. Upon the expiration of such transition period, we will be responsible for finding a new API supplier as we do not expect to manufacture the necessary API ourselves.

If we are not able to find stable, affordable, high quality, or reliable supplies of our APIs, we may not be able to produce enough supplies of our current commercial products or products we may commercialize or promote in the future, or of our therapeutic candidates, which could have a material adverse effect on our reputation, business, financial condition or results of operations.

We anticipate continued reliance on third-party manufacturers for our current commercial products, and we expect to rely on third-party manufacturers if we are successful in obtaining marketing approval from the FDA and other regulatory agencies for any of our therapeutic candidates.

We rely on, and we expect to continue to rely on, third-party manufacturers to produce commercial quantities of our current commercial products, as well as Movantik®, following the potential closing of our in-license therefor. In addition, we expect to rely on third-party manufacturers to produce products that we may commercialize or promote in the future. To date, other than Talicia®, which the FDA has approved for marketing in the U.S., our therapeutic candidates have been manufactured in relatively small quantities for preclinical testing and clinical trials, as well as for other regulatory purposes by third-party manufacturers. If the FDA or other regulatory agencies approve any of our current or future therapeutic candidates for commercial sale, we expect that we would rely, at least initially, on third-party manufacturers to produce commercial quantities of our approved therapeutic candidates. These manufacturers may not be able to successfully increase or maintain the manufacturing capacity for our current commercial products or any product we may commercialize or promote in the future or any of our therapeutic candidates that may be approved in the future, in a timely or economic manner, or at all. The significant scale-up of manufacturing may require additional validation studies, which the FDA must review and approve. Foreign regulatory agencies may also require the approval of additional validation

studies for scaling up the manufacturing process of any of our therapeutic candidates or current or future commercial products. If the third-party manufacturers are unable to successfully increase or maintain the manufacturing capacity for a therapeutic candidate, current commercial products or for products that we may commercialize or promote in the future, or if we are unable to secure replacement third-party manufacturers or unable to establish our own manufacturing capabilities, the commercial launch of any approved products may be delayed or there may be a shortage in supply. With respect to Movantik®, until we are able to establish long-term manufacturing capabilities (including through third-party manufacturers), which will not be earlier than the expiration of the set transition period, our ability to arrange for an alternative manufacturer is limited. A supply disruption from any of our third-party manufacturers could have a material adverse effect on our reputation, business, financial condition or results of operations.

Reliance on third-party manufacturers entails risks, including, but not limited to:

- manufacturing delays if our third-party manufacturers give greater priority to the supply of other products over our current or future commercial products, including Talicia®, Aemcolo®, and Movantik®, or any future therapeutic candidates, if approved, or otherwise do not satisfactorily perform according to the terms of their agreements with us;
- the possible termination or nonrenewal of manufacturing agreements by the third-party manufacturers at a time that is costly or inconvenient for us;
- the possible breach of manufacturing agreements by third-party manufacturers;
- delays in obtaining regulatory approval for any future therapeutic candidates, if our third-party manufacturers fail to satisfy FDA inspection requirements in connection with pre-approval inspections or otherwise fail to comply with regulatory requirements; and
- product loss or serious adverse events due to contamination, equipment failure, or improper installation or operation of equipment or operator error.

We and our third-party manufacturers or our partners' manufacturers are, and will be, subject to regulations of the FDA and other foreign regulatory authorities, such as applicable current good manufacturing practices and other quality-based regulations.

We and our third-party manufacturers or our partners' manufacturers are, and will be, required to adhere to laws, regulations, and guidelines of the FDA and other foreign regulatory authorities setting forth current good manufacturing practices ("cGMP"). These laws, regulations, and guidelines cover all aspects of the manufacturing, testing, quality control and recordkeeping relating to our current commercial products and any products we may commercialize or promote, and our therapeutic candidates with varying cGMP rigors depending on what phase each of our respective therapeutic candidates is in with respect to its drug development process. We and our third-party manufacturers and our partners' manufacturers may not be able to comply with applicable laws, regulations, and guidelines. We and our third-party manufacturers and our partners' manufacturers are, and will be, subject to unannounced inspections by the FDA, state regulators and similar foreign regulatory authorities outside the U.S. Our failure, or the failure of our third-party manufacturers or our partners' manufacturers, to comply with applicable laws, regulations and guidelines could result in the imposition of sanctions on us, including fines, injunctions, civil penalties, failure of regulatory authorities to grant marketing approval of our therapeutic candidates, delays, suspension or withdrawal of approvals, license revocation, seizures or recalls of our current and future commercial products and therapeutic candidates, operating restrictions and criminal prosecutions, any of which could significantly and adversely affect regulatory approval and supplies of our current and future commercial products and therapeutic candidates, and materially and adversely affect our reputation, business, financial condition or results of operations.

Furthermore, changes in the manufacturing process or procedure, including a change in the location where the product is manufactured or a change of a third-party manufacturer, will require prior FDA or other regulatory review or approval of the manufacturing process and procedures in accordance with the FDA's regulations or comparable foreign requirements. This review may be costly and time-consuming and could delay or prevent the launch or commercial production of a product. The new facility will also be subject to pre-approval inspection. In addition, we will have to demonstrate that the product made at the new facility is equivalent to the product made at the former facility by physical and chemical methods, which are costly and time-consuming. It is also possible that the FDA may require clinical testing as a way to prove

equivalency, which would result in additional costs and delay, and may also result in delays in approval or commercialization of a product or render it unfeasible.

Our current commercial products, and any product we may commercialize or promote in the future (including Movantik®), even if all regulatory clearances and approvals are obtained, will be subject to ongoing regulatory review. If we fail to comply with continuing U.S. and applicable foreign laws, regulations, and guidelines, we could lose those clearances and approvals, and our reputation, business, financial condition or results of operations may be materially and adversely affected.

We or our commercialization partners, as applicable, will be subject to ongoing reporting obligations with respect to our current commercial products and any cleared or approved product that we may commercialize or promote in the future (such as Movantik®), including pharmacovigilance, and, with respect to our therapeutic candidates, even if they receive regulatory clearance or approval. In addition, the manufacturing of our current commercial products, and any other product we may commercialize or promote, whether currently or in the future, and our therapeutic candidates, will be subject to continuing regulatory review, including inspections by the FDA and other foreign regulatory authorities. Furthermore, following the potential closing of our in-license for Movantik®, we will become responsible for managing the product's global safety database, which may result in increased inspection from foreign regulatory authorities with which we do not have experience interacting. The results of any ongoing regulatory authority review may result in withdrawal from the market of one of our current commercial products or products we may commercialize or promote in the future, interruption of manufacturing operations or imposition of labeling or marketing limitations for such commercial product or therapeutic candidate, or other potentially significant enforcement actions. Since many more patients are exposed to drugs following their marketing clearance or approval, serious adverse reactions that were not observed in clinical trials may occur during the commercial marketing of our current commercial products or any product we may commercialize or promote in the future, including therapeutic candidates.

If a product receives regulatory approval, the approval is limited to the specific indications for use identified in the approved marketing application and by any additional requirements, restrictions, and limitations identified at the time of the product's approval or thereafter, which could restrict the commercial value of the product. As a condition of approval or after approval (if the FDA becomes aware of new safety information), the FDA may require us to implement a Risk Evaluation and Mitigation Strategy (REMS), which may include distribution or use restrictions to manage a known or potential serious risk associated with the product. REMS can include medication guides, communication plans for healthcare professionals, and elements to assure safe use (ETASU). ETASU can include, but are not limited to, special training or certification for prescribing or dispensing, dispensing only under certain circumstances, special monitoring, and the use of patient registries. The requirement for a REMS can materially affect the potential market and profitability of a given drug. Once adopted, REMS are subject to periodic assessment and modification. Additionally, the FDA may require post-approval, "Phase 4" clinical trials (for example, the MACE study with respect to Movantik®) to generate additional information on safety or efficacy. The results of such postmarketing studies may be negative and could cause the FDA to, among other things, change products' labeling, restricting commercial potential.

If we or our commercialization partners, as applicable, are required to conduct additional clinical trials or other testing of our current commercial products, or any other product we may commercialize or promote, or of our therapeutic candidates, we may face substantial additional expenses, be delayed in obtaining marketing clearance or approval, if required by the FDA, or may never obtain marketing clearance or approval for such product we may commercialize or promote or therapeutic candidate.

Third-party manufacturers and the manufacturing facilities that we and our development or commercialization partners use to manufacture any of our current commercial products and any other products that we may commercialize or promote, and therapeutic candidate, will be subject to periodic review and inspection by the FDA and may be subject to similar review by other regulatory authorities. Later discovery of previously unknown problems with any of our current commercial products and product we may commercialize or promote, or any therapeutic candidate, manufacturer or manufacturing process, or failure to comply with rules and regulatory requirements, may result in actions, including but not limited to the following:

- restrictions on such therapeutic candidate, marketed product, manufacturer or manufacturing process;

- warning letters from the FDA or other foreign regulatory authorities;
- withdrawal of the marketed product from the market;
- withdrawal of the therapeutic candidate from use in a clinical trial;
- suspension or withdrawal of regulatory approvals;
- refusal to approve pending applications or supplements to approved applications that we or our development or commercialization partners submit;
- voluntary or mandatory recall;
- fines;
- refusal to permit the import or export of our current commercial products or products that we may commercialize or promote in the future or our therapeutic candidates;
- product seizure or detentions;
- injunctions or the imposition of civil or criminal penalties; and
- adverse publicity.

If we or our commercialization partners, suppliers, third-party contractors or clinical investigators are slow to adapt, or are unable to adapt, to changes in existing regulatory requirements or the adoption of new regulatory requirements or policies, we and our development or commercialization partners may lose marketing clearance or approval for any products already cleared or approved for marketing in any jurisdiction, resulting in decreased or lost revenue from such products and could also result in other civil or criminal sanctions, including fines and penalties, and we may lose marketing clearance or approval of any of our therapeutic candidates, if any of our therapeutic candidates are approved for marketing.

We may be subject to risks relating to our past promotion of Donnatal®, Mytesi®, and Esomeprazole Strontium Delayed-Release Capsules 49.3 mg, and our commercialization of EnteraGam®.

In June 2017, we commenced promoting Donnatal® (Phenobarbital, Hyoscyamine Sulfate, Atropine Sulfate, Scopolamine Hydrobromide) in the U.S. pursuant to an exclusive co-promotion agreement with a subsidiary of ADVANZ, an international specialty pharmaceutical company. In June 2017, we commenced commercializing EnteraGam® in certain territories in the U.S. pursuant to a license agreement with Entera Health. In September 2017, we commenced promoting Esomeprazole Strontium DR Capsules 49.3 mg to gastroenterologists in certain U.S. territories pursuant to a commercialization agreement with ParaPRO LLC. In July 2018, we commenced promoting Mytesi® (crofelemer) pursuant to a co-promotion agreement with Napo, a wholly-owned subsidiary of Jaguar Health, Inc. Although none of these agreements are currently in effect, we may still be exposed to claims under these agreements. We may be exposed to risks relating to our past promotion and commercialization of these products, including product liability or other claims. If we are subject to any such claims, it could have a material adverse effect on our business.

We may encounter delays in receipt of FDA approval, if any, for our therapeutic candidates due to CMC, clinical, efficacy, safety, or regulatory or other issues.

We may encounter significant delays in receipt of FDA approval, if any, for our therapeutic candidates. For example, the FDA may determine that the chemistry, manufacturing and controls (“CMC”) of one of our therapeutic candidates are not satisfactory due to the manufacturing standards of the products or that additional CMC work, information or quality assurances are needed. The FDA may also consider the clinical studies conducted with a therapeutic candidate and the additional information provided to be inadequate, or insufficient, or require us to provide additional information, which may require us to conduct additional studies or otherwise significantly delay potential FDA approval of the potential NDA for a therapeutic candidate, if at all. In addition, we cannot guarantee that potential future manufacturers or other vendors related to manufacturing will be able to perform as required, will not terminate their agreements with us, or otherwise will not perform satisfactorily. The potential delay in identifying, engaging, qualifying and training an alternative manufacturer may be extended, leading to a significant delay. Furthermore, the FDA may also change its clearance or approval policies or adopt new laws, regulations or guidelines in a manner that materially delays or impairs our ability to obtain approval of the potential NDA for a therapeutic candidate, if any.

If any of these or other issues occur, we may face substantial additional expenses and otherwise experience delays in obtaining FDA approval of the NDAs we may file in the future for our therapeutic candidates, including RHB-104 for Crohn's disease, or may never obtain the FDA approval for such NDAs.

Clinical trials and related non-clinical studies may involve a lengthy and expensive process with an uncertain outcome, and results of earlier studies and trials may not be predictive of future trial results. We or our development or commercialization partners may not be able to obtain regulatory approvals for our therapeutic candidates or commercialize products we may commercialize or promote without completing such trials in accordance with the applicable regulatory standards, even products that may have already been cleared or approved for marketing.

We have limited experience in conducting and managing the clinical trials that are required to obtain or maintain regulatory approvals and commence or continue commercial sales. Subject to the potential closing of our in-license for Movantik®, we have agreed to manage and complete the postmarketing major adverse cardiovascular events (MACE) trial and will be reliant on third parties in connection therewith. Clinical trials and related non-clinical studies are expensive, complex, can take many years and have uncertain outcomes. We cannot predict whether we, independently or through third parties, will encounter problems with any of the completed, ongoing or planned clinical trials that will cause delays, including suspension of a clinical trial, delay of data analysis or release of the final report. The clinical trials of our therapeutic candidates may take significantly longer to complete than estimated. Failure can occur at any stage of the testing, and we may experience numerous unforeseen events during, or as a result of, the clinical trial process that could materially delay or prevent the obtainment of a regulatory approval of current or future therapeutic candidates and delay or prevent their commercialization.

In connection with the clinical trials for our therapeutic candidates and other therapeutic candidates that we may seek to develop in the future, either on our own or through licensing or partnering agreements, we face various risks and uncertainties, including but not limited to:

- delays or failure in securing clinical investigators or trial sites for the clinical trials;
- delays or failure in receiving import or other government approvals to ensure appropriate drug supply;
- delays or failure in obtaining institutional review board (IRB) and other regulatory approvals to commence or continue a clinical trial;
- expiration of clinical trial material before or during our trials as a result of delays, including suspension of a clinical trial, degradation of, or other damage to, the clinical trial material;
- negative or inconclusive results or results that are not sufficiently positive from clinical trials;
- the FDA or other foreign regulatory authorities may disagree with the number, design, size, conduct or implementation of our clinical studies;
- the FDA or other foreign regulatory authorities may require us to conduct additional clinical trials or studies in connection with therapeutic candidates in development, as well as for products that have already been cleared and approved for marketing;
- inability to monitor patients adequately during or after treatment;
- inability to retain patients;
- lack of technology to support clinical trials results;
- problems with investigator or patient compliance with the trial protocols;
- a therapeutic candidate may not prove safe or efficacious; there may be unexpected or even serious adverse events and side effects from the use of a therapeutic candidate;
- the results with respect to any therapeutic candidate may not confirm the positive results from earlier preclinical studies or clinical trials;
- the results may not meet the level of statistical significance required by the FDA or other foreign regulatory authorities;
- the results may justify only limited or restrictive uses, including the inclusion of warnings and contraindications, which could significantly limit the marketability and profitability of a therapeutic candidate;
- the clinical trials may be delayed or not completed due to the failure to recruit suitable candidates or if there is a lower rate of suitable candidates than anticipated or if there is a delay in recruiting suitable candidates; and

- changes to the current regulatory requirements related to clinical trials, which can delay, hinder or lead to unexpected costs in connection with our receiving the applicable regulatory clearances or approvals.

A number of companies in the pharmaceutical and biotechnology industries, including those with greater resources and experience than us, have suffered significant setbacks in advanced clinical trials, even after seeing promising results in earlier clinical trials. As such, despite the results reported in earlier clinical trials of our therapeutic candidates, we do not know if we will be able to complete the clinical trials we conduct or if such clinical trials will demonstrate adequate safety and efficacy sufficient to request and obtain regulatory approval to market our therapeutic candidates. If any of the clinical trials of any of our current or future therapeutic candidates do not produce favorable results, or are found to have been conducted in violation of the FDA's or other regulatory body's standards governing such studies, our ability to request and obtain regulatory approval for the therapeutic candidate may be adversely impacted, which could have a material adverse effect on our reputation, business, financial condition or results of operations.

If we are unable to develop a diagnostic test for MAP, this may adversely impact our ability to develop or obtain approval for RHB-104.

We are expecting to continue to advance the development program for a companion diagnostic for the detection of MAP bacteria in Crohn's disease patients in collaboration with several U.S. universities and laboratories. However, we do not know if and when a diagnostic test for MAP will become available. If we are unable to develop a diagnostic test for MAP, this may adversely impact our ability to develop or obtain regulatory approval to market RHB-104.

If we are unable to establish collaborations for our therapeutic candidates or products we may commercialize or promote, or otherwise not be able to raise substantial additional capital, we will likely need to alter our development and commercialization plans.

Our drug development programs and the potential commercialization of our approved products or our therapeutic candidates and products that we may commercialize or promote in the future will require additional cash to fund expenses. As such, our strategy includes either selectively partnering or collaborating with multiple pharmaceutical and biotechnology companies to assist us in furthering development or potential commercialization of our approved products and therapeutic candidates, if approved, promoting or commercializing products, in whole or in part, in some or all jurisdictions or through our own commercialization capabilities. With respect to potential new third-party partners for the development or commercialization of our approved products and therapeutic candidates, if approved, and development or commercialization of products that we may commercialize or promote in the future, we may not be successful in entering into collaborations with third parties on acceptable terms, or at all. In addition, if we fail to negotiate and maintain suitable development, commercialization or promotion agreements or otherwise raise substantial additional capital to secure our own commercialization capabilities, we may have to limit the size or scope of our activities or we may have to delay or terminate one or more of our development or commercialization programs. Any failure to enter into development or commercialization agreements with respect to the development, marketing and commercialization of any therapeutic candidates or products we may commercialize or promote or failure to develop, market and commercialize such commercial products or therapeutic candidates or products we may commercialize or promote independently may have an adverse effect on our reputation, business, financial condition or results of operations.

We rely on third parties to conduct our clinical trials and related non-clinical studies and those third parties may not perform satisfactorily, including but not limited to failing to meet established deadlines and compliance with applicable laws and regulations for the completion of such clinical trials.

We currently do not have the ability to independently conduct clinical trials and related non-clinical studies for our therapeutic candidates, and we rely on third parties, such as contract research organizations, medical institutions, contract laboratories, development and commercialization partners, clinical investigators and independent study monitors to perform these functions. Subject to the potential closing of our in-license for Movantik®, we have agreed to manage and complete the postmarketing major adverse cardiovascular events (MACE) trial. Our reliance on these third parties for research and development activities reduces our control over these activities. Furthermore, these third parties may also have relationships with other entities, some of which may be our competitors. Although we have, in the ordinary course of business, entered into agreements with such third parties, we continue to be responsible for confirming that each of our

clinical trials and related non-clinical studies is conducted in accordance with its general investigational plan and protocol, as well as all applicable laws and regulations. For example, the FDA requires us to comply with regulations and standards, commonly referred to as good clinical practices ("GCP"), for conducting, recording and reporting the results of clinical trials to assure that data and reported results are credible and accurate and that the trial participants are adequately protected, and regulatory authorities in other jurisdictions may have similar responsibilities and requirements. Our reliance on third parties does not relieve us of these responsibilities and requirements. If these third parties do not successfully carry out their contractual duties or meet expected deadlines, we may be required to replace them or perform such functions independently. Although we believe that there are a number of other third-party contractors we could engage to continue these activities, it may result in a delay of the affected trial and additional costs. Accordingly, we may be materially delayed in obtaining regulatory approvals, if any, for our therapeutic candidates and may be materially delayed in our commercialization efforts for the targeted indications.

In addition, our ability to bring our therapeutic candidates to market depends on the quality and integrity of data that we present to regulatory authorities in order to obtain marketing authorizations. Although we attempt to audit and control the quality of third-party data, we cannot guarantee the authenticity or accuracy of such data, nor can we be certain that such data has not been fraudulently generated. Furthermore, the FDA may consider clinical studies inadequate where steps have not been taken in the design, conduct, reporting, and analysis of the studies to minimize bias. For example, one potential source of bias in clinical studies is a clinical investigator with a financial stake in the outcome of the study. Accordingly, we (or the applicant of the IND or Biologics License Application, as applicable) must submit for all applicable clinical investigators either: (i) a completed Form FDA 3454 attesting to the absence of financial interests and arrangements described in the regulations, dated and signed by the chief financial officer or another responsible corporate official; or (ii) for any investigators for whom a Form FDA 3454 is not submitted, a Form FDA 3455 disclosing completely and accurately the following:

- any financial arrangement entered into between the sponsor of the covered study and the clinical investigator involved in the conduct of a covered clinical trial, whereby the value of the compensation to the clinical investigator for conducting the study could be influenced by the outcome of the study;
- any significant payments of other sorts from the sponsor of the covered study, such as a grant to fund ongoing research, compensation in the form of equipment, retainer for ongoing consultation, or honoraria;
- any proprietary interest in the tested product held by any clinical investigator involved in a study;
- any significant equity interest in the sponsor of the covered study held by any clinical investigator involved in any study; and
- any steps taken to minimize the potential for bias resulting from any of the disclosed arrangements, interests, or payments.

The FDA may refuse to accept a filing of an NDA that does not contain the required certifications and disclosures or attestations by the applicant that the applicant has acted with due diligence to obtain the information but was unable to do so and stating the reason. Additionally, FDA refusal of an NDA on potential bias grounds may have a material adverse effect on our reputation, business, financial condition or results of operations and the credibility of our other commercial products or therapeutic candidates.

We rely on contract research organizations for the management of clinical data generated from our studies, and such contract research organizations may not perform satisfactorily.

We rely on contract research organizations to provide monitors for and to manage data for our studies. Our reliance on these contract research organizations for data management reduces our control over clinical data management. While we have agreements governing their activities, we have limited influence over their actual performance. If these contract research organizations do not successfully carry out their contractual duties or obligations or meet expected deadlines, or if the quality or accuracy of the clinical data they obtain is compromised due to the failure to adhere to our clinical protocols or for other reasons, we may be required to replace them, or our clinical studies may be extended, delayed or terminated. In addition, such failure of our contract research organizations would pose risks to the accuracy and usability of clinical data from our clinical studies. Replacing a contract research organization may result in a delay in our clinical studies and generation of data from such studies. In addition, we face the risk of potential unauthorized disclosure or misappropriation

of our intellectual property by contract research organizations, which may reduce our trade secret protection and allow our potential competitors to access and exploit our proprietary technology.

We may fail to receive or maintain the benefits from the orphan drug and QIDP designations granted by the FDA for our applicable products or therapeutic candidates, as applicable.

In the U.S., under the Orphan Drug Act, the FDA may grant orphan drug designation to a drug or biologic intended to treat a rare disease or condition, which is defined as one occurring in a patient population of fewer than 200,000 in the U.S., or a patient population greater than 200,000 in the U.S. where there is no reasonable expectation that the cost of developing the drug or biologic will be recovered from sales in the U.S. In 2011, the FDA granted RHB-104 orphan drug designation for the treatment of Crohn's disease in the pediatric population, and, in 2017, the FDA granted ABC294640 (Yeliva®) orphan drug designation for the treatment of cholangiocarcinoma and granted RHB-107 (formerly Mesupron) orphan drug designation for the treatment of pancreatic cancer.

In the U.S., the orphan drug designation entitles a party to financial incentives, such as opportunities for grant funding toward clinical trial costs, tax advantages and user-fee waivers. In addition, if a product that has the orphan drug designation subsequently receives the first FDA approval for the disease for which it has such designation, the product is entitled to orphan drug exclusivity, which means that the FDA may not approve any other applications, including an NDA, to market the same drug or biologic for the same indication for seven years, except in limited circumstances, such as a showing of clinical superiority to the product with orphan drug exclusivity or where the original manufacturer is unable to assure sufficient product quantity.

Exclusive marketing rights from a given orphan drug designation may be limited if we seek approval for an indication broader than the orphan-designated indication or may be lost if the FDA later determines that the request for designation was materially defective, or if we are unable to assure sufficient quantities of the product to meet the needs of patients with the orphan-designated disease or condition. Further, even if we obtain orphan drug exclusivity for a product, that exclusivity may not effectively protect the product from competition because different drugs with different active moieties may receive and be approved for the same condition, and only the first applicant to receive approval will receive the benefits of marketing exclusivity. Even after an orphan-designated product is approved, the FDA can subsequently approve a later drug with the same active moiety for the same condition if the FDA concludes that the later drug is clinically superior if it is shown to be safer, more effective or makes a major contribution to patient care. Orphan drug designation neither shortens the development time or regulatory review time of a drug nor gives the drug any advantage in the regulatory review or approval process.

In addition, in 2017, we announced that RHB-204 had been granted QIDP designation by the FDA for the treatment of pulmonary NTM infections. Like orphan drugs, QIDPs may take advantage of market exclusivity, which in the case of QIDPs is five years. However, the five-year exclusivity extension does not apply to a supplement to an application under Section 505(b) of the FDCA for any QIDP for which an extension is in effect or has expired; a subsequent application submitted with respect to a product approved by the FDA for a change that results in a new indication, route of administration, dosing schedule, dosage form, delivery system, delivery device or strength; or a product that does not meet the definition of a QIDP under Section 505(g) based upon its approved uses.

Modifications to our current commercial products or to any product that we may commercialize or promote in the future (including Movantik®), or our therapeutic candidates, may require new regulatory clearances or approvals or may require us or our development or commercialization partners, as applicable, to recall or cease marketing any of our approved products, or delay further studies of our therapeutic candidates in human subjects until clearances or approvals are obtained.

Modifications to our current commercial products and any products we may commercialize or promote (including Movantik®), or to our therapeutic candidates, after they have been cleared or approved for marketing, if at all, may require new regulatory clearance or approvals, in particular, if we seek or are required to expand our operations to jurisdictions outside of the U.S., and, if necessitated by a problem with a marketed product, may result in the recall or suspension of marketing of the previously approved and marketed product until clearances or approvals of the modified product are obtained. The FDA and other regulatory authorities require pharmaceutical product and device manufacturers to initially

make and document a determination of whether or not a modification requires a new approval, supplement or clearance. A manufacturer may determine in conformity with applicable laws, regulations, and guidelines that a modification may be implemented without pre-clearance by the FDA or other regulatory authorities. However, the FDA or other regulatory authorities can review a manufacturer's decision and may disagree. The FDA or other regulatory authorities may also, on their own initiative, determine that a new clearance or approval is required. If the FDA or other regulatory authorities require new clearances or approvals of any pharmaceutical product for which we or our partners, including development or commercialization partners, previously received marketing approval, we or our partners, including development or commercialization partners, may be required to recall and stop marketing such marketed product, which could require us or our partners, including development or commercialization partners, to redesign the marketed product and may cause a material adverse effect on our reputation, business, financial condition or results of operations.

We may depend on our ability to identify, consummate and integrate in-licenses or acquire additional therapeutic candidates to achieve commercial success, including products approved or cleared for marketing in the U.S. or elsewhere.

Talicia® and our six clinical-stage development therapeutic candidates were all acquired or licensed by us from third parties and we may in the future pursue in-licenses or acquisitions of additional therapeutic candidates or products (such as Movantik®) and seek to integrate them into our operations as well. We evaluate internally and with external consultants each therapeutic candidate we in-license or acquire. However, there can be no assurance as to our ability to accurately or consistently identify therapeutic candidates or products that have been approved or cleared for marketing in the U.S. or elsewhere that are likely to achieve commercial success. In addition, even if we identify additional therapeutic candidates or products that have been approved or cleared for marketing in the U.S. or elsewhere that are likely to achieve commercial success, there can be no assurance as to our ability to in-license or acquire such therapeutic candidates or products under favorable terms or at all. In-licenses and acquisitions of therapeutic candidates and products involve risks that could adversely affect our future results of operations.

We compete with other entities for some in-license or acquisition opportunities.

As part of our overall strategy, we pursue opportunities (such as Movantik®) to in-license or acquire therapeutic candidates and products that have been approved or cleared for marketing in the U.S. We may compete for in-license and acquisition opportunities with other companies, including established and well-capitalized companies. As a result, we may be unable to in-license or acquire additional therapeutic candidates or products that have been approved or cleared for marketing in the U.S. at all or on favorable terms. Our failure to further in-license or acquire therapeutic candidates or products that have been approved or cleared for marketing in the U.S. in the future may materially hinder our ability to grow and could materially harm our reputation, business, financial condition or results of operations.

If we or a licensor or a partner of ours cannot meet our or their respective obligations under our acquisition, in-license or other development or commercialization agreements or renegotiate the obligations under such agreements, or if other events occur that are not within our control, such as bankruptcy of a licensor or a partner, we could lose the rights to our therapeutic candidates or products we may commercialize or promote, experience delays in developing or commercializing our therapeutic candidates or products we may commercialize or promote or incur additional costs, which could have a material adverse effect on our reputation, business, financial condition or results of operations.

We acquired our rights to Talicia® and two of our other therapeutic candidates, RHB-104, and RHB-106, from a third party pursuant to an asset purchase agreement. In addition, we in-licensed our rights to three other therapeutic candidates, RHB-102 (Bekinda®), ABC294640 (Yeliva®), and RHB-107 pursuant to license agreements in which we received exclusive perpetual licenses to certain patent rights and know-how related to these therapeutic candidates. We have also obtained the exclusive U.S. rights to commercialize Aemcolo® and subject to certain closing conditions, including HSR Clearance, we expect to obtain the global rights (excluding Europe, Canada, and Israel) to commercialize Movantik®, each pursuant to a license agreement. These agreements require us to make payments and satisfy various performance obligations in order to maintain our rights and licenses with respect to these marketed products and therapeutic candidates. If we or our collaborators do not meet our or their respective obligations under these or future agreements, or if other events occur that are not within our control, such as the bankruptcy of a licensor, we could lose the rights to commercialize our current and future commercial products or to our therapeutic candidates, experience delays in developing our

therapeutic candidates or incur additional costs. The loss of such rights could have a material adverse effect on our reputation, business, financial condition or results of operations.

In addition, we are responsible for the cost of filing and prosecuting certain patent applications and maintaining certain issued patents licensed to us. If we do not meet our obligations under these agreements in a timely manner or if other events occur that are not within our control, such as the bankruptcy of a licensor, which impact our ability to prosecute certain patent applications and maintain certain issued patents licensed to us, we could lose the rights to our current and future commercial products or our therapeutic candidates which could have a material adverse effect on our reputation, business, financial condition or results of operations. We manage a large portfolio of patents and may decide to discontinue maintaining certain patents in certain territories for various reasons, including costs, such as a current belief that the commercial market for the therapeutic candidate will not be large or that there is a near-term patent expiration that may reduce the value of the therapeutic candidate. In the event we discontinue maintaining such patents, we may not be able to enforce rights for our therapeutic candidates or protect our therapeutic candidates from competition in those territories.

Our business and operations would suffer in the event of computer system failures, cyber-attacks or deficiencies in our cyber-security.

In the ordinary course of our business, we collect and store sensitive data, including intellectual property, compliance-related data, research data, our proprietary business information and that of our suppliers, technical information about our products, clinical trial plans, and employee records. Similarly, our third-party providers possess certain of our sensitive data and confidential information. The secure maintenance of this information is critical to our operations and business strategy. Despite the implementation of security measures, our internal computer systems, and those of third parties on which we rely, are vulnerable to damage from computer viruses, malware, ransomware, cyber-fraud, natural disasters, terrorism, war, telecommunication and electrical failures, cyber-attacks or cyber-intrusions over the Internet, attachments to emails, persons inside our organization, or persons with access to systems inside our organization. The risk of a security breach or disruption, particularly through cyber-attacks or cyber-intrusion, including by computer hackers, foreign governments, and cyber-terrorists, has generally increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased. Any such breach could compromise our networks and the information stored there could be accessed, publicly disclosed, encrypted, lost or stolen. Any such access, inappropriate disclosure of confidential or proprietary information or other loss of information, including our data being breached at third-party providers, could result in legal claims or proceedings, liability or financial loss under laws that protect the privacy of personal information, disruption of our operations or our product development programs and damage to our reputation, which could adversely affect our business. For example, the loss of clinical trial data from completed or ongoing or planned clinical trials could result in delays in our regulatory approval efforts and significantly increase our costs to recover or reproduce the data.

Disputes may arise between us and third parties from whom we have acquired assets, commercialization rights or licenses. Any conflict, dispute or disagreement with such third parties may result in disruptions to our business relationships, require us to pay damages and incur costs, adversely affect our results of operations and may lead to loss of rights that are important to our business or costly litigation.

Our existing agreements impose, and we expect that future acquisition, commercialization or license agreements will impose, various diligence, milestone payments, royalty or other obligations on us. Subject to certain closing conditions, including HSR Clearance, we will also in-license the global rights (excluding Europe, Canada, and Israel) to Movantik® pursuant to the AstraZeneca License Agreement. Such agreements require, or may in the future require, us to remit upfront and royalty payments or performance milestone payments. Any failure on our part to pay upfront and royalties owed or milestone payments could lead to us losing rights under our licenses and could thereby adversely affect our business. If there is any conflict, dispute, disagreement or issue of non-performance between us and our third-party partners regarding our rights or obligations under the acquisition, commercialization or license agreements, including any such conflict, dispute or disagreement arising from our failure to satisfy payment obligations under any such agreement or to perform certain activities or to adhere to any contractual obligation, we may be liable to pay damages and incur costs, and it could lead to delays in the research, development, collaboration, and commercialization of our commercial products, products we may promote or commercialize in the future or our therapeutic candidates. The resolution of such disputes could require or result in litigation or arbitration, which could be time-consuming and expensive. Such third-party partner may have a

right to terminate the affected license subject to a dispute. If our existing agreements are terminated, it would have a material adverse effect on our reputation, business, financial condition or results of operations.

Our business could suffer if we are unable to attract and retain key personnel.

The loss of the services of members of senior management or other key personnel could delay or otherwise adversely impact the successful completion of our planned clinical trials or the commercialization of our current commercial products and therapeutic candidates, if approved, and any product we may commercialize or promote in the future, or otherwise affect our ability to manage our company effectively and to carry out our business plan. These key personnel are Dror Ben-Asher, our Chief Executive Officer, Reza Fathi, Ph.D., our Senior Vice President for Research and Development, Gilead Raday, our Chief Operating Officer, Adi Frish, our Senior Vice President for Business Development and Licensing, Guy Goldberg, our Chief Business Officer, Micha Ben Chorin, our Chief Financial Officer, Rick D. Scruggs, our Chief Commercial Officer, Dr. June Almenoff, our Chief Scientific Officer, Rob Jackson, our VP, Marketing, Robert J. Gilkin, our VP, Market Access, and Valerie Graceffa, our VP, Sales. We do not maintain key-man life insurance. Although we have entered into employment or consultancy agreements with all of the members of our senior management team, members of our senior management team may resign at any time. High demand exists for senior management and other key personnel in the pharmaceutical industry. There can be no assurance that we will be able to continue to retain and attract such personnel.

Our growth and success also depend on our ability to attract and retain additional highly qualified scientific, technical, business development, marketing, sales, managerial and finance personnel. We experience intense competition for qualified personnel, and the existence of non-competition agreements between prospective employees and their former employers may prevent us from hiring those individuals or subject us to liability from their former employers. In addition, as part of our plan to promote our current commercial products and potential products we may develop, we may need to expand and maintain our marketing and sales capabilities. While we attempt to provide competitive compensation packages to attract and retain key personnel, many of our competitors are likely to have greater resources and more experience than we have, making it difficult for us to compete successfully for key personnel. If we cannot attract and retain sufficiently qualified suitable employees on acceptable terms, we may not be able to develop and commercialize our commercialized products and competitive therapeutic candidates. Further, any failure to effectively integrate new personnel could materially prevent us from successfully growing our company.

We face several risks associated with international business.

We operate our business in multiple international jurisdictions. Such operations could be materially affected by changes in foreign exchange rates, capital and exchange controls, expropriation and other restrictive government actions, changes in intellectual property legal protections and remedies, changes in data privacy laws, trade regulations and procedures and actions affecting approval, production, pricing, and marketing of, reimbursement for and access to, our current commercial products and products we may commercialize or promote, or our therapeutic candidates, as well as by political unrest, unstable governments and legal systems, and inter-governmental disputes. In addition, we are subject to global events beyond our control, including war, public health crises, such as pandemics and epidemics, trade disputes and other international events. Any of these changes could have a material adverse effect on our reputation, business, financial condition or results of operations. For example, in December 2019, a strain of coronavirus was reported to have surfaced in Wuhan, China, and has reached multiple other countries, resulting in government-imposed quarantines, travel restrictions and other public health safety measures in China and such other countries. At this point, the extent to which the coronavirus may impact our operations is uncertain; however, (i) certain of our third-party suppliers of APIs may currently source certain API and starting materials from Asia and other places worldwide, and the continued outbreak and spreading of the coronavirus may adversely impact our third-party API suppliers' development, manufacture, and supply of our APIs and (ii) an overall decrease in tourism due to the outbreak of the coronavirus may reduce the demand for antibiotics for the treatment of travelers' diarrhea, such as Aemcolo®. If the current coronavirus outbreak continues and results in a prolonged period of travel, commercial and other similar restrictions, we could experience broader supply disruptions and difficulty in finding alternative sources. Moreover, the coronavirus outbreak has begun to have indeterminable adverse effects on general commercial activity and the world economy, and our business and results of operations could be adversely affected to the extent that this coronavirus or any other epidemic harms the global economy generally. The extent to which the coronavirus impacts our results will depend on future developments, which are highly

uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions to contain the coronavirus or treat its impact, among others. Additionally, because our corporate headquarters are in Israel while our commercial office is in the U.S., there is additional risk in our ability as a company to control the activities occurring in the U.S., due to the geographic separation within the company.

Risks Related to Our Industry

The market for our current commercial products, for any product we may commercialize or promote in the future and for our therapeutic candidates is rapidly changing and competitive, and new drug delivery mechanisms, drug delivery technologies, new drugs, generic products, treatments and products which may be developed by others could impair our ability to maintain and grow our business and remain competitive.

The pharmaceutical and biotechnology industry is highly competitive, and we face significant competition from many pharmaceutical, biopharmaceutical and biotechnology companies that are researching, developing and marketing products designed to address the indications for which we are currently developing therapeutic candidates or may develop therapeutic candidates in the future or for which we may commercialize or promote products. There are various other companies that currently market, are in the process of developing or may develop in the future products that address all of the indications or diseases treated by our current commercial products, products that we may commercialize or promote in the future, and our therapeutic candidates.

New drug delivery mechanisms, drug delivery technologies, new drugs and new treatments that have been developed or that are in the process of being developed or will be developed by others may render our current commercial products, products we may commercialize or promote in the future and our therapeutic candidates noncompetitive or obsolete, or we may be unable to keep pace with technological developments or other market factors. Some of these technologies may have an entirely different approach or means of accomplishing similar therapeutic effects compared to our current commercial products, products we may commercialize or promote in the future and our therapeutic candidates. In addition, our current commercial products and products we may commercialize or promote in the future may compete with products of third parties for market share, and generic drugs or products that treat the same indications as our current commercial products or products we may commercialize or promote in the future, can have an adverse effect on our revenues by reducing our market share or requiring us to reduce the price of the products we market.

We expect that Talicia® will primarily compete with several branded and generic therapies already approved and used extensively to treat *H. pylori*. Additionally, Phathom Pharmaceuticals, Inc. is developing Vonoprazan, an oral small molecule potassium competitive acid blocker, for the treatment of GERD and *H. pylori* infection.

Movantik® primarily competes with several branded therapies already approved and used extensively to treat OIC, as well as with OTC and prescription treatments for constipation, such as laxatives.

Technological competition from, and commercial capabilities of, pharmaceutical and biotechnology companies, universities, governmental entities, and others is intense and is expected to increase. Many of these entities have significantly greater research and development capabilities, human resources, and budgets than we do, as well as substantially more marketing, manufacturing, financial and managerial resources. These entities represent significant competition for us. Acquisitions of, or investments in, competing pharmaceutical or biotechnology companies by large corporations could increase such competitors' financial, marketing, manufacturing, and other resources.

The potential widespread acceptance of therapies that are alternatives to ours may limit market acceptance of our formulations, current commercial products or products we may commercialize or promote in the future, even if commercialized and therapeutic candidates. Many of our targeted diseases and conditions can also be treated by other medications or drug delivery technologies. These treatments may be widely accepted in medical communities and have a longer history of use, among other possible advantages. The established use of these competitive drugs may limit the potential for widespread acceptance of our current commercial products and products we may commercialize or promote in the future and may limit the potential for our therapeutic candidates to receive widespread acceptance, if commercialized.

Talicia® or any product for which we may obtain regulatory approval or acquire commercialization rights may not become or continue to be commercially viable products.

Other than Talicia®, none of our therapeutic candidates has been cleared or approved for marketing, and none of our therapeutic candidates is currently being marketed or commercialized in any jurisdiction. We were granted certain rights to commercialize Aemcolo® and, subject to the potential closing of our in-license, Movantik®. Even if any of our therapeutic candidates or any product we may commercialize or promote receives regulatory clearance or approval, such as Talicia®, or do not require regulatory clearance or approval, it may not become a commercially viable product. For example, even if we or our development or commercialization partners receive regulatory clearance or approval to market a therapeutic candidate or receive regulatory clearance or approval to commercialize or promote any product, the clearance or approval may be subject to limitations on the indicated uses or subject to labeling or marketing restrictions, which could materially and adversely affect their marketability and profitability. In addition, a new therapeutic candidate may appear promising at an early stage of development or after clinical trials but never reach the market, or it may reach the market but not result in sufficient product sales, if any. A therapeutic candidate or any product that we may commercialize or promote, may not result in commercial success for various reasons, including but not limited to:

- difficulty in large-scale manufacturing, including yield and quality;
- low market acceptance by physicians, healthcare payors, patients and the medical community as a result of lower demonstrated clinical safety or efficacy compared to products, prevalence, and severity of adverse side effects, or other potential disadvantages relative to alternative treatment methods;
- insufficient or unfavorable levels of reimbursement from government or third-party payors, such as insurance companies, health maintenance organizations and other health plan administrators;
- infringement on proprietary rights of others for which we or our development or commercialization partners have not received licenses;
- incompatibility with other therapeutic candidates or marketed products;
- other potential advantages of alternative treatment methods and competitive forces that may make it more difficult for us to penetrate a particular market segment, if at all;
- ineffective marketing, sales, and distribution activities and support;
- lack of significant competitive advantages over existing products on the market;
- lack of cost-effectiveness or unfavorable pricing compared to other alternatives available on the market;
- inability to generate sufficient revenues to sustain our business operations in accordance with our plan from the sale or marketing of a product in view of the economic arrangements that we have with commercialization or other partners;
- changes to labels, indications or other regulatory requirements as they relate to the commercialization of our products;
- inability to establish collaborations with third-party development or commercialization partners on acceptable terms, or at all, and our inability or unwillingness for cost or other reasons to commercialize the therapeutic candidates or any product we may commercialize or promote on our own; and
- timing of market introduction of competitive products.

Physicians, various other healthcare providers, patients, payors or the medical community, in general, may be unwilling to accept, utilize or recommend Talicia® and any product we may commercialize or promote. If we are unable, either on our own or through third parties, to manufacture, commercialize or market Talicia®, our proposed formulations, therapeutic candidates or any product we may commercialize or promote when planned, or to develop them commercially, we may not achieve any market acceptance or generate meaningful revenue.

Unexpected product safety or efficacy concerns may arise and cause any product we may commercialize or promote to fail to gain or lose market acceptance.

Unexpected safety or efficacy concerns can arise with respect to any product we may commercialize or promote, whether or not scientifically justified, potentially resulting in product recalls, withdrawals or declining sales, as well as product liability, consumer fraud or other claims. The market perception and reputation of any product we commercialize or may commercialize or promote in the future, and their safety and efficacy are important to our business and the continued

acceptance of any such product. Any negative publicity about any of our current or future commercial products, such as the pricing of any product, discovery of safety issues, adverse events, or even public rumors about such events, could have a material adverse effect on our reputation, business, financial condition or results of operations. In addition, the discovery of one or more significant problems with a product similar to any of our current commercial products or products we may commercialize or promote in the future that implicate (or are perceived to implicate) an entire class of products or the withdrawal or recall of such similar products could have an adverse effect on the current or future commercialization of any product we may commercialize or promote. New data about any of our current commercial product or products that we may commercialize or promote in the future, or products similar to any of our current commercial products or those we may commercialize or promote in the future, could cause us reputational harm and could negatively impact demand for such products due to real or perceived side effects or uncertainty regarding safety or efficacy and, in some cases, could result in product withdrawal. Any of the foregoing could have a material adverse effect on our reputation, business, financial condition or results of operations.

Heightened attention on the problems associated with the abuse of opioids could adversely affect our ability to commercialize certain of our current or future products, which would adversely affect our reputation, business, financial condition and results of operations.

In recent years, there has been increased public attention on the public health issue of opioid abuse in the U.S. Public inquiries and governmental investigations into opioid use and litigation and heightened regulatory activity regarding the sales, marketing, distribution or storage of opioid products, among other things, could cause additional unfavorable publicity regarding the use and misuse of opioids and products related to opioids (such as Movantik®), which could have a material adverse effect on our reputation as a manufacturer of an opioid-related product and our potential ability to successfully commercialize such product if our potential in-license for Movantik® is consummated.

Such negative publicity could reduce the potential size of the market for Movantik®, and decrease the revenue we may be able to generate from its commercialization, which in turn would adversely affect our business and results of operations. Additionally, such increased scrutiny of opioids generally, whether focused on Movantik® or otherwise, could have the effect of negatively impacting relationships with healthcare providers and other members of the healthcare community, reducing the overall market for opioid-related products or reducing the prescribing and use of Movantik®.

We could be adversely affected if healthcare reform measures substantially change the market for medical care or healthcare coverage in the U.S.

On March 23, 2010, President Obama signed the “Patient Protection and Affordable Care Act” (P.L. 111-148) and on March 30, 2010, the signed the “Health Care and Education Reconciliation Act” (P.L. 111-152), collectively commonly referred to as the “Healthcare Reform Law.” The Healthcare Reform Law included a number of new rules regarding health insurance, the provision of healthcare, conditions to reimbursement for healthcare services provided to Medicare and Medicaid patients, and other healthcare policy reforms. Through the law-making process, substantial changes have been and continue to be made to the current system for paying for healthcare in the U.S., including changes made to extend medical benefits to certain Americans who lacked insurance coverage and to contain or reduce healthcare costs (such as by reducing or conditioning reimbursement amounts for healthcare services and drugs, and imposing additional taxes, fees, and rebate obligations on pharmaceutical and medical device companies). This legislation was one of the most comprehensive and significant reforms ever experienced by the U.S. in the healthcare industry and has significantly changed the way healthcare is financed by both governmental and private insurers. This legislation has impacted the scope of healthcare insurance and incentives for consumers and insurance companies, among others. Additionally, the Healthcare Reform Law’s provisions were designed to encourage providers to find cost savings in their clinical operations. Pharmaceuticals represent a significant portion of the cost of providing care. This environment has caused changes in the purchasing habits of consumers and providers and resulted in specific attention to the pricing negotiation, product selection and utilization review surrounding pharmaceuticals. This attention may result in our current commercial products, products we may commercialize or promote in the future, and our therapeutic candidates, being chosen less frequently or the pricing being substantially lowered. At this stage, it is difficult to estimate the full extent of the direct or indirect impact of the Healthcare Reform Law on us.

These structural changes could entail further modifications to the existing system of private payors and government programs (such as Medicare, Medicaid, and the State Children's Health Insurance Program), creation of government-sponsored healthcare insurance sources, or some combination of both, as well as other changes. Restructuring the coverage of medical care in the U.S. could impact the reimbursement for prescribed drugs and pharmaceuticals, including our current commercial products, those we and our development or commercialization partners are currently developing or those that we may commercialize or promote in the future. If reimbursement for the products we currently commercialize or promote, any product we may commercialize or promote, or approved therapeutic candidates is substantially reduced or otherwise adversely affected in the future, or rebate obligations associated with them are substantially increased, it could have a material adverse effect on our reputation, business, financial condition or results of operations.

Extending medical benefits to those who currently lack coverage will likely result in substantial costs to the U.S. federal government, which may force significant additional changes to the healthcare system in the U.S. Much of the funding for expanded healthcare coverage may be sought through cost savings. While some of these savings may come from realizing greater efficiencies in delivering care, improving the effectiveness of preventive care and enhancing the overall quality of care, much of the cost savings may come from reducing the cost of care and increased enforcement activities. Cost of care could be reduced further by decreasing the level of reimbursement for medical services or products (including our current commercial products, our development or commercialization partners or any product we may commercialize or promote, or those therapeutic candidates currently being developed by us), or by restricting coverage (and, thereby, utilization) of medical services or products. In either case, a reduction in the utilization of, or reimbursement for our current commercial products, any product we may commercialize or promote, or any therapeutic candidate, or for which we receive marketing approval in the future, could have a material adverse effect on our reputation, business, financial condition or results of operations.

Several states and private entities initially mounted legal challenges to the Healthcare Reform Law, and they continue to litigate various aspects of the legislation. On July 26, 2012, the U.S. Supreme Court generally upheld the provisions of the Healthcare Reform Law at issue as constitutional. However, the U.S. Supreme Court held that the legislation improperly required the states to expand their Medicaid programs to cover more individuals. As a result, the states have a choice as to whether they will expand the number of individuals covered by their respective state Medicaid programs. Some states have not expanded their Medicaid programs and have chosen to develop other cost-saving and coverage measures to provide care to currently uninsured individuals. Many of these efforts to date have included the institution of Medicaid-managed care programs. The manner in which these cost-saving and coverage measures are implemented could have a material adverse effect on our reputation, business, financial condition or results of operations.

Further, the healthcare regulatory environment has seen significant changes in recent years and is still in flux. Legislative initiatives to modify, limit, replace, or repeal the Healthcare Reform Law and judicial challenges continue, and may increase in light of the current administration and legislative environment. We cannot predict the impact on our business of future legislative and legal challenges to the Healthcare Reform Law or other changes to the current laws and regulations. The financial impact of U.S. healthcare reform legislation over the next few years will depend on a number of factors, including the policies reflected in implementing regulations and guidance and changes in sales volumes for therapeutics affected by the legislation. From time to time, legislation is drafted, introduced and passed in the U.S. Congress that could significantly change the statutory provisions governing coverage, reimbursement, and marketing of pharmaceutical products. In addition, third-party payor coverage and reimbursement policies are often revised or interpreted in ways that may significantly affect our business and our products.

Since taking office, President Trump has continued to support the repeal of all or portions of the Healthcare Reform Law. President Trump has also issued an executive order in which he stated that it is his administration's policy to seek the prompt repeal of the Healthcare Reform Law and in which he directed executive departments and federal agencies to waive, defer, grant exemptions from, or delay the implementation of the provisions of the Healthcare Reform Law to the maximum extent permitted by law. Congress has enacted legislation that repeals certain portions of the Healthcare Reform Law, including but not limited to the Tax Cuts and Jobs Act, passed in December 2017, which included a provision that eliminates the penalty under the Healthcare Reform Law's individual mandate, effective January 1, 2019, as well as the Bipartisan Budget Act of 2018, passed in February 2018, which, among other things, repealed the Independent Payment Advisory Board (which was established by the Healthcare Reform Law and was intended to reduce the rate of growth in Medicare spending).

Additionally, in December 2018, a district court in Texas held that the individual mandate is unconstitutional and that the rest of the Affordable Care Act is, therefore, invalid. On appeal, the Fifth Circuit Court of Appeals affirmed the holding on the individual mandate but remanded the case back to the lower court to reassess whether and how such holding affects the validity of the rest of the Affordable Care Act. Substantial uncertainty remains as to the future of the Affordable Care Act after the U.S. Supreme Court declined to expedite its review of the Fifth Circuit's holding on January 21, 2020. It is, thus, unlikely that these issues will be resolved before the next presidential election in November 2020. The current administration may seek to pass additional reform measures before the upcoming election. We cannot predict the outcome of the election, nor can we predict the healthcare-reform-related initiatives that the newly elected (or re-elected, as applicable) administration will put forth thereafter. There is no way to know whether, and to what extent, if any, the Affordable Care Act will remain in effect in the future, and it is unclear how judicial decisions, subsequent appeals, election-related measures, or other efforts to repeal and replace or, possibly, to restore the Affordable Care Act will impact the U.S. healthcare industry or our business.

Third-party payors may not adequately reimburse customers for any of our products that we may commercialize or promote, including our current commercial products, and may impose coverage restrictions or limitations such as prior authorizations and step edits that affect their use.

Our revenues and profits depend heavily upon the availability of adequate reimbursement for the use of our current commercial products, and any products that we may commercialize or promote, from governmental or other third-party payors, both in the U.S. and in foreign markets. Reimbursement by a third-party payor may depend upon a number of factors, including, but not limited to, the third-party payor's determination that the use of an approved or cleared therapeutic candidate or product is:

- a covered benefit under its health plan;
- safe, effective and medically necessary;
- appropriate for the specific patient;
- cost-effective; and
- neither experimental nor investigational.

Obtaining reimbursement approval for a product that we may commercialize or promote, including our current commercial products, from any government or other third-party payor is a time-consuming and costly process that could require us or our development or commercialization partners to provide supporting scientific, clinical and cost-effectiveness data for the use of our products that we currently, or may, commercialize or promote to each payor. Even when a payor determines that a product that we currently or may commercialize or promote is eligible for reimbursement under its criteria, the payor may impose coverage limitations that preclude payment for some uses that are approved by the FDA or other foreign regulatory authorities, or may impose restrictions, such as prior authorization requirements, or may simply deny coverage altogether. Reimbursement rates may vary according to the use of the product that we commercialize or may commercialize or promote in the future and the clinical setting in which it is used, may be based on payments allowed for lower-cost products that are already reimbursed, may be incorporated into existing payments for products or services, and may reflect budgetary constraints or imperfections in Medicare, Medicaid or other data used to calculate these rates. In particular, reimbursement for our products may not be available from Medicare or Medicaid, and reimbursement from other third-party payors may be limited, reduced or revoked. Overall, our ability to get reimbursement coverage for our commercial products has historically been limited. Successful commercialization of our commercial products requires a conducive reimbursement environment. If our products do not receive adequate reimbursement coverage, or if reimbursement coverage is reduced or otherwise adversely affected, then their respective commercial prospects could be severely limited. Although certain payors may currently provide some form of coverage for our commercial products, payors may suspend or discontinue reimbursement at any time, may require or increase co-payments from patients, may impose restrictions or limitations on coverage, or may reduce reimbursement rates for our products. If we fail to establish broad adoption of and reimbursement for our commercial products, or if we are unable to maintain any existing reimbursement from payors, our ability to generate revenue could be harmed and this could have a material adverse effect on our reputation, business, financial condition or results of operations. In addition to our existing commercial products, any new product we may commercialize or promote in the future (including Movantik®) may require that we expend substantial time and resources in order to obtain and retain reimbursement, and any of these efforts may not be successful. For example, following the potential closing of our in-license for Movantik® and, during the course of the related transition period, we will rely on the

sublicensor to manage all reimbursement activities with third-party payors for Movantik®. As a result, we will be subject to pricing arrangements that we have not negotiated and over which we may not have control, including any changes thereto that may be agreed to during such transition period. Prior to the expiration of the transition period, we will need to enter into alternative arrangements for reimbursement with third-party payors. There can be no guarantee that we will be able to secure terms and conditions that are as favorable to us as our standard contractual terms or as the terms of the sublicensor's arrangements.

In the U.S., there have been, and we expect that there will continue to be, federal and state proposals to constrain expenditures for medical products and services, which may affect payments for any product that we currently or may commercialize or promote in the U.S. In addition, there is a growing emphasis on comparative effectiveness research, both by private payors and by government agencies. To the extent other drugs or therapies are found to be more effective than our products, payors may elect to cover such therapies in lieu of our products or reimburse our products at a lower rate. Legislation that reduces reimbursement for our current or future commercial products could adversely impact how much or under what circumstances healthcare providers will prescribe or administer those products. This could materially and adversely impact our reputation, business, financial condition or results of operations by reducing our ability to generate meaningful revenue, raise capital, obtain additional collaborators and market. At this stage, we are unable to estimate the extent of the direct or indirect impact of any such federal and state proposals.

Furthermore, the Centers for Medicare and Medicaid Services frequently change product descriptors, coverage policies, product and service codes, payment methodologies and reimbursement values. Third-party payors often follow Medicare coverage policy and payment limitations in setting their own reimbursement rates, and both the Centers for Medicare and Medicaid Services and other third-party payors may have sufficient market power to demand significant price reductions. Price reductions or other significant coverage policies or payment limitations could materially and adversely affect our reputation, business, financial condition or results of operations.

We are subject to U.S. federal and state healthcare laws and regulations relating to our business, and our failure to comply with such laws could have a material adverse effect on our reputation, business, financial condition or results of operations.

We are subject to additional healthcare regulation and enforcement by the U.S. federal government and the states in which we conduct or will conduct our business. Healthcare providers, physicians, and third-party payors play a primary role in the recommendation and prescription of our current commercial products or any products we may commercialize or promote in the future. Our arrangements with third-party payors, customers, employees, or others may expose us to broadly applicable fraud and abuse and other healthcare laws and regulations that may constrain the business or financial arrangements and relationships through which we market, sell, and distribute our products. The laws that may affect our ability to operate include, but are not limited to, the following:

- the federal Anti-Kickback Statute, which prohibits, among other things, persons from knowingly and willfully soliciting, receiving, offering or paying remuneration, directly or indirectly, in exchange for or to induce either the referral of an individual for, or the purchase, order or recommendation of, any good or service for which payment may be made under government healthcare programs such as the Medicare and Medicaid programs;
- the federal Anti-Inducement Law (also known as the Civil Monetary Penalties Law), which prohibits a person from offering or transferring remuneration to a Medicare or State healthcare program beneficiary that the person knows or should know is likely to influence the beneficiary's selection of a particular provider, practitioner or supplier of any item or service for which payment may be made, in whole or in part, by Medicare or a State healthcare program;
- the Ethics in Patient Referrals Act of 1989, commonly referred to as the Stark Law, which prohibits physicians from referring Medicare or Medicaid patients for certain designated health services where that physician or family member has a financial relationship with the entity providing the designated health service, unless an exception applies;
- federal false claims laws that prohibit, among other things, individuals or entities from knowingly presenting, or causing to be presented, claims for payment from Medicare, Medicaid or other government healthcare programs that are false or fraudulent;

- the so-called federal “Sunshine Act”, which requires certain pharmaceutical and medical device companies to monitor and report certain financial relationships with physicians and other healthcare providers to the Centers for Medicare and Medicaid Services for disclosure to the public;
- the federal Health Insurance Portability and Accountability Act of 1996 (“HIPAA”) and its implementing regulations, which impose obligations on certain covered entities and their business associates with respect to safeguarding the privacy, security, and transmission of individually identifiable health information, and require notification to affected individuals, regulatory authorities, and potentially the media of certain breaches of security of individually identifiable health information;
- HIPAA’s fraud and abuse provision, which imposes criminal and civil liability for executing a scheme to defraud any healthcare benefit program, or knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false statement in connection with the delivery of or payment for healthcare benefits, items or services;
- the FDCA, which among other things, strictly regulates drug product and medical device marketing, prohibits manufacturers from marketing such products for off-label use and regulates the distribution of samples;
- federal criminal laws that prohibit executing a scheme to defraud any healthcare benefit program or making false statements relating to healthcare matters; and
- state law equivalents of each of the above federal laws, such as anti-kickback and false claims laws which may apply to items or services reimbursed by any third-party payor, including commercial insurers.

Compliance efforts may involve substantial costs, and if our operations or business arrangements with third parties are found to be in violation of any such requirements, we may be subject to penalties, including civil or criminal penalties, monetary damages, the curtailment or restructuring of our operations, or exclusion from participation in government contracting, healthcare reimbursement or other government programs, including Medicare and Medicaid, any of which could adversely affect our financial results. Although effective compliance programs can help mitigate the risk of investigation and prosecution for violations of these laws, these risks cannot be entirely eliminated. Any violations of these laws, or any action against us for violation of these laws, even if we successfully defend against it, could result in a material adverse effect on our reputation, business, financial condition or results of operations.

The Healthcare Reform Law also imposes reporting requirements on certain medical device and pharmaceutical manufacturers, among others, to make annual public disclosures of certain payments and other transfers of value to physicians and teaching hospitals and ownership or investment interests held by physicians or their immediate family members. Failure to submit required information may result in civil monetary penalties for all payments, transfers of value or ownership or investment interests that are not reported. In addition, there has been a recent trend of increased federal and state regulation of payments made to physicians for marketing, medical directorships, and other purposes. Some states impose a legal obligation on companies to adhere to voluntary industry codes of behavior (e.g., the PhRMA Code and the AdvaMed Code of Ethics), which apply to pharmaceutical and medical device companies’ interactions with healthcare providers; some mandate implementation of corporate compliance programs, along with the tracking and reporting of gifts, compensation and other remuneration to physicians, and some states limit or prohibit such gifts.

Most recently, there has been a trend in federal and state legislation aimed at requiring pharmaceutical companies to disclose information about their production and marketing costs, and ultimately lowering costs for drug products. Several states have passed or introduced bills that would require disclosure of certain pricing information for prescription drugs that have no threshold amount or are above a certain annual wholesale acquisition cost. In June 2016, Vermont became the first state to pass legislation requiring certain drug companies to disclose information relating to justification of certain price increases. The U.S. Congress has also introduced bills targeting prescription drug price transparency, and two such bills, the Patient Right to Know Drug Prices Act (for private plans) and the Know the Lowest Price Act (for Medicare Parts C and D), were signed into law on October 10, 2018. These laws and any other such implementation of legislation requiring publication of drug costs could materially and adversely impact our reputation, business, financial condition or results of operations by promoting a reduction in drug prices. As such, patients may choose to use other low-cost, established drugs or therapies.

The scope and enforcement of these laws are uncertain and subject to change in the current environment of healthcare reform, especially in light of the lack of applicable precedent and guidance. We cannot predict the impact that new legislation or any changes in existing legislation will have on our reputation, business, financial condition, or results of

operations. Federal or state regulatory authorities may challenge our current or future activities under these laws. Any such challenge could have a material adverse effect on our reputation, business, financial condition or results of operations. Any state or federal regulatory review of us, regardless of the outcome, would be costly and time-consuming and could negatively and adversely affect our business or results of operations.

Our marketing, promotional and business practices, including with respect to pricing, as well as the manner in which sales forces interact with purchasers, prescribers and patients, are subject to extensive regulation, including but not limited to, state and federal anti-kickback laws and any material failure to comply could result in significant sanctions against us.

The marketing, promotional, and business practices, including with respect to pricing, of pharmaceutical companies, as well as the manner in which companies' in-house or third-party sales forces interact with purchasers, prescribers, and patients, are subject to extensive regulation, the enforcement of which may result in the imposition of civil or criminal penalties, injunctions, or limitations on marketing practices for some of our products or pricing restrictions or mandated price reductions for some of our products. Many companies have been the subject of claims related to these practices asserted by state or federal authorities. These claims have resulted in fines and other consequences, such as entering into corporate integrity agreements with the U.S. government. Companies may not promote drugs for "off-label" uses, that is, uses that are not described in the product's labeling and that differ from those approved by the FDA or other applicable regulatory agencies. A company that is found to have improperly promoted drug products for off-label uses may be subject to significant liability, including civil and administrative remedies, as well as criminal sanctions. In addition, enforcement action against us could cause management's attention to be diverted from our business operations and damage our reputation.

We must comply with the U.S. Foreign Corrupt Practices Act.

The U.S. Foreign Corrupt Practices Act (the "FCPA") applies to companies, such as us, with a class of securities registered under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The FCPA to which various of our operations may be subject generally prohibits companies and their intermediaries from engaging in bribery or making other improper payments to officials for the purpose of obtaining or retaining business. In various jurisdictions, our operations require that we and third parties acting on our behalf routinely interact with government officials, including medical personnel who may be considered government officials for purposes of these laws because they are employees of state-owned or controlled facilities. Our policies mandate compliance with these anti-bribery laws; however, we operate in many parts of the world that have experienced governmental or private corruption to some degree. As a result, the existence and implementation of a robust anti-corruption program cannot eliminate all risks that unauthorized reckless or criminal acts have been or will be committed by our employees or agents. If our employees or other agents are found to have engaged in such practices, we could suffer severe penalties. Violations of the FCPA, or allegations of such violations, could disrupt our business and result in a material adverse effect on our reputation, business, financial condition or results of operations.

We could be exposed to significant drug product liability claims which could be time-consuming and costly to defend, divert management attention and adversely impact our ability to obtain and maintain insurance coverage.

The clinical trials that we conduct and the testing, manufacturing, marketing, and commercial sale and use or misuse of our therapeutic candidates and any products we may commercialize or promote, involve and will involve an inherent risk that significant liability claims may be asserted against us or our development or commercial partners. Product liability claims, or other claims related to our therapeutic candidates and any products we may commercialize or promote, regardless of merit or their outcome, could require us to spend significant time and money in litigation or to pay significant settlement amounts or judgments. A product liability claim could also significantly harm our reputation and the market price of our shares and decrease demand for any of our current commercial products, products that we commercialize or promote, and delay market acceptance of our therapeutic candidates. In addition, regardless of merit or eventual outcome, product liability claims may result in:

- decreased demand for approved products;
- impairment of our business reputation;

- withdrawal of clinical trial participants;
- initiation of investigations by regulators;
- litigation costs;
- distraction of management's attention from our primary business;
- substantial monetary awards to patients or other claimants;
- loss of revenues; and
- the inability to receive regulatory approval for and commercialize our therapeutic candidates, upon approval, if any, in the future.

We currently have a product-liability policy that includes coverage for our clinical trials and our commercial operations. However, our insurance may prove inadequate to cover claims or litigation costs, especially in the case of wrongful death claims. Any successful product liability or other claim may prevent us from obtaining adequate liability insurance in the future on commercially desirable or reasonable terms. An inability to obtain sufficient insurance coverage at an acceptable cost or otherwise to protect against potential product liability claims could prevent or inhibit the commercialization of our current commercial products or products we may commercialize or promote in the future, or development of our therapeutic candidates.

Our clinical trials may indicate unexpected serious adverse events or other adverse events or undesirable side effects that may harm our reputation, business, financial condition or results of operations. Serious adverse events identified during one of our Expanded Access Programs (EAPs) may present additional risks that may adversely affect our development of the therapeutic candidates involved in the applicable EAP.

As is the case with pharmaceuticals generally, certain side effects and adverse events may emerge as safety risks associated with the use of our therapeutic candidates. Similarly, serious adverse events (SAEs) have occurred and may occur in the future in connection with our clinical trials. Results of our clinical trials could reveal a high and unacceptable severity and prevalence of side effects or unexpected characteristics. Undesirable side effects caused by our therapeutic candidates could cause us or regulatory authorities to interrupt, delay or halt clinical trials and could result in a more restrictive label or the delay or denial of regulatory approval by the FDA or comparable foreign regulatory authorities. The drug-related side effects could affect patient recruitment or the ability of enrolled patients to complete the trial or result in potential product liability claims. Any of these occurrences may have a material adverse effect on our reputation, business, financial condition or results of operations.

Patients who receive access to investigational new drugs that have not yet received regulatory marketing approval through expanded access programs may be suffering from life-threatening illnesses and poor prognosis and may have exhausted all other available therapies. The risk for serious adverse events in this patient population is high, which could have a negative impact on the prospects of our therapeutic candidates that are provided under the EAP.

Serious adverse events or other undesirable side effects in connection with the use of our therapeutic candidates provided under the EAP could cause significant delays or an inability to successfully develop or commercialize such therapeutic candidates, which would materially harm our business. In particular, any such serious adverse events or other undesirable side effects could cause us or regulatory authorities to interrupt, delay or halt non-clinical studies and clinical trials, or could make it more difficult for us to enroll patients in our clinical trials. If serious adverse events or other undesirable side effects, or unexpected characteristics of our investigational new drugs that have not yet received regulatory marketing approval are observed in patients who were granted expanded access to our investigational new drugs under the EAP, further clinical development of such therapeutic candidate may be delayed or we may not be able to continue development of such therapeutic candidates at all, and the occurrence of these events could have a material adverse effect on our business. Undesirable side effects caused by our therapeutic candidates could also result in the delay or denial of regulatory approval by the FDA or other regulatory authorities or in a more restrictive label than we expect.

Global economic conditions may make it more difficult for us to commercialize our current commercial products and any products that we may commercialize or promote in the future and develop our therapeutic candidates.

The pharmaceutical industry, like other industries and businesses, continues to face the effects of the challenging economic environment. Patients experiencing the effects of the challenging economic environment, including high unemployment

levels and increases in co-pays, may switch to generic products, delay treatments, skip doses or use other less effective treatments to reduce their costs. Challenging economic conditions in the U.S. include the demands by payors for substantial rebates and formulary restrictions limiting access to brand-name drugs. In addition, in Europe and in a number of emerging markets there are government-mandated reductions in prices for certain pharmaceutical products, as well as government-imposed access restrictions in certain countries. All of the aforesaid may make it more difficult for us to commercialize our current commercial products, any products that we may commercialize or promote, and our therapeutic candidates, upon approval, if any.

Our business involves risks related to handling regulated substances, which could severely affect our ability to commercialize our current commercial products and any products that we may commercialize or promote in the future and to conduct research and development of our therapeutic candidates.

In connection with our or our development or commercialization partners' research and clinical development activities, as well as the manufacture of commercial products, materials, and therapeutic candidates and any products that we may commercialize or promote in the future, we and our development or commercialization partners are subject to federal, state and local laws, rules, regulations and policies governing the use, generation, manufacture, storage, air emission, effluent discharge, handling and disposal of certain materials, biological specimens and waste. We and our development or commercialization partners may be required to incur significant costs to comply with environmental and health and safety regulations in the future. Our research and clinical development, as well as the activities of our commercial and clinical manufacturing and commercialization partners, both now and in the future, may involve the controlled use of hazardous materials, including, but not limited to, certain hazardous chemicals. We cannot completely eliminate the risk of accidental contamination or injury from these materials. In the event of such an occurrence, we could be held liable for any damages that result and any such liability could exceed our resources.

Security breaches, loss of data, and other disruptions could compromise sensitive information and expose us to liability, which would cause our business and reputation to suffer.

In the ordinary course of our business, we may collect and store sensitive data, including intellectual property, our proprietary business information and that of our suppliers and business partners, as well as personally identifiable information of patients, clinical trial participants and employees. We also have outsourced elements of our information technology structure, and as a result, we are managing independent vendor relationships with third parties who may or could have access to our confidential information. Similarly, our business partners and other third-party providers possess certain of our sensitive data. The secure maintenance of this information is critical to our operations and business strategy. Despite our security measures, our information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee, vendor, or business partner error, malfeasance or other disruptions. We, our partners, vendors, and other third-party providers could be susceptible to attacks on our and their information security systems, which attacks are of ever-increasing levels of sophistication and are made by groups and individuals with a wide range of motives and expertise, including criminal groups. Any such breach could compromise our and their networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, disrupt our operations, and damage our reputation, any of which could adversely affect our business.

We are highly dependent on information technology networks and systems, including the Internet, to securely process, transmit and store this critical information. Security breaches of this infrastructure, including physical or electronic break-ins, computer viruses, attacks by hackers and similar breaches, can create system disruptions, shutdowns or unauthorized disclosure or modification of confidential information. The secure processing, storage, maintenance and transmission of this critical information is vital to our operations and business strategy, and we devote significant resources to protecting such information. Although we take measures to protect sensitive information from unauthorized access or disclosure, our information technology and infrastructure may be vulnerable to attacks by hackers or viruses or breached due to employee error, malfeasance or other disruptions.

A security breach or privacy violation that leads to disclosure or modification of or prevents access to consumer information (including personally identifiable information or protected health information) could harm our reputation, compel us to comply with disparate state breach notification laws, require us to verify the correctness of database contents

and otherwise subject us to liability under laws that protect personal data, resulting in increased costs or loss of revenue. If we are unable to prevent such security breaches or privacy violations or implement satisfactory remedial measures, our operations could be disrupted, and we may suffer a loss of reputation, financial loss, and other regulatory penalties because of lost or misappropriated information, including sensitive consumer data. In addition, these breaches and other inappropriate access can be difficult to detect, and any delay in identifying them may lead to increased harm of the type described above.

Any such breach or interruption could compromise our networks, and the information stored there could be inaccessible or could be accessed by unauthorized parties, publicly disclosed, lost or stolen. Any such interruption in access, improper access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, such as HIPAA and, following the potential closing of our in-license for Movantik®, the General Data Protection Regulation in connection with our required maintenance of the global safety database for Movantik®, and regulatory penalties. Unauthorized access, loss or dissemination could also disrupt our operations, including our ability to perform tests, provide test results, bill facilities or patients, process claims and appeals, provide customer assistance services, conduct research and development activities, collect, process and prepare Company financial information, provide information about our current and future solutions and other patient and clinician education and outreach efforts through our websites, and manage the administrative aspects of our business and damage our reputation, any of which could adversely affect our business, financial condition or results of operations. Any such breach could also result in the compromise of our trade secrets and other proprietary information, which could adversely affect our competitive position.

In addition, the interpretation and application of consumer, health-related, privacy and data protection laws in the U.S. and elsewhere are often uncertain, contradictory, and in flux. It is possible that these laws may be interpreted and applied in a manner that is inconsistent with our practices. If so, this could result in government-imposed fines or orders requiring that we change our practices, which could adversely affect our reputation, business, financial condition or results of operations. Complying with these various laws could cause us to incur substantial costs or require us to change our business practices and compliance procedures in a manner adverse to our business.

Risks Related to Intellectual Property

We may be unable to adequately protect or enforce our rights to intellectual property, causing us to lose valuable rights. Loss of patent rights may lead us to lose market share and anticipated profits.

Our success depends, in part, on our ability, and the ability of our commercialization or development partners to obtain patent protection for our therapeutic candidates and any products that we may commercialize or promote, maintain the confidentiality of our trade secrets and know-how, operate without infringing or violating on the proprietary rights of others and prevent others from infringing or violating on our proprietary rights.

We try to protect our proprietary position by, among other things, filing U.S., European, and other patent applications related to our therapeutic candidates, inventions and improvements that may be important to the continuing development of our commercial products and therapeutic candidates, and we plan to try to do the same with products we may acquire, commercialize or promote in the future, where this is possible.

Because the patent position of pharmaceutical companies involves complex legal and factual questions, we cannot predict the scope, validity or enforceability of patents with certainty. Our issued patents and the issued patents of our commercialization or development partners may not provide us with any competitive advantages, may be held invalid or unenforceable as a result of legal challenges by third parties or could be circumvented. Ownership of the patent rights we in-license from our commercialization or development partners or the patent rights to the products already approved for marketing that we acquire or for which we acquire commercialization rights may be challenged, and as a result, the rights we in-license and the rights to products we acquire may turn out not to be exclusive or we may not actually have rights under the patents despite receiving representations from a commercialization or development partner. Our competitors may also independently develop drug delivery technologies or products similar to ours or design around or otherwise circumvent patents issued to, or licensed by, us. Thus, any patents that we own or license from others may not provide any protection against competitors. Our pending patent applications, those we may file in the future or those we may license

from third parties may not result in patents being issued. If these patents are issued, they may not provide us with proprietary protection or competitive advantages. The degree of future protection to be afforded by our proprietary rights is uncertain because legal means afford only limited protection and may not adequately protect our rights or permit us to gain or keep our competitive advantage.

In the U.S., Europe, and other jurisdictions, patent applications are typically not published until 18 months after filing. In addition, many companies and universities do not publish their discoveries until after patent filings are made. This makes it difficult to be certain that we were the first to file for protection of the inventions or the first to invent the inventions. As a result, we may not be able to obtain or maintain protection for certain inventions. Therefore, the enforceability and scope of our patents and patent applications in the U.S., Europe, and other jurisdictions are uncertain and unpredictable. Any patents that we own may not provide sufficient protection against competitors and may be of insufficient scope to achieve our business objectives. Additionally, the patent filings of others might act as an impediment to our ability to commercialize our current or future commercial products.

Patent rights are territorial; thus, the patent protection we do have will only extend to those countries in which we have issued patents. Even so, the laws of certain countries do not protect our intellectual property rights to the same extent as do the laws of the U.S. and the European Union. Competitors may successfully challenge our patents, produce similar drugs or products that do not infringe our patents or produce drugs in countries where we have not applied for patent protection or that do not respect our patents. Furthermore, it is not possible to know the scope of claims that will be allowed in published applications, and it is also not possible to know which claims of granted patents, if any, will be deemed enforceable in a court of law.

In some cases, litigation may be necessary to enforce our patent rights. If we choose to take an infringing third party to court, the third party may challenge the validity or enforceability of our patent rights or may assert that their activities do not infringe our patents. Litigation is expensive and unpredictable, and we may not have the proper resources to pursue such litigation or to protect our patent rights. Moreover, there is the risk that the court will find that our patents are not valid or enforceable, or that the third party does not infringe our rights in these patents. Adverse results in any such litigation could materially impair our patent rights and our ability to prevent generic and other competition for our products. Such results might also materially affect our economics and our ability to require third parties to enter a license with us or to pay us a reasonable royalty for using our technology.

Subject to the potential closing of our in-license for Movantik®, we will assume control of the ANDA litigation related to U.S. Patent No. 9,012,469, which covers the commercial, oxalate salt, form of naloxegol (naloxegol oxalate) that is due to expire in April 2032. To date, three parties have filed paragraph IV certifications against U.S. Patent No. 9,012,469. While we cannot predict the outcome of this ongoing legal proceeding, we intend to defend ourselves vigorously in these matters. Adverse results in such litigation could cause our potential period of patent exclusivity in the U.S. for Movantik® to expire as early as September 2028.

After the completion of development and registration of our patents, third parties may still manufacture or market products in infringement of our patent-protected rights. Such manufacture or market of products in infringement of our patent-protected rights is likely to cause us damage and lead to a reduction in the prices of our current commercial products, any product we may commercialize or promote, or any of our therapeutic candidates, thereby reducing our potential profits.

In addition, due to the extensive time needed to develop, test and obtain regulatory approval for our therapeutic candidates or any product we may commercialize or promote, any patents that protect our therapeutic candidate or any product we may commercialize or promote may expire early during commercialization. This may reduce or eliminate any market advantages that such patents may give us. Following patent expiration, we may face increased competition through the entry of generic products into the market and a subsequent decline in market share and profits.

In addition, in some cases, we may rely on our licensors to conduct patent and trademark prosecution, patent and trademark maintenance or patent and trademark defense on our behalf. Therefore, our ability to ensure that these patents and trademarks are properly prosecuted, maintained, or defended may be limited, which may adversely affect our rights in the commercialization of our commercial products, development of our therapeutic candidates, and potential approval for marketing of our therapeutic products. Any failure by our licensors or commercialization or development partners to

properly conduct patent and trademark prosecution, patent and trademark maintenance, patent and trademark enforcement, or patent defense could materially harm our ability to obtain suitable patent protection covering our commercial products or therapeutic candidates or ensure freedom to commercialize the products in view of third-party patent rights, thereby materially reducing our potential profits.

If we are unable to protect the confidentiality of our trade secrets or know-how, such proprietary information may be used by others to compete against us.

In addition to filing patents, we generally try to protect our trade secrets, know-how, and technology by entering into confidentiality or non-disclosure agreements with parties that have access to them, such as our development or commercialization partners, employees, contractors, and consultants. We also enter into agreements that purport to require the disclosure and assignment to us of the rights to the ideas, developments, discoveries and inventions of our employees, advisors, research collaborators, contractors and consultants while we employ or engage them. However, these agreements can be difficult and costly to enforce or may not provide adequate remedies. Any of these parties may breach the confidentiality agreements and willfully or unintentionally disclose our confidential information, or our competitors might learn of the information in some other way. The disclosure to, or independent development by, a competitor of any trade secret, know-how or other technology not protected by a patent could materially adversely affect any competitive advantage we may have over any such competitor.

To the extent that any of our employees, advisors, research collaborators, contractors or consultants independently develop, or use independently developed, intellectual property in connection with any of our projects, disputes may arise as to the proprietary rights to this type of information. If a dispute arises with respect to any proprietary right, enforcement of our rights can be costly and unpredictable, and a court may determine that the right belongs to a third party.

Legal proceedings or third-party claims of intellectual property infringement and other challenges may require us to spend substantial time and money and could prevent us from developing or commercializing any of our commercial products and our therapeutic candidates.

The development, manufacture, use, offer for sale, sale or importation of any of our commercial products or any of our therapeutic candidates may infringe on the claims of third-party patents or other intellectual property rights. Patentability, invalidity, freedom-to-operate or other opinions may be required to determine the scope and validity of third-party proprietary rights. The nature of claims contained in unpublished patent filings around the world is unknown to us and it is not possible to know which countries patent holders may choose for an extension of their filings under the Patent Cooperation Treaty or other mechanisms. We may also be subject to claims based on the actions of employees and consultants with respect to the usage or disclosure of intellectual property learned at other employers. The cost to us of any intellectual property litigation or other infringement proceeding, even if resolved in our favor, could be substantial. Some of our competitors may be able to sustain the costs of such litigation or proceedings more effectively because of their substantially greater financial resources. Uncertainties resulting from the initiation and continuation or defense of intellectual property litigation or other proceedings could have a material adverse effect on our ability to compete in the marketplace. Intellectual property litigation and other proceedings may also absorb significant management time. Consequently, we are unable to guarantee that we will be able to manufacture, use, offer for sale, sell or import any of our commercial products or of our therapeutic candidates in the event of an infringement action.

In the event of patent infringement claims, or to avoid potential claims, we may choose or be required to seek a license from a third party and would most likely be required to pay license fees or royalties or both. These licenses may not be available on acceptable terms, or at all. Even if we were able to obtain a license, the rights may be non-exclusive, which could potentially limit our competitive advantage. Ultimately, we could be prevented from commercializing a therapeutic candidate and any products that we may commercialize or promote or be forced to cease some aspect of our business operations if, as a result of actual or threatened patent infringement or other claims, we are unable to enter into licenses on acceptable terms. This inability to enter into licenses or the ability to exclude others using proprietary rights could have a material adverse effect on our reputation, business, financial condition or results of operations.

We may be subject to other patent-related litigation or proceedings that could be costly to defend and uncertain in their outcome.

In addition to infringement claims against us, we may become a party to other patent litigation or proceedings before regulatory agencies, including post-grant review, inter parties review, interference or re-examination proceedings filed with the U.S. Patent and Trademark Office or opposition proceedings in other foreign patent offices regarding intellectual property rights with respect to our therapeutic candidates or any products that we may commercialize or promote, as well as other disputes regarding intellectual property rights with development or commercialization partners, or others with whom we have contractual or other business relationships. Post-issuance proceedings challenging patent claims validity are not uncommon, and we or our development or commercialization partners will be required to defend these procedures as a matter of course. Such procedures may be costly, and there is a risk that we may not prevail, which could harm our business significantly.

Our status as a sublicensee under our potential in-license for Movantik® may increase the likelihood we will lose valuable rights to Movantik®.

Rather than obtaining direct licenses from Nektar Therapeutics, the originator of Movantik® ("Nektar"), for certain intellectual property covering the manufacture and use of Movantik®, we expect to obtain sublicenses to such rights from AstraZeneca pursuant to AstraZeneca's agreement with Nektar. Therefore, our success depends, in part, on AstraZeneca exercising its rights and fulfilling its obligations under its agreement with Nektar. AstraZeneca's failure to exercise its rights and fulfill its obligations under its agreement with Nektar could cause us to lose our rights covering the manufacture and use of Movantik®.

In addition, AstraZeneca has previously sublicensed its rights under its agreement with Nektar to other sublicensees in Canada, Europe, and Israel. Therefore, our success also depends, in part, on such other sublicensees complying with the terms and conditions of their respective agreements with AstraZeneca.

Risks Related to our ADSs

U.S. Holders of ADSs may suffer adverse tax consequences if we were characterized as a passive foreign investment company.

Based on the current composition of our gross income and assets and on reasonable assumptions and projections, we believe we may not be treated as a passive foreign investment company, or PFIC, for U.S. federal income tax purposes for 2019. However, there can be no assurance that this will be the case in future taxable years. If we were characterized as a PFIC, U.S. Holders of the ADSs may suffer adverse tax consequences. Generally, gains realized on the sale of the ADSs would be treated as ordinary income, rather than capital gain, the preferential rate otherwise applicable to dividends received in respect of the ADSs by individuals who are U.S. Holders would not be available, and interest charges would apply to certain distributions by us and the proceeds from sales of the ADSs. See "Item 10. Additional Information – E. Taxation – U.S. Federal Income Tax Considerations – Passive Foreign Investment Companies" below.

The market price of our ADSs is subject to fluctuation, which could result in substantial losses by our investors.

The stock market in general and the market price of our ADSs on the Nasdaq, in particular, are subject to fluctuation, and changes in the price of our securities may be unrelated to our operating performance. The market price of our ADSs on the Nasdaq have fluctuated in the past, and we expect they will continue to do so. The market price of our ADSs is and will be subject to a number of factors, including but not limited to:

- our ability to execute our business plan, including commercialization of our current and future commercial products;
- announcements of technological innovations or new therapeutic candidates or new products approved for marketing by us or others;
- announcements by us of significant acquisitions, strategic partnerships, in-licensing, out-licensing, joint ventures or capital commitments;

- expiration or terminations of licenses, research contracts or other commercialization or development agreements;
- public concern as to the safety of drugs we, our commercialization or development partners or others market or develop;
- the volatility of market prices for shares of biopharmaceutical companies generally;
- success or failure of research and development projects;
- departure of or major events adversely affecting key personnel;
- developments concerning intellectual property rights or regulatory approvals;
- variations in our and our competitors' results of operations;
- changes in earnings estimates or recommendations by securities analysts, if our ADSs are covered by analysts;
- changes in government regulations or patent proceedings and decisions;
- developments by our development or commercialization partners; and
- general market conditions, geopolitical conditions and other factors, including factors unrelated to our operating performance.

These factors and any corresponding price fluctuations may materially and adversely affect the market price of our ADSs and result in substantial losses by our investors.

Additionally, market prices for securities of biotechnology and pharmaceutical companies historically have been very volatile. The market for these securities has from time to time, experienced significant price and volume fluctuations for reasons unrelated to the operating performance of any one company. In the past, following periods of market volatility, shareholders have often instituted securities class action litigation and derivative actions. If we were involved in securities or other litigation, it could have a substantial cost and divert resources and attention of management from our business, even if we are successful.

Future issuances or sales of our ADSs could reduce the market price of our ADSs.

As of March 3, 2020, we had options to purchase 41,983,984 ordinary shares ("Ordinary Shares") under our Amended and Restated Award Plan (2010) (the "2010 Award Plan") outstanding and options outstanding to purchase 3,000 ADSs (each representing 10 Ordinary Shares) outside the 2010 Award Plan. In addition, as of March 3, 2020, there were 59,206,448 Ordinary Shares reserved for issuance under our 2010 Award Plan (including Ordinary Shares subject to outstanding options under such plan). Substantial issuance or sales of our ADSs, or the perception that such sales may occur in the future, including sales of ADSs issuable upon the exercise of options, warrants or other equity-based securities, may cause the market price of our ADSs to decline. Moreover, the issuance of ADSs upon the exercise of our options will also have a dilutive effect on our shareholders, which could further reduce the price of our ADSs.

There has been a limited market for our ADSs. We cannot ensure investors that an active market will continue or be sustained for our ADSs on the Nasdaq and this may limit the ability of our investors to sell our ADSs.

In the past, there was limited trading in our ADSs, and there is no assurance that an active trading market of our ADSs will continue or will be sustained. Limited or minimal trading in our ADSs has in the past, and may in the future, lead to dramatic fluctuations in market price and investors may not be able to liquidate their investment at all or at a price that reflects the value of the business.

While our ADSs began trading on the Nasdaq Capital Market in December 2012 and on the Nasdaq Global Market in July 2018, we cannot assure you that we will maintain compliance with all of the requirements for our ADSs to remain listed. Additionally, there can be no assurance that trading of our ADSs will be sustained or desirable.

Our ADSs do not trade on any exchange outside of the U.S., and our Ordinary Shares are not listed on any securities exchange.

Our ADSs are listed only in the U.S. on the Nasdaq Global Market, and our Ordinary Shares are not currently listed on any securities exchange. A holder of Ordinary Shares may not be able to effect transactions in our Ordinary Shares without

depositing such Ordinary Shares with the depositary in exchange for the issuance of ADSs representing such Ordinary Shares.

We incur significant costs as a result of the listing of our ADSs on the Nasdaq, and we may need to devote substantial time and resources to new and current compliance initiatives and reporting requirements.

As a public company in the U.S., we incur significant accounting, legal and other expenses as a result of the listing of our securities on the Nasdaq. These include costs associated with the reporting requirements of the SEC and the requirements of the Nasdaq Listing Rules, as well as requirements under Section 404 and other provisions of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"). These rules and regulations have increased our legal and financial compliance costs, introduced new costs such as investor relations, travel costs, stock exchange listing fees, and shareholder reporting, and made some activities more time-consuming and costly. Any future changes in the laws and regulations affecting public companies in the U.S. and Israel, including Section 404 and other provisions of the Sarbanes-Oxley Act, the rules and regulations adopted by the SEC and the Nasdaq Listing Rules, as well as applicable Israeli reporting requirements, may result in an increase to our costs as we respond to such changes. These laws, rules, and regulations could make it more difficult and costly for us to obtain certain types of insurance, including director and officer liability insurance, and we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. The impact of these requirements could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees or as executive officers and may require us to pay more for such positions.

Since December 31, 2018, we no longer qualify as an "emerging growth company" as defined in the JOBS Act. As such, certain temporary exemptions from various reporting requirements, including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes Oxley Act (and the rules and regulations of the SEC thereunder) ceased to apply, and we have begun to incur and expect to incur additional expenses and devote increased management time, effort and attention toward ensuring compliance with such reporting requirements, which are significant.

As a foreign private issuer, we are permitted to follow certain home country corporate governance practices instead of applicable SEC and Nasdaq Stock Market requirements, which may result in less protection than is accorded to investors under rules applicable to domestic issuers.

As a foreign private issuer, we are permitted to follow certain home country corporate governance practices instead of those otherwise required under the Nasdaq Listing Rules for domestic issuers. For instance, we follow the home country practice in Israel with regard to, among other things, director nomination procedures and quorum at shareholders' meetings. In addition, we follow our home country law, instead of the Nasdaq Listing Rules, which require that we obtain shareholder approval for certain dilutive events, such as for the establishment or amendment of certain equity-based compensation plans, an issuance that will result in a change in control, certain transactions other than a public offering involving issuances of a 20% or more interest in us and certain acquisitions of the stock or assets of another company. Following our home country governance practices as opposed to the requirements that would otherwise apply to a U.S. domestic issuer listed on the Nasdaq Stock Market may provide less protection than is accorded to investors under the Nasdaq Listing Rules applicable to domestic issuers.

In addition, as a foreign private issuer, we are exempt from the rules and regulations under the Exchange Act related to the furnishing and content of proxy statements, and our officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are not required under the Exchange Act to file annual, quarterly and current reports and financial statements with the SEC as frequently or as promptly as domestic companies whose securities are registered under the Exchange Act.

We may fail to maintain effective internal control over financial reporting, which may adversely affect investor confidence in us and, as a result, may affect the value of our ADSs.

We have documented and tested our internal control systems and procedures in order for us to comply with the requirements of Section 404 of the Sarbanes-Oxley Act, which requires us to furnish a report by management on, among

other things, the effectiveness of our internal control over financial reporting, and requires our auditor's attestation report on the effectiveness of our internal control over financial reporting. The continuous process of strengthening our internal control and complying with Section 404 of the Sarbanes-Oxley Act is complicated, expensive and time-consuming. While our assessment of our internal control over financial reporting resulted in our conclusion that as of December 31, 2019, our internal control over financial reporting was effective, we cannot predict the outcome of our testing or any subsequent testing by our auditor in future periods. If we fail to maintain the adequacy of our internal control, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal control over financial reporting. Even if we do conclude that our internal control over financial reporting is effective, our independent registered public accounting firm may still issue a report that is qualified or adverse if it is not satisfied with our internal control. Failure to maintain effective internal control over financial reporting could result in investigation or sanctions by regulatory authorities and could have a material adverse effect on our reputation, business, financial condition, results of operations or investor confidence in the accuracy and completeness of our financial reports, which would cause the price of our ADSs to decline.

We currently do not anticipate paying cash dividends, and accordingly, investors must rely on the appreciation in our ADSs for any return on their investment.

We currently anticipate that we will retain future earnings, if any, for the development, operation and expansion of our business and do not anticipate declaring or paying any cash dividends for the foreseeable future. In addition, the terms of our term loan facility prohibit us from paying dividends. Therefore, the success of an investment in our ADSs will depend upon any future appreciation in their value. There is no guarantee that our ADSs will appreciate in value or even maintain the price at which our investors have purchased their securities.

Investors in our ADSs may not receive the same distributions or dividends as those we make to the holders of our Ordinary Shares, and, in some limited circumstances, investors in our ADSs may not receive dividends or other distributions on our Ordinary Shares and may not receive any value for them, if it is illegal or impractical to make them available to investors in our ADSs.

The depositary for the ADSs has agreed to pay to investors in our ADSs the cash dividends or other distributions it or the custodian receives on Ordinary Shares or other deposited securities underlying the ADSs, after deducting its fees and expenses. Investors in our ADSs will receive these distributions in proportion to the number of Ordinary Shares such ADSs represent. However, the depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any holders of ADSs. For example, it would be unlawful to make a distribution to a holder of ADSs if it consists of securities that require registration under the Securities Act of 1933, as amended, but that is not properly registered or distributed under an applicable exemption from registration. In addition, conversion into U.S. dollars from a foreign currency that was part of a dividend made in respect of deposited Ordinary Shares may require the approval or license of, or a filing with, any government or agency thereof, which may be unobtainable. In these cases, the depositary may determine not to distribute such property and hold it as "deposited securities" or may seek to effect a substitute dividend or distribution, including net cash proceeds from the sale of the dividends that the depositary deems an equitable and practicable substitute. We have no obligation to register under U.S. securities laws any ADSs, Ordinary Shares, rights or other securities received through such distributions. We also have no obligation to take any other action to permit the distribution of ADSs, Ordinary Shares, rights or anything else to holders of ADSs. In addition, the depositary may deduct from such dividends or distributions its fees and may withhold amounts on account of taxes or other governmental charges to the extent the depositary believes it is required to make such withholding. This means that investors in our ADSs may not receive the same distributions or dividends as those we make to the holders of our Ordinary Shares, and, in some limited circumstances, investors in our ADSs may not receive any value for such distributions or dividends if it is illegal or impractical for us to make them available to investors in our ADSs. These restrictions may cause a material decline in the value of the ADSs.

Holders of ADSs must act through the depositary to exercise their rights.

Holders of our ADSs do not have the same rights as our holders of Ordinary Shares and may only exercise the voting rights with respect to the underlying Ordinary Shares in accordance with the provisions of the deposit agreement for the ADSs. Under Israeli law, the minimum notice period required to convene a shareholders' meeting is no less than 35 or 21 calendar days, depending on the proposals on the agenda for the shareholders' meeting. When a shareholders' meeting is

convened, holders of our ADSs may not receive sufficient advance notice of a shareholders' meeting to permit them to cancel the ADSs and withdraw their Ordinary Shares to allow them to cast their vote with respect to any specific matter. In addition, the depositary and its agents may not be able to send voting instructions to holders of our ADSs or carry out their voting instructions in a timely manner. We will make all reasonable efforts to cause the depositary to extend voting rights to holders of our ADSs in a timely manner, but we cannot assure holders that they will receive the voting materials in time to ensure that they can instruct the depositary to vote their ADSs. Furthermore, the depositary and its agents are not responsible for any failure to carry out any instructions to vote, for the manner in which any vote is cast or for the effect of any such vote. As a result, holders of our ADSs may not be able to exercise their right to vote and they may lack recourse if their ADSs are not voted as they requested. In addition, in the capacity as an ADS holder, they are not able to call a shareholders' meeting.

The depositary for our ADSs gives us a discretionary proxy to vote our Ordinary Shares underlying ADSs if a holder of our ADSs does not give voting instructions, except in limited circumstances.

Under the deposit agreement for the ADSs, the depositary gives us a discretionary proxy to vote our Ordinary Shares underlying ADSs at shareholders' meetings if a holder of our ADSs does not give voting instructions, unless:

- we have instructed the depositary that we do not wish a discretionary proxy to be given;
- we have informed the depositary that there is substantial opposition as to a matter to be voted on at the meeting; or
- we have informed the depositary that a matter to be voted on at the meeting would have a material adverse impact on shareholders.

The effect of this discretionary proxy is that a holder of our ADSs cannot prevent our Ordinary Shares underlying such ADSs from being voted by us in our discretion, absent the situations described above. Holders of our Ordinary Shares are not subject to this discretionary proxy.

Risks Related to our Operations in Israel

We conduct our operations in Israel and therefore our results may be adversely affected by political, economic and military instability in Israel and the region.

We are incorporated under the laws of the State of Israel, and our principal offices are located in central Israel. Accordingly, political, economic and military conditions in Israel and the surrounding region may directly affect our business. Since the establishment of the State of Israel in 1948, a number of armed conflicts have taken place between Israel and its Arab neighbors, including Hezbollah in Lebanon (and Syria) and Hamas in the Gaza Strip, both of which involved missile strikes in various parts of Israel causing the disruption of economic activities. Our principal offices are located within the range of rockets that could be fired from Lebanon, Syria or the Gaza Strip into Israel. In addition, Israel faces many threats from more distant neighbors, in particular, Iran. Parties with whom we do business have sometimes declined to travel to Israel during periods of heightened unrest or tension, forcing us to make alternative arrangements when necessary. In addition, the political and security situation in Israel may result in parties with whom we have agreements involving performance in Israel claiming that they are not obligated to perform their commitments under those agreements pursuant to force majeure provisions in such agreements. Any hostilities involving Israel or the interruption or curtailment of trade within Israel or between Israel and its trading partners could adversely affect our operations or results of operations and could make it more difficult for us to raise capital.

Our commercial insurance does not cover losses that may occur as a result of events associated with the security situation in the Middle East. Although the Israeli government is currently committed to cover the reinstatement value of direct damages that are caused by terrorist attacks or acts of war, there is no assurance that this government coverage will be maintained, or if maintained, will be sufficient to compensate us fully for damages incurred. Any losses or damages incurred by us could have a material adverse effect on our business.

Several countries, principally in the Middle East, restrict doing business with Israel and Israeli companies, and additional countries may impose restrictions on doing business with Israel and Israeli companies. In addition, there have been

increased efforts by activists to cause companies and consumers to boycott Israeli goods based on Israeli government policies. Such business restrictions and boycotts, particularly if they become more widespread, may materially and adversely impact our business.

Because a certain portion of our expenses is incurred in currencies other than the U.S. dollar, our results of operations may be harmed by currency fluctuations and inflation.

Our reporting and functional currency is the U.S. dollar. Most of our revenues and royalty payments from our agreements with our development or commercialization partners are in U.S. dollars, and we expect our revenues from future licensing and co-promotion agreements to be denominated mainly in U.S. dollars or in Euros. We pay a substantial portion of our expenses in U.S. dollars; however, a portion of our expenses, including salaries of our employees in Israel and payment to part of our service providers in Israel and other territories, are paid in NIS and in other currencies. In addition, a portion of our financial assets is held in NIS and in other currencies. As a result, we are exposed to currency fluctuation risks. For example, if the NIS strengthens against the U.S. dollar, our reported expenses in U.S. dollars may be higher. In addition, if the NIS weakens against the U.S. dollar, the U.S. dollar value of our financial assets held in NIS will decline.

Provisions of the RedHill Biopharma Ltd. 2010 Award Plan, Israeli law, our articles of association and our change in control retention plan may delay, prevent or otherwise impede a merger with, or an acquisition of, our Company, or an acquisition of a significant portion of our shares, which could prevent a change in control, even when the terms of such a transaction are favorable to us and our shareholders.

Our 2010 Award Plan provides that all options granted by us will be fully accelerated upon a “hostile takeover” of us. A “hostile takeover” is defined in our 2010 Award Plan as an event in which any person, entity or group that was not an “interested party”, as defined in the Israeli Securities Law – 1968, on the date of the initial public offering of our Ordinary Shares on the TASE, will become a “controlling shareholder” as defined in the Israel Securities Law, 1968, or a “holder,” as defined in the Israeli Securities Law – 1968, of 25% or more of our voting rights or any merger or consolidation involving us, in each case without a resolution by our board of directors supporting the transaction. In addition, if a “Significant Event” occurs and following which the employment of a grantee with us or a related company is terminated by us or a related company other than for “Cause”, and unless the applicable agreement provides otherwise, all the outstanding options held by or for the benefit of any such grantee will be accelerated and immediately vested and exercisable. A “Significant Event” is defined in our 2010 Award Plan as a consolidation or merger with or into another corporation approved by our board of directors in which we are the continuing or surviving corporation or in which the continuing or surviving corporation assumes the option or substitutes it with an appropriate option in the surviving corporation.

The Israeli Companies Law, 1999, or the Israeli Companies Law, regulates mergers, requires tender offers for acquisitions of shares or voting rights above specified thresholds, requires special approvals for transactions involving directors, officers or significant shareholders and regulates other matters that may be relevant to these types of transactions. For example, a merger may not be consummated unless at least 50 days have passed from the date that a merger proposal was filed by each merging company with the Israel Registrar of Companies and at least 30 days from the date that the shareholders of both merging companies approved the merger. In addition, a majority of each class of securities of the target company must approve a merger. Moreover, the Israeli Companies Law provides that certain purchases of securities of a public company are subject to tender offer rules. As a general rule, the Israeli Companies Law prohibits any acquisition of shares or voting power in a public company that would result in the purchaser holding 25% or more, or more than 45% of the voting power in the company, if there is no other person holding 25% or more, or more than 45% of the voting power in a company, respectively, without conducting a special tender offer. The Israeli Companies Law further provides that a purchase of shares or voting power of a public company or a class of shares of a public company which will result in the purchaser’s holding 90% or more of the company’s shares, class of shares or voting rights, is prohibited unless the purchaser conducts a full tender offer for all of the company’s shares or class of shares. The purchaser will be allowed to purchase all of the company’s shares or class of shares (including those shares held by shareholders who did not respond to the offer), if either (i) the shareholders who do not accept the offer hold less than 5% of the issued and outstanding share capital of the company or of the applicable class, and more than half of the shareholders who do not have a personal interest in the offer accept the offer, or (ii) the shareholders who do not accept the offer hold less than 2% of the issued and outstanding share capital of the company or of the applicable class. The shareholders, including those who indicated their

acceptance of the tender offer (except if otherwise detailed in the tender offer document), may, at any time within six months following the completion of the tender offer, petition the court to alter the consideration for the acquisition. At the request of an offeree of a full tender offer which was accepted, the court may determine that the consideration for the shares purchased under the tender offer was lower than their fair value and compel the offeror to pay to the offerees the fair value of the shares. Such an application to the court may be filed as a class action.

In addition, the Israeli Companies Law provides for certain limitations on a shareholder that holds more than 90% of the company's shares, or class of shares.

Pursuant to our articles of association, the size of our board of directors may be no less than five persons and no more than eleven, including any external directors whose appointment is required under the law. The directors who are not external directors are divided into three classes, as nearly equal in number as possible. At each annual general meeting, the term of one class of directors expires, and the directors of such class are re-nominated to serve an additional three-year term that expires at the annual general meeting held in the third year following such election (other than any director nominated for election by Cosmo pursuant to the Company's subscription agreement with Cosmo, whose term of office may expire earlier depending on the beneficial ownership by the Cosmo investor of the Cosmo shares). This process continues indefinitely. Such provisions of our articles of association make it more difficult for a third party to effect a change in control or takeover attempt that our management and board of directors oppose.

In addition, we have adopted a change in control employee retention plan providing for compensation to Company officers and employees in the event of a change in control (as defined by the plan), subject to the satisfaction of various conditions. See "Item 6 B. – Compensation – Change in Control Retention Plan."

Furthermore, Israeli tax considerations may, in certain circumstances, make potential transactions unappealing to us or to some of our shareholders. For example, Israeli tax law does not recognize tax-free share exchanges to the same extent as U.S. tax law. With respect to mergers, Israeli tax law allows for tax deferral in certain circumstances but makes the deferral contingent on the fulfillment of numerous conditions, including a holding period of two years from the date of the transaction during which sales and dispositions of shares of the participating companies are restricted. Moreover, with respect to certain share swap transactions, the tax deferral is limited in time, and when such time expires, the tax becomes payable even if no actual disposition of the shares has occurred.

These and other similar provisions could delay, prevent or impede an acquisition of us or our merger with another company, or an acquisition of a significant portion of our shares, even if such an acquisition or merger would be beneficial to us or to our shareholders.

It may be difficult to enforce a U.S. judgment against us and our directors and officers in Israel or the U.S. or to serve process on our directors and officers.

We are incorporated in Israel. Most of our directors and executive officers reside outside of the U.S., and most of the assets of our directors and executive officers may be located outside of the U.S. Therefore, a judgment obtained against us or most of our executive officers and our directors in the U.S., including one based on the civil liability provisions of the U.S. federal securities laws, may not be collectible in the U.S. and may not be enforced by a U.S. or Israeli court. It may also be difficult to effect service of process on these persons in the U.S. or to assert U.S. securities law claims in original actions instituted in Israel.

The obligations and responsibilities of our shareholders are governed by Israeli law, which may differ in some respects from the obligations and responsibilities of shareholders of U.S. companies. Israeli law may impose obligations and responsibilities on a shareholder of an Israeli company that are not imposed upon shareholders of corporations in the U.S.

We are incorporated under Israeli law. The obligations and responsibilities of the shareholders are governed by our articles of association and Israeli law. These obligations and responsibilities differ in some respects from the obligations and responsibilities of shareholders in typical U.S.-based corporations. In particular, a shareholder of an Israeli company has a duty to act in good faith toward the company and other shareholders and to refrain from abusing its power in the company,

including, among other things, in voting at the 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 interested party transactions requiring shareholder approval. In addition, a shareholder who knows 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 us in understanding the implications of these provisions that govern shareholders' actions. These provisions may be interpreted to impose additional obligations and responsibilities on our shareholders that are not typically imposed on shareholders of U.S. corporations.

Claims for indemnification by our directors and officers may reduce our available funds to satisfy successful shareholder claims against us and may reduce the amount of money available to us.

The Israeli Companies Law and our articles of association permit us to indemnify our directors and officers for acts performed by them in their capacity as directors and officers. The Israeli Companies Law provides that a company may not exempt or indemnify a director or an officer nor enter into an insurance contract, which would provide coverage for any monetary liability incurred as a result of: (a) a breach by the director or officer of his duty of loyalty, except for insurance and indemnification where the director or officer acted in good faith and had a reasonable basis to believe that the act would not prejudice the company; (b) a breach by the director or officer of his duty of care if the breach was done intentionally or recklessly, except if the breach was solely as a result of negligence; (c) any act or omission done with the intent to derive an illegal personal benefit; or (d) any fine, civil fine, monetary sanctions, or forfeit imposed on the officer or director. Our articles of association provide that we may exempt or indemnify a director or an officer to the maximum extent permissible under law.

We have issued letters of indemnification to our directors and officers, pursuant to which we have agreed to indemnify them in advance for any liability or expense imposed on or incurred by them in connection with acts they perform in their capacity as a director or officer, subject to applicable law. The amount of the advance indemnity is limited to the higher of 25% of our then shareholders' equity, per our most recent annual financial statements, or $5 million.

Our indemnification obligations limit the personal liability of our directors and officers for monetary damages for breach of their duties as directors by shifting the burden of such losses and expenses to us. Although we have obtained directors' and officers' liability insurance, certain liabilities or expenses covered by our indemnification obligations may not be covered by such insurance or the coverage limitation amounts may be exceeded. As a result, we may need to use a significant amount of our funds to satisfy our indemnification obligations, which could severely harm our business or financial condition and limit the funds available to those who may choose to bring a claim against us. These provisions and resultant costs may also discourage us from bringing a lawsuit against directors and officers for breaches of their duties and may similarly discourage the filing of derivative litigation by our shareholders against the directors and officers even though such actions, if successful, might otherwise benefit our security holders.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

Our legal and commercial name is RedHill Biopharma Ltd. Our company was incorporated on August 3, 2009, and was registered as a private company limited by shares under the laws of the State of Israel. Our principal executive offices are located at 21 Ha'arba'a Street, Tel-Aviv, Israel, and our telephone number is 972-3-541-3131.

In February 2011, we completed our initial public offering in Israel, pursuant to which we issued 14,302,300 Ordinary Shares, and 7,151,150 tradable Series 1 Warrants to purchase 7,151,150 Ordinary Shares for aggregate gross proceeds of approximately $14 million. On December 27, 2012, we completed the listing of our ADSs on the Nasdaq Capital Market, and on July 20, 2018, our ADSs were listed on the Nasdaq Global Market. On February 13, 2020, our Ordinary Shares were voluntarily delisted from trading on the Tel-Aviv Stock Exchange. Our ADSs are traded on the Nasdaq Global Market under the symbol "RDHL."

The Securities and Exchange Commission, or SEC, maintains an internet site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC at http://sec.gov.

Our web site address is http://www.redhillbio.com. Information contained on, or that can be accessed through, our website does not constitute a part of this Annual Report.

Our capital expenditures for the years ended December 31, 2019, 2018, and 2017 were approximately $168,000, $23,000 and $146,000 respectively. Our current capital expenditures involve equipment and leasehold improvements.

B. Business Overview

We are a specialty biopharmaceutical company, primarily focused on the commercialization and development of proprietary drugs for gastrointestinal ("GI") diseases. Our primary focus is to become a revenue-generating, GI-focused, specialty biopharmaceutical company through our commercial presence in the U.S. to support current and potential future commercialization of products approved for marketing, including Talicia®, and of our therapeutic candidates.

We are currently focused primarily on the commercialization in the U.S. of GI-related products, including Aemcolo® (rifamycin) and the planned launch of Talicia®. On November 1, 2019, the FDA approved Talicia® (omeprazole, amoxicillin, and rifabutin) delayed-release capsules 10 mg /250 mg/12.5 mg for marketing for the treatment of *Helicobacter pylori* (*H. pylori*) infection in adults, which is the first product we developed to be approved for marketing in the U.S. by the FDA. We plan to commence commercializing Talicia® in the first quarter of 2020 with our dedicated sales force. Following the potential closing of our in-license for Movantik®, we expect to commercialize the product in the U.S. as well.

In addition, we also continue to develop our pipeline of clinical-stage GI therapeutic candidates and look for opportunities to leverage our commercial presence and capabilities in the U.S. to support the potential future launch of our GI-related therapeutic candidates currently under development, if approved by the FDA, or FDA-approved products which we may acquire in the future. We used our U.S. sales force to promote Donnatal®, Mytesi®, Esomeprazole Strontium Delayed-Release Capsules 49.3 mg and to commercialize EnteraGam®, which we no longer promote or commercialize.

Depending on the specific development program, our therapeutic candidates are designed to exhibit greater efficacy and provide improvements over existing drugs in various ways, including by one or more of the following: by improving their safety profile, reducing side effects, lowering the number of administrations, using a more convenient administration form or providing a cost advantage. Where applicable, and subject to various considerations including resources, we intend to seek FDA approval for the commercialization of certain of our therapeutic candidates through the alternative Section 505(b)(2) regulatory path under the Federal Food, Drug, and Cosmetic Act of 1938, as amended, and in corresponding regulatory paths in other foreign jurisdictions. Our current pipeline consists of six therapeutic candidates, most in late-stage clinical development.

We generate our pipeline of therapeutic candidates by identifying, validating and in-licensing or acquiring products that are consistent with our product and corporate strategy and that we believe exhibit a relatively high probability of therapeutic and commercial success. We have one product which we developed internally which has been approved for marketing and, to date, none of our therapeutic candidates has generated meaningful revenues. We plan to commercialize our therapeutic candidates, upon approval, if any, through licensing and other commercialization arrangements outside the U.S. with pharmaceutical companies on a global and territorial basis or, in the case of commercialization in the U.S., independently with our dedicated commercial operations. We also evaluate, on a case-by-case basis, co-development, co-promotion, licensing and similar arrangements.

Our Strategy

Our goal is to become a significant player in the commercialization and development of pharmaceuticals for the treatment of GI diseases.

Key elements of our strategy are to:

- advance our initiative to become a revenue-generating, GI-focused, specialty biopharmaceutical company by leveraging our commercial presence in the U.S. to achieve successful commercialization of products approved for marketing, including Talicia® and our other commercial products, and future commercialization of our therapeutic candidates, if approved, and by identifying and acquiring rights to products that have been approved for marketing in the U.S. and investigational new drugs from pharmaceutical companies that are interested in divesting one or more of their products. Specifically, we seek to acquire rights to products that are already commercialized in the U.S., preferably with a therapeutic focus on GI, which would enable us to commercialize such products independently through our own marketing and commercialization capabilities. We identify such opportunities through our broad network of contacts and other sources in the pharmaceutical field;
- identify and acquire rights to products from pharmaceutical companies that have encountered cash flow or operational problems or that decide to divest one or more of their products for various reasons. Specifically, we seek to acquire rights to and develop products that are intended to treat pronounced clinical needs, have patent or other protections, and have potential target markets totaling tens of millions to billions of dollars. Additionally, we seek to acquire rights to and develop products based on different technologies designed to reduce our dependency on any specific product or technology. We identify such opportunities through our broad network of contacts and other sources in the pharmaceutical field;
- enhance existing pharmaceutical products, including broadening their range of indications, or launching innovative and advantageous pharmaceutical products, based on existing active ingredients. Because there is a large knowledge base regarding existing products, the preclinical, clinical and regulatory requirements needed to obtain marketing approval for enhanced formulations are relatively well-defined. In particular, clinical trial designs, inclusion criteria and endpoints previously accepted by regulators may sometimes be re-used. In addition to reducing costs and time to market, we believe that targeting therapeutics with proven safety and efficacy profiles provides us a better prospect of clinical success;
- where applicable, utilize the FDA's 505(b)(2) regulatory pathway to potentially obtain more timely and efficient approval of our formulations of previously approved products. Under the 505(b)(2) process, we are able to seek FDA approval of a new dosage form, strength, route of administration, formulation, dosage regimen, or indication of a pharmaceutical product that has previously been approved by the FDA. This process enables us to partially rely on the FDA findings of safety or efficacy for previously approved drugs, thus avoiding the duplication of costly and time-consuming preclinical and various human studies. See "Item 4. Information on the Company – B. Business Overview – Government Regulations and Funding – Section 505(b)(2) New Drug Applications"; and
- cooperate with third parties to develop or commercialize therapeutic candidates in order to share costs and leverage the expertise of others.

The pharmaceutical and biotechnology industries are intensely competitive. Our therapeutic candidates, if commercialized, and our approved drugs, compete with existing drugs and therapies. In addition, there are many pharmaceutical companies, biotechnology companies, medical device companies, public and private universities, government agencies and research organizations actively engaged in research and development of products targeting the same markets as our therapeutic candidates. Many of these organizations have substantially greater financial, technical, manufacturing and marketing resources than we do. In certain cases, our competitors may also be able to use alternative technologies that do not infringe upon our patents to formulate the active materials in our therapeutic candidates. They may, therefore, bring to market products that are able to compete with our candidates, or other products that we may develop in the future.

Our Approved and Commercial Products in the U.S.

We have established the headquarters of our U.S. commercial operations in Raleigh, North Carolina. Our U.S. operations serves as the platform for the commercialization of Aemcolo®, the planned launch of Talicia® and potential launch of our proprietary, late-clinical stage therapeutic candidates in the U.S., if approved by the FDA, and potential in-licensed commercial-stage products in the U.S., including Movantik®.

Our sales force consists of approximately 90 sales representatives as of March 3, 2020. We expect our sales force to grow to approximately 150 sales representatives as we prepare to launch Talicia® and continue to commercialize Aemcolo®. The net revenues for the fiscal years ended December 31, 2019, and 2018 from the commercial products were

approximately $6.3 million and $8.4 million, respectively. We continue to pursue the acquisition of additional commercial products, including, without limitation, through licensing or promotion transaction, asset purchase, joint venture with, acquisition of, or merger with or other business combination with, companies with rights to commercial GI and other relevant assets and are continuously working to expand U.S. managed care access and coverage to our commercial products, where appropriate. We plan to pursue such opportunities in the U.S. and, if available, in other jurisdictions; however, we intend to focus our commercial activities in the U.S. We currently promote and commercialize one GI product in the U.S. and plan to launch Talicia® in the first quarter of 2020 in the U.S.

Talicia® (omeprazole, amoxicillin, and rifabutin) delayed-release capsules 10 mg/250 mg/12.5 mg

Talicia® is our proprietary new drug approved for marketing in the U.S. for the treatment of *H. pylori* infection in adults. Talicia® is a combination of three approved drug products – omeprazole, which is a proton pump inhibitor (prevents the secretion of hydrogen ions necessary for the digestion of food in the stomach), amoxicillin and rifabutin, which are antibiotics. Talicia® is administered to patients orally. Talicia® is the first product we developed that was approved for marketing in the U.S. We plan to launch Talicia® in the U.S. in the first quarter of 2020 with our dedicated sales force.

Chronic infection with *H. pylori* irritates the mucosal lining of the stomach and small intestine. The original discovery of the *H. pylori* bacteria and its association with peptic ulcer disease warranted the Nobel Prize in 2005. *H. pylori* infection has since been associated with a variety of outcomes, which include: dyspepsia (non-ulcer or functional), peptic ulcer disease (duodenal ulcer and gastric ulcer), primary gastric B-cell lymphoma, vitamin B12 deficiency, iron deficiency, anemia, and gastric cancer.

Gastric cancer is one of the most commonly diagnosed cancers worldwide and one of the most common causes of cancer-related deaths, accounting for approximately 780,000 deaths annually, according to the World Health Organization ("WHO"). According to a 2010 report by Polk DB *et al.* published in Nature Reviews Cancer, *H. pylori*-induced gastritis is the strongest singular risk factor for cancers of the stomach, and eradication of *H. pylori* significantly decreases the risk of developing cancer in infected individuals without pre-malignant lesions.

In November 2014, Talicia® was granted QIDP designation by the FDA. The QIDP designation was granted under the FDA's Generating Antibiotic Incentives Now (GAIN) Act, which is intended to encourage the development of new antibiotic drugs for the treatment of serious or life-threatening infections that have the potential to pose a serious threat to public health. The granted QIDP designation allows Talicia® to benefit from an additional five years of U.S. market exclusivity, on top of the standard exclusivity period, for a total of eight years of market exclusivity.

Talicia® is targeting a significantly broader indication than that of existing *H. pylori* therapies, as a treatment of *H. pylori* infection, regardless of ulcer status.

We acquired the rights to Talicia® pursuant to an agreement with Giaconda Limited. See "Item 4. Information on the Company – B. Business Overview – Acquisition, Commercialization and License Agreements – Acquisition of Talicia®, RHB-104, and RHB-106."

Regulatory Status

On November 1, 2019, Talicia® was approved by the FDA and has been granted a total of eight years of U.S. market exclusivity.

Market and Competition

The first-line therapies for *H. pylori* infection recommended by the American College of Gastroenterology in 2017 commonly include clarithromycin or metronidazole antibiotics with amoxicillin and a proton pump inhibitor. Such current standard-of-care treatments fail in approximately 25-40% of the patients due to the development of antibiotic resistance, based on Malfertheiner P. et al. (Gut 2012), O'Connor A. et al. (Helicobacter 2015) and Venerito M. et al. (Digestion 2013). According to a 2015 publication by Shiota et al., it is estimated that *H. pylori* resistance to clarithromycin, a standard-of-care antibiotic used for the treatment of *H. pylori*, more than doubled between 2009-2013.

Talicia® is designed to address the high resistance of *H. pylori* bacteria to the antibiotics commonly used in current standard-of-care therapies. Talicia's approval is based, in part, on the results of two positive Phase 3 studies in the U.S. for the treatment of *H. pylori*-positive adult patients complaining of epigastric pain and/or discomfort. The confirmatory Phase 3 study of Talicia® demonstrated 84% eradication of *H. pylori* infection with Talicia® vs. 58% in the active comparator arm ($p<0.0001$). Further, in an analysis of data from this study, it was observed that subjects with measurable blood levels of drug at Day 13 had response rates of 90.3% in the Talicia® arm vs. 64.7% in the active comparator arm. No resistance to rifabutin, a key component of Talicia, was detected in the study.

H. pylori bacterial infection affects over 50% of the adult population worldwide, according to a 2018 report by Kakelar HM et al., published in Gastric Cancer, and approximately 35% of the U.S. population, according to a report by Hooi JKY et al. published in 2017 in Gastroenterology. In the U.S., we estimate that approximately 2 million patients per annum are treated for *H. pylori* eradication, based on a 2019 Custom study by IQVIA for us.

Talicia® will face competition in the U.S. from certain branded prescription therapies indicated for the treatment of *H. pylori* infection including, but not limited to, Pylera® (sold by Allergan plc), PrevPac® (sold by Takeda Pharmaceuticals) and Omeclamox-Pak® (sold by Cumberland Pharmaceuticals), as well as from the generic individual components of these branded therapies and other generic antibiotics and PPIs approved for the treatment of *H. pylori* infection. Additionally, the individual components of Talicia® are available in generic form and while rifabutin is not available in an equivalent dose, there is a risk that some physicians may prescribe the individual components of Talicia® in doses that are not equivalent to the approved drug and regimen.

In addition, Pathom Pharmaceuticals, Inc. announced in December 2019 that it had initiated a pivotal Phase 3 study to evaluate the efficacy of vonoprazan in combination with amoxicillin and vonoprazan in combination with amoxicillin and clarithromycin in eradication of *H. pylori* infection. Vonoprazan is an oral small molecule potassium competitive acid blocker (P-CAB) which has received marketing approval in Japan and other countries in Asia and Latin America. According to Pathom Pharmaceuticals, top-line results from this study are expected in 2021.

We believe that Talicia® may offer a significant benefit over currently marketed drugs in part because of the resistance profile demonstrated in our Phase 3 program, which showed no bacterial resistance to rifabutin and high resistance to clarithromycin and metronidazole.

Aemcolo®

In October 2019, we entered into a license agreement with a wholly-owned subsidiary of Cosmo pursuant to which we were granted exclusive rights to commercialize Aemcolo® in the U.S. Aemcolo®, containing 194mg of rifamycin, is an orally administered, minimally absorbed antibiotic that is delivered to the colon, approved by the FDA in 2018 for the treatment of travelers' diarrhea caused by non-invasive strains of *E. coli* in adults ("Travelers' Diarrhea"). In December 2019, we launched the commercialization of Aemcolo® in the U.S. See "Item 4. Information on the Company – B. Business Overview – Acquisition, Commercialization and License Agreements – Exclusive License Agreement for Aemcolo®."

Regulatory Status

Aemcolo® received FDA approval on November 16, 2018, for the treatment of travelers' diarrhea caused by noninvasive strains of *Escherichia coli* in adults. Cosmo transferred the Aemcolo® NDA and the IND to RedHill Biopharma Inc., which were accepted on November 27, 2019. This acceptance also includes a commitment to complete any postmarketing requirements or commitments related to the NDA. There are two pediatric studies that are required to be completed to satisfy the PREA requirements and also with required milestone dates:

- 3505-1 Conduct a randomized, placebo-controlled study to evaluate the safety, tolerability, and efficacy of Aemcolo® (rifamycin) for the treatment of travelers' diarrhea in children from 6 to 11 years of age.
- 3505-2 Conduct a randomized, placebo-controlled study to evaluate the safety, tolerability, and efficacy of Aemcolo® (rifamycin) for the treatment of travelers' diarrhea in children from 12 to 17 years of age.

Market and Competition

Aemcolo® is a new pharmaceutical product employing rifamycin SV engineered with MMX® technology. The application of MMX® technology to rifamycin SV allows the antibiotic to be delivered directly into the colon, intended to avoid unwanted effects on the beneficial bacterial flora living in the upper portions of the gastrointestinal tract. The specific dissolution profile of Aemcolo® tablets increases the colonic disposition of the antibiotic so that an optimized intestinal concentration is achieved thus abating its systemic absorption in the lower intestine.

In October 2017, the FDA granted QIDP and Fast Track designations for Aemcolo®. With the QIDP designation, intended for antibacterial or antifungal drugs that treat serious or life-threatening infections, together with new chemical entity (NCE) designation, Aemcolo® enjoys marketing exclusivity until 2028.

Travelers' diarrhea is the most common travel-related illness according to the FDA. Based on Cosmo's research, each year, approximately 70 million Americans travel abroad. The Centers for Disease Control and Prevention Yellow book states that attack rates of travelers' diarrhea range up to 70% of travelers, depending on the destination and season of travel. Travelers' diarrhea may often result in short-term morbidity adversely impacting travel plans. Untreated diarrhea can also lead to an underappreciated risk of chronic complications, including functional bowel disorders.

There are several competing drugs marketed in the U.S. intended for the treatment of travelers' diarrhea. One of the leading competitors is Xifaxan® (marketed by Salix Pharmaceuticals), a prescription drug approved for the treatment of travelers' diarrhea caused by non-invasive strains of *E. coli* in adults and pediatric patients, treatment of IBS-D and reduction in risk of overt hepatic encephalopathy recurrence in adults. Aemcolo® also competes with generic antibiotics such as fluoroquinolones and azithromycin. Aemcolo® also competes with prescription and OTC anti-diarrheal medications such as loperamide and bismuth subsalicylate, as well as probiotics and medical foods which may offer symptomatic relief. We may also be exposed to potentially competitive products, which may be under development to treat or prevent travelers' diarrhea, including new antibiotics, anti-diarrheals, and vaccines.

Additional Potential Commercial Products in the U.S.

Movantik®

In February 2020, we entered into the AstraZeneca License Agreement, pursuant to which we were granted the worldwide rights (excluding Europe, Canada, and Israel) to commercialize and develop Movantik® (naloxegol), subject to certain closing conditions, including HSR Clearance. Movantik® is a proprietary once-daily oral peripherally-acting mu-opioid receptor antagonist (PAMORA) approved by the FDA for the treatment of opioid-induced constipation (OIC) in adult patients with chronic non-cancer pain, including patients with chronic pain related to prior cancer or its treatment who do not require frequent (e.g. weekly) opioid dosage escalation. Subject to the potential closing of our in-license for Movantik®, we plan to initiate promotion of Movantik® in the U.S., upon closing. See "Item 4. Information on the Company – B. Business Overview – Acquisition, Commercialization and License Agreements – License Agreement for Movantik®."

Regulatory Status

Movantik® received FDA approval on September 16, 2014, for the treatment of OIC in adult patients with chronic non-cancer pain. Its label was later updated to include patients with chronic pain related to prior cancer or its treatment who do not require frequent (e.g. weekly) opioid dosage escalation. In connection with our potential in-license for Movantik®, subject to the potential closing such in-license we have, agreed to assume responsibility for completing any postmarketing requirements or commitments that may be required to retain approval. Accordingly, we will be required to continue the post-marketing observational epidemiologic study to evaluate the major adverse cardiovascular events (MACE) of Movantik®.

Market and Competition

Movantik® is a peripherally-acting mu-opioid receptor antagonist indicated for the treatment of OIC. According to a DataMonitor report, OIC is the most common side effect of opioids, as tolerance does not arise over the long term. Approximately 40% to 95% of patients using opioids develop opioid-induced constipation.

Movantik® primarily competes with several branded therapies already approved and used extensively to treat OIC, including Amitiza® (lubiprostone, promoted by Takeda Pharmaceuticals) and two other oral PAMORA drugs, Relistor® (methylnaltrexone bromide, promoted by Salix Pharmaceuticals) and Symproic® (naldemedine, promoted by BioDelivery Sciences International, Inc.). Movantik® also competes with several OTC and prescription drugs, such as laxatives, including stool softeners, stimulants and use of enemas. We may also be exposed to potentially competitive products which may be under development to treat or prevent OIC.

Our Therapeutic Candidates

Summary

The ongoing development programs of our six therapeutic candidates, most in late-stage clinical development, include RHB-104", "RHB-204", "RHB-102 (Bekinda®)", "RHB-106", "ABC294640 (Yeliva®)" and "RHB-107" and related research and development programs, the most advanced of which are described below.

Name of Therapeutic Candidate	Proposed Indication	Potential Advantages Over Most Existing Treatments, if Approved	Development Stage	Rights to the Product
RHB-104	Crohn's disease	Novel mechanism of action and improved clinical benefit (targeting suspected underlying cause of Crohn's disease)	Full 52-week results for all subjects in the Phase 3 study; supportive top-line results from the open-label extension Phase 3 study	We filed patent applications internationally directed to the proposed commercial formulation and use
RHB-204	Pulmonary nontuberculous mycobacteria (NTM) infections caused by Mycobacterium avium complex (MAC)	Oral formulation targeting a major cause of pulmonary NTM infections	A single pivotal Phase 3 study planned in support of an NDA filing; initiation expected mid-2020	We filed patent applications internationally directed to the proposed commercial formulation and use
RHB-102 (Bekinda®) 24 mg	Acute gastroenteritis and gastritis	No other approved 5-HT3 serotonin receptor inhibitor for this indication; once-daily dosing	First Phase 3 study in the U.S. completed; confirmatory Phase 3 study in planning	We filed patent applications internationally to protect the proposed commercial formulation and its use
RHB-102 (Bekinda®) 12 mg	IBS-D	Potential 5-HT3 serotonin receptor inhibitor with improved safety, while maintaining efficacy	Phase 2 in the U.S. completed; final results announced in January 2018	We filed patent applications internationally to protect the proposed commercial formulation and its use
RHB-106	Bowel preparation	Oral pill, avoid severe bad taste of chemical solutions, no known nephrotoxicity issues	In preparation for Phase 2/3 studies	We filed patent applications internationally to protect the proposed commercial formulation and its use
ABC294640 (Yeliva®)	Advanced unresectable cholangiocarcinoma	Oral administration, first-in-class SK2 selective inhibitor, with anti-inflammatory and anti-cancer activities	Phase 1/2a study in the U.S. ongoing (ABC-108)	Worldwide exclusive license
ABC294640 (Yeliva®)	Prostate cancer	Oral administration, first-in-class SK2 selective inhibitor, with anti-inflammatory and anti-cancer activities in addition to failing treatment with abiraterone or enzalutamide	Investigator-sponsored Phase 2 study in the U.S (ABC-107, to replace ABC-106)	Worldwide exclusive license
RHB-107 (Upamostat; formerly Mesupron) and ABC294640 (Yeliva®)	Advanced unresectable cholangiocarcinoma	Combination of an orally-dosed small molecule compound with an established clinical safety profile; first-in-class specific inhibitor of five human serine proteases (RHB-107) and an oral dose first-in-class SK2 selective inhibitor, with anti-inflammatory and anti-cancer activities (ABC294640 (Yeliva®))	Pilot study in planning	We filed patent applications internationally directed to the proposed commercial formulation and use
RHB-107 (Upamostat; formerly Mesupron)	Gastrointestinal and other solid tumors	An orally-dosed small molecule compound with an established clinical safety profile; first-in-class specific inhibitor of five human serine proteases	Completed Phase 2 studies in pancreatic cancer and breast cancer; preclinical studies ongoing	Worldwide exclusive license; excludes China, Hong Kong, Taiwan, and Macao

RHB-104

Crohn's Disease

RHB-104 is an investigational new drug intended to treat Crohn's disease, which is a serious inflammatory disease of the GI system that may cause severe abdominal pain and bloody diarrhea, malnutrition and potentially life-threatening complications.

RHB-104 is a patented combination of clarithromycin, clofazimine, and rifabutin, three generic antibiotic ingredients, in a single capsule. The compound was developed to treat MAP infections in Crohn's disease.

To date, Crohn's disease has been considered an autoimmune disease, but the exact pathological mechanism is unclear. Dr. Robert J. Greenstein suggested in *The Lancet Infectious Diseases*, 2003 that Crohn's disease is caused by MAP, the same organism responsible for causing a major disease in animal agriculture production, domestic and wild animals. This hypothesis is supported by an expanding number of scientific and clinical studies published in peer-reviewed journals since a National Institute of Allergy and Infectious Diseases conference that focused on MAP in Crohn's disease took place in 1998. Specific genetic loci like NOD2/CARD15 have been implicated in the pathogenesis of Crohn's disease with mutations in NOD2 suspected of leading to defective recognition of MAP and increased compensatory immune activation in patients with Crohn's disease. Advances in diagnostic technology have led to increasingly higher identification of MAP, with studies, such as Naser S *et al*. The Lancet, 2004, Bull TJ *et al*. J Clin Microbiol, 2003 and Shafran I *et al.* Dig Dis Sci, 2002, demonstrating a high prevalence of MAP in Crohn's disease patients. However, there is currently no FDA-approved commercial diagnostic test for MAP.

In 2011, we obtained FDA "Orphan Drug" status for RHB-104 for the treatment of Crohn's disease in the pediatric population. See "Item 4. Information on the Company – B. Business Overview – Government Regulations and Funding – Orphan Drug Designation."

The formulation for RHB-104 and manufacturing of the all-in-one capsules for our clinical trials have been completed. Stability testing of the clinical trial material is ongoing.

We acquired the rights to RHB-104 pursuant to an asset purchase agreement with Giaconda Limited, an Australian company. See "Item 4. Information on the Company – B. Business Overview – Acquisition, Commercialization and License Agreements – Acquisition of Talicia®, RHB-104, and RHB-106."

We continue to pursue the development program for a companion diagnostic for the detection of MAP bacteria in Crohn's disease patients in collaboration with U.S. universities and diagnostic companies. These efforts are in part based on detecting the presence of MAP bacterial DNA in the blood, the rights for which we acquired from the University of Central Florida and the University of Minnesota. We do not know if or when such a diagnostic test would become available.

Market and Competition

According to GlobalData, a provider of market intelligence for the pharmaceutical sector, there were approximately 1.8 million diagnosed prevalent cases of Crohn's disease in the seven major markets (U.S., France, Germany, Italy, Spain, UK, Japan) in 2019. This number of prevalent cases is expected to increase to 1.9 million by 2022.

Therapeutic interventions in Crohn's disease patients are based on the disease location, severity, and associated complications. Therapeutic approaches for the treatment of Crohn's disease are individualized according to the patient's symptomatic response and tolerance to the prescribed treatment. Since the existing treatments are not curative, the current therapeutic approaches are sequential and involve treatment of an acute disease or inducing clinical remission followed by maintenance of the response or remission to improve the patient's quality of life.

Currently, available drugs on the market for the treatment of Crohn's disease offer symptomatic relief, the effects of which are largely temporary or partial and are accompanied by numerous adverse effects. The most commonly prescribed drugs for treatment of Crohn's disease include 5 Aminosalicylates (5-ASA, such as mesalamine), corticosteroids (such as

prednisone), immunosuppressant drugs (such as azathioprine and methotrexate) and biologic agents, including TNF-α inhibitors (such as Remicade®, Humira®, and Cimzia®), integrin inhibitors (such as Tysabri® and Entyvio®) and an IL 12 and IL23 antagonist (such as Stelara®). Additionally, several companies have developed for approval, or are in the process of developing, biosimilar drugs to compete with the approved biologic agents once their patent has expired. Salix Pharmaceuticals (a wholly-owned subsidiary of Bausch Health) also announced in January 2020 that they will initiate a Phase 2/3 study with the antibiotic rifaximin (Xifaxan®) for the treatment of Crohn's disease.

There are other companies currently conducting clinical trials with drug candidates in Crohn's disease. We may also be exposed to potentially competitive products, which may be under development to treat Crohn's disease, including new biological therapies and other new therapies.

Unlike drugs currently on the market for the treatment of Crohn's disease, which are immunosuppressive agents, RHB-104 is intended to address the suspected cause of the disease - MAP bacterial infection. To the best of our knowledge, there are no drugs approved for marketing that target infections caused by MAP bacteria in Crohn's disease patients.

Clinical Development

A Phase 3 clinical trial for RHB-104 was conducted in Australia, sponsored by Pharmacia, a Swedish company (which merged with Pfizer), with the primary endpoint of evaluating the ratio of patients with recurrent symptoms of Crohn's disease following the initial induction of remission with 16 weeks of treatment with prednisolone initiated at 40 mg / day and weaned over the 16-week period. Subjects were subsequently assessed at 52, 104 and 156 weeks. The main secondary objective was the percentage of patients who achieved clinical remission at 16 weeks. The results of the trial were published by Professor Warwick Selby *et al.* in 2007 in the medical journal *Gastroenterology*. Although the study did not meet the main objective of showing a difference in relapse rate with long-term treatment, there was a statistically significant difference between the treatment groups in the percentage of subjects in remission at week 16. Professor Marcel Behr and Professor James Hanley from McGill University published a re-analysis of the study in *The Lancet Infectious Diseases* in June 2008, based on the intent-to-treat (ITT) principle and found that there was a significant statistical advantage for the active therapy over the placebo throughout the two-year period of administration that disappeared once the active therapy was discontinued.

In June 2011, we entered into an agreement with our Canadian service provider, which entered into a back-to-back agreement with PharmaNet Canada Inc. for the provision of clinical trial services for the RHB-104 adult studies in North America and Europe. PharmaNet was subsequently acquired by inVentiv Health which became Syneos Health ("Syneos"), and our agreements were transferred to Syneos. See "Item 4. Information on the Company – B. Business Overview – Acquisition, Commercialization and License Agreements – Master Service Agreement with Loonhills R&D Inc. (formerly 7810962 Canada Inc.)" and see also "Item 4. Information on the Company – B. Business Overview – Acquisition, Commercialization and License Agreements – Clinical Services Agreement – Clinical Services Agreement related to RHB-104."

In October 2012, we entered into an agreement with our Canadian service provider, which, in turn, entered into a back-to-back agreement with a Canadian manufacturer to complete the manufacturing and supply of RHB-104 for our clinical trials. In addition, we entered into additional manufacturing agreements directly with the Canadian manufacturer.

In July 2018, we announced positive top-line results from the first Phase 3 study with RHB-104 for Crohn's disease (the "MAP US study"), a randomized, double-blind, placebo-controlled first Phase 3 study with RHB-104 for Crohn's disease. The Phase 3 study enrolled 331 subjects with moderately to severely active Crohn's disease (defined as Crohn's Disease Active Index ("CDAI") between 220 and 450) in the U.S., Canada, Europe, Australia, New Zealand, and Israel. Subjects were randomized 1:1 to receive RHB-104 or placebo as an add-on therapy to baseline standard-of-care medications, including 5-ASAs, corticosteroids, immunomodulators or anti-TNF agents.

Our MAP US study successfully met its primary endpoint, as well as key secondary endpoints. Top-line results in the intent-to-treat (ITT) population demonstrated superiority of RHB-104 over placebo in achieving remission at week 26, defined as CDAI value of less than 150, the primary endpoint of the study. The proportion of patients meeting the primary endpoint was significantly greater in the RHB-104 group compared to placebo at week 26 (37% vs. 23%, p= 0.007).

Moreover, while the secondary endpoints were not powered for significance in this induction of remission trial, key secondary endpoints were nevertheless met with statistically and clinically meaningful outcomes, demonstrating consistent benefit to Crohn's disease patients treated with RHB-104. RHB-104 was found to be generally safe and well tolerated.

In October 2018, we reported additional positive data from the MAP US study, including subgroup analysis of treatment with and without anti-TNF agents, presented at the United European Gastroenterology Week 2018.

In October 2019, we announced full week 52 results of blinded treatment in the MAP US study at the American College of Gastroenterology, which were consistent with the previously reported interim positive outcomes from the study. The study continued to meet its primary endpoint of clinical remission, defined as CDAI value of less than 150, at week 26 (36.7% vs. 22.4%, p=0.0048), key secondary endpoints of maintenance of remission at weeks 16 and 52 (25.9% vs. 12.1%, p=0.0016) and, notably, durable clinical remission on all visits, week 16 through 52 (18.7% vs. 8.5%, p=0.0077) (in all cases, data presented as RHB-104 vs. placebo).

RHB-104 was found to be generally safe and well tolerated, with an overall balance in the type and frequency of adverse events between RHB-104 and placebo. RHB-104 was associated with a lower incidence of Clostridiodies (Clostridium) difficile infections compared with placebo. In the analysis of the complete safety information for the study, a top-line electrocardiogram monitoring report for the MAP US study, which was shared with the FDA, demonstrated evidence of progressive prolongation of the QTcF (corrected QT interval by Frederica's formula) interval across visits, with the largest mean placebo-corrected ΔQTcF (ΔΔQTcF) of 30.6ms at week 52 of treatment. Clofazimine, as well as clarithromycin (another active component of RHB-104), are known to be associated with QT prolongation. We continue to analyze the data from the RHB-104 studies, including QT prolongation findings and various pharmacokinetic and pharmacodynamic models and, as previously announced, intend to meet with the FDA again in the coming months to discuss the RHB-104 program, including these data.

In October 2019, we also announced supportive top-line results from an open-label extension Phase 3 study (the "MAP US2 study"), which was conducted to evaluate the safety and efficacy of RHB-104 in subjects who remain with active Crohn's disease (CDAI ≥ 150) after 26 weeks of blinded study therapy in the Phase 3 MAP US study. These subjects had the opportunity to receive treatment with RHB-104 for a 52-week period in the open-label MAP US2 study. A total of 54 subjects entered the open-label extension study in the U.S., Canada, Europe, Israel, and New Zealand, and 30 subjects completed 52 weeks of treatment with RHB-104. The MAP US2 study's primary endpoint is disease remission at week 16, defined as CDAI of less than 150. Top-line results from the MAP US2 study demonstrated 28% clinical remission with RHB-104 at week 16 and 22% remission at week 52. Of the MAP US2 subjects who were previously randomized to the placebo arm (as an add-on to standard-of-care therapies) in the MAP US study and treated with RHB-104 for the first time in the MAP US2 study, 32% achieved remission at week 16. The top-line results and subsequent analyses were provided to us by an independent third party following an independent analysis and remain subject to completion of the independent review and analysis of the underlying data, including all safety, secondary and other outcome measures, and completion of the Clinical Study Report.

We further announced in September 2019 that following additional guidance received from the FDA on the path for potential approval of RHB-104 for the treatment of Crohn's disease, we have intensified our collaborations with leading laboratories in the field of detection of MAP bacteria in Crohn's disease patients, including Baylor College of Medicine and the University of Central Florida's College of Medicine. We do not know if and when a diagnostic test for MAP would become available. Additional FDA guidance on the potential path to approval of RHB-104 is to be obtained prior to initiation of further clinical studies.

We continue to assess additional exploratory endpoints as data becomes available.

We have conducted several supportive studies with the current formulation of RHB-104, including a population pharmacokinetic study that was conducted as part of the Phase 3 MAP US study.

We believe that additional clinical studies will most likely be required to support an NDA for RHB-104, if filed.

The following chart summarizes the clinical trial history and status of RHB-104 studies and its earlier individual active agents:

Clinical trial author/designation	Development phase of the clinical trial	Purpose of the clinical trial	Clinical trial site	Planned number of subjects of the trial	Nature and status of the trial	Schedule
Borody 2002	Phase 2a	Examining the effect of the treatment on Crohn's disease patients	Center for Digestive Disease, Australia	12	Performed	Completed 2002
Borody 2005	Phase 2	Examining the effect of the treatment on Crohn's disease patients	Center for Digestive Disease, Australia	52	Performed	Completed 2005
Selby	Phase 3	Examining the effect of the treatment with the product on Crohn's disease patients	20 clinical centers in Australia	213	The trial was performed and indicated promising improvement rates, although it did not meet the main trial objective, as defined	Published in 2007
Biovail PK Study 2007	PK Study	Optimize the formulation of RHB-104 on a PK basis	Toronto, Ontario	24	The trial compared two formulations to determine the optimum formulation for RHB-104	Completed 2007
MAP US Study	Phase 3	Assess the safety and efficacy of RHB-104 in Crohn's disease patients	U.S., Canada. Israel, Australia, New Zealand, and Europe	331	Ongoing	Ongoing
MAP US2 Study	Phase 3	Assess the safety and efficacy of RHB-104 in Crohn's disease patients	U.S., Canada, Israel, New Zealand, and Europe	54	Ongoing	Ongoing
Drug-Drug Interaction Study	PK Study	To assess the net PK effect of multiple doses of RHB-104 on CYP3A4 enzymes in healthy volunteers	Algorithme Pharma, Canada	36	Ended	Ended 2014
Food Effect Study	PK Study	Determine the effect of food on the bioavailability of RHB-104 in healthy volunteers	Algorithme Pharma, Canada	84	Completed	Completed 2014

We cannot predict with certainty our development costs, and such costs may be subject to change. See "Item 3. Key Information – D. Risk Factors – Risks Related to Our Financial Condition and Capital Requirements."

Multiple Sclerosis ("MS")

MS is an inflammatory, demyelinating, and neurodegenerative disease of the central nervous system of uncertain etiology that exhibits characteristics of both infectious and autoimmune pathology.

We had previously conducted a Phase 2a proof-of-concept study with RHB-104 for relapsing-remitting multiple sclerosis. At the current stage, we have no intention to pursue the development of RHB-104 for this indication.

RHB-204

Nontuberculous Mycobacteria Infections

In light of our discussions with the FDA and positive data from the ongoing non-clinical program with RHB-204, we plan, subject to further input from the FDA, to initiate activities related to a single pivotal Phase 3 study in mid-2020 in support of a potential NDA filing for RHB-204 for the treatment of M*ycobacterium avium complex* (MAC) disease, the most common cause of pulmonary nontuberculous mycobacteria (NTM) infection.

The study will be intended to assess the efficacy and safety of RHB-204 as a stand-alone, first-line treatment for pulmonary NTM infections caused by MAC.

In January 2017, we announced that RHB-204 had been granted QIDP designation by the FDA for the treatment of pulmonary NTM infections, including eligibility for Fast Track development designation by the FDA and Priority Review and an extended market exclusivity period, if approved for marketing in the U.S.

RHB-204 is a patented fixed-dose combination product of three antibiotics intended to simplify administration and optimize compliance. Each capsule contains the same three antibiotics as RHB-104 (clarithromycin, clofazimine, and rifabutin), but at doses unique from RHB-104. Clarithromycin and rifabutin were selected because mycobacteria live within host cells, and these agents have intracellular activity against MAC. Further, rifabutin enhances the antimicrobial activity of clarithromycin due to increased levels of clarithromycin's active metabolite. Selection of clofazimine was based on its activity against MAC, preferential accumulation in macrophages and bactericidal activity demonstrated in a mouse model of tuberculosis.

Market and Competition

Pulmonary NTM is an orphan disease affecting an estimated 110,000 patients in the U.S. in 2017, according to a 2017 analysis by Foster Rosenblatt. The incidence and prevalence of NTM lung disease are increasing worldwide, while treatment options remain limited, lengthy and challenging, according to Ryu YJ *et* (Tuberc Respir Dis, 2016).

NTM are naturally occurring organisms found in water and soil, which can cause chronic pulmonary infection. According to Prevots DR (Am J Respir Crit Care Med, 2010), approximately 80% of pulmonary NTM cases in the U.S. are associated with MAC. In some people, infection with NTM may lead to a progressive lung disease characterized by cough, shortness of breath, fatigue and weight loss. NTM disease is more common in the older adult population and individuals with a compromised immune system or underlying lung disease.

According to the American Lung Association, NTM are relatively resistant to antibiotics and can become more resistant if only one antibiotic is used. Effective treatment of NTM caused by MAC requires three drugs for at least 12 months of treatment. Currently recommended treatment regimens, drug resistance patterns, and treatment outcomes differ according to the NTM species, and management is a lengthy complicated process with limited therapeutic options (Ryu YJ et al. 2016). There is currently no approved first-line therapy for NTM lung disease. Treatment is determined based on guidelines and includes multi-drug regimens with antibiotics not approved for NTM. Adherence to the guidelines for treating NTM lung disease is suboptimal, and potentially harmful antibiotic regimens are commonly prescribed. Management of NTM disease requires prolonged use of costly combinations of multiple drugs with a significant potential for toxicity.

In September 2018, FDA approved Arikayce® (amikacin liposome inhalation suspension), a new drug developed by Insmed Incorporated, for the treatment of lung disease caused by MAC in a limited population of refractory patients which does not respond to conventional treatment. To the best of our knowledge, this is the first treatment approved specifically for pulmonary NTM infections caused by MAC. Arikayce® is indicated as a second-line therapy in refractory patients as part of a combination antibacterial drug regimen. The Arikayce® prescribing information includes a Boxed Warning regarding the increased risk of respiratory conditions, including hypersensitivity pneumonitis, bronchospasm, exacerbation of underlying lung disease and hemoptysis that have led to hospitalizations in some cases.

Several drug candidates are currently under development for the treatment of NTM infections, including but not limited to, Molgradex (Savara Inc.), an inhaled formulation of recombinant human GM-CSF, and LungFit™NTM (Beyond Air Inc.), an inhaled Nitric Oxide. Additionally, Insmed Incorporated has announced its intention to conduct a confirmatory study with Arikayce® as a first-line treatment for patients with MAC lung disease. According to www.clinicaltrials.gov, there are several additional ongoing clinical studies evaluating treatments for NTM infections including, but not limited to, an investigator-sponsored Phase 2 study in the U.S. evaluating clofazimine for the treatment of pulmonary mycobacterium avium disease, and a Phase 2 study evaluating a recombinant human interleukin-7 drug for the treatment of refractory nontuberculous mycobacterial lung disease.

Clinical Development

Although each of the three components of RHB-204 is approved individually and has been tested extensively in humans (e.g. see RHB-104), the formulation and doses represented by RHB-204 have not been tested. Current plans are to start the activities for a pivotal trial for pulmonary NTM lung infection in mid-2020. The appropriate regulatory path is currently under discussion.

The following chart summarizes the development history and status of RHB-204:

Trial name	Development phase	Purpose of the trial	Clinical trial sites	Planned number of subjects of the trial	Status of the trial
CleaR-MAC Trial	Phase 3	Registration for pulmonary NTM treatment	25	100	In planning for mid-2020

RHB-102 (Bekinda®)

RHB-102 (Bekinda®) is an investigational once-daily bi-modal extended-release oral formulation of ondansetron, a leading member of the family of 5-HT3 serotonin receptor inhibitors. We are developing RHB-102 (Bekinda®) in multiple dosage strengths. RHB-102 (Bekinda®) is under development for the intended use in the following indications, which are novel and not yet FDA-approved indications for ondansetron targeting large potential markets:

1) Acute gastroenteritis and gastritis - 24 mg strength

2) Irritable Bowel Syndrome with Diarrhea (IBS-D) - lower dose strength for long-term administration

RHB-102 (Bekinda®) utilizes a technology called CDT® that uses salts to provide an extended-release of ondansetron. The CDT® platform enables extended drug release (i.e., the measured rate of introduction of active drug) at a relatively low manufacturing cost. The proposed commercial formulation and its use are protected by Company-filed patents and pending patent applications and are being pursued internationally.

Acute Gastroenteritis and Gastritis

Acute gastroenteritis and gastritis both involve inflammation of the mucous membranes of the GI tract. Symptoms of gastroenteritis and gastritis include nausea, vomiting, diarrhea, and abdominal pain. Acute gastroenteritis and gastritis are a major cause of emergency room visits, particularly for pediatrics. If approved, RHB-102 (Bekinda®) could potentially decrease the number of emergency room visits for patients suffering from acute gastroenteritis and gastritis by offering them an effective and long-lasting treatment, which can be taken in the comfort of their home.

Market and Competition

A single dose of RHB-102 (Bekinda®) is intended to treat nausea and vomiting over a time window of approximately 24 hours. If approved for such use, this would be potentially advantageous for acute gastroenteritis and gastritis patients as it could help eliminate the need to take additional drugs (tablets) during the day or receiving intravenously administered drugs.

If RHB-102 (Bekinda®) is approved for the treatment of acute gastroenteritis and gastritis, it could potentially hold substantial advantages over existing treatments. If approved, RHB-102 (Bekinda®) could be prescribed by primary care physicians to patients early on, potentially preventing emergency room visits, dehydration and the need to provide IV fluids. There are an estimated 179 million cases of gastroenteritis in the U.S. annually (Scallan E et al. 2011).

To the best of our knowledge, there are no other 5-HT3 serotonin receptor inhibitors indicated or in the advanced clinical stage of development in the U.S. for this indication. Patients presenting at hospitals with gastroenteritis and gastritis are often treated primarily in IV administration with antiemetic drugs not indicated or approved for this condition, off-label, including 5-HT3 serotonin receptor inhibitors. If approved, RHB-102 (Bekinda®) will compete with several prescription and OTC anti-emetic drugs, including but not limited to, dimenhydrinate, Nauzene®, and Emetrol®, as well as off-label use of ondansetron and other 5-HT3 inhibitors.

We may also be exposed to potentially competitive products, which may be under development to treat acute gastroenteritis. To the best of our knowledge, a product that potentially directly competes with RHB-102 (Bekinda®) is EUR-1025 for controlled release of ondansetron, based on a different technology of controlled release originally developed by Eurand N.V. (now owned by Adare Pharmaceuticals, Inc.) and which completed two pivotal pharmacokinetic studies intended to establish the bioequivalence of EUR-1025 versus Zofran® (ondansetron hydrochloride). To the best of our knowledge, EUR-1025 was being developed for the indication of postoperative-induced nausea and vomiting, for which Zofran® and generic ondansetron were already approved. To the best of our knowledge, there has not been further clinical development of EUR-1025 since the completion of the above-mentioned pharmacokinetic studies.

Clinical Development

In June 2017, we announced positive top-line results from the randomized, double-blind, placebo-controlled Phase 3 study (the “GUARD study”) with RHB-102 (Bekinda®) 24 mg for acute gastroenteritis and gastritis. The study successfully met its primary endpoint and RHB-102 (Bekinda®) 24 mg was found to be safe and well tolerated in this indication. The GUARD study evaluated the efficacy and safety of RHB-102 (Bekinda®) 24 mg in treating acute gastroenteritis and gastritis in 321 adults and children over the age of 12. The primary endpoint of the study was the proportion of patients without further vomiting, without rescue medication, and who were not given intravenous hydration from 30 minutes post first dose of the study drug until 24 hours post-dose, compared to placebo. In September 2017, we met with the FDA to discuss the study results and the clinical and regulatory path toward potential marketing approval of RHB-102 (Bekinda®) 24 mg in the U.S. Following the guidance provided at the meeting and additional guidance provided thereafter, we are currently advancing preparations toward a confirmatory Phase 3 study to support a potential NDA with RHB-102 (Bekinda®) 24 mg for acute gastroenteritis and gastritis.

Final results from the GUARD study showed improvement to the primary efficacy outcome by 21% in the Intent to Treat (ITT) population; 65.6% of RHB-102 (Bekinda®) treated patients as compared to 54.3% of placebo patients (p=0.04; n=192 in the RHB-102 (Bekinda®) group and n=129 in the placebo group). In the Per Protocol (PP) population, which included patients who met all protocol entry criteria and for which the diagnosis of gastroenteritis was confirmed (n=177 in the RHB-102 (Bekinda®) group and n=122 in the placebo group), RHB-102 (Bekinda®) improved the efficacy outcome by 27%; 69.5% of patients in the RHB-102 (Bekinda®) group vs. 54.9% in the placebo group, (p=0.01). An imbalance in baseline nausea was noted, with worse nausea in the RHB-102 (Bekinda®) treated group. In a post hoc analysis, when results were adjusted for baseline nausea, the p-value for the ITT population was 0.0152, and for the PP population was 0.0037. RHB-102 (Bekinda®) 24 mg was also shown to be safe and well tolerated; electrocardiogram results showed no adverse changes with treatment. The benefit observed with RHB-102 (Bekinda®) is evident across the spectrum of severity of nausea at baseline, including in patients with very severe nausea, suggesting that the drug works regardless of the initial severity of gastroenteritis.

The lead investigator for the Phase 3 study was Dr. Robert A. Silverman, MD, MS, Associate Professor at the Hofstra North Shore-LIJ School of Medicine and an emergency medicine specialist.

In September 2019, we had a follow-up meeting with the FDA regarding our efforts to design a study acceptable to the agency to seek the FDA’s approval for pediatric labeling for RHB-102 (Bekinda®), as required by the FDA pursuant to

the Pediatric Research Equity Act. We are continuing our discussions with the FDA to prepare an agreed-upon pediatric study plan for filing with the FDA.

The following chart summarizes the clinical trial history and status of RHB-102 (Bekinda®) for gastroenteritis and gastritis:

Clinical trial name	Development phase of the clinical trial	Purpose of the clinical trial	Clinical trial site	Planned number of subjects of the trial	Nature and status of the trial	Schedule
GUARD Study	Phase 3	Randomized double-blind placebo-controlled Phase 3 study in acute gastroenteritis and gastritis	21 sites in the U.S.	321	Evaluated the safety and efficacy of RHB-102 (Bekinda®) in acute gastroenteritis and gastritis	Completed 2017
TBD	Confirmatory Phase 3	Support a potential NDA with RHB-102 (Bekinda®) 24 mg for acute gastroenteritis and gastritis	TBD	TBD	TBD	TBD

We cannot predict with certainty our development costs, and such costs may be subject to changes. See “Item 3. Key Information – D. Risk Factors – Risks Related to Our Financial Condition and Capital Requirements.”

Irritable Bowel Syndrome with Diarrhea (IBS-D)

Irritable bowel syndrome (IBS) is a multifactorial disorder marked by recurrent abdominal pain or discomfort and altered bowel function. Certain factors that alter GI function can contribute to IBS symptoms, including stress, prior gastroenteritis, and changes in the gut microbiome, bile acids and short-chain fatty acids, which may stimulate 5-HT3 serotonin release and increase colonic permeability and motility. (Source: http://www.mayoclinic.org/medical-professionals/clinical-updates/digestive-diseases/better-agents-needed-irritable-bowel-syndrome-diarrhea).

In preliminary studies, ondansetron has demonstrated activity in IBS-D (Garsed K, Chernova J, Hastings M, et al. Gut Published Online First December 12, 2013). Unlike alosetron (a currently approved 5-HT3 antagonist in IBS-D), ondansetron has not been noted to cause ischemic colitis (FDA labeling for Lotronex® (alosetron), 2010; FDA labeling for Zofran® (ondansetron), 2014).

In light of the activity of ondansetron demonstrated in the preliminary studies described above, and because of its extended-release properties and once-daily dosing, we believe RHB-102 (Bekinda®) is a promising candidate for the treatment of IBS-D.

Market and Competition

IBS is one of the most common GI disorders. According to publications by Saito YA. *et al.* (The American Journal of Gastroenterology, 2002) and by Lovell RM *et al.* (Clinical Gastroenterology and Hepatology, 2012), it is estimated that up to 30 million Americans may suffer from IBS. Of the three subtypes of IBS, IBS-D is the most prevalent diagnosed subtype in the seven major markets, with an estimated 8.3 million diagnosed prevalent cases in 2019, according to a report by GlobalData.

To the best of our knowledge, there is one other 5-HT3 serotonin receptor inhibitor indicated for this indication in the U.S. – alosetron (currently marketed under the brand name Lotronex® by Sebela Pharmaceuticals and generic versions marketed by Actavis plc, Hikma, Par Pharmaceuticals, and Amneal Pharmaceuticals). However, alosetron is approved only for the treatment of IBS in women with severe chronic IBS-D and its indication is restricted to those patients for whom the benefit-to-risk balance is most favorable due to infrequent, but severe, adverse reactions. The active ingredient in RHB-102 (Bekinda®), ondansetron, is approved by the U.S. FDA as an oncology support antiemetic and has a good safety profile. Therefore, we believe that RHB-102 (Bekinda®), if approved for the treatment of IBS-D in the U.S., may provide improved safety while maintaining efficacy and has the potential to be a preferred 5-HT3 serotonin receptor inhibitor treatment for patients suffering from IBS-D. Ramosetron, another 5-HT3 serotonin receptor inhibitor (marketed

under the brand name Irribow® by Astellas Pharma Inc. and generic versions marketed by Pfizer Japan, Takeda Pharmaceuticals, Fuji Pharma and additional companies), is marketed for the treatment of IBS-D and for chemotherapy-induced nausea and vomiting in Japan, South Korea, China and India, and for and postoperative nausea and vomiting in South Korea and India. To the best of our knowledge, there is currently no clinical development of ramosetron for marketing approval in the U.S. for any indication.

If approved, RHB-102 (Bekinda®) will compete with several prescription drugs indicated for IBS-D, including but not limited to Xifaxan® (rifaximin), marketed in the U.S. by Bausch Health, and Viberzi® (eluxadoline), marketed in the U.S. by Allergan plc., as well as additional prescription drugs, generic drugs, and over-the-counter products indicated for IBS-D or for symptomatic relief of diarrhea and pain.

In addition, there are currently additional drug candidates in development by other companies for the treatment of IBS-D in the U.S.

Clinical Development

In January 2018, we announced positive final results from the Phase 2 clinical study of RHB-102 (Bekinda®) 12 mg for the treatment of IBS-D. The randomized, double-blind, placebo-controlled Phase 2 study evaluated the efficacy and safety of RHB-102 (Bekinda®) 12 mg in 126 subjects over 18 years old at 16 clinical sites in the U.S. The study successfully met its primary endpoint, improving the primary efficacy outcome of stool consistency.

RHB-102 (Bekinda®) was also shown to be safe and well tolerated in this indication. No serious adverse events or new or unexpected safety issues were noted in the study. In September 2018, we announced that we concluded a positive End-of-Phase 2 Type B meeting with the FDA discussing the clinical and regulatory pathway toward potential FDA approval of RHB-102 (Bekinda®) for the treatment of IBS-D. We are currently finalizing the design of two pivotal Phase 3 studies with RHB-102 (Bekinda®) for the treatment of IBS-D.

The primary endpoint of the trial was the proportion of patients in each treatment group with response in stool consistency on study drug as compared to baseline. Response was defined as per FDA guidelines for the indication. Additional endpoints were analyzed including:

- proportion of patients in each treatment group who are pain responders, per FDA guidance definition;
- proportion of patients in each treatment group who are overall responders, per FDA guidance definition; and
- differences between treatment groups in:
    - abdominal pain
    - abdominal discomfort
    - frequency of defecation
    - incidence and severity of adverse events.

The RHB-102 (Bekinda®)12 mg Phase 2 study successfully met its primary endpoint, improving the primary efficacy outcome of stool consistency response (in accordance with the FDA guidance definition) by an absolute difference of 20.7%, with 56.0% responders of subjects treated with RHB-102 (Bekinda®) (n=75) vs. 35.3% responders of the placebo subjects (n=51) (p=0.036). While not powered for statistical significance of the secondary efficacy endpoints, the study suggested clinically meaningful improvement in both secondary efficacy endpoints of abdominal pain response and overall response (combined stool consistency and abdominal pain response). Final results from the Phase 2 study demonstrated that RHB-102 (Bekinda®) 12 mg improved the overall worst abdominal pain response rate by 11.5% vs. placebo (50.7% with RHB-102 (Bekinda®) 12 mg (n=75) vs. 39.2% with placebo (n=51); (p=0.278)) and the overall response improved by an absolute difference of 14.5% in favor of the RHB-102 (Bekinda®) 12 mg arm (40.0% with RHB-102 (Bekinda®) 12 mg (n=75) vs. 25.5% with placebo (n=51); (p=0.135)).

RHB-102 (Bekinda®) 12 mg was also shown to be safe and well tolerated. No serious adverse events or new or unexpected safety issues were noted in the study. In September 2018, we announced that we concluded a positive End-of-Phase 2/Pre-Phase 3 (Type B) meeting with the FDA discussing the clinical and regulatory pathway toward potential FDA approval of

RHB-102 (Bekinda®) 12 mg for the treatment of IBS-D. We plan to finalize the design of two pivotal Phase 3 studies with RHB-102 (Bekinda®) for the treatment of IBS-D.

The Company has initiated formulation work to formulate RHB-102 at lower dosages to help support planned pediatric studies. In December 2019, we received confirmation from the FDA that it has agreed with our Initial Pediatric Study Plan (iPSP).

The following chart summarizes the clinical trial history and status of RHB-102 (Bekinda®) for IBS-D:

Clinical trial name	Development phase of the clinical trial	Purpose of the clinical trial	Clinical trial site	Planned number of subjects of the trial	Nature and status of the trial	Schedule
-	Phase 2	Randomized double-blind placebo-controlled Phase 2 study in IBS-D	16 sites in the U.S.	126	Evaluating the safety and efficacy of RHB-102 (Bekinda®) 12 mg in IBS-D	Completed 2018
TBD	Phase 3	Randomized double-blind placebo-controlled Phase 3 study in IBS-D	TBD	TBD	TBD	TBD

We cannot predict with certainty our development costs and such costs may be subject to change. See “Item 3. Key Information – D. Risk Factors – Risks Related to Our Financial Condition and Capital Requirements.”

RHB-106

RHB-106 is an investigational tablet intended for the preparation and cleansing of the GI tract prior to the performance of abdominal procedures, including diagnostic tests such as colonoscopy, barium enema or virtual colonoscopy, as well as surgical interventions, such as a laparotomy.

As noted above, we acquired the rights to RHB-106 pursuant to an agreement with Giaconda Limited. See “Item 4. Information on the Company – B. Business Overview – Acquisition, Commercialization and License Agreements – Acquisition of Talicia®, RHB-104, and RHB-106.”

In December 2019, we provided a notice of termination of the worldwide exclusive license agreement we had entered into on February 27, 2014, with Salix Pharmaceuticals, Ltd. (“Salix, which was later acquired by Valeant Pharmaceuticals International, Inc. (“Valeant”), and subsequently renamed Bausch Health. As a result of the termination of the Salix licensing agreement, we regained the exclusive worldwide rights to the RHB-106 encapsulated formulation for bowel preparation.

Market and Competition

It is estimated that approximately 19 million colonoscopies are performed annually in the U.S., according to a 2018 iDATA research report. The annual number of procedures in the U.S. is increasing, presumably due to the rising awareness of colorectal cancer.

If approved, RHB-106 will compete with several products in the U.S., including but not limited prescription products such as PrepoPik® (marketed by Ferring Pharmaceuticals), Clenpiq® (marketed by Ferring Pharmaceuticals), Suprep® (marketed by BrainTree Laboratories Inc. (acquired by Sebela Pharmaceuticals)), OsmoPrep®, MoviPrep® and Plenvu® (marketed by Bausch Health). There are currently additional bowel preparations in development by other companies, including programs from Sebela Pharmaceuticals in advanced stages of development.

To the best of our knowledge, the main competitors of RHB-106 are GI cleansing products based on polyethylene glycol (PEG 3350). These products are delivered in the form of a water-soluble powder and require users to drink between 2-4 liters of solution before the performance of the gastroenterological procedure. In addition to the need to drink considerable amounts of a solution, a common side effect that raises difficulties with users is the accompanying harsh and unpleasant

taste, leading to potential difficulties with patient compliance. RHB-106 offers the potential for improved patient compliance because it is tasteless and eliminates the need for drinking several liters of the ill-flavored electrolyte solution. RHB-106 also potentially has an advantage compared to currently available tablet products in the field in that it does not contain sodium phosphate, an active ingredient linked with a risk of nephrotoxicity.

Products administered in the form of tablets or capsules that were released on the market in the U.S., such as OsmoPrep®, are based on a chemical substance called sodium phosphate. In December 2008, the FDA published a severe warning against the use of these products due to rare but severe side effects linked to kidney damage. As a consequence of this development, the FDA required in 2008 that oral sodium phosphate products carry a severe warning (black box label).

The potential advantage of RHB-106 over the current competitor products of the PEG 3350 type, MoviPrep®, as well as over products such as PicoPrep®, is that it is administered in an oral tablet, permits the patient to drink any clear liquid with the product and spares the patient the exposure to the unpleasant taste that may accompany these products. RHB-106 also does not fall under the black box warning against nephrotoxicity issued by the FDA in December 2008 with respect to currently marketed sodium phosphate capsule preparations.

Clinical Development

The following chart summarizes the clinical trial history and status of RHB-106:

Clinical trial name	Development phase of the clinical trial	Purpose of the clinical trial	Clinical site	Number of subjects of the trial	Nature and status of the trial	Performance schedule
-	Phase 2a	Comparison of the product's effectiveness and safety with an existing product	Center for Digestive Disease, Australia	60	Completed	Completed in 2005

ABC294640 (Yeliva®)

ABC294640 (Yeliva®) is an investigational new drug that is a proprietary, first-in-class, orally-administered SK2 selective inhibitor, with anti-inflammatory and anti-cancer activities, targeting multiple oncology, inflammatory and GI indications. The compound originally designated as ABC294640 received an international non-proprietary name, opaganib, in the Recommended INN: List 79, 2018.

ABC294640 (Yeliva®) inhibits SK2, a lipid kinase that catalyzes the formation of the lipid signaling molecule sphingosine 1-phosphate ("S1P"). S1P promotes cancer growth and proliferation and pathological inflammation, including TNFα signaling and other inflammatory cytokine production. Specifically, by inhibiting the SK2 enzyme, ABC294640 (Yeliva®) blocks the synthesis of S1P which regulates fundamental biological processes such as cell proliferation, migration, immune cell trafficking and angiogenesis, and is also involved in immune-modulation and suppression of innate immune responses from T cells.

On March 30, 2015, we entered into an exclusive worldwide license agreement with Apogee Biotechnology Corporation (Apogee), pursuant to which Apogee granted us the exclusive worldwide development and commercialization rights to ABC294640 (which we then renamed to ABC294640 (Yeliva®) and, as noted above, received an international non-proprietary name, opaganib, in 2018) and additional intellectual property for all indications. See "Item 4. Information on the Company – B. Business Overview – Acquisition, Commercialization and License Agreements – License Agreement for ABC294640 (Yeliva®)."

Market and Competition

ABC294640 (Yeliva®) is currently being developed for several potential indications, including for the treatment of cholangiocarcinoma (bile duct cancer) and prostate cancer.

Cholangiocarcinoma (bile duct cancer) is a highly lethal malignancy. According to the American Cancer Society report, approximately 8,000 people are diagnosed with intrahepatic and extrahepatic bile duct cancers annually in the U.S., with recent studies showing an increased incidence of cholangiocarcinoma, mainly attributed to recent advancements in the diagnosis of this disease (Gores GJ, Hepatology, 2003). Surgery with complete resection is currently known to be the only curative therapy for cholangiocarcinoma; however, only a minority of patients are classified as having a resectable tumor at the time of diagnosis. Additional treatment options include radiation therapy and chemotherapy, but the efficacy of these treatments in cholangiocarcinoma patients is also limited and the prognosis for relapse patients who have failed initial chemotherapy is very poor, with an overall median survival of approximately one year (Valle J, et al. New Eng J, Med 2010). The 5-year relative survival rates of intrahepatic and extrahepatic cholangiocarcinoma patients range between 2% to 24%, depending on the tumor type and stage at diagnosis, according to the American Cancer Society. There are several drugs in late-stage clinical development for cholangiocarcinoma.

Prostate cancer is the second most common cancer and the leading cause of cancer death in American men. The American Cancer Society estimates that approximately 191,900 new cases of prostate cancer will be diagnosed in 2020. Prostate cancer is more likely to develop in older men and in African-American men. Treatment options depend on each case and include surgery, radiotherapy, cryotherapy, chemotherapy, hormone therapy, and immunotherapy. There are several approved drugs indicated for treatment of prostate cancer, as well as several drugs in development for U.S. approval.

Clinical Development

ABC-108: Advanced Unresectable Cholangiocarcinoma

A Phase 2a clinical study with ABC294640 (Yeliva®) in patients with advanced, unresectable, intrahepatic, perihilar and extrahepatic cholangiocarcinoma is ongoing at Mayo Clinic's major campuses in Arizona and Minnesota, University of Texas MD Anderson Cancer Center, the Huntsman Cancer Institute, University of Utah Health and at Emory University. In September 2018, we announced that the study achieved its pre-specified efficacy goal for the first stage of the two-stage study design, and as a result, the study has continued to its second stage. Treatment with ABC294640 (Yeliva®), Part 1 of the study, is designed to enroll 39 evaluable patients, with enrollment expected to be completed by the end of 2019. In October 2019, an expansion cohort for cotreatment of ABC294640 (Yeliva®) and hydroxychloroquine sulfate (HCQ) was submitted to the FDA. Enrollment of this cotreatment cohort, Part 2 of the study, is expected to begin in the first quarter of 2020. The cohort will consist of two phases: Phase 1, an accelerated dose escalation run-in with enrollment of up to 15 patients evaluable for safety and tolerability, and Phase 2, treatment of 20 patients evaluable in the Phase 1 determined dose to determine safety and tolerability.

The primary objective of Part 1 is to determine the response rate (RR) of cholangiocarcinoma defined as objective responses (OR), i.e. complete and partial responses (CR, PR) plus stable disease (SD) of at least four months to treatment with ABC294640 (Yeliva®). The primary endpoint of Part 2 is to determine Durable Disease Control Rate (DDCR), defined as Disease Control Rate (DCR) of at least four months' duration to treatment with ABC294640 (Yeliva®) and HCQ.

In April 2017, the FDA granted ABC294640 (Yeliva®) orphan drug designation for the treatment of cholangiocarcinoma. The orphan drug designation allows us to benefit from various development incentives to develop ABC294640 (Yeliva®) for this indication, including tax credits for qualified clinical testing, the waiver of a prescription drug user fee (PDUFA) upon submission of a potential NDA and, if approved, a seven-year marketing exclusivity period (subject to certain exceptions) for the treatment of cholangiocarcinoma.

EAP for the Treatment of Advanced Unresectable Cholangiocarcinoma

An EAP is for eligible participants who do not qualify for participation in, or who are otherwise unable to access, the ongoing clinical trial ABC-108 for advanced unresectable cholangiocarcinoma. This program is designed to provide access to ABC294640 (Yeliva®) for the treatment of cholangiocarcinoma prior to approval by the local regulatory agency. We cannot predict how long this program will continue, and we may decide for various reasons, including but not limited to resources and availability of ABC294640 (Yeliva®), not to continue with the EAP.

ABC-103: Refractory or Relapsed Multiple Myeloma

A Phase 1b study with ABC294640 (Yeliva®) for the treatment of refractory or relapsed multiple myeloma was performed in heavily pretreated patients at Duke University Medical Center. A total of 13 patients were enrolled and treated in three dose cohorts. While efficacy was not the primary endpoint of the Phase 1b study, of ten evaluable subjects, one patient achieved a very good partial response. The study was supported by a $2 million grant from the National Cancer Institute (NCI) Small Business Innovation Research Program awarded to Apogee Biotechnology Corporation, in conjunction with Duke University, with additional support from us.

The study ended in line with the NCI grant expiration in May 2019. Data analysis is ongoing with the final report expected to be completed in February 2020.

The primary endpoints of the first portion of the study (Phase 1) were to assess safety and determine the maximum tolerated dose in this group of patients. Secondary objectives included assessment of antitumor activity and determination of the PK and pharmacodynamic (PD) properties of ABC294640 (Yeliva®) in refractory or relapsed multiple myeloma patients.

At the current stage, we have no intention to pursue the development of ABC294640 (Yeliva®) for this indication.

ABC-101: Advanced Solid Tumors

A Phase 1 study, first-in-man evaluation of ABC294640 (Yeliva®) in advanced solid tumors was completed in the summer of 2015. Final results demonstrated that the study, conducted at the Medical University of South Carolina (MUSC), successfully met its primary and secondary endpoints, demonstrating that the compound is well tolerated and can be safely administered to cancer patients at doses predicted to have therapeutic activity.

Twenty-one patients with advanced solid tumors were treated with ABC294640 (Yeliva®) in the study, the majority of who were GI cancer patients, including pancreatic, colorectal and cholangiocarcinoma cancers.

The study included the first-ever longitudinal analysis of plasma S1P levels as a potential pharmacodynamic biomarker for activity of a sphingolipid-targeted drug. Administration of ABC294640 (Yeliva®) resulted in a rapid and pronounced decrease in levels of S1P with several patients having prolonged stabilization of disease.

The study was supported by grants from the U.S. National Cancer Institute (NCI) awarded to MUSC Hollings Cancer Center, an NCI-Designated Cancer Center, and from the FDA Office of Orphan Products Development (OOPD) awarded to Apogee.

ABC-106: Advanced Hepatocellular Carcinoma

An investigator-sponsored Phase 2 study to evaluate the safety and efficacy of ABC294640 (Yeliva®) as a second-line monotherapy in patients with advanced hepatocellular carcinoma *(*“HCC”) was initiated at the Medical University of South Carolina (“MUSC”) Hollings Cancer Center, the Mayo Clinic campus at Arizona and the University of Maryland.

The study was led by Dr. Carolyn Britten, MUSC, and was planned to enroll up to 39 patients who have experienced tumor progression following treatment with first-line single-agent sorafenib (Nexavar®).

In September 2019, we announced that The National Cancer Institute (NCI) grant that was previously awarded to the MUSC to support a study with ABC294640 (Yeliva®) in hepatocellular carcinoma (HCC) had been diverted to support a Phase 2 study with ABC294640 (Yeliva®) for a different indication, prostate cancer (ABC-107). At the current stage, we have no intention to pursue the development of ABC294640 (Yeliva®) for the HCC indication.

ABC-107: Prostate Cancer

The investigator-sponsored study "A Phase 2 Study of the Addition of Opaganib to Androgen Antagonists in Patients with Prostate Cancer Progression on Enzalutamide or Abiraterone" is expected to be initiated by early 2020 at MUSC Hollings Cancer Center and at two to three additional U.S. sites later that year. The study will be led by Dr. Michael B. Lilly.

This is a Phase 2 efficacy study of ABC294640 (Yeliva®) in patients with metastatic castration-resistant prostate cancer that is progressing during treatment with androgen signaling blockers, abiraterone or enzalutamide. The study will consist of an initial safety "run in" cohort in which patients will receive ABC294640 (Yeliva®) along with continuation of prior abiraterone or enzalutamide to document tolerability in this new patient population and to document the effects of ABC294640 (Yeliva®) on blood prostate-specific antigen (PSA) levels. Provided that there is no untoward toxicity in these patients, there will be two additional cohorts with up to 27 patients each of patients with worsening disease during abiraterone or enzalutamide treatment. These patients will continue previous androgen blocking agents (abiraterone or enzalutamide, and gonadotropin-releasing hormone GnRH receptor agonist/antagonist). The primary objective of the study is to measure the proportion of patients with disease control during ABC294640 (Yeliva®) plus abiraterone or enzalutamide treatment using a composite metric based on PSA, bone scan, and RECIST measurements per Prostate Cancer Working Group 3 (PCWG3) criteria.

ABC-104: Oncology Support, Radioprotectant: Prevention of Radiation-Associated Mucositis in the Treatment of Head and Neck Cancer

A Phase 1b study to evaluate ABC294640 (Yeliva®) as a radioprotectant in head and neck cancer patients undergoing therapeutic radiotherapy is currently on hold.

ABC-105: Moderate to Severe Ulcerative Colitis ("UC")

A Phase 2 study to evaluate the efficacy of ABC294640 (Yeliva®) in patients with moderate to severe UC by the proportion of patients who are in remission at the end of treatment is currently on hold.

ABC-109: Food Effect Study in Healthy Subjects

A Phase 1, randomized, open-label, single-dose, 3-treatment, 3-period, 6-sequence crossover study designed primarily to evaluate the effect of a standardized meal on the absorption and bioavailability of ABC294640 (Yeliva®) in healthy subjects, was completed in the U.S. in January 2018. The study also evaluated the effect of the administration of a solution of ABC294640 (Yeliva®) via nasogastric (NG) tube on the absorption and bioavailability of ABC294640 (Yeliva®). Twenty-three eligible, healthy, male and female adult subjects were randomized to receive ABC294640 (Yeliva®) orally in a state of fast, fed or as a solution by NG tube (after tube feeding). 17 subjects received all three treatments. All three treatments, though maximum concentration was lower when the drug was given orally in the fed state as compared to fasted, nasogastric administration after tube feeding led to intermediate results. Subjects experienced fewer gastrointestinal side effects when the drug was given in the fed state than fasted, but the pharmacodynamic effect, as reflected in the decrease in sphingosine-1-phosphate, the product of the target enzyme, was no lower after fed than fasted administration. Thus, the results indicated that ABC294640 (Yeliva®) may be given after eating, with improved tolerance and no loss of pharmacodynamic effect.

The following chart summarizes the clinical trial history and status of ABC294640 (Yeliva®):

Clinical trial name	Development phase of the clinical trial	Purpose of the clinical trial	Clinical trial site	Planned number of subjects of the trial	Nature and status of the trial	Schedule
ABC-108	Phase 2a	A study for the treatment of advanced, unresectable intrahepatic, perihilar and extrahepatic cholangiocarcinoma with ABC294640 (Yeliva®) and co-treatment with ABC294640 (Yeliva®) and HCQ	Multicenter study across the U.S.	Up to 105105	Ongoing	Ongoing
ABC-107 (103193 MUSC Study ID)	Phase 2	An add-on study for prostate cancer patients who progressed on enzalutamide or abiraterone. The proportion of patients with disease control during treatment with ABC294640 (Yeliva®) and enzalutamide or abiraterone will be measured	Medical University of South Carolina, Charleston, U.S. and collaborating sites (multicenter, U.S.)	Up to 54	In planning	Initiation in Q1 2020
ABC-103	Phase 1b/2	Safety and efficacy study in patients with refractory or relapsed multiple myeloma that have previously been treated with proteasome inhibitors and immunomodulatory drugs	Duke University, North Carolina, U.S.	Ended	Ended after Phase 1	Ended
ABC-101	Phase 1	Safety, PK and pharmacodynamic study in patients with advanced solid tumors	Medical University of South Carolina, Charleston, U.S.	22	Completed. Final results indicate the study drug is well tolerated and can be safely administered to cancer patients	Completed 2015
ABC-106	Phase 2	Investigator-Sponsored Safety and Efficacy Study in Patients with Advanced Hepatocellular Carcinoma Who Have Progressed on Sorafenib	Medical University of South Carolina, Charleston, U.S. and collaborating sites (Multicenter, U.S.)	From 12 to 39	Withdrawn and replaced with ABC-107 in prostate cancer (103193 MUSC Study ID)	Withdrawn
ABC-104	Phase 1b	Safety and efficacy study in the prevention of mucositis in combination with radiotherapy for treatment of squamous head and neck carcinoma	Multicenter study across the U.S.	Up to 32	TBD	TBD
ABC-105	Phase 2	A study for the treatment of moderate to severe ulcerative colitis	Multicenter study	Up to 94	TBD	TBD
ABC-109	Phase 1	Assessment of the effect of food on the absorption and bioavailability of ABC294640, also as a solution via nasogastric (NG) tube under fed conditions	ICON Early Phase Services, San-Antonio, TX, U.S.	23	Completed	Completed 2018

We cannot predict with certainty our development costs, and such costs may be subject to changes. See “Item 3. Key Information – D. Risk Factors – Risks Related to Our Financial Condition and Capital Requirements.”

RHB-107 (Upamostat; formerly Mesupron)

RHB-107 (Upamostat; formerly Mesupron) (INN: upamostat) is an investigational new drug, which we are seeking to market as a proprietary small molecule, first-in-class, potent serine protease inhibitor administered by oral capsule.

We believe that RHB-107 has a unique potency and specificity that suggests it may be a new non-cytotoxic approach to cancer therapy, as well as other indications of high unmet need such as inflammatory digestive diseases and inflammatory lung diseases.

As mentioned under "Item 4. Information on the Company – B. Business Overview – Acquisition, Commercialization and License Agreements – License Agreement for RHB-107", on June 30, 2014, we signed an exclusive license agreement for this oncology therapeutic candidate. Under this agreement, we are responsible for all development, regulatory and commercialization of RHB-107 in the entire world, excluding China, Taiwan, Macao, and Hong Kong.

In October 2017, the FDA granted RHB-107 orphan drug designation for the treatment of pancreatic cancer. The orphan drug designation allows us to benefit from various development incentives to develop RHB-107 (Upamostat; formerly Mesupron) for this indication, including tax credits for qualified clinical testing, waiver of a PDUFA upon submission of a potential marketing application and, if approved, a seven-year marketing exclusivity period (subject to certain exceptions) for the treatment of pancreatic cancer.

Market and Competition

RHB-107 is an investigational new drug, to be marketed upon approval as an orally-administered protease inhibitor with several potential mechanisms of action to inhibit tumor invasion and metastasis and has been developed for the treatment of solid tumor cancers, including GI cancers, with the focus on locally advanced non-metastatic pancreatic cancer.

Data from non-clinical studies indicate that WX-UK1, the active metabolite of RHB-107, is a potent and specific inhibitor of five human serine proteases (trypsin-3, trypsin-2, trypsin-1, matriptase-1, and trypsin-6). Several of these serine proteases are associated with cancer progression and metastasis. The non-clinical studies suggest new potential therapeutic applications of WX-UK1 in oncology and inflammatory gastrointestinal diseases.

Pancreatic cancer is characterized as a disease with very high unmet need in oncology. The American Cancer Society estimates that approximately 57,600 new cases of pancreatic cancer will be diagnosed in 2020, with an expected mortality of 47,050, representing one of the poorest prognoses across the GI cancers.

There are several drugs in late-stage clinical development for pancreatic cancer.

See also "*– ABC294640 (Yeliva®) – Market and Competition*" for information on cholangiocarcinoma.

Clinical Development

Several Phase 1 studies and two Phase 2 proof-of-concept studies have been completed with RHB-107. The first Phase 2 trial in locally advanced non-metastatic pancreatic cancer and the second trial in metastatic breast cancer established the therapeutic candidate's safety and tolerability profile. The Phase 2 trials with RHB-107 in both indications failed to demonstrate significant improvement in either progression-free survival or overall survival.

None of the prior studies used any molecular markers to target certain patient populations. Using technologies developed since the original clinical trials were performed, we are currently planning several preclinical studies, including biomarker analysis and mechanism of action studies. We expect that the findings from these studies can help us determine the patient populations to be studied in subsequent clinical trials.

We are working on several oncology projects evaluating multiple clinical candidates, including RHB-107 as a component spanning oncology and inflammatory digestive disease indications where a strong unmet medical need exists. We have also pursued patent protection in cancer therapy for various combinations of drugs with different mechanisms of action that achieve synergistic effects. Currently, the portfolio includes two U.S. patents, one pending U.S. patent application, and 10 foreign pending patent applications.

We are planning a pilot study for the combination of RHB-107 and Yeliva® in patients with advanced, unresectable intrahepatic, perihilar and extrahepatic cholangiocarcinoma.

In March 2018, we announced that a new mechanism of action for RHB-107, inhibition of trypsin-3 was identified. We are currently evaluating the potential utilization of RHB-107 in several GI and oncology indications.

We cannot predict with certainty our development costs, and such costs may be subject to change. See “Item 3. Key Information – D. Risk Factors – Risks Related to Our Financial Condition and Capital Requirements.”

Ebola Virus Disease Therapy

We completed the first part of a preclinical in-vivo study (2 out of the 3 proposed actives). The preliminary results were evaluated in conjunction with the U.S. National Institute of Allergy and Infectious Diseases and demonstrated statistical significance of the combination of two of RedHill our molecular candidates. The second part of the study (all three actives combined) has not yet been initiated. In May 2018, we received a new U.S. patent for our experimental Ebola therapy.

Acquisition, Commercialization and License Agreements

Acquisition of Talicia®, RHB-104, and RHB-106

On August 11, 2010, we entered into an asset purchase agreement with Giaconda Limited, a publicly-traded Australian company, pursuant to which Giaconda Limited transferred all of its patents, tangible assets, production files, regulatory approvals and other data related to the “Heliconda”, “Myoconda” and “Picoconda” products to us. We renamed these products Talicia®, RHB-104, and RHB-106, respectively. Giaconda Limited further transferred to us products in process, product samples and raw materials, as well as certain rights of first refusal with respect to intellectual property in relation to digestive condition treatments. The agreement excluded the transfer of the rights to two products of Giaconda Limited that are not related to Talicia®, RHB-104, and RHB-106. However, to the extent that the intellectual property associated with these two other products may be required for the research, development, manufacture, registration, import/export, use, commercialization, distribution, sale or offer for sale of any of Talicia®, RHB-104, and RHB-106, Giaconda Limited granted us an exclusive worldwide assignable right to such intellectual property for such purposes. The closing of this transaction occurred on August 26, 2010.

We paid Giaconda Limited in consideration for the assets purchased by us an initial amount of $500,000. We and Giaconda Limited also agreed that, until the expiration of the last patent transferred to us, we will pay to Giaconda Limited 7% of net sales from the sale of the products by us and 20% of the consideration (including royalties received by us) from sublicensees, in each case, only after we recoup the amounts and expenses exceeding an approved budget.

Under the agreement, none of Giaconda Limited, the developer of the products, nor any of their respective affiliates may compete with us or assist others to compete with us with respect to the products and acquired technology. Such non-compete undertaking will be in force for a period of time of up to 10 years from the date of the agreement.

The agreement provides that, should we elect not to proceed with the registration proceedings, or the maintenance of any patent transferred to us, we will notify Giaconda Limited and Giaconda Limited will have the right to proceed with the registration, maintenance, development and commercialization of such patent at its expense. Should Giaconda Limited exercise such right, it will be entitled to all amounts received in connection with sales relating to such patent.

The agreement also requires us to make a good faith, continuous and commercially reasonable effort to allocate appropriate financial resources to prepare, initiate and complete the clinical development of the products (with the exception of Picoconda by virtue of the Salix license agreement dated February 27, 2014) and file an application for regulatory marketing approval in accordance with industry standards. Development failures, negative regulatory decisions, or other reasons beyond our control will not constitute a breach of this obligation. Should we breach this obligation with respect to the development of any of the products and fail to cure the breach within 90 days from the date that Giaconda Limited sends us a default notice, Giaconda Limited may buy back all of the intellectual property rights with respect to such product for the original purchase price, plus the related development costs incurred by us through the date of the buy-back.

In connection with the license agreement with Salix (later acquired by Bausch Health), dated February 27, 2014, described below, we amended the asset purchase agreement and related agreements by excluding from the non-compete undertakings

of Giaconda Limited and certain of its affiliate products, technology, and related activities in the purgative field and excluded from such non-compete undertakings certain of Giaconda Limited's affiliates. Subsequently, we recognized revenues in 2014 and paid Giaconda Limited an additional amount of $1 million. On February 27, 2014, we amended the asset purchase agreement with Giaconda Limited to cancel the buyback right and agreed that we would pay Giaconda Limited 20% of all amounts received by us from Bausch Health under the license agreement, without first recouping amounts and expenses and notwithstanding the expiration of any relevant patents.

Exclusive License Agreement for Aemcolo®

On October 17, 2019, we entered into a strategic collaboration with Cosmo, which includes an exclusive license agreement for the U.S. rights to Aemcolo® and a simultaneous private investment by Cosmo of $36.3 million in the Company at $7.00 per ADS, with a 180-day transfer restriction.

Under the terms of the license agreement, Cosmo granted us the exclusive rights to commercialize Aemcolo® in the U.S. for travelers' diarrhea and agreed to act as the exclusive supplier of Aemcolo®. The license agreement also grants us certain rights related to the potential development of additional indications for Aemcolo®, as well as arrangements related to other pipeline therapeutic candidates of Cosmo. There are two pediatric studies that are required to be completed to satisfy the PREA requirements and also with required milestone dates. See "Item 4. Information on the Company – B. Business Overview – Acquisition, Commercialization and License Agreements – Our Approved and Commercial Products in the U.S. – Aemcolo® – Regulatory Status."

Concurrently with the simultaneous private investment by Cosmo, as part of the license agreement we issued to a wholly-owned subsidiary of Cosmo 1,714,286 ADSs at an agreed value of $12.0 million, as an upfront payment for the rights granted under the license, corresponding to a price per ADS of $7.00, with a 180-day transfer restriction. These ADSs are in addition to the ADSs issued to Cosmo as part of the $36.3 million investment discussed above. In addition, we agreed to pay Cosmo a royalty percentage in the high twenties on net sales generated from the commercialization of Aemcolo® in the U.S. The license agreement further provides for potential regulatory and commercial milestone payments to Cosmo totaling up to $100.0 million, which, based on our current expectations and assumptions, are not currently expected to be made in the next 12 months. In connection with the subscription agreement, Cosmo has nominated for appointment one member to our board of directors.

The agreement includes various representations, warranties, covenants, indemnities, limitations of liability and other provisions. The license agreement provides for the right of termination for either party in the event of an uncured material breach committed by the other party and grants either party to terminate at its discretion under certain conditions.

The foregoing summary is qualified in its entirety by reference to the Exclusive License Agreement with Cosmo, which is filed as an exhibit hereto.

License Agreement for Movantik®

On February 23, 2020, we entered into the AstraZeneca License Agreement pursuant to which AstraZeneca will grant to us (by way of sublicense) exclusive, worldwide (excluding Europe, Canada, and Israel) development and commercialization rights to Movantik® (naloxegol) and certain rights to the underlying compound. The AstraZeneca License Agreement is subject to HSR Clearance and will not become effective until the expiration or earlier termination of the applicable waiting period (or any extension thereof) and the satisfaction of certain closing conditions. Movantik®, which was developed using Nektar's oral small molecule polymer conjugate technology, is part of the exclusive worldwide license agreement announced on September 21, 2009, between AstraZeneca and Nektar.

Under the terms of the AstraZeneca License Agreement, we have agreed to pay AstraZeneca an up-front payment of $52,500,000 and, within 18 months from the date the AstraZeneca License Agreement becomes effective, an additional upfront amount of $15,000,000. In addition, we have assumed responsibility for certain milestone and royalty payments payable to Nektar depending on net sales (as defined in the AstraZeneca License Agreement) for the licensed product.

At closing of the transaction, AstraZeneca will also transfer to us its co-commercialization agreement with Daiichi Sankyo for Movantik®. Following such transfer, we expect to lead all U.S. commercialization activities for Movantik® and will continue to share investment costs with, and pay sales-related commissions to, Daiichi Sankyo under that agreement.

AstraZeneca granted us an exclusive, sublicensable license under AstraZeneca's patents and know-how to develop, sell and otherwise exploit Movantik® in the relevant territories under which RedHill was granted a license. We will take over and control the current consolidated litigation relating to ANDA filed under the Hatch-Waxman Act. We will bear all costs associated with research, development, and commercialization (except to the extent shared with Daiichi Sankyo) of Movantik® in our territory.

The AstraZeneca License Agreement includes various representations, warranties, covenants, indemnities and other provisions customary for transactions of this nature. The AstraZeneca License Agreement also provides for the right of termination for either party in the event of an uncured material breach committed by the other party.

The foregoing summary is qualified in its entirety by reference to the AstraZeneca License Agreement, which is filed as an exhibit hereto.

Supply Agreement for Movantik®

On February 23, 2020, we entered into a supply agreement with AstraZeneca pursuant to which AstraZeneca will, subject to and following the potential closing of our in-license under the AstraZeneca License Agreement, assist us with certain technology transfers to enable us to manufacture Movantik® through our own supply chain (including through third parties) and, pending completion of such technology transfers, supply us with our requirements for Movantik® on an interim basis. The agreement also provides for AstraZeneca to supply us with our requirements of related API for an agreed period. All products supplied by AstraZeneca under the agreement are required to have been manufactured in accordance with, and comply in all material respects with, certain standards.

The agreement will expire in accordance with its terms once the supply terms for Movantik® and associated API have each expired or terminated, and will automatically terminate if, and to the extent that, the AstraZeneca License Agreement is terminated. The agreement also provides for a right of termination for either party in the event of an uncured material breach committed by the other party, and we also have certain additional rights to terminate the agreement.

The agreement includes various representations, warranties, covenants, indemnities, limitations of liability and other provisions.

The foregoing summary is qualified in its entirety by reference to the supply agreement, which is filed as an exhibit hereto.

Transitional Services Agreement for Movantik®

On February 23, 2020, we entered into a transitional services agreement with AstraZeneca pursuant to which AstraZeneca will, subject to and following the potential closing of our in-license under the AstraZeneca License Agreement, provide certain transitional services with respect to Movantik® to us on an interim basis pending the transfer of certain agreements, arrangements, and responsibilities to us.

Pursuant to the agreement, AstraZeneca will provide certain services to us relating to the sale of Movantik® on our behalf during an agreed period following potential closing under the AstraZeneca License Agreement. During such period we will be entitled under the agreement to receive an agreed sales margin from sales of Movantik. The agreement also provides for the provision by AstraZeneca of various other services to us during certain agreed periods. Under the terms of the agreement, if we agree with AstraZeneca to extend the period for which any service is provided by AstraZeneca, the fees payable by us for such service may be increased by an agreed percentage.

The agreement will terminate on a service-by-service basis until the earliest of (i) the end date agreed for such service, (ii) the expiration or earlier termination of the AstraZeneca License Agreement, and (iii) an agreed long-stop date.

The agreement includes various representations, warranties, covenants, indemnities, limitations of liability and other provisions.

License Agreement for ABC294640 (Yeliva®)

On March 30, 2015, we entered into an exclusive license agreement with Apogee, a privately-held biotech company located in Hummelstown, Pennsylvania, U.S., under which Apogee granted us the exclusive, worldwide development and commercialization rights to ABC294640 (which we then renamed to ABC294640 (Yeliva®) and received an international non-proprietary name, opaganib, in 2018) and additional intellectual property rights. ABC294640 (Yeliva®) is a proprietary, first-in-class, orally-administered SK2 inhibitor, with anti-inflammatory and anti-cancer activities, targeting multiple oncology, inflammatory and GI indications. Under the terms of the agreement, as amended, we agreed to pay Apogee initial milestone payments of $3 million. In addition, we undertook to pay up to an additional $2 million in potential development milestone payments and potential tiered royalties starting in the low double-digits. Such potential royalties are due until the later of: (i) the expiration of the last to expire licensed patent that covers the product in the relevant country; and (ii) the expiration of regulatory exclusivity in the relevant country. Through December 31, 2019, we paid Apogee the initial amount of $3 million. The license agreement will stay in effect as of its effective date unless terminated earlier as described in the agreement. We are entitled to terminate the agreement at any time upon 30 days' prior written notice to Apogee. The agreement also provides for the right of termination for each party in the event of a material breach committed by the other party.

License Agreement for RHB-107 (Upamostat; formerly Mesupron)

On June 30, 2014, we entered into an exclusive license agreement with Wilex AG (which later changed its name to Heidelberg Pharma AG, "Heidelberg"), a German biopharmaceutical company focused on oncology, under which Heidelberg granted us the exclusive worldwide (excluding China, Hong Kong, Taiwan, and Macao) development and commercialization rights for all indications to RHB-107.

In consideration for the license, we paid Heidelberg an upfront payment of $1 million. We have agreed to pay Heidelberg tiered royalties on net revenues, ranging from mid-teens up to 30%.

The license agreement will stay in effect as long as we are required to make royalty payments. We are entitled to terminate the agreement at any time on 30 days' written notice to Heidelberg. The agreement also provides the right of termination for each party in the event of a breach.

License Agreement for MAP diagnostic test related to RHB-104

On September 18, 2011, we entered into a license agreement with the University of Central Florida pursuant to which we were granted an exclusive license for all indications and medical uses to a patent-protected diagnostic test aimed at identifying the presence of MAP bacterial DNA in peripheral blood through DNA testing. The license covers the future commercial use of the test, including its manufacture, marketing, sale, and commercialization.

Under the agreement, we may grant sublicenses for the test with the consent of the UCF, from whom consent may not be unreasonably withheld.

To date, in consideration for the license, we have made payments in the aggregate amount of $195,000 and are required to make additional annual minimum royalty payments of $35,000 in each subsequent year until the last patent covered by the agreement expires. These annual minimum payment amounts will be deducted from future royalty payments.

In addition, we are required to make royalty payments equal to 7% of future sales, or an annual minimum amount noted above, as well as 20% of payments we receive from granting sublicenses.

The agreement will remain in force on a country by country basis until the last patent covered by the agreement expires. UCF may terminate the agreement if (i) we are in material breach; (ii) if we fail to pay royalties when due and payable

following provision of sixty (60) days' notice; or (iii) a bankruptcy or liquidation event occurs with respect to us. We may terminate the agreement at any time by providing ninety (90) days written notice to UCF.

Additional License Agreements related to MAP diagnostic test for RHB-104

On December 27, 2014, we entered into a license agreement with the University of Minnesota (UoM) pursuant to which we were granted an exclusive license for all indications and medical uses to a patent-protected designation of certain DNA sequencing.

Master Service Agreement with Loonhills R&D Inc. (formerly 7810962 Canada Inc.)

On April 28, 2011, we entered into a master service agreement, which was later amended, with Loonhills R&D Inc., our Canadian service provider for various project management services. The agreement allowed our Canadian service provider to enter into service agreements with third parties for the relevant services. The agreement may be terminated by either party upon 30 days' advance notice.

The agreement with our Canadian service provider provides that certain research and development services related to our projects will be carried out pursuant to our specific requests and upon the signing of specific agreements for each project. Such agreements must include a description of the required services, service terms and fees. To date, we, through our Canadian service provider, have entered into manufacturing, clinical services and regulatory agreements, mainly related to RHB-104.

Furthermore, pursuant to the agreement, the Canadian service provider may provide us with a discount on the research and development services with respect to incentive programs from various authorities that may be granted to the Canadian service provider in the future. As of December 31, 2019, the estimated discount we will receive from our Canadian service provider is approximately $0.06 million.

Termination of the Exclusive License Agreement with Bausch Health Companies Inc.

In December 2019, we provided a notice of termination to terminate the worldwide exclusive license agreement we had entered into on February 27, 2014, with Salix (now Bausch Health), as amended, pursuant to which we had licensed to Salix the exclusive worldwide rights to the RHB-106 encapsulated formulation for bowel preparation and rights to other purgative developments. The termination of the licensing agreement became effective on December 25, 2019. As a result of the termination of the Salix licensing agreement, we regained the exclusive worldwide rights to the RHB-106 encapsulated formulation for bowel preparation.

Expiration of the Exclusive Co-Promotion Agreement for Donnatal®

In December 2019, we did not extend the exclusive co-promotion agreement, dated December 30, 2016, previously entered into with a subsidiary of ADVANZ Pharma, an international specialty pharmaceutical company, pursuant to which we were responsible for certain promotional activities related to Donnatal® in certain U.S. territories.

Termination of the Commercialization Agreement for Esomeprazole Strontium Delayed-Release Capsules 49.3 mg

In September 2019, we terminated the agreement with ParaPRO LLC ("ParaPRO") which granted us in August 2017 the exclusive rights to promote Esomeprazole Strontium Delayed-Release Capsules 49.3 mg to gastroenterologists in certain U.S. territories.

Termination of the Exclusive License Agreement for EnteraGam®

In January 2020, we provided a notice of termination to terminate the exclusive license agreement we had entered into in April 2017, with Entera Health, a U.S. privately-owned company, pursuant to which we were granted an exclusive license to use the related EnteraGam® trademarks, URL and other related intellectual property for the sale and distribution of

EnteraGam® in the U.S. during the term of the agreement. We were required to pay Entera Health royalties based on net sales as provided in the agreement. The termination of the licensing agreement became effective on February 8, 2020.

Expiration of the Co-Promotion Agreement for Mytesi®

In January 2020, we did not extend the term of the co-promotion agreement from June 2018, with Napo, a human health company and a wholly-owned subsidiary of Jaguar Health, Inc., pursuant to which Napo granted us exclusive U.S. rights to co-promote Mytesi® (crofelemer 125 mg delayed-release tablets) for the approved indication in people living with HIV/AIDS with respect to certain gastroenterologists and other healthcare practitioners in certain U.S. territories.

Clinical Services Agreements

Clinical Services Agreement related to RHB-104

On June 15, 2011, we entered into an agreement with our Canadian service provider which entered into a back-to-back agreement with PharmaNet Canada Inc., (subsequently a subsidiary of inVentiv Health Clinical, Inc., which became Syneos), an international CRO company for the purpose of performing the clinical trial for RHB-104. Syneos is a leading provider of global drug development services to pharmaceutical and biotechnology companies, offering therapeutically specialized capabilities for Phase 1-4 clinical development, and pursuant to the agreement, is responsible for the performance of the clinical trial, including entering into agreements with medical centers to perform the trial, supervision of the performance and progress of the trial and the analysis of the results, all pursuant and subject to applicable regulatory requirements.

Pursuant to this agreement and subsequent amendments, Syneos is entitled to receive compensation in connection with the MAP US study, as well as reimbursement of investigator grant costs and pass-through costs to be paid during the trial. The payments are spread over the period of the clinical trial based upon quarterly administration fees and milestone payments based on patient recruitment, completion of subject dosing and report preparation, investigators' grants paid to research centers that participate in the trial, as well as reimbursement of certain expenses. These fees, however, are partial costs for the RHB-104 program and may increase in accordance with the final clinical trial protocol, length of the study and payments to be made to third parties, such as investigator grants costs and additional service providers, including other clinical research organizations.

The agreement includes a timetable for the recruitment of patients, performance of the trial and analysis of results, including a timetable for the performance of ongoing patient follow-up.

The agreement will remain in force until all relevant services have been provided and we have made all payments thereunder, or until terminated. Either party may terminate the agreement: (i) if the other party is in material breach and does not cure within thirty (30) days; or (ii) upon a bankruptcy or liquidation event with respect to the other party. This agreement also provides that we may terminate the agreement at any time without cause upon providing forty-five (45) days written notice to our Canadian service provider.

In February 2017, we entered into an agreement with our Canadian service provider, which entered into a back-to-back agreement with Syneos for the provision of clinical trial services for the MAP US2 study.

Expanded Access Program (EAP)

We have adopted an Expanded Access Program ("EAP"), allowing patients with life-threatening diseases potential access to our investigational new drugs that have not yet received regulatory marketing approval. Expanded access (sometimes referred to as "compassionate use") is possible outside of our clinical trials, under certain eligibility criteria, when a certain investigational new drug is needed to treat a life-threatening condition and when there is some clinical evidence suggesting that the drug might be effective for that condition. Patients who qualify for our EAP do not meet the eligibility criteria or are incapable of participating in our clinical trials for such therapeutic candidate or there is no clinical trial accessible to such patients. Following the adoption of the program, we continue to receive patient requests to obtain access to our investigational drugs. Subject to the evaluation of eligibility and all other necessary regulatory, reporting and other

conditions and approvals required in all relevant jurisdictions, we provide certain patients with an investigational new drug under the EAP.

Intellectual Property

Our success depends in part on our ability to obtain and maintain proprietary protection for our technology and therapeutic candidates, its therapeutic applications, and related technology and know-how, to operate without infringing the proprietary rights of others and to prevent others from infringing our proprietary rights. Our policy is to seek to protect our proprietary position by, among other methods, filing U.S. and foreign patent applications related to our proprietary technology, inventions, and improvements that are important to the development of our business. We also rely on our trade secrets, know-how, and continuing technological innovation to develop and maintain our proprietary position. We vigorously defend our intellectual property to preserve our rights and gain the benefit of our technological investments.

Patents and Patent Applications

We have rights, either through assignment, asset purchase or in-licensing, to a total of approximately 250 issued patents and 85 patent applications. The patents and patent applications are registered in the U.S. and other key jurisdictions, the details of each family of patents being provided below. In addition, we have licensed rights to various platform technologies on a non-exclusive basis.

The patent positions of companies such as ours are generally uncertain and involve complex legal and factual questions. Our ability to maintain and solidify our proprietary position for our technology will depend on our success in obtaining effective claims and enforcing those claims once granted.

Talicia®

The patent portfolio protecting Talicia® currently includes four U.S. patents, two pending U.S. patent applications, and over 20 foreign patents and patent applications. The patents provide patent protection through 2034.

Aemcolo®

This patent portfolio was in-licensed by us from Cosmo Technologies Ltd. as part of our license agreement for Aemcolo®. The U.S. patent portfolio consists of four issued patents and one pending patent application. The four issued patents protect the commercial product and its approved method of use.

Movantik®

Subject to the potential closing of our in-license for Movantik®, we will in-license patents and trademarks from AstraZeneca AB as part of the AstraZeneca License Agreement. The Orange Book lists six U.S. patents, two of which are directed to the approved use for the treatment of opioid-induced constipation. However, the entire licensed patent portfolio consists of ten U.S. patents, one pending patent application, over fifty foreign patents and about a dozen pending foreign patent applications.

RHB-104 – Inflammatory Bowel Disease

The patent portfolio protecting RHB-104 and its use in treating inflammatory bowel disease currently includes six U.S. patents, one pending U.S. patent application, and 33 foreign patents and patent applications, providing patent protection through 2029.

We also have in-licensed from UCF U.S. Patent No. 7,488,580 entitled “Protocol for Detection of *Mycobacterium Avium Subspecies Paratuberculosis* in Blood”, which will expire in 2026. This patent is directed to a method of diagnosing inflammatory bowel disease caused by MAP using a sample of peripheral tissue. In addition, inflammatory bowel disease caused by MAP can be monitored and evaluated.

Further, we have in-licensed U.S. Patent Nos. 7,074,559 and 7,867,704 from The University of Minnesota entitled "Mycobacterial Diagnostics." One U.S. patent will expire in 2022, and the other U.S. patent will expire in 2026. The acquired diagnostic technology is intended for the detection of *Mycobacterium avium subspecies paratuberculosis* (MAP) bacterium.

RHB-104 – Multiple Sclerosis ("MS")

The patent portfolio protecting the use of RHB-104 for treating relapsing-remitting multiple sclerosis includes one U.S. patent and over 20 foreign patents and patent applications, providing patent protection through 2032.

RHB-204 – Nontuberculous Mycobacterium (NTM) Infections

The patent portfolio protecting RHB-204 currently includes three U.S. patents, European patent application, and one pending Hong Kong application, providing protection through 2029.

RHB-102 (Bekinda®) - Gastritis, Gastroenteritis and IBS-D

The patent portfolio protecting RHB-102 (Bekinda®) and its use currently includes two U.S. patents, two pending U.S. patent applications, and over 30 foreign patents and patent applications, providing patent protection through 2034.

RHB-106 - Bowel Preparation

The patent portfolio protecting RHB-106 and its use currently includes two issued U.S. patents, one pending U.S. patent application, and 12 foreign patents and patent applications, providing patent protection through 2033.

ABC294640 (Yeliva®) - Oncology, inflammatory and GI Indications

This patent portfolio was in-licensed by us from Apogee Biotechnology Corp. ABC294640 (Yeliva®) is a first-in-class, proprietary SK2 inhibitor, administered orally, with anti-cancer and anti-inflammatory activities, targeting a number of potential oncology, inflammatory and GI indications. These patents relate to sphingosine kinase inhibitors, pharmaceutical compositions, methods of preparing the inhibitors, methods of treating inflammatory diseases using the inhibitors, methods of treating cancer using the inhibitors, and methods for inhibiting sphingosine kinase.

The patent portfolio covering ABC294640 (Yeliva®) includes 4 U.S. patents and over 18 foreign patents and patent applications, providing patent protection through 2028.

RHB-107 (Upamostat; formerly Mesupron) – Oncology

This patent portfolio was in-licensed by us from Wilex AG, now known as Heidelberg Pharma AG. RHB-107 is a first-in-class protease inhibitor administered by oral capsule. The RHB-107 patent portfolio includes patents directed to the new chemical entity, WX-671, WX-UK1, the active metabolite of WX-671, pharmaceutical compositions comprising WX-671 (RHB-107), methods of synthesizing WX-671 and WX-UK1, and methods of use. The portfolio includes 15 issued U.S. patents and over 60 foreign patents and patent applications, providing patent protection through 2027.

Ebola

The patent portfolio covers RedHill's proprietary experimental therapy for the treatment of the Ebola virus disease. The portfolio consists of one U.S. patent, 1 pending U.S. patent application, and 7 pending international patents and patent applications.

RHB-108 – Combination Cancer Therapy

RedHill has also pursued patent protection in cancer therapy for various combination of drugs with different mechanisms of action which achieve synergistic effects. Currently, the portfolio includes two U.S. patents, 1 pending U.S. patent application, and 10 foreign pending patent applications.

Trademarks

Our principal trademarks, including RedHill, Redhill Biopharma, Talicia, Bekinda, Yeliva, and their related logos, are registered with the United States Patent and Trademark Office. We have also filed registration applications for non-U.S. trademarks in other countries in which we do or plan to do business. Brand names appearing in this annual report are trademarks of RedHill Biopharma Ltd. except for:

- trademarks used or that may be or have been used under license by RedHill or its affiliates, such as Aemcolo®, a trademark of Cosmo Technologies Ltd.

Not all trademarks related to investigational agents have been authorized as of the date of this annual report by the relevant health authorities; for instance, the Bekinda® and Yeliva® trade names have not been approved by the FDA.

Government Regulations and Funding

Pharmaceutical companies are subject to extensive regulation by national, state and local agencies such as the FDA in the U.S., the Ministry of Health in Israel, or the EMA. The manufacture, clinical trials, distribution, marketing and sale of pharmaceutical products are subject to government regulation in the U.S. and various foreign countries. To manufacture both new therapeutic drug candidates for clinical trials and approved therapeutic drugs for sale and distribution in the U.S., we must follow the rules and regulations in accordance with current cGMP codified in 21 CFR 210 and 211. Additionally, we are responsible for ensuring that the API in each therapeutic drug or therapeutic drug candidate is manufactured in accordance with the International Conference on Harmonization (“ICH”) Q7 guidance that has been adopted by the FDA. Further, we are required to conduct clinical trials that present data indicating that our therapeutic drug candidates are safe and efficacious in accordance with the current good clinical practice and codified in 21 CFR 312. If we do not comply with applicable requirements, we may be fined, the government may refuse to approve our marketing applications or not allow us to manufacture or market our products, and we may be criminally prosecuted. We and our contract manufacturers and clinical research organizations may also be subject to regulations under other federal, state and local laws, including, but not limited to, the U.S. Occupational Safety and Health Act, the Resource Conservation and Recovery Act, the Clean Air Act and import, export and customs regulations as well as the laws and regulations of other countries. Further, the U.S. government has increased its enforcement activity regarding fraud and abuse and illegal marketing practices in the healthcare industry. As a result, pharmaceutical companies must ensure their compliance with the Foreign Corrupt Practices Act and federal healthcare fraud and abuse laws, including the False Claims Act.

These regulatory requirements impact our operations and differ in one country to another, so that securing the applicable regulatory approvals of one country does not imply the approval in another country. However, securing the approval of a more stringent body, *i.e.*, the FDA, may facilitate receiving the approval by a regulatory authority in a different country where the regulatory requirements are similar or less stringent. The approval procedures involve high costs and are manpower intensive, usually extend over many years and require highly skilled and professional resources.

FDA Approval Process for New Molecular Entities

Our therapeutic drug candidates are classified as New Molecular Entities. The steps required to be taken before therapeutic drug candidate may be marketed in the U.S. generally include:

- completion of preclinical laboratory and animal testing;
- the submission to the FDA of an investigational new drug, or IND, application which must be evaluated and found acceptable by the FDA before human clinical trials may commence;

- performance of adequate and well-controlled human clinical trials to establish the safety and efficacy of the proposed drug therapeutic candidate for its intended use; and
- the submission and approval of an NDA.

Clinical studies are conducted under protocols detailing, among other things, the objectives of the study, what types of patients may enter the study, schedules of tests and procedures, drugs, dosages, and length of study, as well as the parameters to be used in monitoring safety, and the efficacy criteria to be evaluated. A protocol for each clinical study and any subsequent protocol amendments must be submitted to the FDA as part of the IND.

In all the countries that are signatories of the Helsinki Declaration (including Israel), the prerequisite for conducting clinical trials (on human subjects) is securing the preliminary approval of the competent authorities of that country to conduct medical experiments on human subjects in compliance with the other principles established by the Helsinki Declaration.

The clinical testing of a therapeutic drug candidate generally is conducted in three sequential phases prior to approval, but the phases may overlap or be combined. However, safety information should be submitted before the initiation of a subsequent clinical phase. A fourth, or post-approval phase may include additional clinical studies. The phases are generally as follows:

Phase 1. In Phase 1 clinical studies, the therapeutic drug candidate is tested in a small number of healthy volunteers, though in cases where the therapeutic drug candidate may make the volunteer ill, clinical patients with the targeted condition may be used. These “dose-escalation” studies are designed to evaluate the safety, dosage tolerance, metabolism and pharmacologic actions of the therapeutic drug candidate in humans, side effects associated with increasing doses, and, in some cases, to gain early evidence on efficacy. The number of participants included in Phase 1 studies is generally in the range of 20 to 80.

Phase 2. In Phase 2 studies, in addition to safety, the sponsor evaluates the efficacy of the therapeutic drug candidate on targeted indications to determine dosage tolerance and optimal dosage and to identify possible adverse effects and safety risks. Phase 2 studies typically are larger than Phase 1 but smaller than Phase 3 studies and may involve several hundred participants.

Phase 3. Phase 3 studies typically involve an expanded patient population at geographically-dispersed test sites and involve control groups taking a reference compound or a placebo (an inactive compound identical in appearance to the study compound). They are performed after preliminary evidence suggesting the effectiveness of the therapeutic candidate has been obtained and are designed to evaluate clinical safety and efficacy further, to establish the overall benefit-risk relationship of the therapeutic candidate and to provide an adequate basis for a potential product approval. Phase 3 studies usually involve several hundred to several thousand participants.

Phase 4. Phase 4 clinical trials are postmarketing studies designed to collect additional safety data as well as potentially expand a product indication. Postmarketing commitments may be required of, or agreed to by, a sponsor after the FDA has approved a therapeutic drug candidate for marketing. These studies are used to gain additional information from the treatment of patients in the intended therapeutic indication and to verify a clinical benefit in the case of drugs approved under accelerated approval regulations. If the FDA approves a product while a company has ongoing clinical trials that were not necessary for approval, a company may be able to use the data from these clinical trials to meet all or part of any Phase 4 clinical trial requirement. These clinical trials are often referred to as Phase 4 post-approval or postmarketing commitments. Failure to promptly conduct Phase 4 clinical trials could result in the inability to deliver the product into interstate commerce, misbranding charges, and civil monetary penalties.

Clinical trials must be conducted in accordance with the FDA’s GCP requirements. The FDA may order the temporary or permanent discontinuation of a clinical study at any time or impose other sanctions if it believes that the clinical study is not being conducted in accordance with FDA requirements or that the participants are being exposed to an unacceptable health risk. An institutional review board, or IRB, generally must approve the clinical trial design and patient informed consent at study sites that the IRB oversees and also may halt a study, either temporarily or permanently, for failure to comply with the IRB’s requirements, or may impose other conditions. Additionally, some clinical studies are overseen by an independent group of qualified experts organized by the clinical study sponsor, known as a data safety monitoring board

or committee. The FDA recommends that a data safety monitoring board should be used to perform regular interim analysis for long-term clinical studies where safety concerns may be unusually high. This group recommends whether or not a trial may move forward at designated checkpoints based on access to certain data from the study. The clinical study sponsor may also suspend or terminate a clinical trial based on evolving business objectives or competitive climate.

As a therapeutic candidate moves through the clinical testing phases, manufacturing processes are further defined, refined, controlled and validated. The level of control and validation required by the FDA would generally increase as clinical studies progress. We and the third-party manufacturers on which we rely for the manufacture of our therapeutic drugs and therapeutic drug candidates and their respective API are subject to requirements that drugs be manufactured, packaged and labeled in conformity with cGMP. In addition to our third-party API manufacturers, we are responsible for ensuring that our third-party excipient manufacturers conform to cGMP requirements. To comply with cGMP requirements, manufacturers must continue to spend time, money and effort to meet requirements relating to personnel, facilities, equipment, production and process, labeling and packaging, quality control, recordkeeping, and other requirements.

Assuming completion of all required testing in accordance with all applicable regulatory requirements, detailed information on the therapeutic candidate is submitted to the FDA in the form of an NDA, requesting approval to market the product for one or more indications, together with payment of a user fee, unless waived. An NDA includes all relevant data available from pertinent nonclinical and clinical studies, including negative or ambiguous results as well as positive findings, together with detailed information on the chemistry, manufacture, control and proposed labeling, among other things. To support marketing approval, the data submitted must be sufficient in quality and quantity to establish the safety and efficacy of the therapeutic candidate for its intended use to the satisfaction of the FDA.

If an NDA submission is accepted for filing, the FDA begins an in-depth review of the NDA. Under the Prescription Drug User Fee Act, or PDUFA, the FDA's goal is to complete its initial review and respond to the applicant within ten months of a completed submission for 90% of the submissions received, unless the application relates to an unmet medical need in a serious or life-threatening indication, in which case the goal may be within six months of a completed NDA submission. However, PDUFA goal dates are not legal mandates, and the FDA response may occur several months beyond the original PDUFA goal date. Further, the review process and the target response date under PDUFA may be extended if the FDA requests or the NDA sponsor otherwise provides additional information or clarification regarding information already provided in the NDA. The NDA review process can, accordingly, be very lengthy. During its review of an NDA, the FDA may refer the application to an advisory committee for review, evaluation, and recommendation as to whether the application should be approved. The FDA is not bound by the recommendation of an advisory committee, but it typically follows such recommendations. Data from clinical studies are not always conclusive, and the FDA or any advisory committee it appoints may interpret data differently than the applicant.

After the FDA evaluates the NDA and conducts a pre-approval inspection of all manufacturing facilities where the drug therapeutic candidate or its API will be produced, it will either approve commercial marketing of the drug therapeutic candidate with prescribing information for specific indications or issue a complete response letter indicating that the application is not ready for approval and stating the conditions that must be met in order to secure approval of the NDA. If the complete response letter requires additional data and the applicant subsequently submits that data, the FDA nevertheless may ultimately decide that the NDA does not satisfy its criteria for approval. The FDA could also approve the NDA with a Risk Evaluation and Mitigation Strategies, or REMS, plan to mitigate risks, which could include medication guides, physician communication plans, or elements to assure safe use, such as restricted distribution methods, patient registries, and other risk minimization tools. The FDA also may condition approval on, among other things, changes to proposed labeling, development of adequate controls and specifications, or a commitment to conduct postmarketing testing. The FDA may also request a Phase 4 clinical trial to further assess and monitor the product's safety and efficacy after approval. Regulatory approval of products for serious or life-threatening indications may require that participants in clinical studies be followed for long periods to determine the overall survival benefit of the drug therapeutic candidate.

If the FDA approves one of our therapeutic drug candidates, we will be required to comply with a number of post-approval regulatory requirements. We would be required to report to the FDA, among other things, certain adverse reactions and production problems, and provide updated safety and efficacy information and comply with requirements concerning advertising and promotional labeling for any of our products. Also, quality control and manufacturing procedures must continue to conform to cGMP after approval, and the FDA periodically inspects manufacturing facilities to assess

compliance with cGMP, which imposes extensive procedural, substantive and recordkeeping requirements. If we seek to make certain changes to an approved therapeutic drug, such as certain manufacturing changes, we may need the FDA to review and approve before the change can be implemented. For example, if we change the manufacturer of a product or its API, the FDA may require stability or other data from the new manufacturer, which will take time and is costly to generate, and the delay associated with generating this data may cause interruptions in our ability to meet commercial demand, if any. At their discretion, physicians may prescribe approved pharmaceutical products for indications that pharmaceutical products have not been approved for use by the FDA. However, we may not label or promote pharmaceutical products for an indication that has not been approved. Securing FDA approval for new indications of an approved therapeutic drug requires a Section 505(b)(2) filing, is similar to the process for approval of the original indication and requires, among other things, submitting data from adequate and well-controlled studies that demonstrate the product's safety and efficacy in the new indication. Even if such studies are conducted, the FDA may not approve any change in a timely fashion, or at all.

We rely on, and expect to continue to rely on, third parties for the manufacture of clinical and future commercial, quantities of our therapeutic candidates. Future FDA and state inspections may identify compliance issues at these third-party facilities that may disrupt production or distribution or require substantial resources to correct. In addition, discovery of previously unknown problems with a product or the failure to comply with applicable requirements may result in restrictions on a product, manufacturer or holder of an approved NDA, including withdrawal or recall of the product from the market or other voluntary, FDA-initiated or judicial action that could delay or prohibit further marketing. Newly discovered or developed safety or efficacy data may require changes to a product's approved labeling, including the addition of new warnings and contraindications, and may also require the implementation of other risk management measures. Many of the foregoing could limit the commercial value of an approved product or require us to commit substantial additional resources in connection with the approval of a product. Also, new government requirements, including those resulting from new legislation, may be established, or the FDA's policies may change, which could delay or prevent regulatory approval of our products under development.

Section 505(b)(2) New Drug Applications

As an alternate path to FDA approval of new indications or new formulations of previously-approved therapeutic drugs, a company may file a Section 505(b)(2) NDA, instead of a "stand-alone" or "full" NDA, somewhat similar to the process for approval of the original indication or reference drug and requires, among other things, submitting data from adequate and well-controlled studies that demonstrate the product's safety and efficacy in the new indication. Even if such studies are conducted, the FDA may not approve any change in a timely fashion, or at all. Section 505(b)(2) of the Food, Drug, and Cosmetic Act was enacted as part of the Drug Price Competition and Patent Term Restoration Act of 1984, otherwise known as the Hatch-Waxman Amendments. Section 505(b)(2) was enacted to allow a company to avoid duplicative testing by permitting the applicant to leverage previously performed pertinent clinical and non-clinical studies into the current NDA submission. Some examples of therapeutic drug candidates that may be allowed to follow a 505(b)(2) path to approval are candidates that have a new dosage form, strength, route of administration, formulation or indication.

The Hatch-Waxman Amendments permit the applicant to rely upon certain published nonclinical or clinical studies conducted for an approved product or the FDA's conclusions from a prior review of such studies. The FDA may require companies to perform additional studies or measurements to support any changes from the approved product. The FDA may then approve the new product for all or some of the labeled indications for which the reference product has been approved, as well as for any new indication supported by the NDA. While references to nonclinical and clinical data not generated by the applicant or for which the applicant does not have a right of reference are allowed, all development, process, stability, qualification and validation data related to the manufacturing and quality of the new product must be included in an NDA submitted under Section 505(b)(2).

To the extent that the Section 505(b)(2) applicant is relying on the FDA's conclusions regarding studies conducted for an already approved product, the applicant is required to certify to the FDA concerning any patents listed for the approved product in the FDA's Orange Book publication. Specifically, the applicant must certify that: (i) the required patent information has not been filed; (ii) the listed patent has expired; (iii) the listed patent has not expired but will expire on a particular date and approval is sought after patent expiration; or (iv) the listed patent is invalid or will not be infringed by the new product. The Section 505(b)(2) application also will not be approved until any non-patent exclusivity, such as

exclusivity for obtaining approval of a new chemical entity, listed in the Orange Book for the reference product has expired. Thus, the Section 505(b)(2) applicant may invest a significant amount of time and expense in the development of its products only to be subject to significant delay and patent litigation before its products may be commercialized.

Orphan Drug Designation

The Orphan Drug Act of 1983, or Orphan Drug Act, encourages manufacturers to seek approval for products intended to treat "rare diseases and conditions" with a prevalence of fewer than 200,000 patients in the U.S. or for which there is no reasonable expectation of recovering the development costs for the product. For products that receive Orphan Drug designation by the FDA, the Orphan Drug Act provides tax credits for clinical research, FDA assistance with protocol design, eligibility for FDA grants to fund clinical studies, waiver of the FDA application fee, and a period of seven years of marketing exclusivity for the product following FDA marketing approval.

GAIN Act

The FDA's Generating Antibiotic Incentives Now (GAIN) Act is intended to encourage the development of new antibiotic drug therapeutic candidates for the treatment of serious or life-threatening infections. For products that receive QIDP designation under the Act, the Act provides Fast-Track development status with an expedited development pathway and Priority Review status, which potentially provides shorter review time by the FDA of a future potential marketing application. Following FDA approval, an additional five years of U.S. market exclusivity applies, received on top of the standard exclusivity period.

Other Healthcare Laws and Compliance Requirements

In the U.S., we are subject to various federal and state laws and regulations regarding fraud and abuse in the healthcare industry, as well as industry standards and guidance, such as the codes issued by the Pharmaceutical Research and Manufacturers of America (or "PhRMA Codes"), which some states reference or incorporate in their statutes and regulations. These laws, regulations, standards, and guidance may impact, among other things, our sales and marketing activities and our relationships with healthcare providers and patients. In addition, we may be subject to patient privacy regulation by both the federal government and the states in which we conduct our business. The laws that may affect our ability to operate include but are not limited to:

- the federal Anti-Kickback Statute, which prohibits, among other things, persons from knowingly and willfully soliciting, receiving, offering or paying remuneration, directly or indirectly, in cash or in kind, to induce or reward, or in return for, either the referral of an individual for, or the purchase, order, or recommendation of, an item or service reimbursable under a federal healthcare program, such as the Medicare and Medicaid programs;
- federal civil and criminal false claims laws and civil monetary penalty laws, including the False Claim Act, which prohibit, among other things, individuals or entities from knowingly presenting, or causing to be presented, claims for payment from the federal government, including Medicare, Medicaid, or other third-party payors, that are false or fraudulent;
- HIPAA, which imposes federal criminal and civil liability for executing, or attempting to execute, a scheme to defraud any healthcare benefit program and making false statements relating to healthcare matters;
- the federal transparency laws, including the Physician Payments Sunshine Act, that requires applicable manufacturers of covered drugs to disclose payments and other transfers of value provided to physicians and teaching hospitals and physician ownership and investment interests;
- HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act, and its implementing regulations, also imposes certain requirements relating to the privacy, security, and transmission of individually identifiable health information; and
- state law equivalents of each of the above federal laws, such as anti-kickback and false claims laws which may apply to items or services reimbursed by any third-party payor, including commercial insurers, state laws that require pharmaceutical companies to comply with the pharmaceutical industry's voluntary compliance guidelines, state laws that require pharmaceutical manufacturers to report certain pricing or payment information, and state laws governing the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and are not preempted by HIPAA, thus complicating compliance efforts.

The Healthcare Reform Law broadened the reach of the fraud and abuse laws by, among other things, amending the intent requirement of the federal Anti-Kickback Statute and certain other criminal healthcare fraud statutes. Specifically, a person or entity no longer needs to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation. In addition, the Healthcare Reform Law provides that the government may assert that a claim including items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the False Claims Act or the civil monetary penalties statute. Many states have adopted laws similar to the federal Anti-Kickback Statute, some of which apply to the referral of patients for healthcare items or services reimbursed by any source, not only federal healthcare programs such as the Medicare and Medicaid programs.

Due to the breadth of some of these laws, it is possible that some of our current or future practices might be challenged under one or more of these laws. In addition, there can be no assurance that we would not be required to alter one or more of our practices to comply with these laws. Evolving interpretations of current laws or the adoption of new federal or state laws or regulations could adversely affect the arrangements we may have with sales personnel, healthcare providers, and patients. Our risk of being found in violation of these laws is increased by the fact that some of these laws are open to a variety of interpretations. If our past or present operations, practices, or activities are found to be in violation of any of the laws described above or any other governmental regulations that apply to us, we may be subject to penalties, including civil and criminal penalties, exclusion from participation in government healthcare programs, such as Medicare and Medicaid, imprisonment, damages, fines, disgorgement, contractual remedies, reputational harm, diminished profits, and future earnings, if any, and the curtailment or restructuring of our operations, any of which could adversely affect our ability to operate our business and our results of operations.

C. Organizational Structure

Our wholly-owned and only subsidiary, Redhill Biopharma Inc., was incorporated in Delaware on January 19, 2017.

D. Property, Plant and Equipment

We lease approximately 826 square meters of office space, a 27-square meter warehouse and eleven parking spaces in the “Platinum” building at 21 Ha’arba’a Street, Tel-Aviv, Israel. The projected yearly gross rental expenses are approximately $440,000 per year. Since 2018, we have been subleasing a portion of the office space to a tenant, and the lease payment is approximately $74,000 per year. The term under our lease agreement will expire on January 31, 2026. These offices have served as our corporate headquarters since April 2011.

The Company also entered into an operating lease agreement for the U.S. offices it uses. The agreement will expire on July 31, 2024. The projected yearly rental expenses are approximately $400,000 per year.

ITEM 4A. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

You should read the following discussion of our financial condition and results of operations in conjunction with the financial statements and the notes thereto included elsewhere in this Annual Report. The following discussion contains forward-looking statements that reflect our plans, estimates, and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this Annual Report, particularly those in “Item 3. Key Information – D. Risk Factors.”

Company Overview

We are a specialty biopharmaceutical company primarily focused on the commercialization and development of proprietary drugs for GI diseases. Our primary focus is to become a revenue-generating, GI-focused, specialty biopharmaceutical company through our commercial presence in the U.S. to support current and potential future

commercialization of our therapeutic candidates and products approved for marketing, including Talicia®. From inception of the Company to the end of the period covered by this Annual Report, we invested a total of $5.4 million on in-licensing and acquisitions of therapeutic candidates and related technologies. Subject to the potential closing of the agreement for the in-license for Movantik®, we expect to invest $67.5 million for the rights to the product.

On November 1, 2019, the FDA approved Talicia® (omeprazole[1] 10 mg, amoxicillin 250 mg, and rifabutin 12.5 mg) delayed-release capsules for marketing in the U.S. for the treatment of *Helicobacter pylori (H. pylori)* infection in adults, which is the first product we developed to be approved for marketing. We plan to launch Talicia® in the U.S. in the first quarter of 2020 with our dedicated sales force.

We have funded our operations primarily through public and private offerings of our securities. Because our primary focus had been developing therapeutic candidates and because we have not yet generated sufficient revenues from commercialization of our current commercial products, we cannot estimate when and if we will generate sufficient revenues to sustain our business operations in accordance with our plan, or profits in the future from our therapeutic candidates and commercial products.

Depending on the specific development program, our therapeutic candidates are designed to exhibit greater efficacy and provide improvements over existing drugs in various ways, including by one or more of the following: by improving their safety profile, reducing side effects, lowering the number of administrations, using a more convenient administration form or providing a cost advantage. Where applicable, and subject to various considerations including resources, we intend to seek FDA approval for the commercialization of certain of our therapeutic candidates through the alternative Section 505(b)(2) regulatory path under the FDCA, and in corresponding regulatory paths in other foreign jurisdictions. Our current pipeline consists of six therapeutic candidates, most in late-stage clinical development.

We generate our pipeline of therapeutic candidates by identifying, rigorously validating and in-licensing or acquiring products that are consistent with our product and corporate strategy and that we believe exhibit a relatively reasonable probability of therapeutic and commercial success. We have one product which we developed internally which has been approved for marketing and, to date, none of our therapeutic candidates has generated meaningful sales. We plan to commercialize our therapeutic candidates, upon approval, if any, through licensing and other commercialization arrangements with pharmaceutical companies outside the U.S. on a global and territorial basis or, in the case of commercialization in the U.S., independently with our dedicated commercial operations. We also evaluate, on a case by case basis, co-development, co-promotion, licensing and similar arrangements.

We are currently focused primarily on the commercialization in the U.S. of GI-related products, including Aemcolo® (rifamycin) and the planned launch of Talicia®. We plan to commence commercializing Talicia® in the first quarter of 2020. In addition, we also continue to develop our pipeline focused on clinical-stage GI therapeutic candidates and look for opportunities to leverage our commercial presence and capabilities in the U.S. to support the potential future launch of our GI-related therapeutic candidates currently under development, if approved by the FDA, or FDA-approved products which we may acquire in the future. We used our U.S. sales force to promote Donnatal®, Mytesi®, Esomeprazole Strontium Delayed-Release Capsules 49.3 mg and to commercialize EnteraGam®, which we no longer promote or commercialize.

1 Each delayed-release capsule contains omeprazole 10 mg (equivalent to 10.3 mg omeprazole magnesium) in addition to amoxicillin 250 mg and rifabutin 12.5 mg.

The following is a description of our two current commercial products and six therapeutic candidates, most in late-stage clinical development:

Commercial Products

Talicia® is a proprietary new drug approved for marketing in the U.S. for the treatment of *H. pylori* bacterial infection in adults. Talicia® is a three-drug combination of omeprazole, which is a proton pump inhibitor (prevents the secretion of hydrogen ions necessary for the digestion of food in the stomach), amoxicillin and rifabutin, which are antibiotics. Talicia® is administered to patients orally. On November 1, 2019, the FDA approved Talicia® for marketing in the U.S. for the treatment of *H. pylori* infection in adults. Talicia® has a total of eight years of U.S. market exclusivity. Talicia® is the first therapeutic candidate we developed to be approved by the FDA. We plan to launch Talicia® in the U.S. in the first quarter of 2020 with our dedicated sales force.

Aemcolo® (containing 194 mg of rifamycin), is an orally-administered, minimally absorbed antibiotic that is delivered to the colon, approved by the FDA in 2018 for the treatment of travelers' diarrhea caused by non-invasive strains of *E. coli* in adults.

In December 2019, we commenced the commercialization of Aemcolo® in certain territories in the U.S.

Therapeutic Candidates

RHB-104 is intended to treat Crohn's disease, which is a serious inflammatory disease of the GI system that may cause severe abdominal pain and bloody diarrhea, malnutrition and potentially life-threatening complications. RHB-104 is a patented combination of clarithromycin, clofazimine, and rifabutin, three generic antibiotic ingredients, in a single capsule. The compound was developed to treat Crohn's disease through the targeting of MAP infection. In October 2019, we announced full week 52 results for all subjects in the previously announced Phase 3 MAP US study of RHB-104 with subjects with moderate to severe Crohn's disease and supportive top-line results from the open-label extension Phase 3 MAP US2 study. The full week 52 results of blinded treatment in the MAP US study with RHB-104 were consistent with the previously reported positive outcomes of the study. The study continued to meet its primary endpoint of clinical remission, further supporting the potential clinical benefit of treatment with RHB-104.

On August 11, 2010, we entered into an asset purchase agreement with Giaconda Limited, pursuant to which we acquired ownership rights in patents, tangible assets, production files, and regulatory approvals and other data and certain third-party agreements related to Talicia®, RHB-104, and RHB-106 in exchange for $500,000 and royalty payments of 7% of net sales and 20% of sublicense fees, in each case, only after we recoup the amounts and expenses exceeding the approved budget. See "Item 4. Information on the Company – B. Business Overview – Acquisition, Commercialization and License Agreements – Acquisition of Talicia®, RHB-104, and RHB-106."

RHB-204 is a patented fixed-dose combination product of three antibiotics that will simplify administration and optimize compliance. Each capsule contains the same components as RHB-104 (clarithromycin, clofazimine, and rifabutin) but at unique doses. Final dose selection for the pending pivotal trial is ongoing, and current plans are to start activities for a pivotal trial for NTM lung infection in mid-2020. The appropriate regulatory path is currently under discussion.

RHB-102 (Bekinda®) is a once-daily bi-modal extended-release oral formulation of ondansetron, a leading member of the family of 5-HT3 serotonin receptor inhibitors, intended to treat nausea, vomiting and diarrhea symptoms experienced in some people suffering from acute gastroenteritis, gastritis, and IBS-D. On May 2, 2010, we received a worldwide, exclusive and perpetual license to use patents and know-how relating to CDT® technology from SCOLR Pharma, Inc. in exchange for an up-front payment of $100,000. SCOLR announced during 2013 that it had ceased business operations, and we entered into a License Agreement with Temple University to secure direct rights to patents related to the CDT® platform. SCOLR had itself licensed those patents from Temple University, the original owner of the patents.

ABC294640 (Yeliva®) is a proprietary, first-in-class, orally-administered SK2 selective inhibitor, with anti-inflammatory and anti-cancer activities, targeting multiple oncology, inflammatory and GI indications. The compound originally designated as ABC294640 received an international non-proprietary name, opaganib, in the Recommended INN: List 79,

2018. On March 30, 2015, we entered into an exclusive worldwide license agreement with Apogee, pursuant to which Apogee granted us the exclusive worldwide development and commercialization rights to ABC294640 (which we then renamed to ABC294640 (Yeliva®) and as noted above, received an international non-proprietary name, opaganib, in 2018) and additional intellectual property for all indications. Under the terms of the agreement, as amended, we agreed to pay Apogee initial milestone payments of $3 million, of which the total amount has been paid, as well as up to $2 million in potential development milestone payments, and tiered royalties starting in the low double-digits. For more information regarding this agreement, see "Item 4. Information on the Company – B. Business Overview – Acquisition, Commercialization and License Agreements – License Agreement for ABC294640 (Yeliva®)."

RHB-107 (Upamostat; formerly Mesupron) (INN: upamostat) is a proprietary small molecule, first-in-class, potent serine protease inhibitor administered by oral capsule. We believe that RHB-107 has a unique potency and specificity that suggests it may be a new non-cytotoxic approach to cancer therapy, as well as other indications of high unmet need such as inflammatory digestive diseases and inflammatory lung diseases. On June 30, 2014, we acquired from Heidelberg the exclusive development and commercialization rights to RHB-107, excluding China, Hong Kong, Taiwan, and Macao, for all indications. We made an upfront payment to Heidelberg of $1.0 million with potential tiered royalties on net revenues, ranging from mid-teens up to 30%. We are responsible for all development, regulatory and commercialization of RHB-107. See "Item 4. Information on the Company – B. Business Overview – Acquisition, Commercialization and License Agreements – License Agreement for RHB-107."

RHB-106 is a tablet intended for the preparation and cleansing of the GI tract prior to the performance of abdominal procedures, including diagnostic tests such as colonoscopy, barium enema or virtual colonoscopy, as well as surgical interventions, such as a laparotomy. We acquired ownership rights in patents, tangible assets, production files, and regulatory approvals and other data and rights in certain third-party agreements related to RHB-106 pursuant to the Asset Purchase Agreement with Giaconda Limited described above. See "Item 4. Information on the Company – B. Business Overview – Acquisition, Commercialization and License Agreements – Acquisition of Talicia®, RHB-104, and RHB-106." On February 27, 2014, we entered into a licensing agreement with Salix (later acquired by Bausch Health) pursuant to which Bausch Health is granted the exclusive worldwide rights to our RHB-106 encapsulated formulation for bowel preparation, and rights to other purgative developments.

Components of Statements of Comprehensive Loss

Revenues

In 2019, 2018 and 2017, revenues consisted of revenues with respect to commercialization and promotional activities of our commercial products.

Cost of Revenues

Direct costs related to the revenues, such as cost of goods sold and royalties to third parties.

Research and Development Expenses

See "Item 5. Operating and Financial Review and Prospects – C. Research and Development, Patents and Licenses" below.

General and Administrative Expenses

General and administrative expenses consist primarily of compensation for employees, directors and consultants and professional services. Other significant general and administrative expenses include medical affairs, office-related expenses, travel, conferences, and others.

Selling, Marketing and Business Development Expenses

Selling, Marketing and Business Development expenses consist primarily of compensation for employees and consultants dedicated to marketing activities with the Company's commercialized and promoted products and professional services.

Other significant selling, marketing and business development expenses include product samples, car fleet, travel, conferences, office-related expenses, and others.

Financial Income and Expenses

Financial income and expenses consist of non-cash financing expenses in connection with changes in the fair value of derivative financial instruments, interest earned on our cash, cash equivalents, and short-term bank deposits, bank fees, interest, and finance changes for lease liabilities and other transactional costs and expense or income resulting from fluctuations of the U.S. dollar against other currencies, in which a portion of our assets and liabilities are denominated like NIS, for example.

Critical Accounting Policies and Estimates

The preparation of financial statements, in conformity with IFRS, requires companies to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and judgments are subject to an inherent degree of uncertainty, and actual results may differ. Our significant accounting policies are more fully described in Note 2 to our financial statements included elsewhere in this Annual Report. Critical accounting estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, and are particularly important to the portrayal of our financial position or results of operations. Our estimates are primarily guided by observing the following critical accounting policies.

Impairment of Intangible Assets –

Since the development of our therapeutic candidates has not yet been completed and they are defined as research and development assets acquired by us, we review, on an annual basis or when events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. We make judgments to determine whether indications are present that require reviewing the impairment of these intangible assets. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is determined using discounted cash flow calculations where the asset's expected post-tax cash flows are risk-adjusted over their estimated remaining useful economic life. The risk-adjusted cash flows are discounted using the estimated Company's post-tax weighted average cost of capital ("WACC") which was approximately 15% for all the reported years in these financial statements.

The main estimates used in calculating the recoverable amount include: outcome of the therapeutic candidates R&D activities; probability of success in gaining regulatory approval, size of potential market and the Company's asset's specific share in it and amount and timing of projected future cash flows.

Since the above require certain judgments and the use of estimates, actual results may differ from our estimations and as a result, would decrease our related actual results.

Estimated fair value and useful economic life of Aemcolo® Rights –

The rights granted under the exclusive license agreement for the U.S. rights to Aemcolo® were acquired in exchange for our ADSs and were recognized at fair value at the acquisition date. We determined the fair value of these rights on the basis of discounted future cash flow calculations risk-adjusted over their estimated remaining useful economic life. The risk-adjusted cash flows are discounted using the estimated Company's WACC, as described above. The valuation was based on a number of judgments and estimates, including the size of potential market, Aemcolo®'s peak market share and the period in which it will be reached and amount and timing of projected future cash flows.

Moreover, the Company determined the asset's useful economic life, over which the asset will be amortized on a straight-line basis from its acquisition. The main estimate used in determining the useful life was the anticipated duration of sales of the product after its expiration.

Revenue Recognition –

Our revenue from the sale of products is recognized at a point in time when control over the product is transferred to the customer (upon delivery), at the net selling price, which reflects reserves for variable consideration, including discounts and allowances. The transaction price in these arrangements is the consideration we expect to be entitled to from the customer. The consideration promised in a contract with the Company's customers may include fixed amounts and variable amounts. We estimate the variable consideration and include it in the transaction price using the most likely outcome method, and only to the extent it is highly probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

In determining the amounts of certain of these variable considerations to include in a contract's transaction price, commencing with the quarter ended June 30, 2020, we will be required to make significant judgments and estimates. We expect we will consider all the facts and circumstances associated with both the risk of a revenue reversal arising from an uncertain future event and the magnitude of the reversal if that uncertain event were to occur. Actual amounts of consideration ultimately received may differ from our estimates. If actual results in the future vary from our original estimates, we will adjust these estimates, which would affect net revenue from sales of products and earnings in the period such changes in estimates become known. The main estimates used in determining the amounts of the variable consideration to include in the transaction price are:

- Allowance for rebates and coupons based on historical and estimated utilization of the rebate and discount programs, at the time the revenues are recognized; and
- The amount of product sales that may be returned by our customers. Where historical rates of return exist, we use historical return patterns as a basis to establish a returns reserve for products shipped to customers. For newly launched products for which we currently do not have historical data of product returns, we estimate product returns based on available industry data for comparable products, our own sales information, our visibility into the inventory remaining in the distribution channel and product dating.

Recent Accounting Pronouncements

The recent accounting pronouncements are set forth in Note 2 to our audited consolidated financial statements beginning on page F-1 of this Annual Report.

A. Operating Results

History of Losses

Since inception in 2009, we have generated significant losses mainly in connection with the research and development of our therapeutic candidates. As of 2017, we started to accumulate losses also from our commercial operations. We may continue to incur additional losses, which may be substantial over the next several years, as our commercial operations are expected to continue to expand. We also expect to continue and expand our research and development activities over time and this will require further resources. As a result, we expect to continue incurring operating losses, which may be substantial over the next several years, and we will need to obtain substantial additional funds. As of December 31, 2019, we had an accumulated deficit of approximately $208.4 million.

We expect to continue to fund our operations over the next several years through revenues generated from the commercialization of our commercial products, public or private equity offerings, debt financings, non-dilutive financings, commercialization of our therapeutic candidates, if approved, or products we may commercialize or promote in the future.

Quarterly Results of Operations

The following tables show our unaudited quarterly statements of operations for the periods indicated. We have prepared this quarterly information on a basis consistent with our audited financial statements.

Three Months Ended

	March 31	June 30	Sep. 30	Dec. 31	March 31	June 30	Sep. 30	Dec. 31	March 31	June 30	Sep. 30	Dec. 31
	2017				2018				2019			
Statements of operations	U.S. dollars in thousands											
Net revenues	—	483	1,523	2,001	2,445	2,350	2,206	1,359	1,737	1,563	1,401	1,590
Cost of revenues	—	272	935	919	930	725	598	584	417	425	629	788
Research and development expenses, net	8,137	8,434	8,106	8,292	6,416	6,044	6,624	5,778	5,372	6,972	2,799	2,276
Selling, marketing and business development	605	3,376	4,189	3,844	3,170	3,123	3,040	3,153	3,136	4,147	4,892	6,158
General and administrative expenses	1,315	1,940	2,258	2,512	1,924	2,015	1,680	1,887	2,025	2,399	2,925	4,132
Other expenses	45	—	—	800	—	—	—	—		—	—	—
Operating loss	10,102	13,539	13,965	14,366	9,995	9,557	9,736	10,043	9,213	12,380	9,844	11,764
Financial income	1,556	2,523	150	3,966	134	156	133	2,403	374	1,546	170	260
Financial expenses	50	7	1,697	13	74	1,717	480	44	1,031	74	161	187
Net loss	8,596	11,023	15,512	10,413	9,935	11,118	10,083	7,684	9,870	10,908	9,835	11,691

Our quarterly revenues and operating results have varied in the past and are expected to vary in the future due to numerous factors, and in particular in connection with the planned launch of Talicia®. We believe that period-to-period comparisons of our operating results are not necessarily meaningful and should not be relied upon as indications of future performance.

Segment Information

Commencing 2017, the Company has two segments, Commercial Operations, and Research & Development. The Commercial Operations segment covers all areas relating to commercial sales and operating expenses directly related to that activity. The Research and Development segment includes all activities related to the research and development of therapeutic candidates.

Below is a table summarizing the financial results of the two segments for the years ended December 31, 2019, and December 31, 2018.

	Year Ended December 31,			Year Ended December 31,		
	2019			2018		
December 31, 2019:	Commercial Operations	Research and Development	Consolidated	Commercial Operations	Research and Development	Consolidated
	U.S. dollars in thousands			U.S. dollars in thousands		
Net revenues	6,291	—	6,291	8,360	—	8,360
Cost of revenues	2,259	—	2,259	2,837	—	2,837
Gross profit	4,032	—	4,032	5,523	—	5,523
Research and development expenses, net	—	17,419	17,419	—	24,862	24,862
Selling, marketing and business development expenses	16,854	1,479	18,333	11,329	1,157	12,486
General and administrative expenses	5,173	6,308	11,481	2,795	4,711	7,506
Other expenses	—	—	—	—	—	—
Operating loss	17,995	25,206	43,201	8,601	30,730	39,331

Comparison of the Year Ended December 31, 2019, to the Year Ended December 31, 2018

Net Revenues

Net Revenues for the year ended December 31, 2019, were $6.3 million, compared to $8.4 million for the year ended December 31, 2018. The decrease was attributed mainly to the competitive landscape surrounding Donnatal® and EnteraGam®.

Cost of Revenues

Cost of Revenues for the year ended December 31, 2019, was $2.3 million, compared to $2.8 million for the year ended December 31, 2018. The decrease was in line with the decrease in revenues from commercialized products.

Gross Profit

Gross Profit for the year ended December 31, 2019, decreased by $1.5 million to $4.0 million, compared to $5.5 million for the year ended December 31, 2018. Gross margin decreased from 66.1% to 64.1%.

Research and Development Expenses

Research and Development Expenses for the year ended December 31, 2019, were $17.4 million, compared to $24.9 million for the year ended December 31, 2018. The decrease was mainly due to the completion of the Phase 3 study with Talicia® and the finalization of the Phase 3 studies with RHB-104.

Selling, Marketing and Business Development Expenses

Selling, Marketing and Business Development Expenses for the year ended December 31, 2019, were $18.3 million, compared to $12.5 million for the year ended December 31, 2018. The increase was mainly due to the expansion of the commercial operations to support the launch of Aemcolo® in December 2019, as well as the preparations for the launch of Talicia®.

General and Administrative Expenses

General and Administrative Expenses for the year ended December 31, 2019, were $11.5 million, compared to $7.5 million for the year ended December 31, 2018. The increase was mainly due to the expansion of our commercial operations, as well as an increase in professional services expenses to support the launch of Aemcolo® in December 2019, and preparations for the launch of Talicia®.

Operating Loss

Operating Loss for the year ended December 31, 2019, was $43.2 million, compared to $39.3 million for the year ended December 31, 2018. The increase was mainly due to the increase in operating expenses, as described above.

Financial Income, net

Financial Income, net for the year ended December 31, 2019, was $0.9 million, compared to $0.5 million for the year ended December 31, 2018.

Comparison of the Year Ended December 31, 2018, to the Year Ended December 31, 2017

This analysis can be found in Item 5 of the Company’s Annual Report on Form 20-F for the year ended December 31, 2018.

B. Liquidity and Capital Resources

Liquidity and Capital Resources

Through our U.S. subsidiary, we currently commercialize Aemcolo® under an agreement with a third party, and we expect to commence the launch of Talicia® in the U.S. in the first quarter of 2020 as well the potential commercialization of Movantik® (subject to the potential closing of our in-license therefor). However, our ability to generate significant revenues from the commercialization of our commercial products still remains uncertain. To date, our commercial operations are still generating operational losses. Our therapeutic candidates are in research and development stage, and therefore do not yet generate revenues.

Since inception, we have funded our operations primarily through public and private offerings of our equity securities, investor loans, and a payment received under our Exclusive License Agreement with Salix (now Bausch Health) in connection with RHB-106. As of December 31, 2019, we had approximately $47.9 million of cash, cash equivalents, and short-term investments.

On February 3, 2011, we raised gross proceeds of approximately $14 million in connection with our initial public offering on the TASE of 14,302,300 Ordinary Shares and 7,151,150 tradable Series 1 Warrants. By February 2, 2014, the tradable Series 1 Warrants were exercised for an aggregate amount of $4 million.

On January 10, 2013, we issued in a private placement 6,481,280 Ordinary Shares at a price per share of NIS 4.00 (approximately $1.06 based on the representative U.S. dollar – NIS rate of exchange of 3.78 on January 10, 2013) and non-tradable warrants to purchase up to 3,240,640 Ordinary Shares. By January 10, 2015, the warrant expiration date, 682,200 warrants had been exercised for an aggregate amount of approximately $1.0 million. The remaining unexercised warrants expired.

On January 8, 2014, we issued in a private placement a total of 894,740 units, each unit consisting of one ADS and a three-year warrant to purchase 0.4 of an ADS, at a purchase price of $9.50 per unit, for an aggregate gross amount of $8.5 million. We also issued warrants to purchase an aggregate of 357,896 ADSs, at an exercise price of $11 per ADS. On January 10, 2017, warrants to purchase an aggregate of 252,632 ADSs were exercised for aggregate proceeds of approximately $2.63 million, and the unexercised warrants expired.

On January 21, 2014, we issued in a private placement a total of 10,458,740 Ordinary Shares at a purchase price of NIS 3.9 per share and three-year warrants to purchase an aggregate of 4,183,496 Ordinary Shares at an exercise price of NIS 4.9 per share, linked to changes in the NIS-U.S. dollar exchange rate, for an aggregate gross amount of $11.7 million (based on the representative U.S. dollar–NIS rate of exchange of 3.49 on January 22, 2014). On January 21, 2017, all of these warrants expired unexercised.

On February 27, 2014, we entered into a Worldwide Exclusive License Agreement with Salix (now Bausch Health), pursuant to which we granted exclusive worldwide rights to our RHB-106 encapsulated formulation for bowel preparation and rights to other purgative developments. Under the license agreement, Salix paid an upfront payment of $7.0 million. In December 2019, we provided a notice of termination of the license agreement. See "Item 4. Information on the Company – B. Business Overview – Acquisition, Commercialization and License Agreements – Exclusive License Agreement with Bausch Health Companies Inc."

On February 13, 2015, we sold an aggregate of 1,150,000 ADSs in an underwritten public offering of our ADSs in the U.S. at a public offering price of $12.50 per ADS, for gross proceeds to us of approximately $14.4 million.

On July 22, 2015, we sold an aggregate of 2,739,143 ADSs in an underwritten public offering of our ADSs in the U.S. at a public offering price of $16.25 per ADS, for gross proceeds to us of approximately $44.5 million, before underwriting discounts and commissions and other offering expenses.

On December 27, 2016, we sold 2,250,000 ADSs and warrants to purchase 1,125,000 ADSs in an underwritten public offering for gross proceeds of approximately $23 million. Concurrent with the underwritten public offering, we sold

1,463,415 ADSs and warrants to purchase 731,708 ADSs in a concurrent registered direct offering for gross proceeds of approximately $15 million. The offering price in both offerings was $10.25 for a fixed combination of one ADS and a warrant to purchase 0.5 of an ADS. The warrants in both offerings have a per ADS exercise price of $13.33 and have a term of three years. Following the partial exercise by the underwriters of their option, our underwritten public offering and the concurrent registered direct offering totaled 3,846,519 ADSs and warrants to purchase 2,025,458 ADSs, representing aggregate gross proceeds from both offerings of approximately $39.4 million.

On November 13, 2017, we sold 4,090,909 ADSs in an underwritten public offering of our ADSs in the U.S. at a public offering price of $5.50 per ADS for gross proceeds of approximately $22.5 million before underwriting discounts and commissions and other offering expenses.

On August 9, 2018, we sold 4,166,667 ADSs in an underwritten public offering of our ADSs in the U.S. at a public offering price of $6.00 per ADS, for gross proceeds of approximately $25 million before underwriting discounts and commissions and other offering expenses.

On December 11, 2018, we sold 2,857,143 ADSs in an underwritten public offering of our ADSs in the U.S. at a public offering price of $7.00 per ADS, for gross proceeds of approximately $20 million before underwriting discounts and commissions and other offering expenses.

On October 22, 2019, in connection with the strategic collaboration with Cosmo, we sold 5,185,715 ADSs in a private placement to Cosmo for gross proceeds of $36.3 million (in addition to 1,714,286 ADSs issued to Cosmo Technologies Ltd, a wholly-owned subsidiary of Cosmo, as an upfront payment for the U.S commercialization rights of Aemcolo®).

Revenues generated from our U.S. commercial activities were approximately $6.3 million for the year ended December 31, 2019, and approximately $8.4 million for the year ended December 31, 2018.

Term Loan

On February 23, 2020 (the “Credit Agreement Closing Date”), we, through our wholly-owned subsidiary, RedHill Biopharma Inc. (“RedHill U.S.”), entered into a credit agreement (the “Credit Agreement”) with HCR Collateral Management, LLC, as Administrative Agent (“HCRM”), and the lenders from time to time party thereto. Pursuant to the terms of the Credit Agreement and the satisfaction of the conditions precedent set forth therein, RedHill U.S. will receive a $30 million loan within approximately 12 business days following the signing of the Credit Agreement (the “Tranche A Loan”). Pursuant to the terms of the Credit Agreement set forth therein and HSR Clearance, an additional $50 million tranche will be available to RedHill U.S. to fund the acquisition of rights to Movantik® from AstraZeneca (the “Tranche B Loan”), which must be drawn in full substantially concurrently with the funding of such acquisition. Two further additional tranches in the amounts of $20 million (the “Tranche C Loan”) and $15 million (the “Tranche D Loan” and, together with the Tranche A Loan, the Tranche B Loan and the Tranche C Loan, the “Loans”), respectively, will be available upon the satisfaction of certain conditions (including, in the case of the Tranche D Loan, the mutual agreement of RedHill U.S. and the Lenders) from the date that the Tranche B loan is funded, if applicable, until February 23, 2021 (in the case of the Tranche C Loan) and from the date that the Tranche C loan is funded, if applicable, until August 23, 2021 (in the case of the Tranche D Loan), in each case unless the commitments thereof are terminated earlier in accordance with the terms of the Credit Agreement.

The Loans bear interest at an annual rate equal to the 3-month LIBOR rate plus 8.20% (or, if the trailing four quarters of Net Revenues, as defined in the Credit Agreement, for the fiscal quarter ending March 31, 2021, equal or exceed $38 million, 6.70%), with a 1.75% 3-month LIBOR floor. Payments of interest under the Credit Agreement will be made quarterly in arrears on the last day of each March, June, September, and December (each an “Interest Payment Date”), beginning March 2020. The Loans will mature on February 23, 2026 (the “Term Loan Maturity Date”), at which time, if not earlier repaid in full, the outstanding principal amount of the Loans, together with any accrued and unpaid interest, shall be due and payable in cash. Upon the prepayment or repayment of all or any portion of the Loans, RedHill U.S. must pay to the lenders under the Credit Agreement an exit fee in an amount equal to 4% of the aggregate principal amount of the Loans prepaid or repaid on such date. Pursuant to the Credit Agreement, HCRM will receive a royalty of 2% (or 4%, if RedHill U.S. borrows the Tranche B Loans, or 4.5% if RedHill U.S. borrows the Tranche D Loans) on up to $75 million

of our annual Net Revenues (as defined in the Credit Agreement) (the "Revenue Interest"). Payments of Revenue Interest will be made quarterly in arrears for nine years, beginning with the first fiscal quarter of 2021.

Pursuant to the terms of the Credit Agreement, on each Interest Payment Date beginning with March 2023 (the "Amortization Date") through and including the Term Loan Maturity Date, RedHill U.S. must repay the Loans in equal installments, rounded to the nearest dollar. If, however, our Net Revenues (as defined in the Credit Agreement) for (i) the trailing four quarters ending March 31, 2021, are less than $25 million or (ii) the trailing four quarters ending March 31, 2022, are less than $50 million, then at the sole discretion of the Required Lenders (as defined in the Credit Agreement), the Amortization Date shall be the Interest Payment Date immediately following the two year anniversary of the Credit Agreement Closing Date.

We may elect to prepay the Loans at any time, subject to a prepayment premium that declines from 5% for the first four years of the Loans, to 2.5% in the fifth year, to 1.25% in the final year prior to maturity of the Loans. In addition, if we prepay any Loans prior to the third anniversary of the applicable borrowing date for such Loans, we are required to pay all required interest payments that would have been due on the principal amount of such Loans prepaid through and including the third anniversary of the applicable borrowing date for such Loans.

We have entered into a Security Agreement, a Pledge Agreement, an Israeli-law governed Fixed Charge Debenture and an Israeli-law governed Floating Charge Debenture in favor of HCRM, pursuant to which our obligations under the Credit Agreement (and those of RedHill U.S.) are secured by a pledge of all of our holdings of the capital stock of RedHill U.S., substantially all of the assets of RedHill U.S., and all of our assets relating in any material respect to Talicia®.

The Credit Agreement contains certain affirmative covenants, including those relating to, among other things: financial statements; notices; payments of obligations; preservation of existence; maintenance of properties; maintenance of insurance; compliance with laws; inspection rights; and protection of our intellectual property. The Credit Agreement also contains certain negative covenants barring us and our subsidiaries from (with limited exceptions) taking certain actions including, among other things: certain fundamental transactions; issuing dividends and distributions; incurring indebtedness; incurring liens; making investments; engaging in transactions with affiliates; engaging in sale-leaseback transactions; and changing the nature of our business. The Credit Agreement also contains a financial covenant requiring us to maintain a specified level of cash liquidity as well as a covenant requiring us to maintain minimum net sales beginning with the fiscal quarter ending June 30, 2022. In addition, the Credit Agreement contains a covenant restricting our ability to terminate or to permit certain changes to the respective roles and responsibilities as of February 23, 2020, of our chief executive officer, Dror Ben-Asher, and the chief commercial officer of RedHill U.S., Rick Scruggs.

The Credit Agreement contains defined events of default, in certain cases subject to a grace period, following which the lenders may declare any outstanding principal and unpaid interest immediately due and payable. These include, among other things: failure to pay principal, interest, or other amounts payable when due; any uncured breach of a representation, warranty, or covenant; any uncured cross-default under certain contracts; certain judgments being entered against us or our subsidiaries; certain bankruptcy or insolvency events; any Change of Control or Material Adverse Effect (in each case, as defined in the Credit Agreement); and certain regulatory events with respect to our products.

We estimate that so long as sufficient revenues to sustain our business operations in accordance with our plan are not generated from our current commercial products, our therapeutic candidates, upon approval, if any, out-licensing transactions or products that we may commercialize or promote in the future, we will need to raise substantial additional funds, as our current cash and short-term investments are not sufficient to continuously fund our commercial operations and complete the research and development of all of our therapeutic candidates. However, additional financing may not be available on acceptable terms, if at all. Our future capital requirements will depend on many factors including but not limited to:

- our ability to successfully commercialize commercial products and our therapeutic candidates, upon approval, if any, including securing commercialization agreements with third parties and favorable pricing and market share;
- we may consume available resources more rapidly than currently anticipated, resulting in the need for additional funding sooner than anticipated.
- the regulatory path of each of our therapeutic candidates;

- the progress, success, and cost of our clinical trials and research and development programs;
- the costs, timing, and outcome of regulatory review and obtaining regulatory approval of our therapeutic candidates and addressing regulatory and other issues that may arise post-approval;
- the costs of enforcing our issued patents and defending intellectual property-related claims;
- the costs of developing sales, marketing, and distribution channels; and
- consumption of available resources more rapidly than currently anticipated, resulting in the need for additional funding sooner than anticipated.

If we are unable to generate sufficient revenues from our commercial products, commercialize or out-license our therapeutic candidates or obtain future financing to sustain our business operations in accordance with our plan, we may be forced to delay, reduce the scope of, or eliminate one or more of our current commercial products and products that we may commercialize or promote in the future or our research, development programs for our therapeutic candidates, which may have material adverse effect on our reputation, business, financial condition or results of operations. See “Item 3. Key Information – D. Risk Factors – Risks Related to Our Financial Condition and Capital Requirements”. Our current working capital is not sufficient to complete our research and development with respect to our therapeutic candidates or to commercialize our products or products to which we have rights, including the continued commercialization of our current commercial products. We will need to raise additional capital to achieve our strategic objectives of acquiring, in-licensing, developing and commercializing therapeutic candidates, upon approval, if any, commercializing our current commercial products and other products that we may commercialize or promote in the future, and our failure to raise sufficient capital or on favorable terms would significantly impair our ability to fund our operations, develop our therapeutic candidates, and commercialize products, such as our current commercial products or other products that we may commercialize or promote in the future, attract development or commercial partners or retain key personnel.

Cash Flow

Net Cash Used in Operating Activities

Net Cash Used in Operating Activities for the year ended December 31, 2019, was $40.7 million, compared to $34.5 million for the year ended December 31, 2018. The increase in Net Cash Used in Operating Activities was a direct result of the increase in net loss.

Net Cash Provided by Investing Activities

Net Cash Provided by Investing Activities for the year ended December 31, 2019, was $5.2 million, compared to $5.4 million for the year ended December 31, 2018.

Net Cash Provided by Financing Activities

Net Cash Provided by Financing Activities for the year ended December 31, 2019, was $35.5 million, compared to $41.8 million for the year ended December 31, 2018, resulting mainly from securities offerings.

We did not have any material commitments for capital expenditures, including any anticipated material acquisition of plant and equipment or interests in other companies, as of December 31, 2019.

C. Research and Development, Patents and Licenses

Our research and development expenses consist primarily of costs of clinical trials, professional services, share-based payments and payroll, and related expenses. The clinical trial costs are mainly related to payments to third parties to manufacture our therapeutic candidates, to perform clinical trials with our therapeutic candidates and to provide us with regulatory services. We charge all research and development expenses to operations as they are incurred. We expect our research and development expenses to remain our primary expense in the near future as we continue to develop our therapeutic candidates.

Due to the inherently unpredictable nature of clinical development processes, we are unable to estimate with any certainty the costs we will incur in the continued development of the therapeutic candidates in our pipeline for potential commercialization.

Our future research and development expenses will depend on the clinical success of each therapeutic candidate, the rate of patient recruitment and the ongoing assessments of each therapeutic candidate's commercial potential. In addition, we cannot forecast with any degree of certainty which therapeutic candidates may be subject to future commercialization arrangements, when such commercialization arrangements will be secured, if at all, and to what degree such arrangements would affect our development plans and capital requirements. See "Item 3. Key Information – D. Risk Factors – If we or our development or commercialization partners are unable to obtain or maintain FDA or other foreign regulatory clearance and approval for our therapeutic candidates or products we may commercialize or promote, we or our commercialization partners will be unable to commercialize our therapeutic candidates, upon approval, if any, or products we may commercialize or promote."

As we obtain results from clinical trials, we may elect to discontinue or delay the development and clinical trials for certain therapeutic candidates in order to focus our resources on more promising therapeutic candidates or projects. Completion of clinical trials by us or our licensees may take several years or more, but the length of time generally varies according to the type, complexity, novelty and intended use of a therapeutic candidate. See "Item 3. Key Information – D. Risk Factors – Risks Related to Our Business and Regulatory Matters."

We expect our research and development expenses to stay material as we continue the advancement of our clinical trials and therapeutic candidates' development. The lengthy process of completing clinical trials and seeking regulatory approvals for our therapeutic candidates requires substantial expenditures. Any failure or delay in completing clinical trials, or in obtaining regulatory approvals, could cause a delay in generating product revenue and cause our research and development expenses to increase and, in turn, have a material adverse effect on our operations. Due to the factors set forth above, we are not able to estimate with any high certainty if and when we would recognize any substantial revenues from our projects.

D. Trend Information

We are a specialty biopharmaceutical company primarily focused on proprietary drugs for GI diseases.

It is not possible for us to predict with any degree of accuracy the outcome of our research and development or our commercialization success with regard to any of our therapeutic candidates or commercial products. Our sales, marketing and business development expenditure is our primary expenditure, as we commenced commercialization of Aemcolo® in 2019 and prepare to launch Talicia®, which is planned for the first quarter of 2020. We continue to incur research and development expenditures in connection with our therapeutic candidates. Increases or decreases in research and development expenditures are primarily attributable to the level and results of our clinical trial activities and the amount of expenditure on those trials.

Commencing in June 2017, we used our U.S. sales force to promote Donnatal®, Mytesi®, Esomeprazole Strontium Delayed-Release Capsules 49.3 mg and to commercialize EnteraGam®, and recorded revenues of $6.3 million for the year ended December 31, 2019, $8.4 million for the year ended December 31, 2018, and $4.0 million for the year ended December 31, 2017. We no longer promote or commercialize these products. In October 2019 we entered into an exclusive license agreement with Cosmo, granting us the exclusive rights to commercialize Aemcolo® in the U.S. for traveler's diarrhea. The license agreement also provides for the grant to the Company of certain rights related to the potential development of additional indications for Aemcolo®, as well as arrangements related to other pipeline therapeutic candidates of Cosmo. We plan to use our marketing and commercialization capabilities in the U.S. to launch Talicia® in the U.S. in the first quarter of 2020.

Our primary focus is to become a revenue-generating, GI-focused, specialty biopharmaceutical company through our commercial presence in the U.S. to support current and potential future commercialization of our potential future therapeutic candidates and products approved for marketing, including Talicia® and our other commercial products.

E. Off-Balance Sheet Arrangements

Since inception, we have not entered into any transactions with unconsolidated entities whereby we have financial guarantees, subordinated retained interests, derivative instruments or other contingent arrangements that expose us to material continuing risks, contingent liabilities, or any other obligations under a variable interest in an unconsolidated entity that provides us with financing, liquidity, market risk or credit risk support.

F. Tabular Disclosure of Contractual Obligations

The following table summarizes our significant contractual obligations on December 31, 2019:

	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
	(U.S. dollars in thousands) (Unaudited)				
Office and vehicle lease obligations	4,554	1,052	1,568	1,549	385
Accounts payable, accrued expenses and other current liabilities	9,782	9,782	—	—	—
Total	14,336	10,834	1,568	1,549	385

The foregoing table does not include our in-license agreements with Heidelberg, Apogee, our asset sale agreement with Giaconda Limited and our agreement with UCF or University of Minnesota, pursuant to which we are obligated to make various payments upon the achievement of agreed-upon milestones or make certain royalty payments since we are unable to estimate the actual amount or timing of these payments currently. If all of the milestones are achieved over the life of each in-licensing agreement, we will be required to pay, in addition to the amounts in the above table and royalties on our net income, an aggregate amount of approximately $2.3 million for milestones achieved. All of our in-licensing agreements are terminable at-will by us upon prior written notice. See “Item 4. Information on the Company – B. Business Overview – Acquisition and License Agreements.”

The foregoing table does not include our manufacturing agreements pursuant to which we are obligated to make various payments upon the achievement of agreed-upon milestones. We are unable to currently estimate the actual amount or timing of these payments. If all of the milestones are achieved over the life of the manufacturing agreements, we will be required to pay, in addition to the above table and royalties on our net income, an aggregate amount of approximately $1.8 million. All of our manufacturing agreements are terminable at-will by us upon short prior written notice.

The foregoing table also does not include payments payable under our clinical services agreements, all of which are contingent upon the completion of milestones. See “Item 4. Information on the Company – B. Business Overview – Clinical Services Agreements.”

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management[1]

The following table sets forth the name, age and position of each of our executive officers and directors as of the date of this Annual Report.

Name	Age	Position(s)
Executive Officers		
Dror Ben-Asher	54	Chief Executive Officer and Chairman of the Board of Directors
Micha Ben Chorin	51	Chief Financial Officer
Reza Fathi, Ph.D.	65	Senior Vice President Research and Development
Gilead Raday	45	Chief Operating Officer
Adi Frish	50	Senior Vice President Business Development and Licensing
Guy Goldberg	44	Chief Business Officer
Rick D. Scruggs	60	Chief Commercial Officer
Dr. June Almenoff	64	Chief Scientific Officer
Directors		
Dr. Shmuel Cabilly	70	Director
Eric Swenden (1)	76	Director
Dr. Kenneth Reed (2)	66	Director
Ofer Tsimchi (1), (2)	60	Director
Alla Felder (1), (2)	46	Director
Nicolas A. Weinstein	38	Director
Giuseppe Cipriano	62	Director

(1) Member of our audit committee, also serves as our financial statements committee.
(2) Member of our compensation committee.

Executive officers

Dror Ben-Asher has served as our Chief Executive Officer and as a director since August 3, 2009. Since May 4, 2011, Mr. Ben-Asher has also served as Chairman of our board of directors. From January 2002 to November 2010, Mr. Ben-Asher served as a manager at P.C.M.I. Ltd., an affiliate of ProSeed Capital Holdings CVA. Mr. Ben-Asher holds an LLB from the University of Leicester, U.K., an MJur. from Oxford University, U.K. and completed LLM studies at Harvard University.

Micha Ben Chorin has served as our Chief Financial Officer since 2016. From 2014 until 2016, Mr. Ben Chorin served as Chief Financial Officer of Pyramid Analytics a business intelligence (BI) software company. From 2009 until 2013, he served as CFO of Starhome B.V., a leading international roaming vendor, from 2005 until 2009 as CFO of Winetworks, a wireless operator, and from 1998 until 2005 Mr. Ben Chorin served as Chief Financial Officer at GVT (currently Telefonica Brazil). Mr. Ben Chorin holds a B.A. from Tel-Aviv University and is a Certified Public Accountant.

1 Senior management includes members of the Company's administrative, supervisory or management bodies, or nominees for such positions.

Reza Fathi, Ph.D., has served as our Senior Vice President Research and Development since May 1, 2010. From 2005 to 2009, Dr. Fathi served as a Director of Research in XTL Biopharmaceuticals Inc., a biotechnology company engaged in developing small molecule clinical candidates for infectious diseases. Prior to that, from 2000-2005, Dr. Fathi served as Director of Research at Vivoquest, Inc. where he was responsible for developing a number of novel natural product-based combinatorial technologies for infectious diseases such as HCV and HIV. Between 1998-2000, he served as a Manager of Chemical Biology Research at the Institute of Chemistry and Chemical Biology (ICCB) at Harvard Medical School, pioneering chemical genetics to identify small molecules in cancer biology, and from 1991-1998 headed the Discovery Group at PharmaGenics, Inc. Dr. Fathi holds a Postdoctoral and Ph.D. in Chemistry from Rutgers University.

Gilead Raday has served as our Chief Operating Officer since April 1, 2016. From December 5, 2012, until March 31, 2016, Mr. Raday served as Senior Vice President Corporate and Product Development. From November 2010 to December 2012, Mr. Raday served as our Vice President Corporate and Product Development. From January 2010 until October 2010, Mr. Raday served as Interim Chief Executive Officer of Sepal Pharma Plc., an oncology drug development company, and from January 2009 to December 2009, he was an independent consultant, specializing in business development and project management in the field of life sciences. From 2004 to 2008, Mr. Raday was a partner in Charles Street Securities Europe, LLP, an investment banking firm, where he was responsible for the field of life sciences. Mr. Raday previously served on the boards of Sepal Pharma Plc., ViDAC Limited, Morria Biopharmaceuticals Plc., Vaccine Research International Plc., TKsignal Plc., and Miras Medical Imaging Plc. He received his M.Sc. in Neurobiology from the Hebrew University of Jerusalem, Israel, and an M.Phil. in Bioscience Enterprise from Cambridge University, U.K.

Adi Frish has served as our Senior Vice President Business Development and Licensing since December 5, 2012. From October 2010 to December 2012, Mr. Frish served as our Vice President Business Development and Licensing. From 2006 to 2010, Mr. Frish served as the Chief Business Development at Medigus Ltd., a medical device company in the endoscopic field, and from 1998 to 2006, Mr. Frish was an associate and a partner at the law firm of Y. Ben Dror & Co. Mr. Frish holds an LLB from Essex University, U.K. and an LLM in Business Law from the Bar-Ilan University, Israel.

Guy Goldberg has served as our Chief Business Officer since 2012. From 2007 to 2012, Mr. Goldberg served as Vice President and then as Senior Vice President of Business Operations at Eagle Pharmaceuticals, a specialty injectable drug development company, based in New Jersey. From 2004 to 2007, Mr. Goldberg was an associate at ProQuest Investments, a healthcare-focused venture capital firm, and from 2002 to 2004, Mr. Goldberg was a consultant at McKinsey & Company. Mr. Goldberg holds a B.A. in Economics and Philosophy from Yale University and a J.D. from Harvard Law School.

Rick D. Scruggs has served as our Chief Commercial Officer since February 2020 and served as our Chief Operations Officer, U.S. Operations since January 1, 2019, and as a member of our board of directors since January 1, 2016. Mr. Scruggs most recently served as Executive Vice President of Business Development at Salix until its acquisition by Valeant (now Bausch Health) in March 2015. Mr. Scruggs joined Salix in 2000, after working at Oclassen Pharmaceuticals Inc. and Watson Pharmaceuticals, and helped build Salix's commercial organization, serving in various sales and commercial trade-related positions. Mr. Scruggs was appointed as Executive Vice President in 2011 and was responsible for all business development activities as well as the worldwide distribution of Salix innovative products and intellectual property. Mr. Scruggs also served as the Head of the board of directors of Oceana Therapeutics, Salix's European subsidiary. Mr. Scruggs holds a B.S. in Criminal Justice from the Appalachian State University in North Carolina.

Dr. June Almenoff has served as our Chief Scientific Officer since May 15, 2019. With over 20 years of experience in the pharmaceutical industry, Dr. Almenoff served in various senior executive roles, including the President and Chief Medical Officer of Furiex Pharmaceuticals (acquired by Actavis plc, now Allergan plc), whose lead product, Viberzi®, was approved by the FDA in 2015 for the treatment of irritable bowel syndrome with diarrhea (IBS-D). Prior to joining Furiex, Dr. Almenoff worked at GlaxoSmithKline plc, where she held various positions of increasing responsibility. She has recently served as a board member and advisor to numerous biopharma companies. She is currently a board member of the Harrington Investment Advisory Board of the Harrington Discovery Institute and of Brainstorm Cell Therapeutics (Nasdaq: BCLI). Dr. Almenoff holds a B.A. *(cum laude)* from Smith College and graduated from the M.D.-Ph.D. program

at the Mt. Sinai School of Medicine. She completed internal medicine residency and infectious disease fellowship training at Stanford University Medical Center and served on the faculty of Duke University School of Medicine, where she currently holds an adjunct appointment.

Directors

Dr. Shmuel Cabilly has served as a member of our board of directors since August 26, 2010, and has served on our compensation committee since May 5, 2011. Dr. Cabilly is a scientist and inventor in the field of immunology. In the Backman Research Institute of the City of Hope, Dr. Cabilly initiated the development of a new breakthrough technology for recombinant antibody production, which was patented and known as the "Cabilly Patent." Dr. Cabilly was also a co-founder and a Chief Scientist of Ethrog Biotechnology, where he invented dry buffer technologies enabling the production of a liquid-free disposable apparatus for gel electrophoresis and a technology that enables the condensation of molecular separation zones to a small gel area. This technology was sold to Invitrogen in 2001. Dr. Cabilly serves as a board member at several companies, including Vidac Pharma Ltd., BioKine Therapeutics Ltd., Neuroderm Ltd., Biologic Design Ltd., and Ornim Inc. Dr. Cabilly holds a B.Sc. in Biology from the Ben Gurion University of Beer Sheva, Israel, an M.Sc. in Immunology and Microbiology from the Hebrew University of Jerusalem, Israel, and a Ph.D. in Immunology and Microbiology from the Hebrew University of Jerusalem, Israel.

Eric Swenden has served as a member of our board of directors since May 3, 2010, and has served on our investment committee since May 5, 2011. From 1966 until 2001 Mr. Swenden served in various positions including Chief Executive Officer (since 1985) and Executive Chairman (since 1990) of Vandemoortele Food Group, a privately held Belgium-based European food group with revenue of approximately EUR 2 billion, and he currently serves on the board of directors of TBC S.A. and Maya Gold & Silver Ltd. Mr. Swenden holds an M.A. in Commercial Science from the University of Antwerp, Belgium. The board of directors has determined that Mr. Swenden is a financial and accounting expert under Israeli law.

Dr. Kenneth Reed has served as a member of our board of directors since December 15, 2009. Dr. Reed is a dermatologist practicing in private practice under the name of Kenneth Reed M.D. PC. Dr. Reed currently serves on the board of directors of Minerva Biotechnologies Corporation. Dr. Reed received his B.A from Brown University in the U.S. and an M.D from the University of Medicine and Dentistry of New Jersey in the U.S. Dr. Reed is a board-certified dermatologist with the over 25 years of clinical experience since completing the Harvard Medical School Residency Program in Dermatology. Dr. Reed is also a co-founder of Early Cell, a prenatal diagnostics company, and Prescient Pharma.

Ofer Tsimchi has served as a director on our board of directors since May 4, 2011, and a member of our audit committee and as the Chairman of our compensation committee since May 5, 2011. From 2008 to 2012, Mr. Tsimchi served as the Chairman of the board of directors of Polysack Plastic Industries Ltd. and Polysack-Agriculture Products, and since 2006, he has served as a Partner in the Danbar Group Ltd., a holding company. Mr. Tsimchi currently serves as the Chairman of the board of directors of Clal Concrete Products Ltd., and on the board of directors of Caesarstone Ltd., Amutat Zionut 2000, Danbar Group Ltd, and Maabarot Products Ltd. Mr. Tsimchi received his BA in Economics and Agriculture from the Hebrew University of Jerusalem, Israel. The board of directors has determined that Mr. Tsimchi is a financial and accounting expert under Israeli law.

Alla Felder has served as a director on our board of directors and a chairperson of our audit committee and a member of our compensation committee since May 6, 2019. Ms. Felder currently serves as a Director in numerous publicly listed leading Israeli companies across several industries, such as Enlight Renewable Energy Ltd., Ashtrom Properties Ltd., Carmit Industries Ltd. and Argaman Industries Ltd. Ms. Felder also served on the board of Neuroderm Ltd., leading up to its acquisition by Mitsubishi Tanabe Pharma Corporation in 2017. Ms. Felder is a business and financial advisor and currently serves as an external CFO for several technology companies and is also a lecturer in the College of Management Academic Studies Division. From 1997 to 2010 Ms. Felder was with PriceWaterhouseCoopers where she served in her last role as a Senior Manager.

Nicolas Weinstein has served as a member of our board of directors since May 11, 2017. Mr. Weinstein served as Managing Director of Water Bear Investments LLC, a healthcare and real estate investment services company since January 2017. From 2014 to 2015, Mr. Weinstein served as country head in Chile for Abbott Laboratories / CFR

Pharmaceuticals. In 2014, Mr. Weinstein served as VP Marketing & Sales of CFR Pharmaceuticals, and from 2012 to 2013, he served as VP Business Development of CFR Pharmaceuticals. From 2008 to 2010, Mr. Weinstein served as VP Marketing & Sales of CFR Pharmaceuticals. Mr. Weinstein currently leads the healthcare and venture investments of EMC2 Fund Ltd. ("EMC2") and its partnership interests in Olive Tree Ventures Limited Partnership (Israel) Mr. Weinstein holds an M.Sc. in Finance from Universidad Adolfo Ibanez (Chile) and an MBA from the Kellogg School of Management (2012). Mr. Weinstein has been nominated to our board of directors by EMC2 pursuant to the right we granted to any investor that invested at least $15 million in the Company in our December 2016 public offering to nominate one person to our board of directors, subject to various conditions described in the prospectus that we filed with the Securities Exchange Commission.

Giuseppe Cipriano has served as a member of our board of directors since November 18, 2019. Mr. Cipriano has served as the Chief Operating Officer of Cosmo SpA since 2001 and as an executive board member of several Cosmo entities. Mr. Cipriano has significant experience in managing operations in the pharmaceutical industry, including personnel, manufacturing, and relations with drug suppliers and licensees. Mr. Cipriano holds a B.A. in Classic Languages from Manzoni Institute in Milan, Italy.

B. Compensation

The aggregate compensation paid, and benefits-in-kind granted to or accrued on behalf of all of our directors and executive officers for their services, in all capacities, to us during the year ended December 31, 2019, was approximately $4.2 million. Out of that amount $2.4 million was paid as salary, $1.3 million was attributed to the value of the options granted to senior management during 2019, approximately $0.1 million was attributed to retirement plans and $0.3 million attributed to other long-term benefits and $0.1 million for bonuses. No additional amounts have been set aside or accrued by us to provide pension, retirement or similar benefits.

The compensation terms for our directors and officers are derived from their employment agreements and comply with our Compensation Policy for Executive Officers and Directors as approved by our shareholders on June 24, 2019 (the "Compensation Policy").

The table and summary below outline the compensation granted to our five highest compensated directors and officers during the year ended December 31, 2019. The compensation detailed in the table below refers to actual compensation granted or paid to the director or officer during the year 2019.

Name and Position of Director or Officer	Base Salary or Other Payment (1)	Value of Social Benefits (2)	Bonuses (3)	Value of Equity-Based Compensation Granted (4)	All Other Compensation (5)	Total
Amounts in U.S. dollars are based on 2019 monthly average representative U.S. dollar – NIS rate of exchange						
Dror Ben-Asher, Chief Executive Officer and Chairman of the Board of Directors (5)	354,760	73,469	—	259,500	20,193	707,922
Gilead Raday, Chief Operating Officer	268,070	51,784	25,000	177,600	16,827	539,281
Micha Ben Chorin, Chief Financial Officer	253,752	68,435	—	166,500	16,827	505,514
Adi Frish, Senior Vice President Business Development and Licensing	257,162	67,500	—	166,500	13,462	504,624
Guy Goldberg, Chief Business Officer	272,381	52,283	—	166,500	13,462	504,626

(1) "Base Salary or Other Payment" means the aggregate yearly gross monthly salaries or other payments with respect to the Company's Executive Officers and members of the board of directors for the year 2019.
(2) "Social Benefits" include payments to the National Insurance Institute, advanced education funds, managers' insurance and pension funds; vacation pay; and recuperation pay as mandated by Israeli law.
(3) Bonuses

(4) Consists of the fair value of the equity-based compensation granted during 2019 in exchange for the directors and officers services recognized as an expense in profit or loss and is carried to the accumulated deficit under equity. The total amount recognized as an expense over the vesting period of the options.
(5) "All Other Compensation" includes, among other things, car-related expenses (including tax gross-up), communication expenses, basic health insurance, and holiday presents.
(6) Mr. Ben-Asher's employment terms as the Company's Chief Executive Officer provide that Mr. Ben-Asher is entitled to a monthly base gross salary of NIS 105,000 (approximately $30,338). Mr. Ben-Asher is further entitled to vacation days, sick days and convalescence pay in accordance with the market practice and applicable law, monthly remuneration for a study fund, contribution by the Company to an insurance policy and pension fund, and additional benefits, including communication expenses. In addition, Mr. Ben-Asher is entitled to reimbursement of car-related expenses from the Company. Mr. Ben-Asher's employment terms include an advance notice period of 180 days by the Company and 90 days by Mr. Ben-Asher. During such an advance notice period, Mr. Ben-Asher will be entitled to all of the compensation elements, and to the continuation of vesting of any options or restricted shares granted to him. Additionally, in the event Mr. Ben-Asher's employment is terminated in connection with a "hostile takeover," he will be entitled to a special one-time bonus equal to his then-current monthly salary and retirement benefits, including payments to an advanced study fund and pension arrangement and car expense reimbursement, multiplied by 12. A "hostile takeover" is defined as an occurrence where a person, entity or group that was not an interested party under the Israeli Securities Law 1968 on the date of the initial public offering of our Ordinary Shares, becomes a "controlling shareholder," as defined in the Israeli Securities Law 1968, or a "holder," as defined in the Israel Securities Law 1968, of 25% or more of the voting rights in the Company. In addition, in case of a "hostile takeover", all options granted to Mr. Ben-Asher will immediately vest in full.

In addition, all of our directors and executive officers are covered under our directors' and executive officers' liability insurance policies and were granted letters of indemnification by us.

Employment Agreements

We have entered into employment or consultant agreements with each of our executive officers. All of these agreements contain customary provisions regarding noncompetition, confidentiality of information and assignment of inventions. However, the enforceability of the noncompetition provisions may be limited under applicable laws.

For information on exemption and indemnification letters granted to our directors and officers, please see "Item 6C. – Board Practices – Exemption, Insurance and Indemnification of Directors and Officers."

Director Compensation

We currently pay our non-executive directors an annual cash fee of NIS 83,480 (approximately $24,120) and a cash fee of NIS 4,390 (approximately $1,268) per meeting (or a smaller amount in the case where they do not physically attend the meeting).

Change in Control Retention Plan

We have adopted a change in control employee retention plan providing for compensation to Company employees, other than to the chief executive officer, in the event of a change in control (as defined by the plan), subject to the satisfaction of various conditions. Compensation to employees would be up to 12 months' salary depending on employee seniority and years with the Company.

Compensation Policy

On June 24, 2019, our shareholders approved the Compensation Policy for our directors and officers in accordance with Amendment No. 20 to the Israeli Companies Law, pursuant to which we are required to determine the compensation of our directors and officers, and which must be approved by our shareholders every three years. The policy was previously approved by our board of directors, upon the recommendation of our compensation committee.

The Compensation Policy is in effect for three years from the 2019 annual general meeting. Our Compensation Policy principles were designed to grant proper, fair and well-considered remuneration to our officers, in alignment with our long-term best interests and overall organizational strategy. Part of the rationale is that our Compensation Policy should encourage our officers to identify with our objectives, and an increase in officer satisfaction and motivation should retain the employment of high-quality officers in our service over the long term.

C. Board Practices

Appointment of Directors and Terms of Officers

Pursuant to our articles of association, the size of our board of directors shall be no less than five persons and no more than eleven persons, including any external directors whose appointment is required by law. The directors who are not external directors are divided into three classes, as nearly equal in number as possible. At each annual general meeting, which is required to be held annually, but not more than fifteen months after the prior annual general meeting, the term of one class of directors expires, and the directors of such class are re-nominated to serve an additional three-year term that expires at the annual general meeting held in the third year following such election (other than any director nominated for election by Cosmo pursuant to the Company's subscription agreement with Cosmo, whose term of office may expire earlier depending on the beneficial ownership by the Cosmo investor of the Cosmo shares). This process continues indefinitely. A simple majority shareholder vote may elect directors for a term of less than three years in order to ensure that the three groups of directors have as equal number of directors as possible as provided above. The directors of the first class, currently consisting of Dr. Shmuel Cabilly, Rick Scruggs, Nicolas Weinstein, and Giuseppe Cipriano will hold office until our annual general meeting to be held in the year 2020. The directors of the second class, currently consisting of Eric Swenden and Ofer Tsimchi will hold office until our annual general meeting to be held in the year 2021, and the directors of the third class, currently consisting of Dror Ben-Asher, Dr. Kenneth Reed and Alla Felder will hold office until our annual general meeting to be held in the year 2022. Until the next annual general meeting, the board of directors may elect new directors to fill vacancies or increase the number of members of the board of directors up to the maximum number provided in our articles of association. Any director so appointed may hold office until the first general shareholders' meeting convened after the appointment. Dr. Shmuel Cabilly and Giuseppe Cipriano were appointed by our board of directors to serve until the annual general meeting of shareholders to be held in 2020. See "Item 6. "Directors, Senior Management and Employees – C. Board Practices – Independent and External Directors – Israeli Companies Law Requirements" below for a description of the adoption by the Company of the corporate governance exemptions set forth in Regulation 5D of the Israeli Companies Regulations (Relief for Public Companies with Shares Listed for Trading on a Stock Market Outside of Israel), 5760-2000, including with respect to external directors.

Pursuant to the Israeli Companies Law, one may not be elected and may not serve as a director in a public company if he or she does not have the required qualifications and the ability to dedicate an appropriate amount of time for the performance of his duties as a director in the company, taking into consideration, among other things, the special needs and size of the company. In addition, a public company may convene an annual general meeting of shareholders to elect a director, and may elect such director, only if prior to such shareholders meeting, the nominee declares, among other things, that he or she possesses all of the required qualifications to serve as a director (and lists such qualifications in such declaration) and has the ability to dedicate an appropriate amount of time for the performance of his duties as a director of the company.

Under the Israeli Companies Law, entry by a public company into a contract with a non-controlling director as to the terms of his office, including exculpation, indemnification or insurance, requires the approval of the compensation committee, the board of directors and the shareholders of the company.

An amendment to the Israeli Companies Law requires that the terms of service and engagement of the chief executive officer, directors or controlling shareholders (or a relative thereof) receive the approval of the compensation committee, board of directors, and shareholders, subject to limited exceptions. The appointment and terms of office of a company's officers, other than directors and the general manager (i.e., chief executive officer) are subject to the approval by first, the company's compensation committee; second, the company's board of directors, in each case subject to the company's compensation policy, and then approved by its shareholders. However, in special circumstances, they may approve the appointment and terms of office of officers inconsistent with such policy, provided that (i) they have considered those

provisions that must be included in the compensation policy according to the Israeli Companies Law and (ii) shareholder approval is obtained (by a majority of shareholders that does not include the controlling shareholders of the company and any shareholders interested in the approval of the compensation). However, if the shareholders of the company do not approve a compensation arrangement with an officer inconsistent with the company's compensation policy, in special situations the compensation committee and the board of directors may override the shareholders' decision if each of the compensation committee and the board of directors provide detailed reasons for their decision. In addition, non-material amendments to the compensation of a public company's officers (other than the chief executive officer and the directors) may be approved by the chief executive officer of the company if the company's compensation policy establishes that non-material amendments within the parameters established in the compensation policy may be approved by the chief executive officer, so long as the compensation is consistent with the company's compensation policy. An amendment to the Israeli Companies Law requires that the board and shareholders (with approval by a "special majority" as further discussed below) adopt a compensation policy applicable to the company's directors and officers which must take into account, among other things, providing proper incentives to directors and officers, the risk management of the company, the officer's contribution to achieving corporate objectives and increasing profits, and the function of the officer or director. Under the Israeli Companies Law, a "special majority" requires (i) the vote of at least a majority of the shares held by shareholders who are not controlling shareholders or have a personal interest in the proposal (shares held by abstaining shareholders are not be taken into account); or (ii) that the aggregate number of shares voting against the proposal held by such shareholders does not exceed 2% of the company's voting shareholders.

The compensation paid to a public company's chief executive officer is required to be approved by, first, the company's compensation committee; second, the company's board of directors; and third, unless exempted under the regulations promulgated under the Israeli Companies Law, by the company's shareholders (by a special majority vote as discussed above with respect to the approval of director compensation). However, if the shareholders of the company do not approve the compensation arrangement with the chief executive officer, the compensation committee and board of directors may override the shareholders' decision if each of the compensation committee and the board of directors provide a detailed report for their decision. The renewal or extension of the engagement with a public company's chief executive officer need not be approved by the shareholders of the company if the terms and conditions of such renewal or extension are no more beneficial than the previous engagement or there is no substantial difference in the terms and conditions under the circumstances, and the terms and conditions of such renewal or extension are in accordance with the company's compensation policy. The compensation committee and board of directors approval should be in accordance with the company's stated compensation policy; however, in special circumstances, they may approve compensation terms of a chief executive officer that are inconsistent with such policy provided that they have considered those provisions that must be included in the compensation policy according to the Israeli Companies Law and that shareholder approval was obtained (by a special majority vote as discussed above with respect to the approval of director compensation). The compensation committee may waive the shareholder approval requirement with regards to the approval of the initial engagement terms of a candidate for the chief executive officer position, if they determine that the compensation arrangement is consistent with the company's stated compensation policy, and that the chief executive officer did not have a prior business relationship with the company or a controlling shareholder of the company and that subjecting the approval of the engagement to a shareholder vote would impede the company's ability to employ the chief executive officer candidate. The engagement with a public company's chief executive officer need not be approved by the shareholders of the company with respect to the period from the commencement of the engagement until the next shareholder meeting convened by the company, if the terms and conditions of such engagement were approved by the compensation committee and the board of directors of the company, the terms and conditions of such engagement are in accordance with the company's compensation policy approved in accordance with the Israeli Companies Law, and if the terms and conditions of such engagement are no more beneficial than the terms and conditions of the person previously serving in such role or there is no substantial difference in the terms and conditions of the previous engagement versus the new one under the circumstances, including the scope of engagement.

We have a service contract with one of our directors, Dror Ben-Asher, that provides for benefits upon termination of his employment as director. For more information, see "Item 6. Directors, Senior Management and Employees – B. Compensation."

Independent and External Directors – Israeli Companies Law Requirements

We are subject to the provisions of the Israeli Companies Law. The Israeli Minister of Justice has adopted regulations exempting companies like us whose shares are traded outside of Israel from some provisions of the Israeli Companies Law.

Under the Israeli Companies Law, except as provided below, companies incorporated under the laws of Israel whose shares are either (i) listed for trading on a stock exchange or (ii) have been offered to the public in or outside of Israel and are held by the public (Public Company) are required to appoint at least two external directors.

Our board of directors has resolved to adopt the corporate governance exception set forth in Regulation 5D of the Israeli Companies Regulations (the "Regulation"). In accordance with the Regulation, a public company with securities listed on certain foreign exchanges, including the Nasdaq Stock Market, that satisfies the applicable foreign country laws and regulations that apply to companies organized in that country relating to the appointment of independent directors and composition of audit and compensation committees and have no controlling shareholder are exempt from the requirement to appoint external directors or comply with the audit committee and compensation committee composition requirements under the Israeli Companies Law. In accordance with our board of directors' resolution, pursuant to the Regulation, we intend to comply with the Nasdaq Listing Rules in connection with a majority of independent directors on the board of directors and in connection with the composition of each of the audit committee and the compensation committee, in lieu of such requirements of the Israeli Companies Law.

The Israeli Companies Law provides that a person may not be appointed as an external director if the person is a relative of the controlling shareholder or if the person or the person's relative, partner, employer, someone to whom he is subordinated directly or indirectly or any entity under the person's control, has, as of the date of the person's appointment to serve as external director, or had, during the two years preceding that date, any affiliation with us, our controlling shareholder, any relative of our controlling shareholder, as of the date of the person's appointment to serve as external director, or any entity in which, currently or within the two years preceding the appointment date, the controlling shareholder was the company or the company's controlling shareholder; and in a company without a controlling shareholder or without a shareholder holding 25% or more of the voting rights in the company, any affiliation to the chairman of the board of directors, to the general manager (Chief Executive Officer), to a shareholder holding 5% or more of the company's shares or voting rights, or to the chief officer in the financial or economic field as of the date of the person's appointment. The term "affiliation" includes:

- an employment relationship;
- a business or professional relationship maintained on a regular basis;
- control; and
- service as an officer, other than service as a director who was appointed in order to serve as an external director of a company when such company was about to make an initial public offering.

Under the Israeli Companies Law, an "officer" is defined as a general manager, chief business manager, deputy general manager, vice general manager, any person filing any of these positions in a company even if he holds a different title, director or any manager directly subordinate to the general manager.

However, a person may not serve as an external director if the person or the person's relative, partner, employer, someone to whom he is subordinated directly or indirectly or any entity under the person's control has business or professional relationship with an entity which an affiliation with is prohibited as detailed above, even if such relationship is not on a regular basis (excluding negligible relationship). In addition, an external director may not receive any compensation other than the compensation permitted by the Israeli Companies Law.

Regulations under the Israeli Companies Law provide for various instances and kinds of relationships in which an external director will not be deemed to have "affiliation" with the public company for which he serves or is a candidate for serving as an external director.

No person can serve as an external director if the person's positions or other businesses create, or may create, a conflict of interests with the person's responsibilities as a director or may impair his ability to serve as a director. In addition, a person who is a director of a company may not be elected as an external director of another company if, at that time, a director of the other company is acting as an external director of the first company.

Except for the cessation of classification of directors as external directors in connection with the adoption by certain companies listed on foreign stock exchanges, including the Nasdaq Stock Market, of the corporate governance exceptions set forth in the Regulation, as described above, until the lapse of two years from termination of office, a company, its controlling shareholder, or a company controlled by him may not engage an external director, his spouse, or child to serve as an officer in the company or in any entity controlled by the controlling shareholder and cannot employ or receive professional services for consideration from that person, and may not grant such person any benefit either directly or indirectly, including through a corporation controlled by that person. The same restrictions apply to relatives other than a spouse or a child, but such limitations may only apply for one year from the date such external director ceased to be engaged in such capacity. In addition, if at the time an external director is appointed all current members of the board of directors who are neither controlling shareholders nor relatives of controlling shareholders are of the same gender, then the external director to be appointed must be of the other gender.

Under the Israeli Companies Law, a public company is required to appoint as an external director, a person who has "professional expertise" or a person who has "financial and accounting expertise," provided that at least one of the external directors must have "financial and accounting expertise." However, if at least one of our other directors (1) meets the independence requirements of the Exchange Act, (2) meets the standards of the Nasdaq Stock Market for membership on the audit committee and (3) has financial and accounting expertise as defined in the Israeli Companies Law and applicable regulations, then neither of our external directors is required to possess financial and accounting expertise as long as both possess other requisite professional qualifications. The determination of whether a director possesses financial and accounting expertise is made by the board of directors.

Under the Israeli Companies Law regulations, a director having financial and accounting expertise is a person who, due to his education, experience and qualifications is highly skilled in respect of, and understands, business-accounting matters and financial reports in a manner that enables him to understand in depth the company's financial statements and to stimulate discussion regarding the manner in which the financial data is presented. Under the Israeli Companies Law regulations, a director having professional expertise is a person who has an academic degree in either economics, business administration, accounting, law or public administration or another academic degree or has completed other higher education studies, all in an area relevant to the main business sector of the company or in a relevant area of the board of directors position, or has at least five years of experience in one of the following or at least five years of aggregate experience in two or more of the following: a senior management position in the business of a corporation with a substantial scope of business, in a senior position in the public service or a senior position in the main field of the company's business.

Under the Israeli Companies Law, each Israeli public company is required to determine the minimum number of directors with "accounting and financial expertise" that such company believes appropriate in light of the company's type, size, the scope and complexity of its activities and other factors. Once a company has made this determination, it must ensure that the necessary appointments to the board of directors are made in accordance with this determination. Our board of directors determined that two directors with "accounting and financial expertise" is appropriate for us. Our board of directors currently has three directors with such "accounting and financial expertise."

External directors are to be elected by a majority vote at a shareholders' meeting, provided that either (1) the majority of shares voted at the meeting, including at least a majority of the votes of the shareholders who are not controlling shareholders (as defined in the Israeli Companies Law), do not have a personal interest in the appointment (excluding a personal interest which did not result from the shareholder's relationship with the controlling shareholder), vote in favor of the election of the director without taking abstentions into account; or (2) the total number of shares of the above-mentioned shareholders who voted against the election of the external director does not exceed two percent of the aggregate voting rights in the company.

The initial term of an external director is three years and may be extended for two additional three-year terms under certain circumstances and conditions. Nevertheless, regulations under the Israeli Companies Law provide that companies, whose

shares are listed for trading the Nasdaq Stock Market, may appoint an external director for additional three-year terms, under certain circumstances and conditions. External directors may be removed only in a general meeting, by the same percentage of shareholders as is required for their election, or by a court, and in both cases only if the external directors cease to meet the statutory qualifications for their appointment or if they violate their duty of loyalty to us. Each committee authorized to exercise any of the powers of the board of directors is required to include at least one external director and the audit committee is required to include all of the external directors.

An external director is entitled to compensation and reimbursement of expenses in accordance with regulations promulgated under the Israeli Companies Law and is otherwise prohibited from receiving any other compensation, directly or indirectly, in connection with serving as a director except for certain exculpation, indemnification and insurance provided by the company.

Committees

Israeli Companies Law Requirements

Our board of directors has established three standing committees, the audit committee, the compensation committee, and the investment committee.

Audit Committee

Under the Israeli Companies Law, the board of directors of a public company must appoint an audit committee. Except in the case of companies listed on foreign stock exchanges, including the Nasdaq Stock Market, which have adopted the corporate governance exceptions set forth in the Regulation, such as us, as described under "- Independent and External Directors – Israeli Companies Law Requirements", who are exempt from the audit committee composition requirements under the Companies Law, an audit committee of a public company under the Israeli Companies Law must be comprised of at least three directors including all of the external directors.

In addition, the Israeli Companies Law provides that the majority of the members of the audit committee, as well as the majority of members present at audit committee meetings, must be "independent" (as such term is defined below) and the chairman of the audit committee must be an external director. In addition, the following are disqualified from serving as members of the audit committee: the chairman of the board of directors, the controlling shareholder and her or his relatives, any director employed by the company or by its controlling shareholder or by an entity controlled by the controlling shareholder, a director who regularly provides services to the company or to its controlling shareholder or to an entity controlled by the controlling shareholder, and any director who derives most of its income from the controlling shareholder. Any persons not qualified from serving as a member of the audit committee may not be present at the audit committee meetings during the discussion and at the time decisions are made, unless the chairman of the audit committee determines that the presence of such person is required to present a matter to the meeting or if such person qualifies under an available exemption in the Israeli Companies Law.

An "independent director" is defined as an external director or a director who meets the following conditions: (i) satisfies certain conditions for appointment as an external director (as described above) and the audit committee has determined that such conditions have been met and (ii) has not served as a director of the company for more than nine consecutive years, with any interruption of up to two years in service not being deemed a disruption in the continuity of such service.

The role of the audit committee under the Israel Companies Law is to examine suspected flaws in our business management, in consultation with the internal auditor or our independent accountants and suggest an appropriate course of action in order to correct such flaws. In addition, the approval of the audit committee is required to effect specified actions and related party transactions.

Additional functions to be performed by the audit committee include, among others, the following:

- the determination whether certain related party actions and transactions are "material" or "extraordinary" for purposes of the requisite approval procedures;
- to determine whether to approve actions and transactions that require audit committee approval under the Israel Companies Law;
- to assess the scope of work and compensation of the company's independent accountant;
- to assess the company's internal audit system and the performance of its internal auditor and if the necessary resources have been made available to the internal auditor considering the company's needs and size; and
- to determine arrangements for handling complaints of employees in relation to suspected flaws in the business management of the company and the protection of the rights of such employees.

Our audit committee also serves as our financial statements committee. The members of our audit committee are Alla Felder (chairperson), Ofer Tsimchi and Eric Swenden.

An amendment to the Israeli Companies Law allows a company whose audit committee's composition meets the requirements set for the composition of a compensation committee (as further detailed below) to have one committee acting as both audit and compensation committees. As of the date of this Annual Report, we have not elected to have one committee acting as both the audit and the compensation committees.

Compensation Committee

According to the Israeli Companies Law, the board of directors of a public company must establish a compensation committee. Except in the case of companies listed on foreign stock exchanges, including the Nasdaq Stock Market, which have adopted the corporate governance exceptions set forth in the Regulation, such as us, as described under "- Independent and External Directors – Israeli Companies Law Requirements", who are exempt from the compensation committee composition requirements under the Companies Law, the Israeli Companies Law requires that the compensation committee must consist of at least three directors and include all of the external directors who must constitute a majority of its members. The remaining members must be qualified to serve on the audit committee pursuant to the Israeli Companies Law requirements described above. The compensation committee chairman must be an external director and any persons not qualified from serving as a member of the compensation committee may not be present at the compensation committee meetings during the discussion and at the time decisions are made, unless the chairman of the compensation committee determines that the presence of such person is required to present a matter to the meeting or if such person qualifies under an available exemption in the Israeli Companies Law.

Our compensation committee, which consists of Ofer Tsimchi (chairman), Dr. Kenneth Reed and Alla Felder, administers issues relating to our global compensation plan with respect to our employees, directors, and consultants. Our compensation committee is responsible for making recommendations to the board of directors regarding the issuance of share options and compensation terms for our directors and officers and for determining salaries and incentive compensation for our executive officers and incentive compensation for our other employees and consultants. Each of the members of the compensation committee is "independent" as such term is defined in the Nasdaq Listing Rules.

Investment Committee

Our investment committee, which consists of Eric Swenden (chairman), Alla Felder and Giuseppe Cipriano, assists the board in fulfilling its responsibilities with respect to our financial and investment strategies and policies, including determining policies and guidelines on these matters and monitoring implementation. It is also authorized to approve certain financial transactions and review risk factors associated with management of our finances and the mitigation of such risks, as well as financial controls and reporting and various other finance-related matters.

Nasdaq Stock Market Requirements

Under the Nasdaq Listing Rules, we are required to maintain an audit committee consisting of at least three members, all of whom are independent and are financially literate and one of whom has accounting or related financial management expertise.

The independence requirements of Rule 10A-3 of the Exchange Act implement two basic criteria for determining independence:

- audit committee members are barred from accepting directly or indirectly any consulting, advisory or other compensatory fee from the issuer or an affiliate of the issuer, other than in the member's capacity as a member of the board of directors and any board committee; and
- audit committee members may not be an "affiliated person" of the issuer or any subsidiary of the issuer apart from her or his capacity as a member of the board of directors and any board committee.

The SEC has defined "affiliate" for non-investment companies as "a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified." The term "control" is intended to be consistent with the other definitions of this term under the Exchange Act, as "the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract, or otherwise." A safe harbor has been adopted by the SEC, under which a person who is not an executive officer or 10% shareholder of the issuer would be deemed not to have control of the issuer.

In accordance with the Sarbanes-Oxley Act of 2002 and the Nasdaq Listing Rules, the audit committee is directly responsible for the appointment, compensation, and performance of our independent auditors. In addition, the audit committee is responsible for assisting the board of directors in reviewing our annual financial statements, the adequacy of our internal control and our compliance with legal and regulatory requirements. The audit committee also oversees our major financial risk exposures and policies for managing such potential risks, discusses with management and our independent auditor significant risks or exposure and assesses the steps management has taken to minimize such risk.

As noted above, the members of our audit committee include Alla Felder, Ofer Tsimchi and Eric Swenden, with Mrs. Felder serving as chairperson. All members of our audit committee meet the requirements for financial literacy under the Nasdaq Listing Rules. Our board of directors has determined that each of Ms. Alla Felder, Mr. Ofer Tsimchi and Mr. Eric Swenden is an audit committee financial expert as defined by the SEC rules and all members of the audit committee have the requisite financial experience as defined by the Nasdaq Listing Rules. Each of the members of the audit committee is "independent" as such term is defined in Rule 10A-3(b)(1) under the Exchange Act

Corporate Governance Practices

Internal Auditor

Under the Israeli Companies Law, the board of directors must appoint an internal auditor proposed by the audit committee. The role of the internal auditor is, among others, to examine whether our actions comply with the law and orderly business procedure. Under the Israeli Companies Law, the internal auditor may not be an interested party, an officer or a director, a relative of an interested party, or a relative of an officer or a director, nor may the internal auditor be our independent accountant or its representative. In January 2018, Ms. Sharon Cohen, Lead Engagement Partner, Head of LS & HC Industry at Deloitte Israel, was elected to serve as our internal auditor.

Duties of Directors and Officers and Approval of Specified Related Party Transactions under the Israeli Companies Law

Fiduciary Duties of Officers

The Israeli Companies Law imposes a duty of care and a duty of loyalty on all directors and officers of a company, including directors and executive officers. The duty of care requires a director or an officer to act with the level of care, according to which a reasonable director or officer in the same position would have acted under the same circumstances.

The duty of care includes a duty to use reasonable means to obtain:

- information on the appropriateness of a given action brought for the directors' or officer's approval or performed by such person by virtue of such person's position; and
- all other important information pertaining to the previous actions.

The duty of loyalty requires a director or an officer to act in good faith and for the benefit of the company and includes a duty to:

- refrain from any action involving a conflict of interest between the performance of the director's or officer's duties in the company and such person's personal affairs;
- refrain from any activity that is competitive with the company's business;
- refrain from usurping any business opportunity of the company to receive a personal gain for the director, officer or others; and
- disclose to the company any information or documents relating to a company's affairs which the director or officer has received due to such person's position as a director or an officer.

Under the Israeli Companies Law, subject to certain exceptions, directors' compensation arrangements require the approval of the compensation committee, the board of directors and the shareholders.

The Israeli Companies Law requires that a director or an officer of a company promptly and, in any event, not later than the first board meeting at which the transaction is discussed, disclose any personal interest that he may have, and all related material facts or document known to such person, in connection with any existing or proposed transaction by the company. A personal interest of a director or an officer (which includes a personal interest of the director's or officer's relative) is in a company in which the director or officer or the director's or officer's relative is: (i) a shareholder which holds 5% or more of a company's share capital or its voting rights, (ii) a director or a general manager, or (iii) in which the director or officer has the right to appoint at least one director or the general manager. A personal interest also includes a personal interest of a person who votes according to a proxy of another person, even if the other person has no personal interest, and a personal interest of a person who gave a proxy to another person to vote on his behalf – in each case, regardless whether discretion with respect to how to vote lies with the person voting or not. In the case of an extraordinary transaction, the director's or the officer's duty to disclose also applies to a personal interest of the director or officer's relative.

Under the Israeli Companies Law, an extraordinary transaction is a transaction:

- other than in the ordinary course of business;
- other than on market terms; or
- that is likely to have a material impact on the company's profitability, assets or liabilities.

Under the Israeli Companies Law, once a director or an officer complies with the above disclosure requirement, the board of directors may approve an ordinary transaction between the company and a director or an officer, or a third party in which a director or an officer has a personal interest, unless the articles of association provide otherwise. A transaction does not benefit the company's interest cannot be approved. Subject to certain exceptions, the compensation committee and the board of directors must approve the conditions and term of office of an officer (who is not a director).

If the transaction is an extraordinary transaction, both the audit committee and the board of directors, in that order, must approve the transaction. Under specific circumstances, shareholder approval may also be required. Whoever has a personal interest in a matter, which is considered at a meeting of the board of directors or the audit committee, may not be present at this meeting or vote on this matter. However, if the chairman of the board of directors or the chairman of the audit committee has determined that the presence of such person is required to present a matter at the meeting; such officer holder may be present at the meeting. Notwithstanding the foregoing, if the majority of the directors have a personal interest in a matter, a director who has the personal interest in this matter may be present at this meeting or vote on this matter, but the board of directors' decision requires the shareholder approval.

Controlling Shareholder Transactions and Actions

Under the Israeli Companies Law, the disclosure requirements which apply to a director or an officer also apply to a controlling shareholder of a public company and to a person who would become a controlling shareholder as a result of a private placement. A controlling shareholder includes a person who has the ability to direct the activities of a company, other than if this power derives solely from his/her position on the board of directors or any other position with the company. In addition, for such purposes, a controlling shareholder includes a shareholder that holds 25% or more of the voting rights in a public company if no other shareholder owns more than 50% of the voting rights in the company. Extraordinary transactions with a controlling shareholder or in which a controlling shareholder has a personal interest, including a private placement in which a controlling shareholder has a personal interest; and the terms of engagement of the company, directly or indirectly, with a controlling shareholder or his or her relative (including through a corporation controlled by a controlling shareholder), regarding the company's receipt of services from the controlling shareholder, and if such controlling shareholder is also a director or an officer of the company or an employee, regarding his or her terms of office and employment, require the approval of the audit committee, the board of directors and the shareholders of the company, in that order. The shareholders' approval must include either:

- a majority of the shareholders who have no personal interest in the transaction and who are participating in the voting, in person, by proxy or by written ballot, at the meeting (votes abstaining are not be taken into account); or
- the total number of shares voted against the proposal by shareholders without a personal interest does not exceed 2% of the aggregate voting rights in the Company.

In addition, any such transaction whose term is more than three years requires the above-mentioned approval every three years, unless, with respect to transactions not involving the receipt of services or compensation, the audit committee approves a longer term as reasonable under the circumstances.

However, under regulations, promulgated pursuant to the Israeli Companies Law, certain transactions between a company and its controlling shareholders, or the controlling shareholder's relative, do not require shareholder approval.

For information concerning the direct and indirect personal interests of certain of our directors or officers and principal shareholders in certain transactions with us, see "Item 7. Major Shareholders – B. Related Party Transactions."

The Israeli Companies Law requires that every shareholder that participates, either by proxy or in person, in a vote regarding a transaction with a controlling shareholder indicate whether or not that shareholder has a personal interest in the vote in question, the failure of which results in the invalidation of that shareholder's vote.

The Israeli Companies Law further provides that an acquisition of shares or voting rights in a public company must be made by means of a tender offer if as a result of the acquisition the purchaser would become a holder of 45% of the voting rights of the company, unless there is a holder of more than 45% of the voting rights of the company or would become a holder of 25% of the voting rights unless there is another person holding 25% of the voting rights. This restriction does not apply to:

- an acquisition of shares in a private placement, if the acquisition had been approved in a shareholders meeting under certain circumstances;

- an acquisition of shares from a holder of at least 25% of the voting rights, as a result of which a person would become a holder of at least 25% of the voting rights; and
- an acquisition of shares from a holder of more than 45% of the voting rights, as a result of which the acquirer would become a holder of more than 45% of the voting rights in the company.

The Israeli Companies Law further provides that a shareholder has a duty to act in good faith toward the company and other shareholders when exercising his rights and duties and must refrain from oppressing other shareholders, including in connection with the voting at a shareholders' meeting on:

- any amendment to the articles of association;
- an increase in the company's authorized share capital;
- a merger; or
- approval of certain transactions with control persons and other related parties, which require shareholder approval.

In addition, any controlling shareholder, any shareholder who knows that it possesses power to determine the outcome of a shareholder vote and any shareholder who, pursuant to the provisions of a company's articles of association, has the power to appoint or prevent the appointment of a director or an officer in the company, or has any other power over the company, is under a duty to act with fairness toward the company. Under the Israeli Companies Law, the laws that apply to a breach of a contract will generally also apply to a breach of the duty of fairness.

Exemption, Insurance, and Indemnification of Directors and Officers

Exemption of Officers and Directors

Under the Israeli Companies Law, a company may not exempt an officer or director from liability with respect to a breach of his duty of loyalty, but may exempt in advance an officer or director from liability to the company, in whole or in part, with respect to a breach of his duty of care, except in connection with a prohibited distribution made by the company, if so provided in its articles of association. Our articles of association provide for this exemption from liability for our directors and officers.

Directors' and Officers' Insurance

The Israeli Companies Law and our articles of association provide that, subject to the provisions of the Israeli Companies Law, we may obtain insurance for our directors and officers for any liability stemming from any act performed by an officer or director in his capacity as an officer or director, as the case may be with respect to any of the following:

- a breach of such officer's or director's duty of care to us or to another person;
- a breach of such officer's or director's duty of loyalty to us, provided that such officer or director acted in good faith and had reasonable cause to assume that his act would not prejudice our interests;
- a financial liability imposed upon such officer or director in favor of another person;
- financial liability imposed on the officer or director for payment to persons or entities harmed as a result of violations in administrative proceedings as described in Section 52(54)(a)(1)(a) of the Israeli Securities Law ("Party Harmed by the Breach");
- expenses incurred by such officer or director in connection with an administrative proceeding conducted in this matter, including reasonable litigation expenses, including legal fees; or
- a breach of any duty or any other obligation, to the extent insurance may be permitted by law.

In June 2019, our shareholders approved our Compensation Policy, which includes, among other things, provisions relating to directors' and officers' liability insurance. Pursuant to the Compensation Policy, we may obtain a liability insurance policy, which would apply to our or our subsidiaries' directors and officers, as they may be, from time to time, subject to the following terms and conditions: (a) the total insurance coverage under the insurance policy may not exceed $100 million; and (b) the annual premium payable by us for the insurance premium may not exceed $1 million

annually. In addition, pursuant to our Compensation Policy, should we sell our operations (in whole or in part) or in case of merger, spin-off or any other significant business combination involving us or part or all of our assets, we may obtain a director's and officers' liability insurance policy (run-off) for our directors and officers in office with regard to the relevant operations, subject to the following terms and conditions: (a) the insurance term may not exceed seven years; (b) the coverage amount may not exceed $100 million; (c) the premium payable by us may not exceed $1 million annually. The Compensation Policy is in effect for three years from the 2019 annual general meeting.

Subsequent to the approval of the terms of our Compensation Policy, our compensation committee and board of directors resolved to purchase a directors' and officers' liability insurance policy, pursuant to which the total amount of insurance covered under the policy is 50 million. This insurance is renewed on an annual basis. Pursuant to the foregoing approvals, we carry directors' and officers' liability insurance.

Indemnification of Officers and Directors

The Israeli Companies Law provides that a company may indemnify an officer or director for payments or expenses associated with acts performed in his capacity as an officer or director of the company, provided the company's articles of association include the following provisions with respect to indemnification:

- a provision authorizing the company to indemnify an officer or director for future events with respect to a monetary liability imposed on him in favor of another person pursuant to a judgment (including a judgment given in a settlement or an arbitrator's award approved by the court), so long as such indemnification is limited to types of events which, in the board of directors' opinion, are foreseeable at the time of granting the indemnity undertaking given the company's actual business, and in such amount or standard as the board of directors deems reasonable under the circumstances. Such undertaking must specify the events that, in the board of directors' opinion, are foreseeable in view of the company's actual business at the time of the undertaking and the amount or the standards that the board of directors deemed reasonable at the time;
- a provision authorizing the company to indemnify an officer or director for future events with respect to reasonable litigation expenses, including counsel fees, incurred by an officer or director in which he is ordered to pay by a court, in proceedings that the company institutes against him or instituted on behalf of the company or by another person, or in a criminal charge of which he was acquitted, or a criminal charge in which he was convicted of a criminal offense that does not require proof of criminal intent;
- a provision authorizing the company to indemnify an officer or director for future events with respect to reasonable litigation fees, including attorney's fees, incurred by an officer or director due to an investigation or proceeding filed against him by an authority that is authorized to conduct such investigation or proceeding, and that resulted without filing an indictment against him and without imposing on him financial obligation in lieu of a criminal proceeding, or that resulted without filing an indictment against him but with imposing on him a financial obligation as an alternative to a criminal proceeding in respect of an offense that does not require the proof of criminal intent or in connection with a monetary sanction;
- a provision authorizing the company to indemnify an officer or director for future events with respect to a Party Harmed by the Breach;
- a provision authorizing the company to indemnify an officer or director for future events with respect to expenses incurred by such officer or director in connection with an administrative proceeding, including reasonable litigation expenses, including legal fees; and
- a provision authorizing the company to indemnify an officer or director retroactively.

Limitations on Insurance, Exemption and Indemnification

The Israeli Companies Law and our articles of association provide that a company may not exempt or indemnify a director or an officer nor enter into an insurance contract, which would provide coverage for any monetary liability incurred as a result of any of the following:

- a breach by the officer or director of his duty of loyalty, except for insurance and indemnification where the officer or director acted in good faith and had a reasonable basis to believe that the act would not prejudice the company;

- a breach by the officer or director of his duty of care if the breach was done intentionally or recklessly, except if the breach was solely as a result of negligence;
- any act or omission done with the intent to derive an illegal personal benefit; or
- any fine, civil fine, monetary sanctions, or forfeit imposed on the officer or director.

In addition, under the Israeli Companies Law, exemption of, indemnification of, and procurement of insurance coverage for, our directors and officers must be approved by our audit committee and board of directors and, in specified circumstances, by our shareholders.

Letters of Indemnification

We may provide a commitment to indemnify in advance any director or officer of ours in the course of such person's position as our director or officer, all subject to the letter of indemnification, as approved by our shareholders from time to time and in accordance with our articles of association. We may provide retroactive indemnification to any officer to the extent allowed by the Israeli Companies Law. As approved by our shareholders on July 18, 2013, the amount of the advance indemnity is limited to the higher of 25% of our then shareholders' equity, per our most recent annual financial statements, or $5 million.

As part of the indemnification letters, we exempted our directors and officers, in advance, to the extent permitted by law, from any liability for any damage incurred by them, either directly or indirectly, due to the breach of an officer's or director's duty of care *vis-à-vis* us, within his acts in his capacity as an officer or director. The letter provides that so long as not permitted by law, we do not exempt an officer or director in advance from his liability to us for a breach of the duty of care upon distribution, to the extent applicable to the officer or director, if any. The letter also exempts an officer or director from any liability for any damage incurred by him, either directly or indirectly, due to the breach of the officer or director's duty of care *vis-à-vis* us, by his acts in his capacity as an officer or director prior to the letter of exemption and indemnification becoming effective.

D. Employees

As of December 31, 2019, we had 155 employees, of which 15 employees and two consultants provide services in Israel and 128 in the U.S. In addition, we also received services from 10 consultants, of which four are in the U.S., 5 in Canada and one in Belgium.

	As of December 31,					
	2017		2018		2019	
	Company Employees	Consultants	Company Employees	Consultants	Company Employees	Consultants
Management and administration	12	—	12	—	13	—
Research and development	2	17	2	16	2	12
Commercial operations	60	3	61	—	128	—

While none of our employees are party to a collective bargaining agreement, certain provisions of the collective bargaining agreements between the Histadrut (General Federation of Labor in Israel) and the Coordination Bureau of Economic Organizations (including the Industrialists' Associations) are applicable to our employees by order of the Israel Ministry of Labor. These provisions primarily concern the length of the workday, minimum daily wages for professional workers, pension fund benefits for all employees, insurance for work-related accidents, procedures for dismissing employees, determination of severance pay and other conditions of employment. We generally provide our employees with benefits and working conditions beyond the required minimums.

We have never experienced any employment-related work stoppages and believe our relationship with our employees is good.

E. Share Ownership

The following table sets forth information regarding the beneficial ownership of our outstanding Ordinary Shares as of March 3, 2020, of each of our directors and executive officers individually and as a group based on information provided to us by our directors and executive officers. The information in this table is based on 352,695,668 Ordinary Shares outstanding as of such date. The number of Ordinary Shares beneficially owned by a person includes Ordinary Shares subject to options held by that person that were currently exercisable at, or exercisable within 60 days of March 3, 2020. The Ordinary Shares issuable under these options are treated as if they were outstanding for purposes of computing the percentage ownership of the person holding these options but not the percentage ownership of any other person. None of the holders of the Ordinary Shares listed in this table have voting rights different from other holders of the Ordinary Shares.

	Number of Shares Beneficially Held	Percent of Class
Directors		
Dr. Kenneth Reed (1)	7,719,910	2.19 %
Dr. Shmuel Cabilly (2)	5,418,268	1.53 %
Eric Swenden (3)	1,317,840	*
Ofer Tsimchi (4)	487,500	*
Nicolas A. Weinstein (5)	377,630	*
Alla Felder	—	—
Giuseppe Cipriano	—	—
Executive officers		
Dror Ben-Asher (6)	7,643,780	2.14 %
Reza Fathi, Ph.D. (7)	2,070,000	*
Adi Frish (8)	1,586,250	*
Gilead Raday (9)	1,331,710	*
Guy Goldberg (10)	1,206,250	*
Micha Ben Chorin (11)	706,250	*
Rick D. Scruggs (12)	397,500	*
June Almenoff (13)	95,000	*
All directors and executive officers as a group (14 persons)	30,357,888	8.30 %

* Less than 1.0%

(1) Includes options to purchase 352,500 Ordinary Shares exercisable within 60 days of March 3, 2020. The exercise price of these options ranges between $0.92 and $1.48 per share and the options expire between 2020 and 2029. Number of shares beneficially held also includes shares held by family members.

(2) Includes options to purchase 375,000 Ordinary Shares exercisable within 60 days of March 3, 2020. The exercise price of these options ranges between $1.09 and $1.48 per share and the options expire between 2021 and 2024.

(3) Includes options to purchase 258,750 Ordinary Shares exercisable within 60 days of March 3, 2020. The exercise price of these options ranges between $0.92 and $1.48 per share and the options expire between 2020 and 2029.

(4) Includes options to purchase 487,500 Ordinary Shares exercisable within 60 days of March 3, 2020. The exercise price of these options ranges between $0.92 and $1.58 per share and the options expire between 2021 and 2029.

(5) Includes options to purchase 97,500 Ordinary Shares exercisable within 60 days of March 3, 2020. The exercise price of these options ranges between $0.92 and $1.09 per share and the options expire between 2024 and 2029.

(6) Includes options to purchase 4,358,750 Ordinary Shares exercisable within 60 days of March 3, 2020. The exercise price of these options ranges between $0.65 and $1.48 per share and the options expire between 2020 and 2029.

(7) Includes options to purchase 1,800,000 Ordinary Shares exercisable within 60 days of March 3, 2020. The exercise price of these options ranges between $0.65 and $1.56 per share, and the options expire between 2020 and 2029.

(8) Includes options to purchase 1,406,250 Ordinary Shares exercisable within 60 days of March 3, 2020. The exercise price of these options ranges between $0.65 and $1.56 per share and the options expire between 2020 and 2029.

(9) Includes options to purchase 1,331,710 Ordinary Shares exercisable within 60 days of March 3, 2020. The exercise price of these options ranges between $0.65 and $1.56 per share and the options expire between 2020 and 2029.
(10) Includes options to purchase 1,206,250 Ordinary Shares exercisable within 60 days of March 3, 2020. The exercise price of these options ranges between $0.65 and $1.56 per share, and the options expire between 2020 and 2029.
(11) Includes options to purchase 706,250 Ordinary Shares exercisable within 60 days of March 3, 2020. The exercise price of these options ranges between $0.65 and $1.41 per share and the options expire between 2023 and 2029.
(12) Includes options to purchase 397,500 Ordinary Shares exercisable within 60 days of March 3, 2020. The exercise price of these options ranges between $0.89 and $1.28 per share and the options expire between 2023 and 2024.
(13) Includes options to purchase 87,850 Ordinary Shares exercisable within 60 days of March 3, 2020. The exercise price of these options ranges between $0.80 and $1.41 per share and the options expire between 2023 and 2029.

Award Plans

2010 Award Plan

In 2010, we adopted the RedHill Biopharma Ltd. 2010 Option Plan (later amended and restated as the 2010 Award Plan). The 2010 Award Plan provides for the granting of Ordinary Shares, ADSs, stock options under various tax regimes in Israel and the U.S., restricted shares, and other share-based awards to our directors, officers, employees, consultants and service providers and individuals who are their employees, and to the directors, officers, employees, consultants and service providers of our subsidiaries and affiliates. The 2010 Award Plan provides for awards to be issued at the determination of our board of directors in accordance with applicable laws. As of March 3, 2020, there were 41,983,984 Ordinary Shares issuable upon the exercise of outstanding awards under the 2010 Award Plan. Our board of directors has approved an increase in the number of Ordinary Shares reserved for issuance under our 2010 Award Plan (including Ordinary Shares subject to outstanding options under such plan) to 59,206,448 Ordinary Shares and has approved an amendment to the plan granting the board of directors the discretion to reprice outstanding share-based awards granted under the plan and to make other changes to outstanding share-based awards that are authorized by the plan and do not adversely affect the rights or obligations of a grantee without his or her consent. The Company expects to submit these amendments for shareholder approval in connection with the grant under the plan of incentive stock options under the U.S. Internal Revenue Code.

Administration of Our 2010 Award Plan

Our 2010 Award Plan is administered by our compensation committee regarding the granting of awards and the terms of awards grants, including the exercise price, method of payment, vesting schedule, acceleration of vesting and the other matters necessary in the administration of these plans. Options granted under the 2010 Award Plan to eligible Israeli employees, directors and officers are granted under Section 102 of the Israel Income Tax Ordinance pursuant to which the options or the Ordinary Shares issued upon their exercise must be allocated or issued to a trustee and be held in trust for two years from the date upon which such options were granted in order to benefit from the provisions of Section 102. Under Section 102, any tax payable by an employee from the grant or exercise of the options is deferred until the transfer of the options or Ordinary Shares by the trustee to the employee or upon the sale of the options or Ordinary Shares, and gains may qualify to be taxed as capital gains at a rate equal to 25%, subject to compliance with specified conditions. See “Item 10. Additional Information – E. Taxation – Israeli Tax Considerations.”

Options granted under the 2010 Award Plan as amended generally vest over a period of 4 years and expire ten (10) years after the grant date. The 2010 Award Plan, however, permits options to have a term of up to 10 years. If we terminate a grantee for cause (as such term is defined in the 2010 Award Plan) the right to exercise all the options granted to the grantee, the grantee’s vested and unvested options will expire immediately, on the earlier of:

- termination of the engagement; or
- the date of the notice of the termination of the engagement.

Upon termination of employment for any other reason, other than in the event of death, disability, retirement after the age of 60, a merger or other change in control approved by the board of directors, or for cause, all unvested options will expire

and all vested options will generally be exercisable for 90 days following termination, or such other period as determined by the plan administrator, subject to the terms of the 2010 Award Plan and the governing option agreement.

Upon termination in the event of a merger or other change in control approved by the board of directors, the grantee will be entitled at the time of termination to full acceleration of all the options granted prior to the event.

Under our 2010 Award Plan, as amended, in the event any person, entity or group that was not an interested party at the time of our initial public offering on the TASE becoming a controlling shareholder, all options granted by us under the plan will be accelerated, so that the grantee will be entitled to exercise all of those options. A "controlling shareholder" in this paragraph is a controlling shareholder, as defined in the Israel Securities Law, 1968. An "interested party" is defined in the Securities Law and includes, among others:

- a holder of 5% or more of the outstanding shares or voting rights of an entity;
- a person entitled to appoint one or more of the directors or chief executive officer of an entity;
- a director of an entity or its chief executive officer;
- an entity, in which an individual referred to above holds 25% or more of its outstanding shares or voting rights, or is entitled to appoint 25% or more of its directors; or
- a person who initiated the establishment of the entity.

Upon termination of employment due to death or disability, or retirement after the age of 60, subject to the board of directors' approval, all the vested options at the time of termination will be exercisable for 24 months, or such other period as determined by the plan administrator, subject to the terms of the 2010 Award Plan and the governing option agreement.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

The following table sets forth certain information regarding the beneficial ownership of our outstanding Ordinary Shares as of March 3, 2020, by each person or entity known to beneficially own 5.0% or more of our outstanding Ordinary Shares. The information with respect to beneficial ownership of the Ordinary Shares is given based on information reported in such shareholder's Schedule 13G, and if no Schedule 13G was filed, based on the information provided to us by the shareholders.

The information in this table is based on 352,695,668 Ordinary Shares outstanding as of such date. In determining the number of Ordinary Shares beneficially owned by a person, we include any shares as to which the person has sole or shared voting power or investment power, as well as any Ordinary Shares subject to options or warrants held by that person that were currently exercisable at, or exercisable within 60 days of March 3, 2020. The Ordinary Shares issuable under these options and warrants are treated as if they were outstanding for purposes of computing the percentage ownership of the person holding these options and warrants but not the percentage ownership of any other person. None of the holders of the Ordinary Shares listed in this table have voting rights different from other holders of Ordinary Shares.

	Number of Shares Beneficially Held	Percent of Class
COSMO Pharmaceuticals N.V. (1)	69,000,010	19.56 %
First Investments Holding Ltd. (2)	39,285,710	11.14
Disciplined Growth Investors, Inc. (3)	18,523,620	5.25
Ibex Investment Holdings LLC (4)	17,700,000	5.02

(1) The address of COSMO Pharmaceuticals N.V. is Riverside II, Sir John Rogerson's Quay, Dublin, Ireland.
(2) The address of First Investments Holding Ltd. is 2nd Floor, Strathvale House, 90 North Church Street, P.O. Box 1103, Cayman Islands.
(3) The address of Disciplined Growth Investors, Inc. is 150 south fifth street, Minneapolis, MN 55402.

(4) The address of Ibex Investment Holdings LLC is 3200 Cherry Creek South Drive, Suite 670, Denver, CO 80209.

On March 3, 2020, 14,450,934 ADSs (equivalent to 144,509,340 Ordinary Shares, or approximately 41% of our total issued and outstanding Ordinary Shares), were held of record by three record holders in the U.S., of which two holders had a U.S. address. As of March 3, 2020, there was one shareholder of record of our Ordinary Shares who was located in Israel. The number of record holders is not at all representative of the number of beneficial holders of our ADSs or Ordinary Shares because many of the ADSs and Ordinary Shares are held by brokers or other nominees.

On October 17, 2019, we entered into a strategic collaboration with Cosmo, which includes an exclusive license agreement for the U.S. rights to Aemcolo® and a simultaneous private investment by Cosmo of $36.3 million in the Company. Cosmo was issued an aggregate of 6,900,001 ADSs (represented by 69,000,010 ordinary shares) in connection with the license agreement and private investment. See "Item 4. Information on the Company – B. Business Overview – B. Business Overview Acquisition, Commercialization and License Agreements – Exclusive License Agreement for Aemcolo®."

B. Related Party Transactions

November 2017 Public Offering

In our underwritten public offering which closed on November 13, 2017, (i) Mr. Eric Swenden, one of our directors, purchased 90,909 ADSs, (ii) Dr. Shmuel Cabilly, one of our directors, purchased 90,909 ADSs, and (iii) Mr. Nicolas Weinstein, one of our directors, purchased 27,272 ADSs. The terms of the issuance, as well as the discount received by the underwriters for these shares, were the same as those offered to the public. For more information on the underwritten public offering, please see "Item 5. Operating and Financial Review and Prospects – B. Liquidity and Capital Resources."

C. Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Financial Statements and Other Financial Information

The financial statements required by this item are found at the end of this Annual Report, beginning on page F-1.

Legal Proceedings

From time to time, we may become a party to legal proceedings and claims in the ordinary course of business. We are not currently a party to any significant legal proceedings.

Dividend Policy

We have never declared or paid cash dividends to our shareholders. Currently, we do not intend to pay cash dividends. We currently intend to reinvest any future earnings, if any, in developing and expanding our business. Any future determination relating to our dividend policy will be at the discretion of our board of directors and will depend on a number of factors, including future earnings, if any, our financial condition, operating results, contractual restrictions, capital requirements, business prospects, applicable Israeli law and other factors our board of directors may deem relevant.

B. Significant Changes

Except as otherwise disclosed in this Annual Report, no significant change has occurred since December 31, 2019.

ITEM 9. THE OFFER AND LISTING

A. Offer and Listing Details

Our Ordinary Shares were traded on the TASE under the symbol “RDHL” from February 2011 to February 2020 and were voluntarily delisted from trading on the TASE, effective February 13, 2020. Our ADSs were traded on the Nasdaq Capital Market under the symbol “RDHL” from December 27, 2012, and have been listed on the Nasdaq Global Market under the same symbol since July 20, 2018.

B. Plan of Distribution

Not applicable.

C. Markets

Our ADSs, each representing ten Ordinary Shares and evidenced by an American depositary receipt, or ADR, are traded on the Nasdaq Global Market under the symbol “RDHL.” The ADRs were issued pursuant to a Depositary Agreement entered into with The Bank of New York Mellon.

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

Securities Registers

The transfer agent and registrar for our ADSs is The Bank of New York Mellon, and its address is 101 Barclay Street, New York, NY.

Objects and Purposes

According to Section 4 of our articles of association, we shall engage in any legal business. Our number with the Israeli Registrar of Companies is 514304005.

Private Placements

Under the Israeli Companies Law, if (i) as a result of a private placement a person would become a controlling shareholder or (ii) a private placement will entitle investors to receive 20% or more of the voting rights of a company as calculated

before the private placement, and all or part of the private placement consideration is not in cash or in public traded securities or is not in market terms and if as a result of the private placement the holdings of a substantial shareholder will increase or as a result of it a person will become a substantial shareholder, then, in either case, the allotment must be approved by the board of directors and by the shareholders of the company. A "substantial shareholder" is defined as a shareholder who holds five percent or more of the company's outstanding share capital, assuming the exercise of all of the securities convertible into shares held by that person. In order for the private placement to be on "market terms" the board of directors has to determine, on the basis of detailed explanation, that the private placement is on market terms, unless proven otherwise.

Board of Directors

Under our articles of association, resolutions by the board of directors are decided by a majority of votes of the directors present, or participating, in the case of voting by media, and voting, each director having one vote.

In addition, the Israeli Companies Law requires that certain transactions, actions, and arrangements be approved as provided for in a company's articles of association and in certain circumstances by the compensation or audit committee and by the board of directors itself. Those transactions that require such approval pursuant to a company's articles of association must be approved by its board of directors. In certain circumstances, compensation or audit committee and shareholder approval are also required. See "Item 6. Directors, Senior Management and Employees – C. Board Practices."

The Israeli Companies Law requires that a member of the board of directors or senior management of the company promptly and, in any event, not later than the first board meeting at which the transaction is discussed, disclose any personal interest that he or she may have, either directly or by way of any corporation in which he or she is, directly or indirectly, a 5% or greater shareholder, director or general manager or in which he or she has the right to appoint at least one director or the general manager, as well as all related material information known to him or her, in connection with any existing or proposed transaction by the company. In addition, if the transaction is an extraordinary transaction, (that is, a transaction other than in the ordinary course of business, otherwise than on market terms, or is likely to have a material impact on the company's profitability, assets or liabilities), the member of the board of directors or senior management must also disclose any personal interest held by his or her spouse, siblings, parents, grandparents, descendants, spouse's descendants, siblings and parents, and the spouses of any of the foregoing.

Once the member of the board of directors or senior management complies with the above disclosure requirement, a company may approve the transaction in accordance with the provisions of its articles of association. Under the provisions of the Israeli Companies Law, whoever has a personal interest in a matter, which is considered at a meeting of the board of directors or the audit committee, may not be present at this meeting or vote on this matter, unless it is not an extraordinary transaction as defined in the Israeli Companies Law. However, if the chairman of the board of directors or the chairman of the audit committee has determined that the presence of a director or an officer with a personal interest is required for the presentation of a matter, such officer holder may be present at the meeting. Notwithstanding the foregoing, if the majority of the directors have a personal interest in a matter, they will be allowed to participate and vote on this matter, but an approval of the transaction by the shareholders in the general meeting will be required.

Our articles of association provide that, subject to the Israeli Companies Law, all actions executed in good faith by the board of directors or by a committee thereof or by any person acting as a director or a member of a committee of the board of directors, will be deemed to be valid even if, after their execution, it is discovered that there was a flaw in the appointment of these persons or that any one of these persons was disqualified from serving in his or her office.

Our articles of association provide that, subject to the provisions of the Israeli Companies Law, the board of directors may appoint board of directors' committees. The committees of the board of directors report to the board of directors their resolutions or recommendations on a regular basis, as prescribed by the board of directors. The board of directors may cancel the resolution of a committee that has been appointed by it; however, such cancellation will not affect the validity of any resolution of a committee, pursuant to which we acted, vis-à-vis another person, who was not aware of the cancellation thereof. Decisions or recommendations of the committee of the board which require the approval of the board of directors will be brought to the directors' attention a reasonable time prior to the discussion at the board of directors.

According to the Israeli Companies Law, a contract of a company with its directors, regarding their conditions of service, including the grant to them of exemption from liability from certain actions, insurance, and indemnification as well as the company's contract with its directors on conditions of their employment, in other capacities, require the approval of the compensation committee, the board of directors, and the shareholders by a Special Majority.

Description of Securities

Ordinary Shares

Our registered share capital is NIS 6,000,000, divided into (i) 594,000,000 registered Ordinary Shares of NIS 0.01 par value each, and (ii) 6,000,000 preferred shares of NIS 0.01 par value each.".

The Ordinary Shares do not have preemptive rights, preferred rights or any other right to purchase our securities. Neither our articles of association nor the laws of the State of Israel restrict the ownership or voting of Ordinary Shares by non-residents of Israel, except for subjects of countries that are enemies of Israel.

Transfer of Shares. Fully paid Ordinary Shares are issued in registered form and may be freely transferred pursuant to our articles of association unless that transfer is restricted or prohibited by another instrument.

Notices. Under the Israeli Companies Law and our articles of association, we are required to publish notices in two Hebrew-language daily newspapers or our website at least 21 calendar days' prior notice of a shareholders' meeting. However, under regulations promulgated under the Israeli Companies Law, we are required to publish a notice in two daily newspapers at least 35 calendar days prior any shareholders' meeting in which the agenda includes matters which may be voted on by voting instruments. Regulations under the Israeli Companies Law exempt companies whose shares are listed for trading both on a stock exchange in and outside of Israel, from some provisions of the Israeli Companies Law. An amendment to these regulations exempts us from the requirements of the Israeli proxy regulation, under certain circumstances.

According to the Israeli Companies Law and the regulations promulgated thereunder, for purposes of determining the shareholders entitled to notice and to vote at such meeting, the board of directors may fix the record date not more than 40 nor less than four calendar days prior to the date of the meeting, provided that an announcement regarding the general meeting be given prior to the record date.

Election of Directors. The number of directors on the board of directors shall be no less than five and no more than eleven, including any external directors whose appointment is required by law. The general meeting is entitled, at any time and from time to time, in a resolution approved by a majority of 75% or more of the votes cast by those shareholders present and voting at the meeting in person, by proxy or by a voting instrument, not taking into consideration abstaining votes, to change the minimum or maximum number of directors as stated above as well as to amend the board classification under our Articles. A simple majority shareholder vote is required to elect a director for a term of less than three years. For more information, please see "Item 6. Directors, Senior Management and Employees – C. Board Practices – Appointment of Directors and Terms of Office."

Dividend and Liquidation Rights. Our profits, in respect of which a resolution was passed to distribute them as a dividend or bonus shares, are to be paid pro rata to the amount paid or credited as paid on account of the nominal value of shares held by the shareholders. In the event of our liquidation, the liquidator may, with the general meeting's approval, distribute parts of our property in specie among the shareholders and he may, with similar approval, deposit any part of our property with trustees in favor of the shareholders as the liquidator, with the approval mentioned above deems fit. The terms of our term loan facility prohibit us from paying dividends.

Voting, Shareholders' Meetings and Resolutions. Holders of Ordinary Shares are entitled to one vote for each Ordinary Share held on all matters submitted to a vote of shareholders. The quorum required for an ordinary meeting of shareholders consists of at least two shareholders present, in person or by proxy, or who has sent us a voting instrument indicating the way in which he is voting, who hold or represent, in the aggregate, at least 25% of the voting rights of our outstanding share capital. A meeting adjourned for lack of a quorum is adjourned to the following day at the same time and place or

any time and place as prescribed by the board of directors in the notice to the shareholders. At the reconvened meeting one shareholder at least, present in person or by proxy constitutes a quorum except where such meeting was called at the demand of shareholders. With the agreement of a meeting at which a quorum is present, the chairman may, and on the demand of the meeting he must, adjourn the meeting from time to time and from place to place, as the meeting resolves. Annual general meetings of shareholders are held once every year within a period of not more than 15 months after the last preceding annual general shareholders' meeting. The board of directors may call special general meetings of shareholders. The Israeli Companies Law provides that a special general meeting of shareholders may be called by the board of directors or by a request of two directors or 25% of the directors in office, whichever is the lower, or by shareholders holding at least 5% of our issued share capital and at least 1% of the voting rights, or of shareholders holding at least 5% of our voting rights.

An ordinary resolution requires approval by the holders of a majority of the voting rights present, in person or by proxy, at the meeting and voting on the resolution.

Allotment of Shares. Our board of directors has the power to allot or to issue shares to any person, with restrictions and conditions as it deems fit.

Acquisitions under Israeli Law

Full Tender Offer

A person wishing to acquire shares of an Israeli public company and who would as a result hold over 90% of the target company's issued and outstanding share capital is required by the Israeli Companies Law to make a tender offer to all of the company's shareholders for the purchase of all of the issued and outstanding shares of the company.

A person wishing to acquire shares of an Israeli public company and who would as a result hold over 90% of the issued and outstanding share capital of a certain class of shares is required to make a tender offer to all of the shareholders who hold shares of the same class for the purchase of all of the issued and outstanding shares of the same class.

If the shareholders who do not respond to or accept the offer hold less than 5% of the issued and outstanding share capital of the company or of the applicable class of the shares, and more than half of the shareholders who do not have a personal interest in the offer accept the offer, all of the shares that the acquirer offered to purchase will be transferred to the acquirer by operation of law. However, a tender offer will be accepted if the shareholders who do not accept it hold less than 2% of the issued and outstanding share capital of the company or of the applicable class of the shares.

Upon a successful completion of such a full tender offer, any shareholder that was an offeree in such tender offer, whether such shareholder accepted the tender offer or not, may, within six months from the date of acceptance of the tender offer, petition the Israeli court to determine whether the tender offer was for less than fair value and that the fair value should be paid as determined by the court. However, under certain conditions, the offeror may determine in the terms of the tender offer that an offeree who accepted the offer will not be entitled to petition the Israeli court as described above.

If the shareholders who did not respond or accept the tender offer hold at least 5% of the issued and outstanding share capital of the company or of the applicable class, the acquirer may not acquire shares of the company that will increase its holdings to more than 90% of the company's issued and outstanding share capital or of the applicable class from shareholders who accepted the tender offer.

The description above regarding a full tender offer will also apply, with necessary changes, when a full tender offer is accepted, and the offeror has also offered to acquire all of the company's securities.

Special Tender Offer

The Israeli Companies Law provides that an acquisition of shares of an Israeli public company must be made by means of a special tender offer if as a result of the acquisition the purchaser would become a holder of at least 25% of the voting

rights in the company. This rule does not apply if there is already another holder of at least 25% of the voting rights in the company.

Similarly, the Israeli Companies Law provides that an acquisition of shares of a public company must be made by means of a special tender offer if as a result of the acquisition the purchaser would become a holder of more than 45% of the voting rights in the company, if there is no other shareholder of the company who holds more than 45% of the voting rights in the company.

These requirements do not apply if the acquisition (i) occurs in the context of a private offering, on the condition that the shareholders meeting approved the acquisition as a private offering whose purpose is to give the acquirer at least 25% of the voting rights in the company if there is no person who holds at least 25% of the voting rights in the company, or as a private offering whose purpose is to give the acquirer 45% of the voting rights in the company, if there is no person who holds 45% of the voting rights in the company; (ii) was from a shareholder holding at least 25% of the voting rights in the company and resulted in the acquirer becoming a holder of at least 25% of the voting rights in the company; or (iii) was from a holder of more than 45% of the voting rights in the company and resulted in the acquirer becoming a holder of more than 45% of the voting rights in the company.

The special tender offer may be consummated only if (i) at least 5% of the voting power attached to the company's outstanding shares will be acquired by the offeror and (ii) the special tender offer is accepted by a majority of the votes of those offerees who gave notice of their position in respect of the offer; in counting the votes of offerees, the votes of a holder in control of the offeror, a person who has personal interest in acceptance of the special tender offer, a holder of at least 25% of the voting rights in the company, or any person acting on their or on the offeror's behalf, including their relatives or companies under their control, are not taken into account.

In the event that a special tender offer is made, a company's board of directors is required to express its opinion on the advisability of the offer or must abstain from expressing any opinion if it is unable to do so, provided that it gives the reasons for its abstention.

An officer in a target company who, in his or her capacity as an officer, performs an action the purpose of which is to cause the failure of an existing or foreseeable special tender offer or is to impair the chances of its acceptance, is liable to the potential purchaser and shareholders for damages resulting from his acts, unless such officer acted in good faith and had reasonable grounds to believe he or she was acting for the benefit of the company. However, officers of the target company may negotiate with the potential purchaser in order to improve the terms of the special tender offer, and may further negotiate with third parties in order to obtain a competing offer.

If a special tender offer was accepted by a majority of the shareholders who announced their stand on such offer, then shareholders who did not respond to the special offer or had objected to the special tender offer may accept the offer within four days of the last day set for the acceptance of the offer. In the event that a special tender offer is accepted, then the purchaser or any person or entity controlling it and any corporation controlled by them must refrain from making a subsequent tender offer for the purchase of shares of the target company and may not execute a merger with the target company for a period of one year from the date of the offer unless the purchaser or such person or entity undertook to effect such an offer or merger in the initial special tender offer.

Merger

The Israeli Companies Law permits merger transactions if approved by each party's board of directors and, unless certain requirements described under the Israeli Companies Law are met, a majority of each party's shareholders, by a majority of each party's shares that are voted on the proposed merger at a shareholders' meeting.

The board of directors of a merging company is required pursuant to the Israeli Companies Law to discuss and determine whether in its opinion there exists a reasonable concern that, as a result of a proposed merger, the surviving company will not be able to satisfy its obligations toward its creditors, taking into account the financial condition of the merging companies. If the board of directors has determined that such a concern exists, it may not approve a proposed merger.

Following the approval of the board of directors of each of the merging companies, the boards of directors must jointly prepare a merger proposal for submission to the Israeli Registrar of Companies.

For purposes of the shareholder vote, unless a court rules otherwise, the merger will not be deemed approved if a majority of the shares voting at the shareholders meeting (excluding abstentions) that are held by parties other than the other party to the merger, any person who holds 25% or more of the means of control (see "Management – Audit Committee – Approval of Transactions with Related Parties" for a definition of means of control) of the other party to the merger or anyone on their behalf including their relatives (see "Management – External Directors – Qualifications of External Directors" for a definition of relatives) or corporations controlled by any of them, vote against the merger.

In addition, if the non-surviving entity of the merger has more than one class of shares, the merger must be approved by each class of shareholders. If the transaction would have been approved but for the separate approval of each class of shares or the exclusion of the votes of certain shareholders as provided above, a court may still rule that the company has approved the merger upon the request of holders of at least 25% of the voting rights of a company, if the court holds that the merger is fair and reasonable, taking into account the appraisal of the merging companies' value and the consideration offered to the shareholders.

Under the Israeli Companies Law, each merging company must send a copy of the proposed merger plan to its secured creditors. Unsecured creditors are entitled to receive notice of the merger, as provided by the regulations promulgated under the Israeli Companies Law. Upon the request of a creditor of either party to the proposed merger, the court may delay or prevent the merger if it concludes that there exists a reasonable concern that, as a result of the merger, the surviving company will be unable to satisfy the obligations of the target company. The court may also give instructions in order to secure the rights of creditors.

In addition, a merger may not be completed unless at least 50 days have passed from the date that a proposal for approval of the merger was filed with the Israeli Registrar of Companies and 30 days from the date that shareholder approval of both merging companies was obtained.

Anti-takeover Measures

The Israeli Companies Law allows us to create and issue shares having rights different from those attached to our Ordinary Shares, including shares providing certain preferred or additional rights to voting, distributions or other matters and shares having preemptive rights. We have 6,000,000 authorized unissued preferred shares. Our authorized preferred shares, and any other class of shares other than Ordinary Shares that we may create and issue in the future, depending on the specific rights that may be attached to them, may delay or prevent a takeover or otherwise prevent our shareholders from realizing a potential premium over the market value of their Ordinary Shares. The authorization of a new class of shares will require an amendment to our articles of association which requires the prior approval of a majority of our shares represented and voting at a general meeting. Shareholders voting at such a meeting will be subject to the restrictions under the Israeli Companies Law described in "– Voting." In addition, provisions of our articles of our association relating to the election of our directors for terms of three years make it more difficult for a third party to effect a change in control or takeover attempt that our management and board of directors oppose. See "Item 6. Directors, Senior Management and Employees – C. Board Practices – Appointment of Directors and Terms of Officers."

C. Material Contracts

For a description of other material agreements, please see "Item 4. Information on the Company – B. Business Overview.

D. Exchange Controls

Israeli law and regulations do not impose any material foreign exchange restrictions on non-Israeli holders of our Ordinary Shares. Dividends, if any, paid to holders of our Ordinary Shares, and any amounts payable upon our dissolution, liquidation or winding up, as well as the proceeds of any sale in Israel of our Ordinary Shares to an Israeli resident, may be paid in non-Israeli currency or, if paid in Israeli currency, may be converted into U.S. dollars at the rate of exchange prevailing at the time of conversion.

E. Taxation

Israeli Tax Considerations

General

The following is a summary of the material tax consequences under Israeli law concerning the purchase, ownership and disposition of our Ordinary Shares or American Depositary Shares (collectively, the "Shares").

This discussion does not purport to constitute a complete analysis of all potential tax consequences applicable to investors upon purchasing, owning or disposing of our Shares. In particular, this discussion does not take into account the specific circumstances of any particular investor (such as tax-exempt entities, financial institutions, certain financial companies, broker-dealers, investors that own, directly or indirectly, 10% or more of our outstanding voting rights, all of whom are subject to special tax regimes not covered under this discussion). To the extent that issues discussed herein are based on legislation that has yet to be subject to judicial or administrative interpretation, there can be no assurance that the views expressed herein will accord with any such interpretation in the future.

Potential investors are urged to consult their own tax advisors as to the Israeli or other tax consequences of the purchase, ownership, and disposition of the Shares, including, in particular, the effect of any foreign, state or local taxes.

General Corporate Tax Structure in Israel

Israeli companies are generally subject to corporate tax on their taxable income at the rate of 23% for the 2019 tax year.

Taxation of Shareholders

Capital gains

Capital gains tax is imposed on the disposition of capital assets by an Israeli resident and on the disposition of such assets by a non-Israeli resident if those assets are (i) located in Israel; (ii) are shares or a right to a share in an Israeli resident corporation, or (iii) represent, directly or indirectly, rights to assets located in Israel, unless an exemption is available or unless an applicable double tax treaty between Israel and the seller's country of residence provides otherwise. The Israeli Income Tax Ordinance distinguishes between "Real Gain" and the "Inflationary Surplus." Real Gain is the excess of the total capital gain over Inflationary Surplus generally computed on the basis of the increase in the Israeli Consumer Price Index between the date of purchase and the date of disposition. Inflationary Surplus is not subject to tax.

Real Gain accrued by individuals on the sale of the Shares will be taxed at the rate of 25%. However, if the individual shareholder is a "Controlling Shareholder" (i.e., a person who holds, directly or indirectly, alone or together with another, 10% or more of one of the Israeli resident company's means of control) at the time of sale or at any time during the preceding 12-month period, such gain will be taxed at the rate of 30%.

Corporate and individual shareholders dealing in securities in Israel are taxed at the tax rates applicable to business income (23% in 2019 and thereafter), and a marginal tax rate of up to 50% in 2019 for individuals, including an excess tax (as discussed below).

Notwithstanding the foregoing, capital gains generated from the sale of our Shares by a non-Israeli shareholder may be exempt from Israeli tax under the Israeli Income Tax Ordinance provided that the following cumulative conditions are met: (i) the Shares were purchased upon or after the registration of the Shares on the stock exchange (this condition will not apply to shares purchased on or after January 1, 2009) and (ii) the seller does not have a permanent establishment in Israel to which the generated capital gain is attributed. However, non-Israeli resident corporations will not be entitled to the foregoing exemption if Israeli residents: (i) have a 25% or more interest in such non-Israeli corporation or (ii) are the beneficiaries of, or are entitled to, 25% or more of the income or profits of such non-Israeli corporation, whether directly or indirectly. In addition, such exemption would not be available to a person whose gains from selling or otherwise disposing of the securities are deemed to be business income.

In addition, the sale of the Shares may be exempt from Israeli capital gains tax under the provisions of an applicable double tax treaty. For example, the Convention Between the Government of the United States of America and the Government of the State of Israel with Respect to Taxes on Income, or the U.S.-Israel Double Tax Treaty, exempts a U.S. resident (for purposes of the U.S.-Israel Double Tax Treaty) from Israeli capital gain tax in connection with the sale of the Shares, provided that: (i) the U.S. resident owned, directly or indirectly, less than 10% of the voting power of the company at any time within the 12-month period preceding such sale; (ii) the U.S. resident, being an individual, is present in Israel for a period or periods of less than 183 days during the taxable year; and (iii) the capital gain from the sale was not derived through a permanent establishment of the U.S. resident in Israel; however, under the U.S.-Israel Double Tax Treaty, the taxpayer would be permitted to claim a credit for such taxes against the U.S. federal income tax imposed with respect to such sale, exchange or disposition, subject to the limitations under U.S. law applicable to foreign tax credits. The U.S.-Israel Double Tax Treaty does not relate to U.S. state or local taxes.

Payers of consideration for the Shares, including the purchaser, the Israeli stockbroker or the financial institution through which the Shares are held, are obligated, subject to certain exemptions, to withhold tax upon the sale of Shares at a rate of 25% of the consideration in the event the seller is an individual, and a rate of 23% (in 2019) of the consideration, in the event the seller is a corporation.

Upon the sale of traded securities, a detailed return, including a computation of the tax due, must be filed and an advanced payment must be paid to the Israeli Tax Authority on January 31 and July 31 of every tax year in respect of sales of traded securities made within the previous six months. However, if all tax due was withheld at source according to applicable provisions of the Israeli Income Tax Ordinance and regulations promulgated thereunder, such return need not be filed, and no advance payment must be paid. Capital gains are also reportable on the annual income tax returns.

Dividends

Dividends distributed by a company to a shareholder who is an Israeli resident individual will generally be subject to income tax at a rate of 25%. However, a 30% tax rate will apply if the dividend recipient is a Controlling Shareholder, as defined above, at the time of distribution or at any time during the preceding 12-month period. If the recipient of the dividend is an Israeli resident corporation, such dividend will generally be exempt from Israeli income tax provided that the income from which such dividend is distributed, derived or accrued within Israel.

Dividends distributed by an Israeli resident company to a non-Israeli resident (either an individual or a corporation) are generally subject to Israeli withholding tax on the receipt of such dividends at the rate of 25% (30% if the dividend recipient is a Controlling Shareholder at the time of distribution or at any time during the preceding 12-month period). These rates may be reduced under the provisions of an applicable double tax treaty. For example, under the U.S.-Israel Double Tax Treaty, the following tax rates will apply in respect of dividends distributed by an Israeli resident company to a U.S. resident: (i) if the U.S. resident is a corporation which holds during that portion of the taxable year which precedes the date of payment of the dividend and during the whole of its prior taxable year (if any), at least 10% of the outstanding shares of the voting stock of the Israeli resident paying corporation and not more than 25% of the gross income of the Israeli resident paying corporation for such prior taxable year (if any) consists of certain types of interest or dividends the tax rate is 12.5%; (ii) if both the conditions mentioned in clause (i) above are met and the dividend is paid from an Israeli resident company's income which was entitled to a reduced tax rate under The Law for the Encouragement of Capital Investments, 1959, the tax rate is 15%; and (iii) in all other cases, the tax rate is 25%. The aforementioned rates under the U.S.-Israel Double Tax Treaty will not apply if the dividend income is attributed to a permanent establishment of the U.S. resident in Israel.

Excess Tax

Individual holders who are subject to tax in Israel (whether any such individual is an Israeli resident or non-Israeli resident) and who have taxable income that exceeds a certain threshold in a tax year ((NIS 649,560 for 2019, linked to the Israeli Consumer Price Index) will be subject to an additional tax at the rate of 3% on his or her taxable income for such tax year that is in excess of such amount. For this purpose, taxable income includes taxable capital gains from the sale of securities and taxable income from interest and dividends, subject to the provisions of an applicable double tax treaty.

Estate and Gift Tax

Israel does not currently impose estate or gift taxes if the Israeli Tax Authority is satisfied that the gift was made in good faith and on condition that the recipient of the gift is not a non-Israeli resident.

Foreign Exchange Regulations

Non-residents of Israel who hold our Shares are able to receive any dividends, and any amounts payable upon the dissolution, liquidation and winding up of our affairs, repayable in non-Israeli currency at the rate of exchange prevailing at the time of conversion. However, Israeli income tax is generally required to have been paid or withheld on these amounts. In addition, the statutory framework for the potential imposition of currency exchange control has not been eliminated and may be restored at any time by administrative action.

U.S. Federal Income Tax Considerations

The following is a summary of the material U.S. federal income tax consequences relating to the ownership and disposition of our Ordinary Shares and ADSs by U.S. Holders, as defined below. This summary addresses solely U.S. Holders who acquire ADSs pursuant to this offering and who hold Ordinary Shares or ADSs, as applicable, as capital assets for U.S. federal income tax purposes. This summary is based on current provisions of the Internal Revenue Code of 1986, as amended ("Code"), current and proposed Treasury regulations promulgated thereunder, and administrative and judicial decisions as of the date hereof, all of which are subject to change, possibly on a retroactive basis. In addition, this section is based in part upon the assumption that each obligation in the deposit agreement and any related agreement will be performed in accordance with its terms. This summary does not address all U.S. federal income tax matters that may be relevant to a particular holder or all tax considerations that may be relevant with respect to an investment in our Ordinary Shares or ADSs.

This summary does not address tax considerations applicable to a holder of our Ordinary Shares or ADSs that may be subject to special tax rules including, without limitation, the following:

- dealers or traders in securities, currencies or notional principal contracts;
- financial institutions;
- insurance companies;
- real estate investment trusts;
- banks;
- persons subject to the alternative minimum tax;
- tax-exempt organizations;
- traders that have elected mark-to-market accounting;
- investors that hold Ordinary Shares or ADSs as part of a "straddle", "hedge", or "conversion transaction" with other investments;
- regulated investment companies;
- persons that actually or constructively own 10 percent or more of our shares by vote or value; and
- persons whose functional currency is not the U.S. dollar.

This summary does not address the effect of any U.S. federal taxation other than U.S. federal income taxation. In addition, this summary does not address any state, local, or foreign tax consequences to a holder of our Ordinary Shares or ADSs.

You are urged to consult your own tax advisor regarding the foreign and U.S. federal, state, and local and other tax consequences of an investment in our Ordinary Shares or ADSs.

For purposes of this summary, a "U.S. Holder" means a beneficial owner of an Ordinary Share or ADSs that is for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the U.S.;

- a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organized in the U.S. or under the laws of the U.S. or any political subdivision thereof;
- an estate, the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust (1) if (a) a court within the U.S. is able to exercise primary supervision over the administration of the trust and (b) one or more U.S. persons have the authority to control all substantial decisions of the trust or (2) that has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

If an entity that is classified as a partnership for U.S. federal tax purposes holds Ordinary Shares or ADSs, the U.S. federal tax treatment of its partners will generally depend upon the status of the partners and the activities of the partnership. Entities that are classified as partnerships for U.S. federal tax purposes and persons holding Ordinary Shares or ADSs through such entities should consult their own tax advisors.

Taxation of ADSs

Exchange of ADSs for Ordinary Shares

In general, for U.S. federal income tax purposes, if you hold ADSs, you will be treated as the holder of the underlying Ordinary Shares represented by those ADSs. Accordingly, gain or loss generally will not be recognized if you exchange ADSs for the underlying Ordinary Shares represented by those ADSs.

Distributions

Subject to the discussion under "Passive Foreign Investment Companies" below, the gross amount of any distribution, including the amount of any Israeli taxes withheld from such distribution (see "Israeli Tax Considerations"), actually or constructively received by a U.S. Holder with respect to our Ordinary Shares (or, in the case of ADSs, received by the Depositary) will be taxable to the U.S. Holder as foreign-source dividend income to the extent of our current and accumulated earnings and profits as determined under U.S. federal income tax principles. The U.S. Holder will not be eligible for any dividends received deduction in respect of the dividends paid by us. Distributions in excess of earnings and profits will be non-taxable to the U.S. Holder to the extent of the U.S. Holder's adjusted tax basis in its Ordinary Shares or ADSs. Distributions in excess of such adjusted tax basis will generally be taxable to the U.S. Holder as capital gain from the sale or exchange of property as described below under "Sale or Other Disposition of Ordinary Shares or ADSs." If we do not report to a U.S. Holder the portion of a distribution that exceeds earnings and profits, the distribution will generally be taxable as a dividend. The amount of any distribution of property other than cash will be the fair market value of that property on the date of distribution.

Under the Code, certain dividends received by non-corporate U.S. Holders will be subject to a maximum federal income tax rate of 20%. This reduced income tax rate is only applicable to dividends paid by a "qualified foreign corporation" that is not a PFIC for the year in which the dividend is paid or for the preceding taxable year, and only with respect to Ordinary Shares or ADSs held by a qualified U.S. Holder (i.e., a non-corporate holder) for a minimum holding period (generally 61 days during the 121-day period beginning 60 days before the ex-dividend date). As discussed below, however, we believe we may be a "passive foreign investment company" (see "Passive Foreign Investment Companies") for our current taxable year and future taxable years. Accordingly, dividends paid by us to non-corporate U.S. Holders may not be eligible for the reduced income tax rate applicable to qualified dividends. You should consult your own tax advisor regarding the availability of this preferential tax rate under your particular circumstances.

The amount of any distribution paid in a currency other than U.S. dollars (a "foreign currency"), including the amount of any withholding tax thereon, will be included in the gross income of a U.S. Holder in an amount equal to the U.S. dollar value of the foreign currency calculated by reference to the exchange rate in effect on the date of the U.S. Holder's (or, in the case of ADSs, the Depositary's) receipt of the dividend, regardless of whether the foreign currency is converted into U.S. dollars. If the foreign currency is converted into U.S. dollars on the date of receipt, a U.S. Holder generally should not be required to recognize a foreign currency gain or loss in respect of the dividend. If the foreign currency received in the distribution is not converted into U.S. dollars on the date of receipt, a U.S. Holder will have a basis in the foreign currency equal to its U.S. dollar value on the date of receipt. Any gain or loss on a subsequent conversion or other disposition of the foreign currency will be treated as U.S. source ordinary income or loss.

Subject to certain conditions and limitations, any Israeli taxes withheld on dividends may be creditable against a U.S. Holder's U.S. federal income tax liability, subject to generally applicable limitations. The rules relating to foreign tax credits and the timing thereof are complex. U.S. Holders should consult their own tax advisors regarding the availability of a foreign tax credit in their particular situation.

Sale or Other Disposition of Ordinary Shares and ADSs

Subject to the discussion under "Passive Foreign Investment Companies" below, if a U.S. holder sells or otherwise disposes of its Ordinary Shares or ADSs, gain or loss will be recognized for U.S. federal income tax purposes in an amount equal to the difference between the amount realized on the sale or other disposition and such holder's adjusted basis in the Ordinary Shares or ADSs. Such gain or loss generally will be a capital gain or loss and will be a long-term capital gain or loss if the holder had held the Ordinary Shares or ADSs for more than one year at the time of the sale or other disposition. Long-term capital gains realized by non-corporate U.S. Holders are generally subject to a preferential U.S. federal income tax rate. In general, gain or loss recognized by a U.S. Holder on the sale or other disposition or our Ordinary Shares or ADSs will be U.S. source gain or loss for purposes of the foreign tax credit limitation. As discussed below in "Passive Foreign Investment Companies," however, it is possible that we may be a PFIC for our current taxable year and future taxable years. If we are a PFIC, any such gain will be subject to the PFIC rules, as discussed below, rather than being taxed as a capital gain.

If a U.S. Holder receives foreign currency upon a sale or exchange of Ordinary Shares or ADSs, gain or loss will be recognized in the manner described above under "Distributions." However, if such foreign currency is converted into U.S. dollars on the date received by the U.S. Holder, the U.S. Holder generally should not be required to recognize any foreign currency gain or loss on such conversion.

As discussed above under the heading "Israeli Tax Considerations-Taxation of Shareholders," a U.S. Holder who holds Ordinary Shares or ADSs through an Israeli broker or other Israeli intermediary may be subject to Israeli withholding tax on any capital gains recognized on a sale or other disposition of the Ordinary Shares or ADSs if the U.S. Holder does not obtain approval of an exemption from the Israeli Tax Authorities or if the U.S. Holder does not claim any allowable refunds or reductions of such withholding tax. U.S. Holders are advised that any Israeli tax paid under circumstances in which an exemption from (or a refund of or a reduction in) such tax was available will not be creditable for U.S. federal income tax purposes. U.S. Holders are advised to consult their Israeli broker or intermediary regarding the procedures for obtaining an exemption or reduction.

Medicare Tax on Unearned Income

Certain U.S. Holders that are individuals, estates or trusts are required to pay an additional 3.8% tax on their net investment income, which generally includes dividends paid on the Ordinary Shares or ADSs and capital gains from the sale or other disposition of the Ordinary Shares or ADSs.

Passive Foreign Investment Companies

Although we do not anticipate being classified as a PFIC for U.S. federal income tax purposes for our current taxable year, because the PFIC determination is not made until the close of the year, it is possible that we may be classified as a PFIC for the current and future taxable years. A non-U.S. corporation is considered a PFIC for any taxable year if either:

- at least 75% of its gross income for such taxable year is passive income, or
- at least 50% of the value of its assets (based on an average of the quarterly values of the assets during a taxable year) is attributable to assets that produce or are held for the production of passive income.

For purposes of the above calculations, if a non-U.S. corporation owns, directly or indirectly, 25% or more of the total value of the outstanding shares of another corporation, it will be treated as if it (a) held a proportionate share of the assets of such other corporation and (b) received directly a proportionate share of the income of such other corporation. Passive income generally includes dividends, interest, rents, royalties and capital gains, but generally excludes rents and royalties

which are derived in the active conduct of a trade or business and which are received from a person other than a related person.

A separate determination must be made each taxable year as to whether we are a PFIC (after the close of each such taxable year). Because the value of our assets for purposes of the asset test will generally be determined by reference to the market price of our ADSs, our PFIC status will depend in large part on the market price of the ADSs, which may fluctuate significantly. Based on our retention of a significant amount of cash and cash equivalents and depending on the market price of our ADSs, we may be a PFIC for the current taxable year and future taxable years.

If we are a PFIC for any year during which you hold the ADSs or Ordinary Shares, we generally will continue to be treated as a PFIC with respect to you for all succeeding years during which you hold the ADSs or Ordinary Shares, unless we cease to be a PFIC and you make a "deemed sale" election with respect to the ADSs or Ordinary Shares you hold. If such election is made, you will be deemed to have sold the ADSs or Ordinary Shares you hold at their fair market value on the last day of the last taxable year in which we qualified as a PFIC, and any gain from such deemed sale would be subject to the consequences described below. After the deemed sale election, the ADSs or Ordinary Shares with respect to which the deemed sale election was made will not be treated as shares in a PFIC unless we subsequently become a PFIC.

For each taxable year for which we are treated as a PFIC with respect to you, you will be subject to special tax rules with respect to any "excess distribution" you receive and any gain you realize from a sale or other disposition (including a pledge) of the ADSs or Ordinary Shares, unless you make a "mark-to-market" election as discussed below. Distributions you receive in a taxable year that are greater than 125% of the average annual distributions you received during the shorter of the three preceding taxable years or your holding period for the ADSs or Ordinary Shares will be treated as an excess distribution. Under these special tax rules, if you receive any excess distribution or realize any gain from a sale or other disposition of the ADSs or Ordinary Shares:

- the excess distribution or gain will be allocated ratably over your holding period for the ADSs or Ordinary Shares,
- the amount of excess distribution or gain allocated to the current taxable year, and any taxable year before the first taxable year in which we were a PFIC, will be included in gross income (as ordinary income) for the current tax year, and
- the amount allocated to each other year will be subject to the highest tax rate in effect for that year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable thereto.

The tax liability for amounts allocated to years before the year of disposition or "excess distribution" cannot be offset by any net operating losses for such years, and gains (but not losses) realized on the sale of the ADSs or Ordinary Shares cannot be treated as capital, even if you hold the ADSs or Ordinary Shares as capital assets.

If we are treated as a PFIC with respect to you for any taxable year, to the extent any of our subsidiaries, if any, are also PFICs, you will be deemed to own your proportionate share of any such lower-tier PFIC, and you may be subject to the rules described in the preceding two paragraphs with respect to the shares of such lower-tier PFICs you would be deemed to own. As a result, you may incur liability for any "excess distribution" described above if we receive a distribution from such lower-tier PFICs or if any shares in such lower-tier PFICs are disposed of (or deemed disposed of). You should consult your own tax advisor regarding the application of the PFIC rules to any of our subsidiaries.

Alternatively, a U.S. Holder of "marketable stock" (as defined below) in a PFIC may make a mark-to-market election for such stock to elect out of the general tax treatment for PFICs discussed above. If you make a mark-to-market election for the ADSs, you will include in income for each year we are a PFIC an amount equal to the excess, if any, of the fair market value of the ADSs as of the close of your taxable year over your adjusted basis in such ADSs. You are allowed a deduction for the excess, if any, of the adjusted basis of the ADSs over their fair market value as of the close of the taxable year. However, deductions are allowable only to the extent of any net mark-to-market gains on the ADSs included in your income for prior taxable years. Amounts included in your income under a mark-to-market election, as well as gain on the actual sale or other disposition of the ADSs, are treated as ordinary income. Ordinary loss treatment also applies to the deductible portion of any mark-to-market loss on the ADSs, as well as to any loss realized on the actual sale or disposition of the ADSs to the extent the amount of such loss does not exceed the net mark-to-market gains previously included for the ADSs. Your basis in the ADSs will be adjusted to reflect any such income or loss amounts. If you make a valid mark-

to-market election, the tax rules that apply to distributions by corporations which are not PFICs would apply to distributions by us, except the lower applicable tax rate for qualified dividend income would not apply. If we cease to be a PFIC when you have a mark-to-market election in effect, gain or loss realized by you on the sale of the ADSs will be a capital gain or loss and taxed in the manner described above under "Sale or Other Disposition of Ordinary Shares or ADSs."

The mark-to-market election is available only for "marketable stock," which is stock that is traded in other than de minimis quantities on at least 15 days during each calendar quarter, or regularly traded, on a qualified exchange or other market, as defined in applicable U.S. Treasury regulations. Any trades that have as their principal purpose meeting this requirement will be disregarded. The ADSs are listed on the Nasdaq and, accordingly, provided the ADSs are regularly traded, if you are a holder of ADSs, the mark-to-market election would be available to you if we are a PFIC. Once made, the election cannot be revoked without the consent of the IRS unless the ADSs cease to be marketable stock. If we are a PFIC for any year in which the U.S. Holder owns ADSs but before a mark-to-market election is made, the interest charge rules described above will apply to any mark-to-market gain recognized in the year the election is made. If any of our subsidiaries are or become PFICs, the mark-to-market election will not be available with respect to the shares of such subsidiaries that are treated as owned by you. Consequently, you could be subject to the PFIC rules with respect to income of the lower-tier PFICs the value of which already had been taken into account indirectly via mark-to-market adjustments. A U.S. Holder should consult its own tax advisors as to the availability and desirability of a mark-to-market election, as well as the impact of such election on interests in any lower-tier PFICs.

In certain circumstances, a U.S. Holder of stock in a PFIC can make a "qualified electing fund election" to mitigate some of the adverse tax consequences of holding stock in a PFIC by including in income its share of the corporation's income on a current basis. However, we do not currently intend to prepare or provide the information that would enable you to make a qualified electing fund election.

Unless otherwise provided by the U.S. Treasury, each U.S. shareholder of a PFIC is required to file an annual report containing such information as the U.S. Treasury may require. A U.S. Holder's failure to file the annual report will cause the statute of limitations for such U.S. Holder's U.S. federal income tax return to remain open with regard to the items required to be included in such report until three years after the U.S. Holder files the annual report, and, unless such failure is due to reasonable cause and not willful neglect, the statute of limitations for the U.S. Holder's entire U.S. federal income tax return will remain open during such period. U.S. Holders should consult their own tax advisors regarding the requirements of filing such information returns under these rules, taking into account the uncertainty as to whether we are currently treated as or may become a PFIC.

YOU ARE STRONGLY URGED TO CONSULT YOUR OWN TAX ADVISOR REGARDING THE IMPACT OF OUR POTENTIAL PFIC STATUS ON YOUR INVESTMENT IN THE ADSs AS WELL AS THE APPLICATION OF THE PFIC RULES TO YOUR INVESTMENT IN THE ADSs.

Backup Withholding and Information Reporting

Payments of dividends with respect to Ordinary Shares or ADSs and the proceeds from the sale, retirement, or other disposition of Ordinary Shares or ADSs made by a U.S. paying agent or other U.S. intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable U.S. Treasury regulations. We, or an agent, a broker, or any paying agent, as the case may be, may be required to withhold tax (backup withholding), currently at the rate of 24%, if a non-corporate U.S. Holder that is not otherwise exempt fails to provide an accurate taxpayer identification number and comply with other IRS requirements concerning information reporting. Certain U.S. Holders (including, among others, corporations and tax-exempt organizations) are not subject to backup withholding. Any amount of backup withholding withheld may be used as a credit against your U.S. federal income tax liability provided that the required information is furnished to the IRS. U.S. Holders should consult their own tax advisors as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

U.S. Holders may be required to file certain U.S. information reporting returns with the IRS with respect to an investment in our Ordinary Shares or ADSs, including, among others, IRS Form 8938 (Statement of Specified Foreign Financial Assets). As described above under ‘‘Passive Foreign Investment Companies," each U.S. Holder who is a shareholder of a

PFIC must file an annual report containing certain information. Substantial penalties may be imposed upon a U.S. Holder that fails to comply with the required information reporting.

U.S. Holders should consult their own tax advisors regarding the backup withholding tax and information reporting rules.

EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISOR REGARDING THE TAX CONSEQUENCES OF AN INVESTMENT IN OUR ORDINARY SHARES OR ADSs IN LIGHT OF SUCH INVESTOR'S PARTICULAR CIRCUMSTANCES.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We are subject to the information reporting requirements of the Exchange Act, applicable to foreign private issuers, and under those requirements, we file reports with the SEC. Those other reports or other information are available to the public through the SEC's website at *http://www.sec.gov*.

As a foreign private issuer, we are exempt from the rules under the Exchange Act, related to the furnishing and content of proxy statements, and our officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are not required under the Exchange Act, to file annual, quarterly and current reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act. However, we are required to comply with the informational requirements of the Exchange Act, and, accordingly, file current reports on Form 6-K, annual reports on Form 20-F and other information with the SEC.

We maintain a corporate website at *www.redhillbio.com*. Information contained on, or that can be accessed through, our website does not constitute a part of this Annual Report.

I. Subsidiary Information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk of loss related to changes in market prices, including interest rates and foreign exchange rates, of financial instruments that may adversely impact our financial position, results of operations or cash flows. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance.

Risk of Interest Rate Fluctuation and Credit Exposure Risk

At present, our credit and interest risk arise from our term loan facility, cash and cash equivalents, deposits with banks and a portfolio of corporate bonds as well as accounts receivable. A substantial portion of our liquid instruments is invested in short-term deposits and corporate bonds in highly-rated institutions.

Our term loan facility indebtedness uses LIBOR as a benchmark for establishing the interest rate. LIBOR is the subject of recent national, international and other regulatory guidance and proposals for reform. These reforms and other pressures

may cause LIBOR to perform differently than in the past or to be replaced entirely. The consequences of these developments cannot be entirely predicted but could include an increase in the cost of our term loan facility.

We estimate that because the liquid instruments are invested mainly for the short-term and with highly-rated institutions, the credit and interest risk associated with these balances is low. The primary objective of our investment activities is to preserve principal while maximizing the income we receive from our investments without significantly increasing risk and loss. Our investments are exposed to market risk due to fluctuations in interest rates, which may affect our interest income and the fair market value of our investments. We manage this exposure by performing ongoing evaluations of our investments.

Market Price Risk

We may be exposed to market price risk because of investments in tradable securities, mainly corporate bonds, held by us and classified in our financial statements as financial assets at fair value through profit or loss. To manage the price risk arising from investments in tradable securities, we invest in marketable securities with high ratings and diversify our investment portfolio.

Foreign Currency Exchange Risk

Our foreign currency exposures give rise to market risk associated with exchange rate movements of the U.S. dollar, our functional and reporting currency, mainly against the NIS and other currencies. Although the U.S. dollar is our functional currency and reporting currency, a portion of our expenses is denominated in NIS and in Euro. Our NIS expenses consist principally of payments to employees or service providers and office-related expenses in Israel. Our Euro expenses consist primarily of payments to vendors related to our therapeutic candidates. We also hold short-term investments in currencies other than the U.S. dollar. We anticipate that a sizable portion of our expenses will continue to be denominated in currencies other than the U.S. dollar. If the U.S. dollar fluctuates significantly against the NIS, it may have a negative impact on our results of operations. We manage our foreign exchange risk by aligning the currencies for holding short-term investments with the currencies of expected expenses, based on our expected cash flows.

Portfolio diversification is performed based on risk level limits that we set. To date, we have not engaged in hedging transactions. In the future, we may enter into currency hedging transactions to decrease the risk of financial exposure from fluctuations in the exchange rates of our principal operating currencies. These measures, however, may not adequately protect us from the material adverse effects of such fluctuations.

(A) Set forth below is a sensitivity test to possible changes in U.S. dollars/NIS exchange rate on our assets and liabilities as of December 31, 2019:

Sensitive instrument	**Income (loss) from change in exchange rate (U.S. dollars in thousands)**				**Value (U.S. dollars in thousands)**	**Income (loss) from change in exchange rate (U.S. dollars in thousands)**			
	Down 2	%	Down 5	%		Up 5	%	Up 2	%
Cash and cash equivalents	6		15		29,023	(15)		(6)	
Bank deposits	4		11		10,349	(11)		(4)	
Accounts receivable (except prepaid expenses)	6		15		2,244	(15)		(6)	
Accounts payable and accrued expenses	(11)		(28)		(9,782)	28		11	
Total loss	5		13			(13)		(5)	

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

Each of the American Depositary Shares, or ADSs, represents 10 Ordinary Shares. The ADSs trade on the Nasdaq Global Market.

The form of the deposit agreement for the ADSs and the form of American Depositary Receipt (ADR) that represents an ADS have been incorporated by reference as exhibits to this Annual Report on Form 20-F. Copies of the deposit agreement are available for inspection at the principal office of The Bank of New York Mellon, located at 101 Barclay Street, New York, New York 10286.

Fees and Expenses

***Persons depositing or withdrawing shares or American Depositary Shareholders must pay*:**	***For*:**
$5.00 (or less) per 100 American Depositary Shares (or portion of 100 American Depositary Shares)	▯ Issuance of American Depositary Shares, including issuances resulting from a distribution of shares or rights or other property ▯ Cancellation of American Depositary Shares for the purpose of withdrawal, including if the deposit agreement terminates
$0.05 (or less) per American Depositary Share	▯ Any cash distribution to American Depositary Shareholders
A fee equivalent to the fee that would be payable if securities distributed to you had been shares and the shares had been deposited for issuance of American Depositary Shares	▯ Distribution of securities distributed to holders of deposited securities which are distributed by the depositary to American Depositary Shareholders
$0.05 (or less) per American Depositary Shares per calendar year	▯ Depositary services
Registration or transfer fees	▯ Transfer and registration of shares on our share register to or from the name of the depositary or its agent when you deposit or withdraw shares
Expenses of the depositary	▯ Cable, telex and facsimile transmissions (when expressly provided in the deposit agreement) ▯ Converting foreign currency to U.S. dollars
Taxes and other governmental charges the depositary or the custodian have to pay on any American Depositary Share or share underlying an American Depositary Share, for example, stock transfer taxes, stamp duty or withholding taxes	▯ As necessary
Any charges incurred by the depositary or its agents for servicing the deposited securities	▯ As necessary

The depositary collects its fees for delivery and surrender of American Depositary Shares directly from investors depositing shares or surrendering American Depositary Shares for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of the distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deduction from cash distributions or by directly billing investors or by charging the book-entry

system accounts of participants acting for them. The depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

From time to time, the depositary may make payments to us to reimburse us or share its revenue with us from the fees collected from American Depositary Shareholders or waive fees and expenses for services provided, generally relating to costs and expenses arising out of establishment and maintenance of the American Depositary Share program. In performing its duties under the deposit agreement, the depositary may use brokers, dealers or other service providers that are affiliates of the depositary and that may earn or share fees or commissions.

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not applicable.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not applicable.

ITEM 15. CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures

We performed an evaluation of the effectiveness of our disclosure controls and procedures that are designed to ensure that information required to be disclosed on Form 20-F and filed with the SEC is recorded, processed, summarized and reported timely within the time period specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act, is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. There can be no assurance that our disclosure controls and procedures will detect or uncover all failures of persons within the company to disclose information otherwise required to be set forth in our reports. Nevertheless, our disclosure controls and procedures are designed to provide reasonable assurance of achieving the desired control objectives. Based on our evaluation, our management, including our Chief Executive Officer and Chief Financial Officer, have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of the end of the period covered by this report are effective at such reasonable assurance level.

(b) Management's Annual Report on Internal Control over Financial Reporting

Our management, under the supervision of our Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over our financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act of 1934, as amended. The 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. Internal control over financial reporting includes policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect our transactions and asset dispositions;
- provide reasonable assurance that transactions are recorded as necessary to permit the preparation of our financial statements in accordance with generally accepted accounting principles;
- provide reasonable assurance that receipts and expenditures are made only in accordance with authorizations of our management and board of directors (as appropriate); and
- provide reasonable assurance regarding the prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on our financial statements.

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, 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.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we assessed the effectiveness of our internal control over financial reporting as of December 31, 2019, based on the framework for Internal Control-Integrated Framework set forth by The Committee of Sponsoring Organizations of the Treadway Commission (COSO) (2013).

Based on our assessment and this framework, our management concluded that the Company's internal control over financial reporting was effective as of December 31, 2019. Our auditor, Kesselman & Kesselman, Certified Public Accountants (Isr.), a member firm of PricewaterhouseCoopers International Limited, an independent registered public accounting firm, has provided an attestation report on our internal control over financial reporting, which is included herein.(see "– *Attestation Report of Registered Public Accounting Firm*.")

(c) Attestation Report of Registered Public Accounting Firm

Our independent registered public accounting firm has audited the consolidated financial statements included in this Annual Report on Form 20-F, and as part of its audit, has issued its audit report on the effectiveness of our internal control over financial reporting. This report is included in pages F-2 and F-3 of this Annual Report on Form 20-F and is incorporated herein by reference.

(d) Changes in Internal Control Over Financial Reporting

There were no material changes in our internal control over financial reporting that occurred during the year ended December 31, 2019, that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

ITEM 16. [RESERVED]

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our board of directors has determined that Ms. Alla Felder, Mr. Ofer Tsimchi and Mr. Eric Swenden are audit committee financial experts. Ms. Felder, Mr. Tsimchi and Mr. Eric Swenden are independent directors for the purposes of the Nasdaq Listing Rules.

ITEM 16B. CODE OF ETHICS

As of the date of this Annual Report, we have adopted a code of ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. This code of ethics is posted on our website, https://ir.redhillbio.com/static-files/9be49636-4b2f-453e-ac3e-7b759b984c40.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Fees Paid to Independent Registered Public Accounting Firm

The following table sets forth, for each of the years indicated, the aggregate fees billed by our independent registered public accounting firm for professional services.

Services Rendered	Year Ended December 31, 2019	2018
	(U.S. dollars in thousands)	
Audit (1)	185	185
Audit-related services (2)	65	85
Tax (3)	19	22
Total	269	292

(1) Audit fees consist of services that would normally be provided in connection with statutory and regulatory filings or engagements, including services that generally only the independent accountant can reasonably provide.
(2) Audit-related services related to work regarding prospectus supplements and ongoing consultation.
(3) Tax fees relate to tax compliance, planning, and advice.

Audit Committee Pre-Approval Policies and Procedures

Our audit committee's specific responsibilities in carrying out its oversight of the quality and integrity of the accounting, auditing and reporting practices of the Company include the approval of audit and non-audit services to be provided by the external auditor. The audit committee approves in advance the particular services or categories of services to be provided to the Company during the following yearly period and also sets forth a specific budget for such audit services. All non-audit services are pre-approved by the audit committee.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Not applicable.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

Nasdaq Stock Listing Rules and Home Country Practices

As a foreign private issuer, we are permitted to follow Israeli corporate governance practices instead of the Nasdaq Listing Rules, provided that we disclose which requirements we are not following and the equivalent Israeli requirement. We rely on this "foreign private issuer exemption" with respect to the following items:

- *Shareholder Approval* - We seek shareholder approval for all corporate actions requiring such approval in accordance with the requirements of the Israeli Companies Law, which are different from the shareholder approval requirements of the Nasdaq Listing Rules. The Nasdaq Listing Rules require that we obtain shareholder approval for certain dilutive events, such as for the establishment or amendment of certain equity-based compensation plans and arrangements, issuances that will result in a change in control of a company, certain transactions other than a public offering involving issuances of 20% or more of the shares or voting power in a

company, and certain acquisitions of the stock or assets of another company involving issuances of 20% or more of the shares or voting power in a company or if any director, officer or holder of 5% or more of the shares or voting power of the company has a 5% or greater interest in the company or assets to be acquired or consideration to be paid and the transaction could result in an increase in the outstanding common shares or voting power by 5% or more;

- Under the Israeli Companies Law, shareholder approval is required for any transaction, including any grant of equity-based compensation, to a director or a controlling shareholder, but is not generally required to establish or amend an equity-based compensation plan. Similarly, shareholder approval is required for a private placement that is deemed an "extraordinary private placement" or that involves a director or controlling shareholder. A "extraordinary private placement" is a private placement in which a company issues securities representing 20% or more of its voting rights prior to the issuance and the consideration received pursuant to such issuance is not comprised, in whole or in part, solely of cash or securities registered for trade on an exchange or which is not made pursuant to market conditions, and as a result of which the shareholdings of a 5% holder of the shares or voting rights of the company increases or as a result of which a person will become a holder of 5% of the shares or voting rights of the company or a controlling shareholder after the issuance;
- *Quorum* - As permitted under the Israeli Companies Law, pursuant to our articles of association, the quorum required for an ordinary meeting of shareholders consists of at least two shareholders present in person or by proxy who hold or represent at least 25% of the voting rights of our shares (and at an adjourned meeting, with some exceptions, any number of shareholders), instead of 33 1/3% of the issued share capital required under the Nasdaq Listing Rules; and
- *Nominations Committee* - As permitted by the Israeli Companies Law, our board of directors selects director nominees subject to the terms of our articles of association which provide that incumbent directors are re-nominated for additional terms. Directors are not selected, or recommended for board of director selection, by independent directors constituting a majority of the board's independent directors or by a nominations committee comprised solely of independent directors as required by the Nasdaq Listing Rules.

Otherwise, we comply with the rules generally applicable to U.S. domestic companies listed on the Nasdaq Stock Market. We may in the future decide to use the foreign private issuer exemption with respect to some or all of the other Nasdaq Listing Rules related to corporate governance. We also comply with Israeli corporate governance requirements under the Israeli Companies Law as applicable to us.

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 17. FINANCIAL STATEMENTS

Not applicable.

ITEM 18. FINANCIAL STATEMENTS

The financial statements required by this item are found at the end of this Annual Report, beginning on page F-1.

ITEM 19. EXHIBITS

See Exhibit Index on page 147.

Glossary of Terms

Certain standards and other terms that are used in this Annual Report are defined below:

API - active pharmaceutical ingredient, including their starting materials - the ingredient in a pharmaceutical drug that is biologically active.

cGMP - Current Good Manufacturing Practice - Standards, procedures, and guidelines designed for production quality control.

CMC - chemistry, manufacturing and controls of pharmaceutical products.

CRO - Contract Research Organization, also called a **clinical research organization** is a service organization that provides outsourced pharmaceutical research services.

DESI - Drug Efficacy Study Implementation program of the FDA - the DESI program was created, in part, to require the FDA to conduct a retrospective evaluation of the effectiveness of drug products that were approved as safe between 1938 and 1962 through the new drug approval process. According to the DESI program, drugs approved before October 10, 1962, were reviewed to evaluate whether there was substantial evidence of their effectiveness.

FDA – United States Food and Drug Administration.

FDCA – Federal Food, Drug, and Cosmetic Act of 1938, as amended.

GCP - Good Clinical Practices - requirements for the conduct of research involving human subjects.

GERD - gastroesophageal reflux disease.

H. pylori (*Helicobacter pylori****)*** **-** a Gram-negative bacterium found in the stomach. It was identified in 1982 by Dr. Barry Marshall and Dr. Robin Warren and is associated with peptic ulcer disease and the development of gastric cancer.

IND - Investigational New Drug - a status assigned by the FDA to a drug before allowing its use in humans, so that experimental clinical trials may be conducted.

IRB - Institutional Review Board - Under FDA regulations, an IRB is an appropriately constituted group that has been formally designated to review and monitor biomedical research involving human subjects.

ITT - intention-to-treat – intention-to-treat analysis means all of the patients who were enrolled and randomized into a clinical study are included in the analysis.

Mycobacterium avium subspecies paratuberculosis **(MAP) -** an obligate pathogenic bacterium in the genus Mycobacterium. MAP is the causative agent of Johne's disease, a chronic granulomatous ileitis occurring mainly in ruminants. MAP has been suspected as the cause of Crohn disease in humans.

NDA - New Drug Application - an application by drug sponsors to the FDA for approval of a new pharmaceutical for sale and marketing in the U.S.

NTM - Nontuberculous Mycobacteria– a class of Mycobacteria also known as environmental mycobacteria, atypical mycobacteria and mycobacteria other than tuberculosis (MOTT).

Ondansetron - a drug in a class of medications called serotonin 5-HT_3 receptor antagonists. Ondansetron works by blocking the action of serotonin, a natural substance that may cause nausea and vomiting.

Orphan Drug Designation - the designation of Orphan Drug Designation to drugs that are in the process of development for the treatment of rare diseases, affecting fewer than 200,000 people in the United States. This status provides tax reductions and the exclusive rights to the cure for a specific condition for a period of seven years post-approval.

PK - pharmacokinetics - the study of the absorption, distribution, metabolism, and excretion of drugs in the body.

QIDP - Qualified Infectious Disease Product - designation granted under the FDA's Generating Antibiotic Incentives Now Act, which is intended to encourage the development of new antibiotic drugs for the treatment of serious or life-threatening infections that have the potential to pose a serious threat to public health**.**

Sphingosine kinase-2 (SK2) - an enzyme catalyzes the phosphorylation of sphingosine to generate sphingosine 1-phosphate. There are two isotypes of sphingosine enzyme, SK1 and SK2. Both isotypes have a key role in a variety of diseases, including the development of a range of solid tumors and are promising anti-cancer therapeutic targets.

Stability Testing - as part of the cGMP regulations, the FDA requires that drug products bear an expiration date determined by appropriate stability testing. The stability of drug products needs to be evaluated over time in the same container-closure system in which the drug product is marketed.

TNFα - Tumor necrosis factor alpha is a cell-signaling protein (cytokine) involved in systemic inflammation.

REDHILL BIOPHARMA LTD

EXHIBIT INDEX

1.1	Articles of Association of the Registrant, as amended (unofficial English translation).
2.1	Form of Deposit Agreement among the Registrant, the Bank of New York Mellon, as Depositary, and all Owners and Holders from time to time of American Depositary Shares issued hereunder (incorporated by reference to Exhibit 1 to the Registration Statement on Form F-6 filed by The Bank of New York Mellon with the Securities and Exchange Commission on December 6, 2012).
2.2	Form of American Depositary Receipt (Incorporated by reference to Exhibit 1 to the Registration Statement on Form F-6 filed by The Bank of New York Mellon with the Securities and Exchange Commission on December 6, 2012).
2.3	Description of Share Capital.
4.1*	Asset Purchase Agreement, dated August 11, 2010, by and between the Registrant and Giaconda Limited (RHB-104, 105, 106) (Incorporated by reference to Exhibit 4.4 to Draft Registration Statement on Form DRS disseminated with the Securities and Exchange Commission, dated December 3, 2012).
4.2	Amendment to Asset Purchase Agreement by and between the Registrant and Giaconda Limited (RHB-104, 105, 106) dated February 27, 2014 (Incorporated by reference to Exhibit 4.4 of the Annual Report on Form 20-F filed with the Securities and Exchange Commission on February 26, 2015).
4.3*	Exclusive License Agreement, dated March 30, 2015, by and between the Registrant and Apogee Biotechnology Corp (Incorporated by reference to Exhibit 4.7 of the Annual Report on Form 20-F filed with the Securities and Exchange Commission on February 25, 2016).
4.4†	Amendment #1 dated January 23, 2017, to the Exclusive License Agreement dated March 30, 2015, by and between the Registrant and Apogee Biotechnology Corp. (incorporated by reference to Exhibit 4.6 of the Annual Report on Form 20-F/A filed with the Securities and Exchange Commission on May 15, 2019).
4.5*	Amendment #2 dated June 22, 2017, to the Exclusive License Agreement dated March 30, 2015, by and between the Registrant and Apogee Biotechnology Corp. (incorporated by reference to Exhibit 4.5 of the Annual Report on Form 20-F filed with the Securities and Exchange Commission on February 22, 2018).
4.6*	Amendment #3 dated February 6, 2018, to the Exclusive License Agreement dated March 30, 2015, by and between the Registrant and Apogee Biotechnology Corp. (incorporated by reference to Exhibit 4.6 of the Annual Report on Form 20-F filed with the Securities and Exchange Commission on February 22, 2018).
4.7†	Amendment #4 dated January 3, 2019, to the Exclusive License Agreement dated March 30, 2015, by and between the Registrant and Apogee Biotechnology Corp. (incorporated by reference to Exhibit 4.9 of the Annual Report on Form 20-F/A filed with the Securities and Exchange Commission on May 15, 2019).
4.8	Amendment #5 dated January 23, 2019, to the Exclusive License Agreement dated March 30, 2015, by and between the Registrant and Apogee Biotechnology Corp. (incorporated by reference to Exhibit 4.10 of the Annual Report on Form 20-F filed with the Securities and Exchange Commission on February 26, 2019).
4.9	Form of Letter of Exemption and Indemnity adopted on July 2013 (unofficial English translation) (incorporated by reference to Exhibit B to Exhibit 99.1 to Form 6-K disseminated with the Securities and Exchange Commission, dated June 26, 2013).
4.10	Amended and Restated Award Plan (2010).

4.11	Compensation Policy (incorporated by reference to Form 6-K filed with the Securities and Exchange Commission on May 16, 2019).
4.12†	Subscription Agreement, dated October 17, 2019, by and between Registrant and Cosmo Pharmaceuticals N.V. and Cosmo Technologies Ltd.
4.13†	Exclusive License Agreement, dated October 17, 2019, by and between Registrant and Cosmo Technologies Ltd.
4.14^	Credit Agreement, dated February 23, 2020, by and among RedHill Biopharma Ltd., RedHill Biopharma Inc., HCR Collateral Management, LLC and the lenders from time to time party thereto.
4.15^	Security Agreement, dated February 23, 2020, by and among RedHill Biopharma Ltd., RedHill Biopharma Inc., and HCR Collateral Management, LLC.
4.16^	Pledge Agreement, dated February 23, 2020, by and among RedHill Biopharma Ltd., RedHill Biopharma Inc., and HCR Collateral Management, LLC.
4.17†	License Agreement, dated February 23, 2020, by and between Registrant and AstraZeneca AB.
4.18†	Supply Agreement, dated February 23, 2020, by and between Registrant and AstraZeneca AB.
8.1	Subsidiary List (incorporated by reference to Exhibit 8.1 of the Annual Report on Form 20-F filed with the Securities and Exchange Commission on February 22, 2018).
12.1	Certification by Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
12.2	Certification by Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
13.	Certification by Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
15.1	Consent of Independent Registered Public Accounting Firm
101.	The following financial statements from the Company's 20-F for the fiscal year ended December 31, 2019, formatted in XBRL: (i) Consolidated Statements of Comprehensive Loss, (ii) Consolidated Statements of Financial Position, (iii) Consolidated Statements of Changes in Equity, (iv) Consolidated Statements of Cash Flows, and (v) Notes to the Consolidated Financial Statements.

* Confidential treatment granted with respect to certain portions of this Exhibit.

† Portions of this exhibit have been omitted because they are both (i) not material and (ii) would likely cause competitive harm to the Company if publicly disclosed.

^ Schedules have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company hereby undertakes to furnish copies of any of the omitted schedules upon request by the Securities and Exchange Commission.

SIGNATURE

The Registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

REDHILL BIOPHARMA LTD

By: /s/ Dror Ben-Asher
Name: Dror Ben-Asher
Title: Chief Executive Officer and Chairman of the Board of Directors

By: /s/ Micha Ben-Chorin
Name: Micha Ben Chorin
Title: Chief Financial Officer

Date: March 4, 2020

REDHILL BIOPHARMA LTD.

2019 CONSOLIDATED FINANCIAL STATEMENTS

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Report of Independent Registered Public Accounting Firm

To the board of directors and shareholders of **REDHILL BIOPHARMA LTD.**

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated statements of financial position of RedHill Biopharma Ltd. and its subsidiary (the "Company") as of December 31, 2019 and 2018, and the related consolidated statements of comprehensive loss, of changes in equity and of cash flows for each of the three years in the period ended December 31, 2019, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018**,** and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Change in Accounting Principle

As discussed in Note 2(r) 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 Management's Annual Report on Internal Control over Financial Reporting appearing under Item 15(b). Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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

Kesselman & Kesselman, Trade Tower, 25 Hamered Street, Tel-Aviv 6812508, Israel,
P.O Box 50005 Tel-Aviv 6150001 Telephone: +972 -3- 7954555, Fax:+972 -3- 7954556, www.pwc.com/il

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.

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

Tel-Aviv, Israel
March 3, 2020

We have served as the Company's auditor since 2010.

REDHILL BIOPHARMA LTD.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Note	Year Ended December 31,		
		2019	2018	2017
		U.S. dollars in thousands		
NET REVENUES	18	6,291	8,360	4,007
COST OF REVENUES		2,259	2,837	2,126
GROSS PROFIT		4,032	5,523	1,881
RESEARCH AND DEVELOPMENT EXPENSES, net	19	17,419	24,862	32,969
SELLING, MARKETING AND BUSINESS DEVELOPMENT EXPENSES	20	18,333	12,486	12,014
GENERAL AND ADMINISTRATIVE EXPENSES	21	11,481	7,506	8,025
OTHER EXPENSES		—	—	845
OPERATING LOSS		43,201	39,331	51,972
FINANCIAL INCOME		1,335	678	6,505
FINANCIAL EXPENSES		438	167	77
FINANCIAL INCOME, net	22	897	511	6,428
LOSS AND COMPREHENSIVE LOSS FOR THE YEAR		42,304	38,820	45,544
LOSS PER ORDINARY SHARE, basic and diluted (U.S. dollars)**:**	24	0.14	0.17	0.26

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

REDHILL BIOPHARMA LTD.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31, 2019	December 31, 2018
		U.S. dollars in thousands	
CURRENT ASSETS:			
Cash and cash equivalents	5	29,023	29,005
Bank deposits	5	10,349	8,271
Financial assets at fair value through profit or loss	6	8,500	15,909
Trade receivables		1,216	958
Prepaid expenses and other receivables	7	2,244	1,876
Inventory	8	1,882	769
		53,214	56,788
NON-CURRENT ASSETS:			
Bank deposits		152	140
Fixed assets	9	228	163
Right-of-use assets	10	3,578	—
Intangible assets	11	16,927	5,320
		20,885	5,623
TOTAL ASSETS		74,099	62,411
CURRENT LIABILITIES:			
Accounts payable		4,184	3,324
Lease liabilities	10	834	—
Accrued expenses and other current liabilities	13	5,598	7,057
		10,616	10,381
NON-CURRENT LIABILITIES:			
Derivative financial instruments		—	344
Lease liabilities	10	2,981	—
Royalty obligation	14a(3)	500	500
		3,481	844
TOTAL LIABILITIES		14,097	11,225
EQUITY:	16		
Ordinary shares		962	767
Additional paid-in capital		267,403	219,505
Accumulated deficit		(208,363)	(169,086)
TOTAL EQUITY		60,002	51,186
TOTAL LIABILITIES AND EQUITY		74,099	62,411

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

REDHILL BIOPHARMA LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Ordinary shares	Additional paid-in capital	Warrants	Accumulated deficit	Total equity
	U.S. dollars in thousands				
BALANCE AT JANUARY 1, 2017	441	150,838	1,057	(89,635)	62,701
CHANGES DURING THE YEAR ENDED DECEMBER 31, 2017:					
Share-based compensation to employees and service providers	—	—	—	2,235	2,235
Issuance of ordinary shares, net of issuance costs	119	22,097		—	22,216
Exercise of warrants and options into ordinary shares	15	3,442	—	—	3,457
Warrants expiration	—	1,057	(1,057)	—	—
Comprehensive loss	—	—	—	(45,544)	(45,544)
BALANCE AT DECEMBER 31, 2017	575	177,434	—	(132,944)	45,065
BALANCE AT JANUARY 1, 2018	575	177,434	—	(132,944)	45,065
CHANGES DURING THE YEAR ENDED DECEMBER 31, 2018:					
Share-based compensation to employees and service providers	—	—	—	2,678	2,678
Issuance of ordinary shares, net of issuance costs	190	41,712		—	41,902
Exercise of options into ordinary shares	2	359	—	—	361
Comprehensive loss	—	—	—	(38,820)	(38,820)
BALANCE AT DECEMBER 31, 2018	767	219,505	—	(169,086)	51,186
BALANCE AT JANUARY 1, 2019	767	219,505	—	(169,086)	51,186
CHANGES DURING THE YEAR ENDED DECEMBER 31, 2019:					
Share-based compensation to employees and service providers	—	—	—	3,027	3,027
Issuance of ordinary shares to private investor, see note 14b	195	47,893		—	48,088
Exercise of options into ordinary shares	*	5	—	—	5
Comprehensive loss	—	—	—	(42,304)	(42,304)
BALANCE AT DECEMBER 31, 2019	962	267,403	—	(208,363)	60,002

*Less than a thousand

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

REDHILL BIOPHARMA LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2019	2018	2017
	U.S. dollars in thousands		
OPERATING ACTIVITIES:			
Comprehensive loss	(42,304)	(38,820)	(45,544)
Adjustments in respect of income and expenses not involving cash flow:			
Share-based compensation to employees and service providers	3,027	2,678	2,235
Depreciation	997	90	81
Write-off of intangible assets	—	—	845
Amortization of intangible assets	216	—	—
Fair value adjustments on derivative financial instruments	(344)	(104)	(5,687)
Fair value losses on financial assets at fair value through profit or loss	(27)	137	127
Revaluation of bank deposits	(21)	35	(123)
Exchange differences in respect of lease liabilities	139	—	—
Exchange differences in respect of cash and cash equivalents	(94)	103	(367)
	3,893	2,939	(2,889)
Changes in assets and liability items:			
Decrease (increase) in trade receivables	(258)	570	(1,429)
Decrease (increase) in prepaid expenses and other receivables	(368)	1,414	(1,728)
Decrease (Increase) in inventory	(1,113)	(116)	(653)
Increase (decrease) in accounts payable	860	(1,481)	4,745
Increase (decrease) in accrued expenses and other current liabilities	(1,459)	1,032	2,729
	(2,338)	1,419	3,664
Net cash used in operating activities	**(40,749)**	**(34,462)**	**(44,769)**
INVESTING ACTIVITIES:			
Purchase of fixed assets	(168)	(23)	(146)
Purchase of intangible assets	(35)	(35)	(1,035)
Change in investment in current bank deposits	(2,069)	4,869	(13,000)
Purchase of financial assets at fair value through profit or loss	(4,325)	(6,976)	(21,923)
Proceeds from sale of financial assets at fair value through profit or loss	11,761	7,517	17,522
Net cash provided by (used in) investing activities	**5,164**	**5,352**	**(18,582)**
FINANCING ACTIVITIES:			
Proceeds from issuance of ordinary shares, net of issuance costs	36,300	41,902	22,216
Exercise of options into ordinary shares	5	361	3,437
Payment of principal with respect to lease liabilities	(796)	—	—
Repayment of payable in respect of intangible asset purchase	—	(500)	—
Net cash provided by (used in) financing activities	**35,509**	**41,763**	**25,653**
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(76)	12,653	(37,698)
EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS	94	(103)	367
BALANCE OF CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	29,005	16,455	53,786
BALANCE OF CASH AND CASH EQUIVALENTS AT END OF PERIOD	**29,023**	**29,005**	**16,455**
SUPPLEMENTARY INFORMATION ON INTEREST RECEIVED IN CASH	753	728	469
SUPPLEMENTARY INFORMATION ON INTEREST PAID IN CASH	251		
SUPPLEMENTARY INFORMATION ON NON-CASH INVESTING AND FINANACING ACTIVITIES:			
Acquisition of right-of-use assets by means of lease liabilities	2,805	—	—
Purchase of an intangible asset in consideration for issuance of shares	11,788	—	—

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

REDHILL BIOPHARMA LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - GENERAL:

a. General

1) RedHill Biopharma Ltd. (the "Company"), incorporated in Israel on August 3, 2009, together with its wholly-owned subsidiary, RedHill Biopharma Inc. (the "Company's subsidiary"), incorporated in Delaware, U.S. on January 19, 2017, is a specialty biopharmaceutical company, primarily focused on commercialization and development of proprietary drugs for the treatment of gastrointestinal diseases. In November 2019, the U.S. Food and Drug Administration ("FDA") approved Talicia®, the Company's first and only product that was developed internally to be approved for marketing by the FDA. The Company plans to launch Talicia® in the U.S. by the end of the first quarter of 2020.

The Company's ordinary shares were traded on the Tel-Aviv Stock Exchange ("TASE") from February 2011 to February 2020, and the Company voluntarily delisted from trading on the TASE, effective February 13, 2020. The Company's American Depositary Shares ("ADSs") were traded on the NASDAQ Capital Market from December 27, 2012 and have been listed on the NASDAQ Global Market ("NASDAQ") since July 20, 2018.

The Company's registered address is 21 Ha'arba'a St, Tel-Aviv, Israel.

2) U.S. rights to commercialize and co-promote

Since the Company established commercial presence in the U.S. in 2017, it promoted or commercialized various gastrointestinal ("GI") related products. As of the date of approval of these financial statements, the Company commercializes only Aemcolo® (rifamycin) in the U.S. for traveler's diarrhea, for which the Company obtained exclusive U.S. rights to commercialize in October 2019 and commenced commercialization in the U.S. in December 2019. See also note 14(b).

During the reported periods in these financial statements, the Company commercialized EnteraGam® under an exclusive license agreement. In addition, the Company promoted Donnatal®, Esomeprazole Strontium Delayed-Release Capsules 49.3 mg and Mytesi®, under various promotion agreements. At the end of 2019 and early 2020, the Company has terminated the said commercialization and promotion agreements to focus on commercialization its products, Talicia® and Aemcolo®, as described above.

3) To date, the Company has out-licensed only one of its therapeutic candidates in an exclusive worldwide license agreement that the Company decided to terminate effective December 25, 2019 and has generated limited revenues from its commercial activities. Accordingly, there is no assurance that the Company's business will generate sustainable positive cash flows. Through December 31, 2019, the Company has an accumulated deficit, and its activities have been funded primarily through public and private offerings of the Company's securities.

The Company plans to further fund its future operations through commercialization and out-licensing of its therapeutic candidates, commercialization of in-licensed or acquired products and raising additional capital through equity or debt financing or through non-dilutive financing. The Company's current cash resources are not sufficient to complete the research and development of all of the Company's therapeutic candidates and to fully support its commercial operations until generation of sustainable positive cash flows. Management expects that the Company will incur additional losses as it continues to focus its resources on advancing the development of its therapeutic candidates, as well as advancing its commercial operations, based on a prioritized plan

that will result in negative cash flows from operating activities. The Company believes its existing capital resources should be sufficient to fund its current and planned operations for at least the next 12 months. (see also note 26).

If the Company is unable to out-license, sell or commercialize its therapeutic candidates, generate sufficient and sustainable revenues from its commercial operations, or obtain future financing, the Company may be forced to delay, reduce the scope of, or eliminate one or more of its research and development or commercialization programs, any of which may have a material adverse effect on the Company's business, financial condition or results of operations.

b. Approval of financial statements

These financial statements were approved by the Company's Board of Directors ("BoD") on March 3, 2020.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Basis for presentation of the financial statements

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

The significant accounting policies described below have been applied consistently in relation to all the periods presented, unless otherwise stated.

The consolidated financial statements have been prepared under the historical cost convention, subject to adjustments in respect of revaluation of financial assets and financial liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3. Actual results could differ significantly from those estimates and assumptions.

b. Translation of foreign currency transactions and balances

1) Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Company and its subsidiary operate (the "Functional Currency"). The consolidated financial statements are presented in U.S. dollars ("$"), which is the Company's functional and presentation currency.

2) Transactions and balances

Foreign currency transactions in currencies different from the Functional Currency (hereafter foreign currency, mostly New Israeli Shekel ("NIS")) and Euro ("EUR") are translated into the Functional Currency using the exchange rates at the dates of the transactions. Foreign exchange differences resulting from the settlement of such transactions and from the translation of period-end

exchange rates of monetary assets and liabilities denominated in foreign currencies are recorded in the Statements of Comprehensive Loss under financial income or financial expenses.

c. Principles of consolidation

The Company's consolidated financial statements include the accounts of the Company and its subsidiary. All intercompany balances and transactions have been eliminated in consolidation.

d. Cash and cash equivalents

Cash and cash equivalents include cash on hand and unrestricted short-term bank deposits with maturities of three months or less.

e. Trade receivables

Trade receivables are recognized initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognized at fair value. They are subsequently measured at amortized cost using the effective interest method, less loss allowance.

f. Inventory

The Company's inventory represents items purchased by the Company and held for sale in the ordinary course of business, as well as inventory in the process of production for a sale in the ordinary course of business or materials or supplies to be used in the production process, to the extent they are recoverable. The inventory is stated at the lower of cost or net realizable value. Cost of inventory purchased and held for sale is determined using the first-in, first-out method. Cost of inventory in the process of production and materials to be used in the production process are determined using the moving average method.

The Company continually evaluates inventory for potential loss due to excess quantity or obsolete or slow-moving inventory by comparing sales history and sales projections to the inventory on hand. When evidence indicates that the carrying value of a product may not be recoverable, a charge is recorded to reduce the inventory to its current net realizable value.

g. Fixed assets

Fixed assets items are stated at cost less accumulated depreciation.

Depreciation is computed by the straight-line method, to reduce the cost of fixed assets to their residual value over their estimated useful lives as follows:

	%
Computer equipment	33
Office furniture and equipment	8-15

Leasehold improvements are depreciated by the straight-line method over the shorter of the term of the lease or the estimated useful life of the improvements.

h. Intangible assets

1) Licenses

The Company's intangible assets represent in-licenses of development-phase compounds acquired by the Company, where the Company continues or has the option to continue to do the development work ("R&D assets"), as well as commercialization rights for approved products ("Commercialization assets").

R&D assets are stated at cost and are not amortized. These assets are tested for impairment annually. At the time these assets will be available for use, they will be amortized over their useful lives.

Commercialization assets are amortized on a straight-line basis over their useful economic life when they are available for use. These assets are subsequently carried at cost less accumulated amortization and impairment losses.

In determining the useful economic life of a commercialization asset, the Company considered, among other factors, the duration of the license and the patent rights of the product, anticipated duration of sales of the product after patent expiration, and competitors in the marketplace.

With regards to the Aemcolo® asset, see also note 14b.

Amounts due for future payment based on contractual agreements are accrued upon reaching the relevant milestones.

All intangible assets are tested for impairment if any events have occurred or changes in circumstances have taken place which might indicate that their carrying amounts may not be recoverable. See also note 3 for key assumptions used in the determination of the recoverable amounts.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2) Research and development

Research expenses are recognized as an expense as incurred. An intangible asset arising from the development of the Company's therapeutic candidates is recognized if all of the following conditions are met:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use it or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits; and
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available and costs associated with the intangible asset during development can be measured reliably.

Other development costs that do not meet the above criteria are recognized as expenses as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

As of December 31, 2019, the Company had not yet capitalized any development costs.

Research and development costs for the performance of pre-clinical trials, clinical trials, and manufacturing by subcontractors are recognized as expenses when incurred.

i. Financial assets

As of January 1, 2018, the Company adopted IFRS 9 "Financial Instruments"**.**

1) Classification

The financial assets of the Company are classified into the following categories: financial assets at fair value through profit or loss, and financial assets at amortized cost. The classification is done on the basis of the Company's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset.

a) Financial assets at amortized cost

Financial assets at amortized cost are assets held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are included in current assets, except for those with maturities greater than 12 months after the Statements of Financial Position date (for which they are classified as noncurrent assets).

Financial assets at amortized cost of the Company are included in trade receivables, other receivables and bank deposits in the Statements of Financial Position.

b) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss of the Company are assets not measured at amortized cost in accordance with (1)(a) above. Assets in this category are classified as current assets if they are expected to be settled within 12 months; otherwise, they are classified as noncurrent.

2) Recognition and measurement

Regular purchases and sales of financial assets are recognized on the settlement date, which is the date on which the asset is delivered to the Company or delivered by the Company. Investments are initially recognized at fair value plus direct incremental transaction costs for all financial assets not recorded at fair value through profit or loss, except for trade receivables, that are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components.

Financial assets measured at fair value through profit or loss are initially recognized at fair value, related transaction costs are expensed to profit or loss. Financial assets are derecognized when the

rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently recorded at fair value. Financial assets at amortized cost are measured in subsequent periods at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss are presented in the Statements of Comprehensive Loss under "Financial Expenses (Income), net."

3) Impairment

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost.

At each reporting date, the Company assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. If the financial instrument is determined to have a low credit risk at the reporting date, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition.

The Company measures the loss allowance for expected credit losses on trade receivables that are within the scope of IFRS 15 and on financial instruments for which the credit risk has increased significantly since initial recognition based on lifetime expected credit losses. Otherwise, the Company measures the loss allowance at an amount equal to 12-month expected credit losses at the current reporting date.

Prior to the effective date and adoption of IFRS 9, the financial assets of the Company were classified into the following categories: financial assets at fair value through profit or loss, and loans and receivables. The classification depended on the purpose for which the financial assets were acquired, also, prior to the adoption of IFRS 9, the Company assessed at December 31, 2017, whether there is any objective evidence that a financial asset or group of financial assets was impaired.

j. Financial liabilities

Financial liabilities are initially recognized at their fair value minus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the issue of the financial liability.

Financial liabilities are subsequently measured at amortized cost, except for derivative financial instruments, which are subsequently measured at fair value through profit or loss.

Financial liabilities are classified as current liabilities if payment is due within one year or less, otherwise, they are classified as non-current liabilities.

The Company's financial liabilities at amortized cost are included in accounts payable, accrued expenses and other current liabilities and payable in respect of the intangible asset.

The derivative financial instruments represent warrants that confer the right to net share settlement.

The Company removes a financial liability (or a part of a financial liability) from its Statements of Financial Position when, and only when, it is extinguished (when the obligation specified in the contract is discharged, canceled or expired).

The Company accounts for a substantial modification of the terms of an existing financial liability or a part of it as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

k. Share capital

The Company's ordinary shares are classified as the Company's share capital. Incremental costs directly attributed to the issuance of new shares or warrants are presented under equity as a deduction from the proceeds of issuance.

l. Employee benefits

1) Pension and retirement benefit obligations

In any matter related to payment of pension and severance pay to employees in Israel to be dismissed or to retire from the Company, the Company operates in accordance with labor laws.

Labor laws and agreements in Israel, as well as the Company's practice, require the Company to pay severance pay and/or pensions to employees dismissed or retired, in certain circumstances.

The Company has a severance pay plan in accordance with Section 14 of the Israeli Severance Pay Law which is treated as a defined contribution plan. According to the plan, the Company regularly makes payments to severance pay or pension funds without having a legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay the related payments to employees' service in current and prior periods. Contributions for severance pay or pension are recognized as employee benefit expenses when they are due commensurate with receipt of work services from the employee, and no further provision is required in the financial statements.

The Company's subsidiary provides, at will, benefit contributions for its employees.

2) Vacation and recreation pay

Under Israeli law, each employee in Israel is entitled to vacation days and recreation pay, both computed on an annual basis. This entitlement is based on the period of employment. The Company records expenses and liability for vacation and recreation pay based on the benefit accumulated by each employee.

m. Share-based payments

The Company operates several equity-settled, share-based compensation plans to employees (as defined in IFRS 2 "Share-Based Payments") and service providers. As part of the plans, the Company grants employees and service providers, from time to time and at its discretion, options to purchase Company shares. The fair value of the employee and service provider services received in exchange for the grant of the options is recognized as an expense in profit or loss and is recorded as accumulated deficit within equity. For employees, the total amount recognized as an expense over the vesting period of the options (the period during which all vesting conditions are expected to be met) is determined by reference to the fair value of the options granted at the date of grant. For service providers (including equity instruments granted in consideration for intangible assets, see note 14b), the Company measures the awards based on the fair value of the asset or service received.

Vesting conditions are included in the assumptions about the number of options that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Company revises its estimates of the number of options that are expected to vest based on non-market vesting conditions. The Company recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to accumulated deficit.

When exercising options, the Company issues new shares. The proceeds, less directly attributable transaction costs, are recognized as share capital (par value) and share premium.

n. Revenue from contracts with customers

The Company generated revenue in the years presented in these financial statements from product sales of in-licensed products and from promotional services provided in relation to third-party products.

1) Revenue from promotional services

The Company recognizes revenue from promotional services as it satisfies its performance obligation over time, in an amount equal to the consideration to which it expects to be entitled to, taking into consideration the constraint on variable considerations stipulated in IFRS 15.

2) Revenue from the sale of products

The Company sells products to wholesale distributors and specialty pharmacies. Revenue is recognized at a point in time when control over the product is transferred to the customer (upon delivery), at the net selling price, which reflects reserves for variable consideration, including discounts and allowances.

The transaction price in these arrangements is the consideration to which the Company expects to be entitled from the customer. The consideration promised in a contract with the Company's customers may include fixed amounts and variable amounts. The Company estimates the variable consideration and includes it in the transaction price using the most likely outcome method, and only to the extent it is highly probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The specific considerations the Company uses in estimating these amounts related to variable consideration are as follows:

Trade discounts and distribution fees. The Company offers discounts to its customers, as an incentive for prompt payment. The Company records these discounts as a reduction of revenue in the period the related revenue from the sale of products is recognized. In addition, distribution fees are paid to certain distributors based on contractually determined rates from the gross consideration. As the fee paid to the customer is not for a distinct good or service, it is recognized as a reduction of revenue in the period the related revenue from the sale of products is recognized.

Rebates and patient discount programs. The Company offers various rebate and patient discount programs, which result in discounted prescriptions to qualified patients. The Company estimates the allowance for these rebates and coupons based on historical and estimated utilization of the rebate

and discount programs, at the time the revenues are recognized. These estimates are recognized as a reduction of revenue.

Product returns. The Company offers customers a right of return. The Company estimates the amount of product sales that may be returned by its customers and records this estimate as a reduction of revenue at the time of sale, based on historical rates of return.

Principal versus agent considerations. When a third party is involved in providing goods or services to a customer, the Company analyzes whether the Company acts as a principal or an agent in the transaction, based on whether the Company obtains control of the product before it is transferred to the customer, using the indicators provided in IFRS 15.

In connection with the commercialization of its products, the Company determined that it is the principal in the arrangements, rather than an agent of the licensors of the products, since the Company controls the product before transferring it to a customer. This is because the Company is primarily responsible for fulfilling the promise to provide the products to its customers, the Company bears inventory risk before the products have been transferred to its customers and after the products have been transferred (the customers have a right of return) and the Company has discretion in establishing the selling price of each product. Therefore, revenue in the amount the Company is entitled to receive from its customers is recognized on a gross basis, from which royalties payable to the licensors are accounted for within Cost Of Revenues.

3) Practical expedients and exemptions

The Company expenses sales commissions when incurred since the amortization period of the asset that the Company otherwise would have recognized would have been for less than one year. These costs are recorded as selling and marketing expenses.

o. Advertising and promotional expenses

Advertising and promotional costs include, among others, distribution of free samples of the commercialized products. These costs are recognized as an expense when incurred.

p. Loss per ordinary share

The computation of basic loss per share is based on the Company’s loss divided by the weighted average number of ordinary shares outstanding during the period.

In calculating the diluted loss per share, the Company adds the weighted average of the number of shares to be issued to the average number of shares outstanding used to calculate the basic loss per share, assuming all shares that have a potentially dilutive effect have been exercised into shares.

q. Deferred taxes

Deferred income tax is recognized using the liability method for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the date of the Statements of Financial Position and are expected to apply when the related deferred income tax asset will be realized, or the deferred income tax liability will be settled. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Since the Company is unable to assess whether it will have taxable income in the foreseeable future, no deferred tax assets were recorded in these financial statements.

r. Leases

a) The Company has adopted IFRS 16 retrospectively from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the statement of financial position at the date of initial application.

On adoption of IFRS 16, the Company recognized lease liabilities in relation to leases that had previously been classified as 'operating leases' under the principles of IAS 17 "Leases." These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The weighted average lessee's incremental annual borrowing rate applied to the lease liabilities on January 1, 2019, was 6.9%.

The associated right-of-use assets were measured at the amount equal to the lease liability and as a result, there was no impact on accumulated deficit on January 1, 2019.

In applying IFRS 16 for the first time, the Company has used the following practical expedient permitted by the standard - the accounting for operating leases with a remaining lease term of less than 12 months as of January 1, 2019, as short-term leases.

The Company has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Company relied on its assessment made applying IAS 17 and IFRIC 4 determining whether an arrangement contains a lease.

b) From January 1, 2019, the leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments: fixed payments (including in-substance fixed payments) and variable lease payments that are based on an index or a rate.

The lease payments are discounted using the lessee's incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost being the amount of the initial measurement of the lease liability.

Payments associated with short-term leases and leases of low-value assets are not recognized as right-of-use assets or lease liabilities but are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets include IT-equipment and small items of office furniture.

Contracts may contain both lease and non-lease components. For leases of properties, the Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of vehicles, for which the Company is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

c) Until the 2018 financial year, the leases of offices and cars by the Company and its subsidiary were classified as operating leases and payments made were charged to profit or loss on a straight-line basis over the period of the lease.

NOTE 3 - CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS:

The preparation of financial statements requires management to make estimates which, by definition, will seldom equal the actual results and will affect the reported amounts in the Company's consolidated financial statements and the accompanying notes. Some of the policies described in note 2 of the Company's consolidated financial statements involve a high degree of judgment or complexity. The Company believes that the most critical accounting policies and significant areas of judgment and estimation are in:

- Impairment reviews of intangible R&D assets
- Estimated fair value and useful economic life of the Aemcolo® asset.

Impairment reviews of intangible R&D assets

The Company reviews annually or when events or changes in circumstances indicate the carrying value of the R&D assets may not be recoverable.

When and if necessary, an impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is determined using discounted cash flow calculations where the asset's expected post-tax cash flows are risk-adjusted over their estimated remaining useful economic life. The risk-adjusted cash flows are discounted using the estimated Company's post-tax weighted average cost of capital ("WACC") which is 15.4%.

The main estimates used in calculating the recoverable amount include: outcome of the therapeutic candidates R&D activities; probability of success in gaining regulatory approval, size of the potential market and the Company's asset's specific share in it and amount and timing of projected future cash flows.

Estimated fair value and useful economic life of the Aemcolo® asset

The Aemcolo® asset has been acquired in exchange of the Company's ADSs and was recognized at fair value at the acquisition date. The fair value was determined using discounted cash flow calculations where the asset's expected post-tax cash flows are risk-adjusted (using WACC) over their estimated remaining useful economic life.

The main estimates used in calculating the fair value include size of the potential market, the asset's peak market share and the period in which it will be reached and the amount and timing of projected future cash flows.

Moreover, the Company determined the asset's useful economic life, over which the asset will be amortized on a straight-line from its acquisition. The main estimate used in determining the useful life was the anticipated duration of sales of the product after its expiration.

NOTE 4 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT:

Financial risk management:

1) Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and price risks), credit and interest risks, and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's results of operations and financial position.

Risk management is performed by the Chief Financial Officer of the Company who identifies and evaluates financial risks in close cooperation with the Company's Chief Executive Officer.

The Company's finance department is responsible for carrying out financial risk management activities in accordance with policies approved by its BoD). The BoD provides general guidelines for overall financial risk management, as well as policies dealing with specific areas, such as exchange rate risk, interest rate risk, credit risk, use of financial instruments, and investment of excess cash. In order to minimize market risk and credit risk, the Company has invested the majority of its cash balances in low-risk investments, such as (i) highly-rated bank deposits with terms of up to one-year term with exit points and (ii) a managed portfolio of select corporate bonds comprised of a diversified mix of highly-rated bonds. No more than 10% of the total value of the Company's corporate bonds portfolio is invested in a single bond issuer.

(a) Market risks

The Company might be exposed to foreign exchange risk as a result of its payments to employees and service providers and investment of some liquidity in currencies other than the U.S. dollar (i.e., the Functional Currency). The Company manages the foreign exchange risk by aligning the currencies for holding liquidity with the currencies of expected expenses, based on the expected cash flows of the Company. Had the Functional Currency of the Company been stronger by 5% against the NIS, assuming all other variables remained constant, the Company would have recognized an additional expense of $12,,000 $58,000, and $56,000 in profit or loss for the years ended, December 31, 2019, 2018 and 2017, respectively. The foreign exchange risks associated with these balances are immaterial.

(b) Credit and interest risks

Credit and interest risks arise from cash and cash equivalents, deposits with banks, financial assets at fair value through profit or loss, as well as receivables. A substantial portion of liquid instruments of the Company is invested in short-term deposits or corporate bonds in highly-rated banks. The Company estimates that since the liquid instruments are mainly invested in the short term and with highly-rated institutions, the credit and interest risks associated with these balances are low.

Credit risk is the risk that customers may fail to pay their debts. The Company manages credit risk by setting credit limits, performing controls and monitoring qualitative and quantitative indicators of trade receivable balances such as the period of credit taken and overdue payments. Customer credit risk also arises as a result of the concentration of the Company's revenues with its largest customers. See also note 23b.

(c) Liquidity risk

Prudent liquidity risk management requires maintaining sufficient cash or the availability of funding through an adequate amount of committed credit facilities. Management monitors rolling forecasts of the Company's liquidity reserve (comprising of cash and cash equivalents, deposits and financial assets through profit or loss). This is generally carried out based on the expected cash flow in accordance with practices and limits set by the management of the Company.

As of December 31, 2019, the Company has generated revenues from commercialization and promotional activities, however, no sufficient revenue from the commercial operations was generated to compensate for operating expenses and as sales, royalties or commercialization revenues from the therapeutic candidates have not yet been generated, the Company is exposed to liquidity risk.

As of December 31, 2019, the Company's non-derivative financial liabilities include accounts payable, accrued expenses, and other current liabilities for a period of less than 1 year. See also note 10 regarding the Company's contractual cash flows for its lease liabilities.

2) Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders, maintain optimal capital structure, and to reduce the cost of capital.

3) Fair value estimation

The following is an analysis of financial instruments measured at fair value using valuation methods. The different levels have been defined as follows:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value of financial instruments traded in active markets is based on quoted market prices at dates of the Statements of Financial Position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, then the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The following table presents Company assets and liabilities measured at fair value:

	Level 1	Level 3	Total
	U.S. dollars in thousands		
December 31, 2019:			
Assets -			
Financial assets at fair value through profit or loss	8,500	—	8,500
December 31, 2018:			
Assets -			
Financial assets at fair value through profit or loss	15,909	—	15,909
Liabilities -			
Derivative financial instruments	—	344	344

The following table presents the change in derivative liabilities measured at level 3 for the years ended December 31, 2019 and 2018:

	Derivative financial instruments	
	Year Ended December 31,	
	2019	2018
	U.S. dollars in thousands	
Balance at beginning of the year	344	448
Fair value adjustments recognized in profit or loss	(344)	(104)
Balance at end of the year	—	344

The fair value of the above-mentioned derivative financial instruments that are not traded in an active market is determined by using valuation techniques. The Company used its judgment to select a variety of methods and made assumptions that are mainly based on market conditions existing at the end of each reporting period.

NOTE 5 - CASH, CASH EQUIVALENTS AND BANK DEPOSITS:

a. Cash and cash equivalents

	December 31,	
	2019	2018
	U.S. dollars in thousands	
Cash in bank	6,471	7,736
Short-term bank deposits	22,552	21,269
	29,023	29,005

The carrying amounts of the cash and cash equivalents approximate their fair values.

b. Bank deposits

The bank deposits include deposits invested for terms of three months to one year and bear interest at an average annual rate of 2.07%.

NOTE 6 - FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS:

These financial assets as of December 31, 2019, represent a portfolio of marketable debt securities.

The Company's business model regarding this portfolio is to realize cash flows through the sale of its assets, rather than hold these assets to collect their contractual cash flows or both to collect contractual cash flows and to sell these financial assets. The Company is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. Therefore, this portfolio is classified as financial assets at fair value through profit or loss.

The fair value of the securities is based on their exchange market price at the end of each trading day and reporting period.

NOTE 7 - PREPAID EXPENSES AND OTHER RECEIVABLES:

	December 31,	
	2019	2018
	U.S. dollars in thousands	
Advance to suppliers	1,412	1,319
Discount from service provider	63	241
Prepaid expenses	413	120
Government institutions	356	196
	2,244	1,876

The fair value of other receivables, which constitute of financial assets, approximates their carrying amount.

NOTE 8 - INVENTORY:

	December 31,	
	2019	2018
	U.S. dollars in thousands	
Raw materials	1,590	507
Finished goods	292	262
	1,882	769

During the years ended December 31, 2019, and 2018, the Company recognized amounts of $0.9 million and $1 million, respectively, in inventory cost as part of cost of revenues.

Write-downs of inventories to net realizable value amounted to $0.1 million in 2019 ($0 in 2018). These were recognized as an expense during the year ended December 31, 2019 and were included in cost of revenues in the statement of comprehensive loss.

REDHILL BIOPHARMA LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 - FIXED ASSETS:

The composition of assets and accumulated depreciation are grouped by major classifications:

	Cost		Accumulated depreciation		Depreciated balance	
	December 31		December 31		December 31	
	2019	2018	2019	2018	2019	2018
	U.S. dollars in thousands					
Office furniture and equipment (including computers)	534	372	324	235	210	137
Leasehold improvements	138	132	120	106	18	26
	672	504	444	341	228	163

NOTE 10 - LEASES:

Amounts recognized in the Statements of Financial Position:

	December 31, 2019	January 1, 2019
	U.S dollars in thousands	
Right-of-use assets:		
Properties	3,199	1,040
Vehicles	379	627
	3,578	1,667
Lease liabilities:		
Current	834	896
Non-current	2,981	771
	3,815	1,667

Additions to the right-of-use assets and lease liabilities during the 2019 financial year were $2.8 million

Amounts recognized in the Statements of Comprehensive Loss:

	Year Ended December 31, 2019
Depreciation charge of right-of-use assets	
Properties	524
Vehicles	370
	894
Interest expense (included in financial expenses)	390

The total cash outflow for leases in 2019 was $1 million.

Expenses relating to short-term leases and expenses relating to leases of low-value assets are immaterial.

The table below analyzes the Company's financial liabilities into relevant maturity groupings based on the contractual maturities:

	December 31, 2019
	U.S. dollars in thousands
Less than 1 year	1,052
2-5 years	3,117
More than 5 years	385
	4,554

NOTE 11 - INTANGIBLE ASSETS:

The Company's intangible assets represent in-licenses of R&D assets and the Aemcolo® asset.

The changes in those assets are as follows:

	Year Ended December 31,	
	2019	2018
	U.S. dollars in thousands	
R&D assets:		
Cost:		
Balance at beginning of year	5,320	5,285
Additions in-licenses of R&D during the year	35	35
Balance at end of year	5,355	5,320
Commercialization assets:		
Cost:		
Addition during the year	11,788	—
Accumulated amortization	(216)	—
Balance at end of year	11,572	—
	16,927	5,320

The Company estimates the useful life of the commercialization asset of Aemcolo® asset to be approximately 11 years. For further details regarding the intangible assets see notes 2h, 3, and 14(b).

NOTE 12 - LIABILITY FOR EMPLOYEE RIGHTS UPON RETIREMENT:

a. Labor laws and agreements in Israel require the Company to pay severance pay and/or pensions to an employee dismissed or retiring from their employment in certain circumstances.

b. The Company's pension liability and the Company's liability for payment of severance pay for employees in Israel for whom the liability is within the scope of Section 14 of the Severance Pay Law, is covered by ongoing deposits with defined contribution plans. The amounts deposited are not included in the Statements of Financial Position.

The amounts charged as an expense with respect to defined contribution plans in 2019, 2018, and 2017 were $184,000, $182,000, and $155,000, respectively.

REDHILL BIOPHARMA LTD.
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NOTE 13 - ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES:

	December 31,	
	2019	2018
	U.S. dollars in thousands	
Accrued expenses	4,263	5,599
Employees and related liabilities	1,228	1,380
Government institutions	107	78
	5,598	7,057

The fair value of the accounts payable and accrued expense balances approximates their carrying amounts.

NOTE 14 - COMMITMENTS:

a. Agreements to purchase intellectual property

1) On August 11, 2010, the Company entered into an agreement with a private Australian company in an asset purchase agreement to acquire intellectual property relating to three therapeutic candidates for the treatment of gastrointestinal conditions. Pursuant to the asset purchase agreement, as amended, the Company paid the Australian company an initial amount of $500,000 and undertook to pay future payments in the range of 7% - 20% from the Company's revenues that may be generated from the sale and sublicense of the therapeutic candidates, less certain deductible amounts, as detailed in the agreement. Such potential payments are due until termination or expiration of the last of the patents transferred to the Company pursuant to the agreement (each on a product-by-product basis).

   In 2014, the Company entered into a licensing agreement with Salix Pharmaceuticals, Ltd., which was later acquired by Valeant Pharmaceuticals International, Inc. and subsequently renamed to Bausch Health Companies Inc. ("Bausch Health"), pursuant to which Bausch Health licensed from the Company the exclusive worldwide rights to one of the above-mentioned therapeutic candidates. Under the license agreement, Bausch Health paid the Company an upfront payment of $7 million, recognized by the Company as revenues in 2014, and as a result, the Company paid the Australian company an amount of $1 million, that were recognized as cost of revenues in the Statements of Comprehensive Loss. In December 2019, the Company terminated the licensing agreement with Bausch Health and regained the exclusive worldwide rights to the therapeutic candidate licensed.

   Through December 31, 2019, the Company has paid the Australian company in total $1.5 million, as mentioned above.

2) On June 30, 2014, the Company entered into an agreement with a German company that granted the Company the exclusive worldwide (excluding China, Hong Kong, Taiwan, and Macao) development and commercialization rights to all indications to a therapeutic candidate. Under the terms of the agreement, the Company paid the German company an upfront payment of $1 million and agreed to pay the German company potential tiered royalties, less certain deductible amounts, as detailed in the agreement, ranging from mid-teens and up to 30%. Such potential royalties are due until the later of (i) the expiration of the last to expire licensed patent that covers the product in the relevant country and (ii) the expiration of regulatory exclusivity in the relevant country. Through December 31, 2019, the Company has paid the German company only the initial amount mentioned above.

3) On March 30, 2015, the Company entered into an agreement with a U.S.-based private company that granted the Company the exclusive worldwide development and commercialization rights for all indications to a therapeutic candidate, and additional intellectual property rights, targeting multiple

oncology, inflammatory and GI indications. Under the terms of the agreement, the Company undertook to pay the U.S. company an initial amount of $1.5 million and an additional amount of $2 million to be paid on a specific date. In addition, the Company undertook to pay up to $2 million in potential development milestone payments, and potential tiered royalties on revenues, less certain deductible amounts starting in the low double-digits, as detailed in the agreement. Such potential royalties are due until the later of (i) the expiration of the last to expire licensed patent that covers the product in the relevant country; and (ii) the expiration of regulatory exclusivity in the relevant country. Through December 31, 2019, the Company paid the U.S. company a total of $3 million.

Following an amendment to the agreement from February 2018, during December 2018, the Company elected to convert the current payment of the remaining $0.5 million into increased future potential royalty payments. As of December 31, 2019, the Company recognized an amount of $0.5 million as a non-current liability with respect to the increase in potential royalty payments.

b. License agreement for commercialization rights

On October 17, 2019, the Company entered into a strategic collaboration with Cosmo Pharmaceuticals N.V. (“Cosmo”), which includes an exclusive license agreement for the U.S. rights to Aemcolo® and a simultaneous private investment by Cosmo.

Under the terms of the license agreement, Cosmo invested $36.3 million in cash and granted the Company the exclusive rights to commercialize Aemcolo® in the U.S. for travelers’ diarrhea.

The license agreement also grants the Company certain rights related to the potential development of additional indications for Aemcolo®, as well as arrangements related to other pipeline therapeutic candidates of Cosmo. Under the terms of the agreements, the Company issued 5,185,715 ADSs to Cosmo for the cash investment and 1,714,286 ADSs to Cosmo Technologies Ltd, a wholly-owned subsidiary of, as an upfront payment for the U.S commercialization rights granted under the license. In addition, the Company agreed to pay Cosmo a royalty percentage in the high twenties on net sales generated from the commercialization of Aemcolo® in the U.S. The license agreement further provides for potential regulatory and commercial milestone payments to Cosmo totaling up to $100 million.

With respect to this agreement, the Company measured the commercialization rights based on their fair value, with a corresponding credit to equity.

NOTE 15 - INCOME TAX:

a. Taxation of the Company in Israel:

1) Measurement of results for tax purposes

The Company elected to compute its 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 Company’s taxable income or loss is calculated in U.S. dollars.

The results of the Company are measured for tax purposes in accordance with Accounting Principles Generally Accepted in Israel (Israeli GAAP). These financial statements are prepared in accordance with IFRS. The differences between IFRS and Israeli GAAP, both on an annual and a cumulative basis cause differences between taxable results and the results are reflected in these financial statements.

2) Tax rates

The net income of the Company is subject to the Israeli corporate tax rate. Israeli corporate tax rates for 2019, 2018, and 2017 were 23%, 23%, and 24%, respectively.

b. U.S. subsidiary

The Company's subsidiary is incorporated in the U.S and is taxed under U.S. tax laws. The applicable corporate tax rate in 2017 was 34%. On December 22, 2017, the Tax Cuts and Jobs Act (the "2017 Act") was enacted and the applicable tax rate was reduced to 21% from 2018 and thereafter.

As a general rule, inter-company transactions between the Israel-resident Company and its U.S-resident subsidiary are subject to the reporting provisions of the Income Tax Regulations, section 85-A, 2006.

c. Carryforward losses

As of December 31, 2019, the Company had net operating losses carried forward ("NOLs") of approximately $165 million. Under Israeli tax laws, carryforward tax losses have no expiration date.

As of December 31, 2019, the U.S. subsidiary had net operating losses carried forward of approximately $33 million, of which approximately $10 million expires in 2037, and approximately $23 million does not expire, but is limited to offset 80% of the net income in the year it is utilized.

Under U.S. tax laws, for NOLs arising after December 31, 2017, the 2017 Act limits a taxpayer's ability to utilize NOL carryforwards to 80% of taxable income. In addition, NOLs arising after 2017 can be carried forward indefinitely, but carryback is generally prohibited. NOLs generated in tax years beginning before January 1, 2018, will not be subject to the foregoing taxable income limitation and will continue to have a two-year carryback and twenty-year carryforward period.

Deferred tax assets on losses for tax purposes carried forward to subsequent years are recognized if utilization of the related tax benefit against a future taxable income is expected. The Company has not created deferred taxes on its carryforward losses since their utilization is not expected in the foreseeable future.

d. Deductible temporary differences

The amount of cumulative deductible temporary differences, other than carryforward losses (as mentioned in c. above), for which deferred tax assets have not been recognized in the Statements of Financial Position as of December 31, 2019, and 2018, were $17 million and $27 million, respectively. These temporary differences have no expiration dates.

e. Tax assessments

The Company has not been assessed for tax purposes since its incorporation. The Company's tax assessments for 2014 are therefore considered final.

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NOTE 16 - SHARE CAPITAL:

a. Composition

Company share capital is composed of shares of NIS 0.01 par value, as follows:

	Number of shares	
	December 31,	
	2019	2018
	In thousands	
Authorized ordinary shares	594,000	600,000
Authorized preferred shares (reserved)	6,000	
Issued and paid ordinary shares	352,696	283,687

The Company's ordinary shares were traded on the TASE from February 2011 to February 2020, and the Company voluntarily delisted from trading on the TASE, effective February 13, 2020. The Company's ADSs are traded on the NASDAQ. Each ADS represents 10 ordinary shares. The last reported market price for the Company's securities on December 31, 2019, was $6.07 per ADS on the NASDAQ and $0.60 per share on the TASE (based on the exchange rate reported by the Bank of Israel for that date).

In May 2018, a general meeting of the Company's shareholders approved the increase of the authorized share capital of the Company to 600,000,000 ordinary shares. In June 2019, a general meeting of the Company's shareholders approved to amend the Company's registered share capital into (i) 594,000,000 ordinary shares, par value NIS 0.01 each, and (ii) 6,000,000 preferred shares, par value NIS 0.01 each.

b. Exercise of options

During 2019 and 2018, the Company issued 8,750 and 719,374 ordinary shares for $5,000 and $0.4 million, respectively, resulting from exercises of options that had been issued to employees, consultants and directors of the Company.

c. In August 2018, the Company completed an underwritten offering in the U.S. of an aggregate of 4,166,667 ADSs for gross proceeds to the Company of approximately $25 million. Net proceeds to the Company from the offering, following underwriting commissions and other offering expenses, were approximately $23.5 million.

In December 2018, the Company completed an underwritten offering in the U.S. of an aggregate of 2,857,143 ADSs for gross proceeds to the Company of approximately $20 million. Net proceeds to the Company from the offering, following underwriting commissions and other offering expenses, were approximately $18.4 million.

d. In October 2019, the Company, under the strategic collaboration discussed in note14(b), issued 5,185,715 ADSs to Cosmo for proceeds in cash of $36.3 million and 1,714,286 ADSs to Cosmo Technologies Ltd, a wholly-owned subsidiary of Cosmo, as an upfront payment for the U.S commercialization rights of Aemcolo®.

NOTE 17 - SHARE-BASED PAYMENTS:

On May 30, 2010, a general meeting of shareholders approved the option plan of the Company (the "Option Plan"), after being approved by the BoD. In 2017 the Option Plan was amended and restated as the 2010

Award Plan (the "Award Plan"). As of December 31, 2019, the Award Plan allows the Company to allocate up to 51,332,508 options to employees, consultants, and directors and are reserved by the BoD for issuance under the Award Plan. The terms and conditions of the grants were determined by the BoD and are according to the Award Plan.

a. The following is information on options granted in 2019:

	Number of options granted				
	According to the Award Plan of the Company			Exercise price for 1 ordinary share ($)	Fair value of options on date of grant in U.S. dollars in thousands (3)
Date of grant	Other than to directors (1)	To directors (1)(2)	Total		
February 2019	1,580,000	—	1,580,000	0.89	628
May 2019	5,640,000	—	5,640,000	0.92	2,433
June 2019	—	1,875,000	1,875,000	0.92	641
July 2019	435,000	—	435,000	0.80	173
September 2019	350,000	—	350,000	0.80	150
November 2019	600,000	—	600,000	0.76	195
December 2019	1,370,000	—	1,370,000	0.69	451
	9,975,000	1,875,000	11,850,000		4,671

1) The options will vest as follows: for directors, employees and consultants of the Company and the Company's subsidiary who had provided services exceeding one year as of the grant date, options will vest in 16 equal quarterly installments over a four-year period. For directors, employees and consultants of the Company and the Company's subsidiary who had not provided services exceeding one year as of the grant date, the options will vest as follows: 1/4 of the options will vest one year following the grant date and the rest will vest over 12 equal quarterly installments. During the contractual term, the options will be exercisable, either in full or in part, from the vesting date until the end of 10 years from the date of grant.

   The options include both options exercisable into the Company's ordinary shares and options exercisable to the Company's ADSs.

2) The general meeting of the Company's shareholders held on June 24, 2019 (the "June 2019 AGM"), subsequent to approval of the Company's BoD, granted 1,875,000 options under the Company's Award Plan, of which 1,125,000 options to the Company's directors and 750,000 options to the Company's Chairman of the BoD and Chief Executive Officer.

3) The fair value of the options was computed using the binomial model and the underlying data used was mainly the following: price of the Company's ordinary share: $0.61 - $0.83, expected volatility: 57.48% - 58.27%, risk-free interest rate: 1.63% - 2.67% and the expected term was derived based on the contractual term of the options, the expected exercise behavior and expected post-vesting forfeiture rates. the expected volatility assumption used in based on the historical volatility of the Company's ordinary share.

b. The June 2019 AGM, subsequent to approval of the Company's BoD, granted a three-year extension of the exercise period of fully-vested options exercisable into the Company's ordinary shares granted to the Company's Chairman of the BoD and Chief Executive Officer, that were originally scheduled to expire in February 2019. Accordingly, 600,000 options were extended with new terms: the exercise price will increase by 50% to 1.08 per ordinary share and will not be exercisable within one year of the extension. These options originally had a term of seven years. The total incremental fair value of the options was approximately $0.2 million and was recorded immediately to the Statements of Comprehensive Loss.

c. The following is information on options granted in 2018:

Date of grant	Number of options granted: According to the Award Plan of the Company: Other than to directors (1)	According to the Award Plan of the Company: To directors (1) (2)	According to the Award Plan of the Company: Total	Exercise price for 1 ordinary share ($)	Fair value of options on date of grant in U.S. dollars in thousands (3)
January 2018	1,455,000	—	1,455,000	0.56	433
March 2018	3,210,000	—	3,210,000	0.65	808
May 2018	—	500,000	500,000	0.65	111
August 2018	630,000	—	630,000	0.84	238
November 2018	210,000		210,000	0.90	102
	5,505,000	500,000	6,005,000		1,692

1) The options will vest as follows: for directors, employees and consultants of the Company and the Company's subsidiary who had provided services exceeding one year as of the grant date, options will vest in 16 equal quarterly installments over a four-year period. For directors, employees and consultants of the Company and the Company's subsidiary who had not provided services exceeding one year as of the grant date, the options will vest as follows: 1/4 of the options will vest one year following the grant date and the rest will vest over 12 equal quarterly installments. During the contractual term, the options will be exercisable, either in full or in part, from the vesting date until the end of 10 years from the date of grant.

2) The options include both options exercisable into the Company’s ordinary shares and options exercisable to the Company’s ADSs.

3) The general meeting of the Company’s shareholders held on May 2, 2018 (the “May 2018 AGM”), subsequent to approval of the Company’s BoD, granted 500,000 options under the Company’s Award Plan to the Company's Chairman of the BoD and Chief Executive Officer.

4) The fair value of the options was computed using the binomial model and the underlying data used was mainly the following: price of the Company’s ordinary share: $0.48 - $0.88, expected volatility: 50.99% - 58.4%, risk-free interest rate: 2.65% - 3.19% and the expected term was derived based on the contractual term of the options, the expected exercise behavior and expected post-vesting forfeiture rates. the expected volatility assumption used in based on the historical volatility of the Company’s ordinary share.

d. During 2018, the BoD approved a three years extension of the exercise period of fully-vested options exercisable into the Company's ordinary shares granted to employees and consultants that were originally scheduled to expire in February 2018, March 2018, August 2018, January 2019 and February 2019. Accordingly, 2,844,210 options, 120,000 options, 260,000 options, 750,000 options and 400,000 options, respectively, were extended with new terms: the exercise price will increase by 50% to $0.75, $1.575, $1.035, $1.08 and $1.08 per ordinary share, respectively, and will not be exercisable within one year of the extension. These options originally had a term of seven years. The total incremental fair value of the options as of the date of the extension was approximately $0.4 million and was recorded to the Statements of Comprehensive Loss immediately.

e. The May 2018 AGM, subsequent to approval of the Company’s BoD, granted a three-year extensions of the exercise period of 1,540,000 fully-vested options exercisable into the Company's ordinary shares and 150,000 fully-vested options exercisable into the Company's ordinary shares granted to the Company's Chairman of the BoD and Chief Executive Officer and to a non-executive director of the Company, respectively, that were originally scheduled to expire in February 2018 and May 2018, respectively. These options originally had a term of seven years, and the extensions are under the same terms as

detailed in d above. The total incremental fair value of the options on the date of May 2018 AGM was $0.1 million and was recorded to the Statements of Comprehensive Loss immediately.

f. Changes in the number of options and weighted averages of exercise prices are as follows:

	Year Ended December 31,			
	2019		2018	
	Number of options	Weighted average of exercise price ($)	Number of options	Weighted average of exercise price ($)
Outstanding at beginning of year	29,360,235	1.05	25,781,798	1.05
Exercised	(8,750)	0.61	(719,374)	0.02
Expired and forfeited	(692,501)	1.03	(1,707,189)	0.96
Granted	11,850,000	0.87	6,005,000	0.66
Outstanding at end of year	40,508,984	1.03	29,360,235	1.05
Exercisable at end of year	24,902,923	1.14	12,962,574	1.25

g. The following is information about the exercise price and remaining useful life of outstanding options at year-end:

Year Ended December 31,					
2019			2018		
Number of options outstanding at end of year	Exercise price range	Weighted average of remaining useful life	Number of options outstanding at end of year	Exercise price range	Weighted average of remaining useful life
40,508,984	$0.56-$1.61	5.2	29,360,235	$0.56-$1.61	4.3

h. Expenses recognized in profit or loss for the options are as follows:

Year Ended December 31,		
2019	2018	2017
U.S. dollars in thousands		
3,027	2,678	2,235

The remaining compensation expenses as of December 31, 2019, are $3.5 million and will be expensed in full by September 2023.

The options granted to Company employees in Israel are governed by relevant rules in Section 102 to the Israel Income Tax Ordinance (hereinafter the “Ordinance”). According to the treatment elected by the Company and these rules, the Company is not entitled to claim as tax deductions the amounts charged to employees as a benefit, including amounts recognized as payroll benefits in Company, accounts for the options the employees received within the Award Plan. Options granted to option holders who are related parties of the Company are governed by Section 3(i) to the Ordinance.

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NOTE 18 - NET REVENUES:

	Year Ended December 31,		
	2019	2018	2017
	U.S dollars in thousands		
Commercialization of products	3,227	4,671	3,240
Promotional services	3,064	3,689	767
	6,291	8,360	4,007

During the reported years in these financial statements, net revenues consist solely of revenues with respect to commercialization and promotional activities of the Company's commercial products, as detailed in note 1a (2).

NOTE 19 - RESEARCH AND DEVELOPMENT EXPENSES, net:

	Year Ended December 31,		
	2019	2018	2017
	U.S. dollars in thousands		
Payroll and related expenses	623	552	653
Professional services	2,345	2,297	2,218
Share-based payments	671	872	793
Clinical and pre-clinical trials	12,840	20,373	27,940
Intellectual property development	317	290	401
Other	623	478	964
	17,419	24,862	32,969

NOTE 20 - SELLING, MARKETING AND BUSINESS DEVELOPMENT EXPENSES:

	Year Ended December 31,		
	2019	2018	2017
	U.S. dollars in thousands		
Payroll and related expenses	9,335	7,540	5,012
Share-based payments	941	575	387
Professional services	3,680	1,626	1,778
Samples	178	—	1,569
Travel and related expenses	2,193	1,822	2,236
Office-related expenses	789	495	395
Other	1,217	428	637
	18,333	12,486	12,014

NOTE 21 - GENERAL AND ADMINISTRATIVE EXPENSES:

	Year Ended December 31,		
	2019	2018	2017
	U.S. dollars in thousands		
Payroll and related expenses	4,903	3,880	3,311
Share-based payments	1,415	1,231	1,054
Professional services	3,778	1,461	2,246
Office-related expenses	585	547	567
Other	800	387	847
	11,481	7,506	8,025

NOTE 22 - FINANCIAL INCOME, net:

	Year Ended December 31,		
	2019	2018	2017
	U.S dollars in thousands		
Financial income:			
Fair value gains on derivative financial instruments	344	104	5,687
Gains on financial assets at fair value through profit or loss	474	295	189
Gains from changes in exchange rates	74	—	332
Interest from bank deposits	443	279	297
	1,335	678	6,505
Financial expenses:			
Interest and finance charges for lease liabilities	390	—	—
Loss from changes in exchange rates		125	—
Other	48	42	77
	438	167	77
Financial income, net	897	511	6,428

NOTE 23 - SEGMENT INFORMATION:

The Company has two segments, Commercial Operations and Research & Development. In line with the reporting to the Chief Executive Officer, the performance of these segments is reviewed at revenues, gross profit, and operating expenses levels. The Commercial Operations segment covers all areas relating to the commercial sales and operating expenses directly related to that activity and is being performed by the Company's U.S. subsidiary. The Research and Development segment includes all activities related to the research and development of therapeutic candidates and is being performed by the Company. There is no

segmentation of the Statements of Financial Position. Charges such as depreciation, impairment and other non-cash expenses are charged to the relevant segment.

a. Segment information

	Year Ended December 31, 2019			Year Ended December 31, 2018		
	Commercial Operations	Research and Development	Consolidated	Commercial Operations	Research and Development	Consolidated
	U.S. dollars in thousands			U.S. dollars in thousands		
Net revenues	6,291	—	6,291	8,360	—	8,360
Cost of revenues	2,259	—	2,259	2,837	—	2,837
Gross profit	4,032	—	4,032	5,523	—	5,523
Research and development expenses, net	—	17,419	17,419	—	24,862	24,862
Selling, marketing, and business development expenses	16,854	1,479	18,333	11,329	1,157	12,486
General and administrative expenses	5,173	6,308	11,481	2,795	4,711	7,506
Operating loss	17,995	25,206	43,201	8,601	30,730	39,331

b. Major customers

The percentages of total net revenues for the year ended December 31, 2019, and the year ended December 31, 2018, from one customer were 22% and 46%, respectively, and from another customer were 45% and 42%, respectively. The Company's revenues were entirely in the U.S. and the payment terms for all customers are 30 to 60 days.

NOTE 24 - LOSS PER ORDINARY SHARE:

a. Basic

The basic loss per share is calculated by dividing the loss by the weighted average number of ordinary shares in issue during the period.

The following is data taken into account in the computation of basic loss per share:

	Year Ended December 31,		
	2019	2018	2017
Loss (U.S. dollars in thousands)	42,304	38,820	45,544
Weighted average number of ordinary shares outstanding during the period (in thousands)	296,922	231,204	176,579
Basic loss per share (U.S. dollars)	0.14	0.17	0.26

b. Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding, assuming conversion of all potentially dilutive ordinary shares, using the treasury stock method. The Company had two categories of potentially dilutive ordinary shares: warrants issued to investors and options issued to employees and service providers. The effect of these options and warrants for all reporting years is anti-dilutive.

NOTE 25 - RELATED PARTIES:

a. Key management in 2019 includes members of the Board of Directors and the Chief Executive Officer

	Year Ended December 31,		
	2019	2018	2017
	U.S. dollars in thousands		
Key management compensation:			
Salaries and other short-term employee benefits	666	734	677
Post-employment benefits	37	36	35
Share-based payments	468	510	557
Other long-term benefits	26	26	7

b. Balances with related parties:

	December 31,	
	2019	2018
	U.S. dollars in thousands	
Current liabilities -		
Credit balance in “accrued expenses and other current liabilities”	175	178
Non-current liabilities -		
Derivative financial instruments	—	8

NOTE 26 - EVENTS SUBSEQUENT TO DECEMBER 31, 2019:

a. On January 31, 2020, and February 24, 2020, the BoD approved grants of 98,000 options and 52,500 options, respectively, to purchase ADSs to employees of the Company’s subsidiary, under the Company’s Award Plan. The estimated fair values of the options on the grant dates were $0.3 million and $0.2 million, respectively.

b. On February 23, 2020, the Company’s subsidiary entered into a credit agreement and certain security documents with HCR Collateral Management, LLC (“HCRM”) for up to $115 million in a non-dilutive, six-year term loan facility (the "Credit Agreement"). The borrowings under the term loan facility are secured by a first priority lien on substantially all of the current and future assets of the Company’s subsidiary, all assets related in any material respect to Talicia®, and all of the equity interests of the Company’s subsidiary. The Credit Agreement also restricts the Company subsidiary’s ability to make certain payments to the Company, including paying dividends, prior to the full repayment of the term loan facility.

The Credit Agreement contains certain customary affirmative and negative covenants. The Credit Agreement also contains a financial covenant requiring the Company to maintain a level of cash liquidity as well as a covenant requiring it to maintain minimum net sales beginning with the fiscal quarter ending June 30, 2022. The

level of liquidity is gradual and calculated on the amount borrowed under the term loan facility and is not to exceed $23 million.

Under the terms of the agreement, the Company's subsidiary will receive a $30 million term loan following the closing of the transaction. Subject to Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, clearance ("HSR Clearance"), the Company's subsidiary will receive an additional $50 million loan to fund the acquisition of rights to Movantik® (naloxegol) from AstraZeneca. Two additional tranches, the second of which is at the mutual agreement of the Company's subsidiary and HCRM, totaling $35 million will be available upon satisfaction of certain conditions to further support the Company's subsidiary growing commercial operations. HCRM will receive royalties in the low-single digits based on the Company's subsidiary worldwide net revenues, subject to a cap, as well as interest on the outstanding term loan to be computed as the 3-month LIBOR rate plus a single-digit interest rate, depending on revenues generated. The term loan matures in six years with no principal payments required in the first three years. The loan can be prepaid at the Company's subsidiary's discretion, subject to customary prepayment fees, certain of which decrease over time.

c. On February 23, 2020, the Company entered into an exclusive license agreement with AstraZeneca AB ("AstraZeneca") pursuant to which AstraZeneca granted the Company's subsidiary exclusive, worldwide (excluding Europe, Canada, and Israel) commercialization and development rights to Movantik® (naloxegol) and certain associated products. Movantik®, which was developed using Nektar Therapeutics' ("Nektar") oral small molecule polymer conjugate technology, is part of the exclusive worldwide license agreement between AstraZeneca and Nektar. Under the terms of the license agreement, and subject to HSR Clearance, the Company's subsidiary agreed to pay an upfront payment of $52.5 million to AstraZeneca upon potential closing and a further non-contingent payment of $15 million 18 months post-closing.

In addition, the Company's subsidiary entered into a supply agreement and a transitional services agreement with AstraZeneca, pursuant to which AstraZeneca will provide the Company's subsidiary certain technology transfers and related materials for an agreed period, to enable the Company to manufacture and distribute Movantik® through its own supply chain, as well as various other supporting services over certain agreed periods.

The Company's subsidiary will also assume financial responsibility for sales-based royalty and potential milestone payments that AstraZeneca is required to pay to Nektar Therapeutics, the originator of Movantik®. In 2015, AstraZeneca entered into a co-commercialization agreement with Daiichi Sankyo, Inc. ("Daiichi Sankyo") for Movantik® in the U.S., which will be transferred to the Company's subsidiary upon closing of the transaction. Following such transfer, the Company's subsidiary expects to lead all U.S. commercialization activities for Movantik® and will continue to share costs and pay sales-related commissions to Daiichi Sankyo under that agreement.

Exhibit 1.1

Articles of Association

Of

Redhill Biopharma Ltd.
("Company")

As last amended by the annual general meeting of shareholders on June 24, 2019

Table of Contents

1. Introduction

1.1 In these Articles, each of the terms set forth below shall have the meaning set forth opposite it:

Law -	The provisions of any law applicable in the State of Israel.
Administrative Proceeding -	A proceeding pursuant to Chapter H3 (Imposing Monetary Sanction by the ISA), H4 (Imposing Administrative Enforcement Measures by the Administrative Enforcement Committee) and/or I1 (Conditioned Arrangement for Avoidance of Taking Action of for Stopping Action) of the Securities Law, as amended from time to time
The Companies Law -	The Companies Law, 5759 – 1999; or any provision of law superseding same.
The Securities Law -	The Securities Law, 5728 – 1968; or any provision of law superseding same.
Business Day -	A day on which most of the banks in Israel are open for the performance of transactions.
Writing -	Print and any other form of imprinting words including documents transmitted in writing via facsimile, by telegraph, telex, email, computer or in any other electronic means of communication, creating or allowing the creation of any copy and/or printed output of the document.
Securities -	As defined in Section 1 of the Securities Law.
Incapacitated -	A person declared incapacitated pursuant to the Legal Capacity and Guardianship Law, 5722 – 1962.
Companies Ordinance -	The Companies Ordinance [New Version], 5743 – 1983, or any provision of law superseding same.
Simple Majority -	A majority of over one half of the votes of the shareholders entitled to vote who have voted in person or by proxy or by means of a voting paper, other than abstainees.
A majority of 75% -	A majority of 75% or more of the votes of the shareholders entitled to vote who have voted in person or by proxy or by means of a voting paper, other than abstainees.
Articles of Association -	The Company's articles of association as per the wording herein or as duly modified, from time to time, either expressly or under any law.
The Companies Regulations -	Regulations enacted by virtue of the Companies Law and/or by virtue of the Companies Ordinance.
Securities Regulations -	Regulations enacted by virtue of the Securities Law.

Related Corporation - A corporation controlling the Company directly and/or indirectly and/or any corporation directly and/or indirectly controlled by such corporation and/or any corporation controlled by the Company, directly and/or indirectly.

1.2 In these Articles, reference to any organ or officeholder is to organs or officeholders of the company.

1.3 The provisions of sections 3-10 of the Interpretation Law, 5741 – 1981, shall also apply, *mutatis mutandis*, to the interpretation of these Articles, where there is no other provision in respect of such matter and where such matter or the context thereof, contain nothing which does not comply with such applicability.

Save for the provisions of this Article, any word or term in these Articles shall have the meaning imparted to them in the Companies Law, and where there is no such meaning in the Companies Law, then the meaning imparted to them in the Companies Regulations, and where there is no such meaning, then the meaning imparted to them in the Securities Law, and where there is no such meaning, then the meaning imparted to them in the Securities Regulations and where there is no such meaning, then the meaning imparted to them in any other law, all where the meaning imparted as aforesaid is not in conflict with the context where such word or expression appears or with the purpose of the relevant provision in these Articles.

In case of reference in these Articles to a provision of law, and such provision has been revised or revoked, such provision shall be deemed valid and as though it were part of the Articles, unless in consequence of such revision or cancellation, such provision has no effect.

The provisions of these Articles are designed to add to and contract out the provisions stipulated in the Companies Law. In the event that any of the provisions of these Articles is in contravention of that permitted under law, the provisions of these Articles shall be interpreted to the extent possible in accordance with the provisions of the law.

2. **A Public Company**

The Company is a public company.

3. **Donations**

The Company may make donations, even if the donation is not made as part of commercial considerations.

4. **Company's Objectives**

The Company shall engage in any lawful business.

5. **Limitation of Liability**

The liability of the shareholders of the Company is limited, each of them to full payment of the amount that he has undertaken to pay for the shares allocated to him at the time of the allocation.

6. **Amendments to the Articles of Association**

The Company may amend any of the provisions of these Articles or substitute these Articles for other Articles, by means of a resolution passed by the a simple majority at a general meeting, apart from the provisions of Sub-Articles 14.1, 14.2, 19.1 and 19.2 herein, the amendment or replacement of which is subject to a resolution to be passed by a majority of 75% at a general meeting.

Chapter Two - The Share Capital of the Company

7. **Share Capital**.

7.1 The Company's registered share capital is NIS 6,000,000, divided into (i) 594,000,000 registered ordinary shares of NIS 0.01 par value each (hereinafter: "**share", "ordinary share", "shares" or "ordinary shares",** as the case may be) and (ii) 6,000,000 preferred shares of NIS 0.01 par value each (hereinafter: "the **preferred shares**"). Each ordinary share confers a right to receive invitations to participate in and vote at the general meetings. A shareholder shall have one vote for every fully paid up ordinary share that he holds. All ordinary shares have equal rights *inter se* with respect to dividend, distribution of bonus shares or any other distribution, capital refund and participation in distribution of surplus of Company assets upon liquidation.

The preferred shares may be issued from time to time in one or more series pursuant to a resolution or resolutions providing for such issue duly adopted by the board of directors (authority to do so being hereby expressly vested in the board of directors). The board of directors is further authorized, subject to any limitations prescribed by law, to fix by resolution or resolutions the designation, powers, preferences, and rights of the shares of each such series and any qualifications, limitations or restrictions thereof. The board of directors is further authorized to increase (but not above the total number of authorized shares of the class) or decrease (but not below the number of shares of any such series then outstanding) the number of shares of any series, the number of which was fixed by it, subject to the powers, preferences and rights, and the qualifications, limitations and restrictions thereof stated in these Articles or the resolution of the board of directors originally fixing the number of shares of such series.

7.2 The provisions of these Articles in relation to shares, shall also apply, mutatis mutandis, to other securities to be issued by the Company except to the extent otherwise determined by the board of directors.

8. **Issuance of Shares and Other Securities**

8.1 No Priority Right - the existing shareholders of the Company shall not have a priority right, a right of preference, or any other right whatsoever to acquire the Company's securities. The board of directors may, at its exclusive discretion, first offer the Company's securities to all or any of the current shareholders.

8.2 Redeemable Securities

The Company may issue redeemable securities, with rights attached to them and subject to such terms and conditions as shall be prescribed by the board of directors.

8.3 Commissions - the Company may pay any person a commission (including underwriting fees) in consideration of underwriting services, marketing or distribution of the Company's securities, either conditionally or unconditionally, on such terms and conditions as shall be prescribed by the board of directors. Payment as aforementioned in this Article can be made either in cash or in securities of the Company, or some of them in one way and some of them in another way.

8.4 The board of directors may introduce distinctions between holders of the Company's securities in relation to the terms and conditions of allocation of the Company's securities and the rights attached to such securities and may also vary such terms and conditions, including waiving some of them. The board of directors may further issue calls to the holders of securities for payment of the money that has not yet been paid for the securities held by them.

8.5 Any payment on account of a share shall be credited initially on account of the nominal value and only then on account of the premium for each share, unless otherwise prescribed in the terms of the allocation.

8.6 A shareholder will not be entitled to his rights as a shareholder, including to a dividend, unless he has paid the amounts in full in accordance with the terms of the allocation, with the addition of interest, linkage and expenses, if there were any, and all if not otherwise prescribed in the terms of the allocation.

8.7 The board of directors may forfeit as well as sell, re-allocate or otherwise transfer any security as it shall decide, in respect of which the full consideration has not been paid, including for nil consideration.

8.8 The forfeiture of a security shall result, at the time of such forfeiture, in the revocation of any right in the Company and any claim or demand against it in relation to such security, except for such rights and obligations as are excluded from this rule in accordance with these Articles or which the law confers on or imposes on a former shareholder.

9. **The Register of Shareholders of the Company and Issue of Share Certificates**

9.1 The secretary of the Company or whoever is appointed for such purpose by the board of directors of the Company shall be responsible for keeping a Register of the Company's Shareholders. A shareholder is entitled to receive from the Company, free of charge, within two months after the allocation or the registration of the transfer (unless the terms of the issue stipulate another period of time), one certificate or a number of certificates, at the Company's discretion, in respect of all the shares that are registered in his name, which shall specify the number of shares, and any other detail that is important in the opinion of the board of directors. In the event of a jointly held share, the Company shall not be required to issue more than one certificate to all the joint holders, and delivery of such a certificate to one of the joint holders shall be deemed to be delivery to all of them.

9.2 The board of directors may close the register of shareholders for a total period of up to 30 days annually.

9.3 Every certificate shall bear the seal or stamp of the Company or its printed name and shall bear the signature of one director and the Company secretary, or of two directors or of any other person who has been appointed by the board of directors for such purpose.

9.4 The Company may issue a new certificate *in lieu of* a certificate that was issued and was lost, defaced, or destroyed, on the basis of such proof and guarantees as the Company may require, and after payment of an amount that shall be prescribed by the board of directors and the Company may also, in accordance with a resolution of the board of directors, replace existing certificates with new certificates free of charge subject to such conditions as the board of directors shall stipulate.

9.5 Where two or more persons are registered as the joint holders of a share, each of them may confirm receipt of a dividend or other payments for such share and his confirmation will bind all holders of such share.

9.6 The Company is entitled to recognize a holder of a share as a trustee and to issue a share certificate in the name of the trustee provided that the trustee has notified the Company of the identity of the beneficiary of the trust. The Company will not be bound to or be required to, recognize a right that is based on the rules of equity or a right that is subject to a condition, or a future right or a partial right to a share, or any other right in relation to a share, other than the absolute right of the registered holder in respect of any share, unless this is done on the basis of a judicial decision or in accordance with the requirements of any law.

10. **Transfer of the Company's Shares**[2]

10.1 The Company shares are transferable.

10.2 No transfer will be registered of shares that are registered in the register of shareholders in the name of a registered shareholder, unless an original, signed deed of transfer of the shares has been submitted to the Company (hereinafter: "**deed of transfer"**), unless otherwise stipulated by the board of directors of the Company. The deed of transfer shall be drawn up in the form set out hereunder or in such other format as is as similar as possible to it or in another format which shall be approved by the board of directors.

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Deed of Transfer

I, _____ Identity Card No. / Corporate No. _____ (hereinafter: **"the transferor**") of _____ hereby transfer to _____ Identity Card No. / Corporate No. _____ (hereinafter: "**the transferee**") of _____ in consideration of the sum of NIS _____ that he has paid to me, _____ shares, each having a nominal value of NIS _____, which are marked by the numbers _____ to _____ inclusive, of _____Ltd. (hereinafter: "**the Company**"), and they shall be in the possession of the transferee, his estate administrators,

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[2] So long as the Company shares are listed for trading on the stock exchange, the Company shares will be registered in the name of the nominee company and the share transfer will be carried out via the nominee company and not as prescribed in Sub-Articles 10.1-10.4 of these Articles.

guardians, and his duly authorized representatives, in accordance with the conditions under which I personally held the shares at the time of signature of this deed, and I, the transferee, agree to accept the said shares in accordance with the conditions set out above and subject to the Company 's Articles, such as they are from time to time.

In Witness Whereof we have signed, this __ day of the month of _____, in the year _____

Transferor -	Transferee
Name: _____	Name: _____
Signature: _____	Signature: _____
Witness to the Transferor's Signature:	Witness to the Transferee's Signature:
Name: _____, Advocate	Name: _____, Advocate
Signature: _____	Signature: _____

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Neither a transfer of non-fully paid up shares or of shares over which the Company has a lien or a charge shall be valid unless it has been approved by the board of directors, which may, at its absolute discretion and without giving any reasons, refuse to register such a transfer.

The board of directors may refuse a transfer of shares as aforesaid and the board of directors may also make such a transfer of shares conditional on an undertaking by the transferee, in such scope and in such manner as the board of directors shall stipulate, or settle the transferor's liabilities in respect of such shares or the liabilities in respect of which the Company has a lien or a charge over such shares.

10.3 The transferor shall continue to be deemed to be the holder of the shares being transferred until such time as the name of the transferee is registered in the Company's register of shareholders.

10.4 A deed of transfer shall be submitted to the registered office of the Company for registration together with the certificates of registration of the shares that are about to be transferred (if such certificates have been issued) and any other proof which the Company shall require as to the title of the transferor to such shares or his right to transfer them.

10.5 A joint shareholder who wishes to transfer his right in a share but is not in possession of the share certificate, will not be bound to attach the share certificate to the transfer deed provided that in the transfer deed it is stated that the transferor is not in possession of the share certificate in respect of the share in which his right is being transferred and that the share being transferred is held jointly with others, together with their particulars.

10.6 The Company may require payment of a fee for registration of the transfer of such an amount or at such rate as the board of directors shall determine from time to time.

10.7 Upon the death of a holder of shares in the Company, the Company will recognize guardians, estate administrators or executors, and if there are no such persons, the lawful heirs of the shareholder, as parties with the sole right to the shares of the

shareholder, after the entitlement thereto is substantiated in such manner as shall be determined by the board of directors.

10.8 In the event that a deceased shareholder held shares jointly with others, the Company will recognize the survivor as a shareholder in respect of the said shares, unless all the joint holders of the share have notified the Company in writing prior to the death of one of them, of their wish that the provisions of this Article shall not apply, provided that this shall not absolve the estate of a joint holder of a share from any obligation whatsoever that the joint holder would have had in respect of such share had he not passed away.

10.9 A person who acquires a right to shares by virtue of being a guardian, estate administrator, heir of a shareholder, a receiver, liquidator or trustee in bankruptcy of a shareholder or in accordance with any other legal provision, may, if and when he proves his right as such may be required by the board of directors, be registered as the shareholder or may transfer such shares to another person, subject to the provisions of the Articles in relation to a transfer.

10.10 A person who acquires a right to a Share as a result of a transfer thereof by operation of law, will be entitled to a dividend and to the other rights in respect of such share and he may also accept and give receipts for a dividend or for other payments payable in respect of such share; however, he will not be entitled to receive notices regarding the general meetings of the Company (insofar as such a right exists), and to participate at or vote at such meetings in connection with such share or to exercise any right whatsoever, which the share confers, except as aforesaid, until after he is registered in the register of shareholders.

11. **Bearer Share Warrant**

The Company will not issue bearer share warrants.

12. **Lien on Shares**

12.1 The Company shall have a first charge and a lien over all the shares that are not fully paid up, which are registered in the name of any shareholder, and over the proceeds of sale thereof, in relation to monies (whether or not the time for payment thereof has fallen due), payment of which has already been called or which are to be paid at a fixed time in respect of such shares. The Company shall also have a first charge over all the shares (except fully paid up shares) that are registered in the name of any shareholder as security for monies that are due from him or from his assets, whether his liability is individual or jointly with others. The said charge shall also apply over such dividends as have been declared from time to time in respect of such shares.

12.2 The board of directors may sell the shares to which the charge applies for the purpose of realizing the charge and lien, or any part thereof, in any manner as it sees fit. No such sale shall proceed until after written notification has been given to such shareholder as to the intention of the Company to sell them, and the amounts have not been paid within fourteen days after such notification. The net proceeds of any such sale, after payment of the sale expenses, shall be utilized in discharging the debts or obligations of such shareholder and the balance (if any remains) shall be paid to him.

12.3 Where a sale of shares has occurred in order to realize a charge or a lien by the *prima facie* exercise of the powers vested as aforesaid, the board of directors may register such shares in the register of shareholders, in the name of the purchaser, and the purchaser will be under no obligation to examine the propriety of the transaction or the way in which the purchase price is used. Following registration of the said shares in the register of shareholders in the name of the purchaser, no person shall have the right to challenge the validity of the sale.

13. **Alteration of Share Capital**[3]

The general meeting may resolve at any time to take one of the following actions, provided that a resolution of the general meeting as aforesaid has been adopted by a simple majority.

13.1 Increase of the Registered Share Capital

To increase the registered share capital of the Company, irrespective of whether or not all the shares registered at that time have been issued. The increased capital will be divided into ordinary shares with equal rights.

13.2 Consolidation and Division of Share Capital

To consolidate and re-divide some or all of its share capital into shares of a greater or smaller nominal value than that which is specified in the Articles. In a case in which, as a result of such consolidation, shareholders whose shares have been consolidated are left with fractions of shares, the board of directors may, if it receives approval thereto from the general meeting in the resolution as to consolidation of capital as aforesaid:

A. Sell the aggregate of all the fractions, and for this purpose appoint a trustee in whose name the share certificates containing the fractions shall be issued, and the trustee shall sell the said fractions, and the proceeds received less commissions and expenses shall be distributed to eligible shareholders. The board of directors will be entitled to decide that shareholders who are entitled to the consideration, which is less than an amount that it shall stipulate, will not receive a consideration from the sale of the said fractions, and their share in the sale proceeds shall be distributed among such shareholders who are entitled to a consideration that exceeds the stipulated amount, *pro rata* to the consideration to which they are entitled;

B. To allocate to all holders of shares in respect of whom the consolidation and the re-division leaves them with a fraction of a share, shares of the class of shares which, before such consolidation, are fully paid up, in such a number that their consolidation with the fraction will be sufficient for one complete consolidated share, and such an allocation shall be deemed as being effective immediately prior to such consolidation;

C. Determine that shareholders shall not be entitled to receive a consolidated share in respect of a fraction of a consolidated share, which derives from

[3] Subject to the provisions of Section 46.B. of the Securities Law, pursuant to which so long as the Company's shares are listed for trading on the Stock Exchange, the Company's share capital will consist of one class of shares.

the consolidation of half or less of the number of shares whose consolidation creates one consolidated share, and they shall be entitled to receive a consolidated share in respect of a fraction of a consolidated share which derives from the consolidation of more than half of the number of shares whose consolidation creates one consolidated share.

In the event that an action taken in accordance with sub-paragraphs (b) or (c) above requires the issue of additional shares, payment therefor shall be made in the manner in which bonus shares may be repaid. Consolidation and division as aforesaid shall not be deemed to be a variation of the rights of the shares forming the subject of the consolidation and division.

13.3 Cancellation of Un-allocated Registered Share Capital

To cancel registered share capital which has not yet been allocated provided that the Company is under no obligation to allocate such shares.

13.4 Split of Share Capital

To split some or all of the Company's share capital, into shares with a smaller nominal value than that which is prescribed in the articles of association by division of some or all of the Company shares, at that time.

Chapter Three - General Meetings

14. **Powers of the General Meeting**

14.1 Subjects within the authority of the General Meeting

Resolutions of the Company in respect of the following matters shall be passed by the general meeting:

14.1.1 Changes to the Articles.

14.1.2 Exercise of the powers of the board of directors, provided that the general meeting has decided by a majority of 75% of the votes of shareholders who are entitled to vote and have voted either in person or by proxy, that the board of directors is incapable of exercising its powers and further that the exercise of its powers is essential for the proper management of the Company.

14.1.3 Approval of actions or transactions requiring approval of the general meeting pursuant to the provisions of Sections 255 and 268 to 275 of the Companies Law.

14.1.4 Any decision that, by law or under the Articles, must be passed by a resolution of a general meeting.

14.1.5 Any power which, by law, is vested in the general meeting.

14.2 Power of the General Meeting to Transfer Powers between the Company's Organs

The general meeting may by a majority of 75% of the votes of shareholders who are entitled to vote and have voted either in person or by proxy, assume such

powers as are vested in another organ and may also transfer powers that are vested in the general manager to the authority of the board of directors, and all either in respect of a particular matter or for a particular period of time which shall not exceed the period of time required under the circumstances.

15. **Annual and Special General Meetings**

15.1 Notice of a General Meeting

The Company is not obliged to give notice of a general meeting to shareholders except in so far as this is mandatory by law.

The notice of a general meeting shall specify the place and the time for the convening of the meeting, its agenda, a summary of the proposed resolutions and any other detail as may be required under law.

16. **Proceedings at General Meetings**

16.1 Quorum

No general meeting may proceed unless a quorum is present at the time of the deliberation. Two shareholders who are present in person or by proxy and who hold or represent at least twenty five percent (25%) of the voting rights in the Company shall constitute a quorum. For the purpose of a quorum, a shareholder or his proxy, who also acts as proxy for other shareholders, shall be deemed to be two or more shareholders, depending on the number of shareholders that he represents.

16.2 Postponement of the General Meeting in the Absence of a Quorum

Where half an hour has elapsed from the time designated for the meeting and no quorum is present, the meeting shall be postponed to the business day following the day of the meeting, at the same time and at the same place or to such other day, time and place as shall be prescribed by the board of directors in a notification to the shareholders. The Company shall give notice, via an immediate report, of postponement of the meeting and the time of the holding of the adjourned meeting.

Where no quorum is present at such adjourned meeting as aforesaid, at least one shareholder, who is present either in person or by a proxy, shall be deemed as a quorum, except where such meeting has been called at the demand of shareholders.

16.3 Chairman of the General Meeting

The Chairman of the board of directors shall chair any general meeting, and, in his absence, it shall be chaired by whoever is appointed for such purpose by the board of directors. In the absence of a chairman, or if he has not appeared at the meeting after 15 minutes from the time designated for the meeting, the shareholders present at the meeting shall, in person or by proxy, elect one of the directors or the officeholders of the Company present at the meeting as chairman, or if no director or officeholder is present, or where all of them refuse to chair the meeting, one of

the shareholders present, or one of the officeholders present, shall be elected to chair the meeting.

The chairman of the meeting shall not have an additional or casting vote.

The decision by the chairman that a resolution at the general meeting was passed unanimously or by a specific majority or was rejected and the minutes of the general meeting signed by the chairman shall serve as *prima facie* evidence of that stated therein.

17. **Votes of Shareholders**

17.1 Majority - resolutions at the general meeting shall be passed by a simple majority unless another majority is required by law or in accordance with the provisions of Articles 6, 14.1.2, 14.2, 19.1, 19.2.5 and 19.2.6 of these Articles. Checking the majority will be carried out by means of counting of votes, where each shareholder will have one vote per each share held by him.

17.2 Confirmation of title - a shareholder must furnish the Company with confirmation of title at least two business days prior to the date of the general meeting. The Company may waive such requirement.

17.3 Vote of a legally incapacitated party - a legally incapacitated party may only vote by a trustee, natural guardian or other legal guardian. Such persons may vote either in person or by proxy.

17.4 Vote of joint holders of a share - where two or more shareholders are the joint holders of a share, one of them shall vote, either in person or by proxy. Where more than one joint holder wish to participate in a vote, only the first of the joint holders will be able to vote. For such purpose the first of the joint holders shall be deemed to be the person whose name is recorded first in the register of shareholders.

17.5 The manner of voting and the counting of votes shall be done in accordance with the provisions of the Companies Law. A resolution at a general meeting shall be passed if it has received such majority as it is required to receive under law or in accordance with the provisions of these Articles.

18. **Appointment of a Voting Proxy**

18.1 Voting by Proxy

A shareholder may appoint a proxy to participate in and vote in his place, either at a particular general meeting or generally at the general meetings of the Company, provided that the written document authorizing the appointment of a proxy has been delivered to the Company at least 48 hours prior to the date of the general meeting, unless the Company has waived such requirement. A proxy need not be a shareholder of the Company.

If such proxy is not for a particular general meeting, a proxy that has been deposited prior to one general meeting shall also hold good for other subsequent general meetings.

The foregoing shall also apply to a shareholder that is a corporation and which appoints a person to participate in and vote in its place at the general meeting.

18.2 Format of the Proxy

The proxy shall be signed by the shareholder or by the person who is duly authorized in writing for such purpose, and where the appointing party is a corporation it shall be signed in such manner as binds such corporation. The Company may require that it be furnished with written confirmation to its satisfaction as to the fact of the due authority of the signatories to bind such corporation. A proxy shall be drawn up in the form specified hereunder. The Company secretary or the board of directors of the Company may, at their discretion, accept a proxy in a different form, including in the English language, provided that the variations are not fundamental. The Company will only accept an original proxy or a copy of the proxy, provided that the same is duly authenticated by a notary or by an attorney at law holding an Israeli license.

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Proxy

To: **Date:** _____

[Name of Company
Corporate address:]

Dear Sir or Madam;

Re: Annual / special general meeting of _____ (the "Company")
to be held on _____(The "Meeting")

I the undersigned _____, Identity Card/Registration No. _____, of _____Street _____ being the registered holder of _____(*) ordinary shares of NIS____ par value each, hereby empower _____ Identity Card No. (**)_____ and/or _____ Identity Card No. _____and/or _____Identity Card No. _____to participate in and vote on my behalf and instead of me at the aforementioned meeting and at any adjourned meeting of the aforesaid meeting of the Company/at any general meeting of the Company, until I notify you otherwise.

_____
Signature

(*)A registered shareholder may issue a number of proxies, each of them in reference to another quantity of shares of the Company held by him, provided that he shall not issue proxies for a quantity of shares that is greater than the quantity of shares held by him.

(**)In the event that the proxy does not hold an Israeli Identity Card, both the passport number and the country of its issue shall be stated instead.

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18.3 Validity of Proxy

A vote in accordance with a proxy shall be lawful even if the appointing party has previously died or has become legally incapacitated or has become bankrupt or, in the event of a corporation - has been wound up, or has cancelled the proxy, or transferred the share in respect of which it was given, other than if notification in writing that such an event has occurred has been received at the registered office of the Company prior to the meeting.

18.4 Disqualification of Proxies

Subject to the provisions of any law, the Company secretary will be entitled at his discretion, to disqualify proxies if a reasonable concern exists that they are forged

or that they have been furnished in respect of shares for which other proxies have been issued.

18.5 Voting by Voting Papers

In accordance with these Articles and the provisions of the Companies Law and the regulations enacted thereunder, the Company shareholders shall be given the option to vote at general meetings of the Company by means of voting papers, on all such matters as are obligatory by law as well as on such matters in respect of which the board of directors shall decide from time to time to allow a vote by means of voting papers.

Chapter Four - The Board of Directors

19. Appointment of Directors and Termination of Their Office

19.1 The number of directors - the number of directors of the Company shall not be less than five (5) and not more than eleven (11) (including any outside directors whose appointment is required under law), unless otherwise decided by the general meeting by a majority of 75%.

19.2 Appointment of Directors at an Annual Meeting and their Replacement

19.2.1 The Company directors serving in office (who are not outside directors), will be divided into three groups, one third each, which will hereinafter be referred to as: the "**First third to the Third Third**") as nearly equal in number as practicable. The initial division into thirds will be carried out pursuant to the board of directors' resolution with respect to such division. Should the number of directors vary, the number of directors in each group will vary in accordance with the aforesaid rule.

19.2.2 At the first annual meeting of the Company shareholders to be held after the Company has become a public company (in 2011), the office of the directors included in the first third will terminate and they will be put up for re-appointment at that meeting.

At the second annual meeting of the Company shareholders to be held after the Company has become a public company (in 2012), the office of the directors included in the second third will terminate and they will be put up for re-appointment at that meeting.

At the third annual meeting of the Company shareholders to be held after the Company has become a public company (in 2013), the office of the directors included in the third third will terminate and they will be put up for re-appointment at that meeting.

At the three subsequent annual general meetings the aforesaid mechanism will reapply, and so on and so forth.

Any director elected as aforesaid, will be elected for a three-year term (unless his office is terminated in accordance with the provisions of these

Articles), so that every year the office of a group of one third of the board of directors will terminate, as aforesaid.

Directors may be elected for a term of less than three years in order to ensure that the three groups of directors have as equal number of directors as possible as provided in Sub-Article 19.2.1 above.

Notwithstanding the foregoing, the term of office of any director elected to the Company's board of directors, and originally nominated for election by virtue of the nomination right granted to any investor who purchased, in the Company's public offering which closed on December 27, 2016, together with its affiliates (as such term is defined in Rule 405 of the Securities Act of 1933, as amended), at least $15 million of ADSs and warrants (excluding the proceeds, if any, from the exercise of warrants), shall automatically expire at the first annual meeting of the Company shareholders following the annual meeting of the Company shareholders held in May 2017 unless such investor, at least 75 days prior to such first following annual meeting of shareholders evidences to the Company its beneficial ownership, together with its affiliates, of at least 4% of the Company's outstanding shares. If not so expired at the first annual meeting of the Company shareholders following the annual meeting held in May 2017, the term of office of such director shall automatically expire at the second annual meeting of the Company shareholders following the annual meeting of the Company shareholders held in May 2017 unless such investor, at least 75 days prior to such second following annual meeting of shareholders, evidences to the Company its beneficial ownership, together with its affiliates, of at least 4% of the Company's outstanding shares. In any event, the term of office of such director shall automatically expire at the third annual meeting of the Company shareholders following the annual meeting held in May 2017 unless re-elected by the Company's shareholders.

The elected directors shall assume their office commencing from the end of the meeting at which they were elected unless a later date is stipulated in the resolution on their appointment.

19.2.3 The appointment of members of the board of directors (who are not outside directors), will be carried out by the shareholders present at the meeting, in person or by proxy, or by means of a voting paper, by a simple majority of the votes of the shareholders as aforesaid.

19.2.4 If a director who was put up for re-appointment at the general meeting convened to deliberate same is not re-elected, the Company will convene another general meeting, at which another proposed director will be put up for the approval of the meeting. Notwithstanding the foregoing, the office of the director who has not been re-appointed or his alternate (insofar as he has appointed an alternate in accordance with the provisions of these Articles), will expire on the earlier of: (1) The additional general meeting as aforesaid; or (2) seventy days from the date of the annual general meeting as aforesaid in Sub-Article 19.2.2 above. It shall further be clarified that a director appointed as aforesaid will belong to the group of the third to which the director he replaced belonged, so that his office will expire on the date of the general meeting at which the office of the other directors of that third group will expire.

19.2.5 The general meeting may, at any time, by a majority of 75%, dismiss a director and it may decide at that time to appoint another person in his place by a majority of 75%. A director whose dismissal is on the agenda of the meeting will be given a reasonable opportunity to present his position before such meeting.

19.2.6 A special meeting of the Company may appoint directors for the Company *in lieu of* directors whose office has terminated and also in any case in which the number of members of the board of directors falls below the minimum that has been stipulated in these Articles or by the general meeting by a majority of 75% of the shareholders' votes. It should be clarified that a director appointed as aforesaid will belong to the group of the third to which the director he replaced belonged, so that his office will expire on the date of the general meeting at which the office of the other directors of that third group will expire.

19.2.7 The foregoing provisions of Sub-Articles 19.2.1 - 19.2.6 shall not apply to the appointment and term in office of outside directors, in respect of whom the provisions of the Companies Law shall apply.

19.2.8 Subject to the provisions of the law in relation to the expiry of the office of a director, but notwithstanding the provisions of Section 230 of the Companies Law, the office of a director shall not be terminated, other than as provided in this Article.

19.3 Appointment of Directors by the Board of Directors

The board of directors may appoint a director or additional directors for the Company, whether in order to fill an office that has become vacant for any reason whatsoever or whether in the capacity of a director or additional directors, provided that the number of directors shall not exceed the maximum number of members of the board of directors. Any director so appointed shall serve up to the first annual meeting held subsequent to his appointment. In the event that the number of directors has fallen below the minimum number of directors, as prescribed in Sub-Article 19.1 above, the remaining directors may only act to convene a general meeting of the Company for the purpose of appointing the vacant positions of directors and up to the date of such meeting, act to conduct the Company's affairs in connection with matters that are pressing.

19.4 Date of Commencement of the Office of a Director - the elected directors shall assume their offices commencing at the end of the general meeting at which they were elected or on the date of their appointment by the board of directors as provided above in Sub-Article 19.3, as the case may be, unless a later date is prescribed in the resolution on their appointment.

19.5 Alternate Director - subject to the provisions of the law, a director may from time to time appoint an alternate director for himself (hereinafter: "**alternate director**"), dismiss such an alternate director, and may also appoint another alternate director *in lieu of* any alternate director whose office has been vacated for any reason, either for a specific meeting or permanently.

19.6 A Director's Proxy - any director and any alternate director may appoint a proxy who shall participate and vote in their name at, any meeting of the board of directors or

of a board of directors' committee. Such an appointment may be general or for the purpose of one or a number of meetings. Where a director or an alternate director is present at such a meeting the proxy may not vote *in lieu of* the director who appointed him. Such an appointment shall be valid in accordance with the contents thereof or until its revocation by the appointor. A director or an alternate director of the Company may serve as a proxy as aforesaid.

19.7 Termination of the Office of a Director - in the event of a director's position becoming vacant, the remaining directors may continue acting for as long as the number of remaining directors does not fall below the minimum number of directors that has been determined in these Articles or prescribed by the general meeting. If the number of directors has fallen below the foregoing, the remaining directors may only act in order to convene a general meeting of the Company.

19.8 Holding a Meeting by means of Communication and Without Convening

At a meeting that has been held by the use of any means of communication, it is sufficient that all of the directors who are entitled to participate in the proceedings and in a vote, shall be able to hear each other.

The board of directors may also pass resolutions without actually convening, provided that all of the directors who are entitled to participate in the discussion and to vote on the matter put forward for resolution have agreed not to meet to discuss such matter. Where resolutions have been passed as aforesaid, minutes of such resolutions shall be prepared, including the resolution not to convene and shall be signed by the chairman of the board of directors. The provisions of these Articles shall apply *mutatis mutandis* to such a resolution. A resolution that has been passed in accordance with this Article shall be valid in all respects as though it had been passed at a duly convened and conducted meeting of the board of directors.

19.9 Remuneration of Members of the Board of Directors - subject to the provisions of the Companies Law the Company may remunerate the Directors for fulfilling their functions as directors.

20. **Chairman of the Board of Directors**

20.1 Appointment - the board of directors shall elect one of its members to serve as chairman of the board of directors and will also designate the term in which he is to serve in his office, in the appointing resolution. If not stipulated otherwise in the resolution as to his appointment, the chairman of the board of directors shall serve in such capacity until another person is appointed in his place or until he ceases serving as a director, whichever is the earlier. Where the chairman of the board of directors has ceased serving in office as a director of the Company, the board of directors, at the first board of directors meeting held subsequently, shall elect a new chairman.

20.2 No Casting Vote - In the event of a tie of votes in a resolution of the board of directors, neither the chairman of the board of directors nor any person that has been elected to conduct the meeting, shall have an additional vote.

21. **Directors' Actions**

21.1 Convening a Meeting of the Board of Directors

Any notification of a meeting of the board of directors may be given verbally or in writing provided that such notification is given at least three business days prior to the date designated for the meeting, unless at least 75% of the members of the board of directors, their alternates or their proxies have agreed to shorten the said period of time. The aforesaid notwithstanding, the board of directors may convene for a meeting without notice only in urgent cases and with the consent of a majority of the directors.

Notification as aforesaid shall be given in writing, by facsimile, by electronic mail or by other means of communication and all to such address or the facsimile number, electronic mail address or the address to which notifications can be sent by other means of communication, as the case may be, which the Director furnished to the Company upon his appointment, or in a subsequent written notification to the Company and shall include reasonable details regarding the issues brought up for discussion at the meeting

Where an alternate or a proxy has been appointed, notification shall be given to such alternate or proxy unless the director has given notice that he wishes that notice shall also be given to him.

21.2 Quorum - the quorum for meetings shall be a majority of members of the board of directors who are not precluded by law from participating in a meeting, or any other quorum as will be prescribed by a majority of the members of the board of directors from time to time.

21.3 Validity of Actions of the Directors in the case of a Disqualified Director - All such actions as have been taken in good faith at a meeting of the board of directors or by a committee of the board of directors or by any person acting as a director shall be valid, even if it is subsequently discovered that there was a flaw in the appointment of a director or of such a person acting as aforesaid, or that they or one of them was disqualified, as though such a person had actually been duly appointed and was qualified to be a director.

21.4 Committees of the Board of Directors

Subject to the provisions of the Companies Law, the board of directors may appoint board of directors' committees.

The committees of the board of directors shall report to the board of directors their resolutions or recommendations on a regular basis, as shall be prescribed by the board of directors. The board of directors may cancel the resolution of a committee that has been appointed by it; however, such cancellation shall not affect the validity of any resolution of a committee, pursuant to which the Company acted, *vis-à-vis* another person, who was not aware of the cancellation thereof. Decisions or recommendations of the committee of the board of directors which require the approval of the board of directors will be brought to the directors' attention a reasonable time prior to the discussion at the board of directors.

22. **Validity of Actions and Approval of Transactions**

22.1 Subject to the provisions of any law, all such actions as have been taken by the board of directors or by a committee of the board of directors or by any person acting as a director, or as a member of a committee of the board of directors, or by

the general manager, as the case may be, shall be valid even if it is subsequently discovered that there was any flaw in the appointment of the board of directors, a committee of the board of directors, the director who was a member of the committee or the general manager, as the case may be, or that any of the aforesaid officeholders was disqualified from serving in his position.

22.2 Subject to the provisions of the Companies Law:

22.2.1 If a person holds shares in the Company and if a person is an officeholder of the Company, a stakeholder, or an officeholder of any other corporation, including a corporation in which the Company is a stakeholder, or which is a shareholder of the Company, it shall not disqualify the officeholder from serving as an officeholder of the Company. Likewise, an officeholder shall not be disqualified from serving as an officeholder of the Company due to his contractual engagement or due to the contractual engagement of any corporation as aforesaid with the Company in any matter whatsoever and in any manner whatsoever.

22.2.2 The office of a person as an officeholder in the Company shall not disqualify him and/or a relative of his and/or another corporation in which he is a stakeholder from entering into transactions in which the officeholder has a personal interest in any way with the Company.

22.2.3 An officeholder may participate in and vote at discussions in respect of the approval of transactions or acts in which he has a *prima facie* personal interest, as prescribed in Sub-Articles 22.2.1 and 22.2.2.

22.3 Subject to the provisions of the Companies Law, a general notice that is given to the board of directors by an officeholder or a controlling shareholder of the Company with regard to his personal interest in a particular entity, while giving details of his personal interest, shall amount to disclosure on the part of the officeholder or the controlling shareholder to the Company with regard to his personal interest as aforesaid, for the purpose of the entering into any transaction which is not exceptional, with such an entity.

Chapter Five – Officeholders, Secretary, Internal Auditor and Auditor

23. **General Manager**

23.1 The board of directors may, from time to time, appoint a general manager for the Company and may further appoint more than one general manager. The board of directors may further dismiss the general manager or replace him at any time it deems fit, subject to the provisions of any agreement between him and the Company. The general manager will be responsible for the day-to-day management of the Company's affairs within the framework of the policy determined by the board of directors and subject to its directives.

23.2 The general manager will have all the powers of management and performance that were vested, pursuant to the Law or these Articles, or by virtue thereof, in another organ of the Company, apart from such powers as have been transferred from him to the board of directors. The general manager will be supervised by the board of directors.

23.3 The general manager may, subject to the approval of the board of directors, delegate some of his powers to another, who is his subordinate; the approval may be general and in advance.

23.4 Without derogating from the provisions of the Companies Law and any law, the general manager will submit to the board of directors, reports on such issues, on such dates and in such scope as shall be determined by the board of directors, either by means of a specific resolution or within the ambit of the board of directors' procedures.

23.5 The general manager will give notice to the chairman of the board of directors, without delay, of any exceptional matter that is material to the Company. If the Company has no chairman of the board of directors or if the chairman of the board of directors is unable to fulfill his function, the general manager will give a notice to that effect to all members of the board of directors.

23.6 The general manager may from time to time appoint officeholders for the Company (apart from directors and general manager), for permanent, temporary or special functions, as the general manager finds fit and the general manager may further terminate the services of one or more of the foregoing at any time.

24. **Internal Auditor**

24.1 The Company's board of directors will appoint an internal auditor, at the recommendation of the audit committee.

24.2 The officer in charge of the internal auditor at the organization will be the chairman of the board of directors.

24.3 The internal auditor will submit for the approval of the audit committee a proposed annual or periodic work plan and the audit committee will approve it with such amendments as it finds fit.

25. Secretary

The board of directors may appoint a Company secretary, on such terms as it shall deem appropriate, and appoint a deputy secretary and determine the scope of their functions and their authorities. Where a Company secretary has not been appointed, the general manager, or whoever he designates to this end, and in the absence of a general manager, whoever is empowered for such purpose by the board of directors, shall perform the secretary's functions that are prescribed under any law, in accordance with these Articles and in accordance with a resolution of the board of directors.

The Company secretary will be responsible for all the documents that are kept at the registered office of the Company and for maintaining all the registers that the Company maintains by law.

26. **Auditor**

26.1 Subject to the provisions of the Companies Law, the general meeting may appoint an auditor for a period that exceeds one year, as the general meeting shall decide.

26.2 The board of directors, following receipt of the audit committee's or the financial statement committee's (as determined by the board of directors) recommendations

shall determine the remuneration of the Company's auditor for audit work as well as his remuneration for other services that are not audit work, unless otherwise determined by the general meeting of the Company.

Chapter Six - Preservation of the Capital of the Company and its Distribution

27. Distribution and Allocation of Bonus Shares

The Company's resolution on distribution of dividend, bonus shares or any other distribution, including any distribution that does not comply with the profit test prescribed in the Companies Law and the terms thereof, shall be passed by the board of directors of the Company.

28. Dividends and Bonus Shares

28.1 Right to a Dividend or to Bonus Shares

28.1.1 A dividend or bonus shares shall be distributed to whoever is registered in the register of shareholders of the Company on the date of the resolution as to such distribution or on such other date as shall be prescribed in such resolution. [4]

28.2 Payment of the Dividend

28.2.1 The board of directors may resolve that the dividend be paid, in whole or in part, in cash or by means of distribution of assets in kind, including in securities or in any other manner, at its discretion.

The Company's board of directors may, before resolving to distribute any dividend, allocate out of the profits, any amounts as it shall deem fit for a general fund or a reserve fund for the distribution of dividend, distribution of bonus shares or for any other purpose whatsoever, as the board of directors shall resolve at its discretion.

Pending the realization of the said funds, the board of directors may invest any sums so allocated and the monies in the funds in any investment whatsoever, as it shall deem fit, deal with such investments, alter them or make any other use thereof, and it may subdivide the reserve fund into special funds and use any fund or any part thereof for the Company's affairs, without holding it separately from the other assets of the Company, all at the discretion of the board of directors and under such terms as it shall determine.

28.2.2 The Method of Payment[5]

If no other provisions have been prescribed in the resolution as to distribution of the dividend it will be permissible to pay any dividend, after

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[4] It shall be clarified that so long as the Company shares are listed for trading on the Stock Exchange, any dividend or bonus shares will be distributed to whoever is registered in the register of shareholders of the Company on the effective date determined on the date of the resolution.

[5] It should be clarified that so long as the Company shares are listed for trading on the Stock Exchange the provisions of this Sub-Article 28.2.2 shall not apply.

deduction of the requisite tax under any law, by check to the beneficiary only, which shall be sent by registered mail to the registered address of the shareholder that is entitled to it, or by bank transfer. Any such check shall be drawn in favor of the person to whom it has been sent. A dividend in kind shall be distributed as stipulated in the distribution resolution.

In the event of joint registered shareholders, the check shall be sent to the shareholder whose name is recorded first in the register of shareholders in relation to the joint ownership.

Sending of a check to a person whose name, on the effective date, is registered in the register of shareholders as the holder of a share, or in the event of joint holders - of one of the joint holders, shall constitute discharge in respect of all the payments made in relation to such share.

The Company may resolve that a check below a certain amount, shall not be sent and amounts of the dividend that should have been paid as aforesaid shall be treated as unclaimed dividend.

The Company may offset against the dividend to which a shareholder is entitled, any debt of such shareholder to the Company, whether or not the time for payment thereof has fallen due.

28.2.3 Unclaimed Dividend

The board of directors may invest any amount of dividend that has not been claimed for a period of one year after having been declared, or use it otherwise for the benefit of the Company until it is claimed. The Company will not be compelled to pay interest or linkage in respect of an unclaimed dividend.

After one year has elapsed from the due date of any unclaimed dividend, the Company may use the unclaimed dividend as aforesaid for any purpose whatsoever and the shareholder who is entitled to such unclaimed dividend will have no claim and/or demand in relation thereto.

28.3 Method of Capitalization of Profits into Capital Funds and Distribution of Bonus Shares

28.3.1 Funds

The board of directors may, at its discretion, set aside into special capital funds, any amount out of the Company’s profits, or arising from a revaluation of its assets, or its *pro rata* stake in the revaluation of assets of its affiliated companies and determine the designation of such funds. The board of directors may also cancel such funds.

28.3.2 Distribution of Bonus Shares – Subject to the provisions of the Companies Law, the board of directors may resolve to allocate bonus shares and render share capital as part of the Company's profits, within the meaning thereof in Section 302 (b) of the Companies Law, from premium on shares or from any other source contained in its equity, referred to in its last financial statements, in such sum as shall be determined by the board of

directors and which shall not fall below the nominal value of the bonus shares.

Allocated bonus shares shall be deemed as fully repaid.

The board of directors resolving to allocate bonus shares may resolve that the Company will transfer to a special fund designated for future distribution of bonus shares, such amount as the rendering thereof into share capital will be sufficient to allocate to whoever, at that time, for any reason whatsoever, has a right to purchase shares in the Company (including a right exercisable only on a subsequent date), bonus shares which would have been due to him had he exercised the right to purchase the shares on the eve of the effective date for the right to receive the bonus shares (hereinafter, in this Article: the "**effective date**"). If after the effective date, the holder of the said right should exercise his right to purchase all or any of the shares, the Company will allocate bonus shares to him, having a par value and to which he would have been entitled had he exercised the right to purchase the shares which he actually purchased, on the eve of the effective date. The bonus shares will entitle their owners to participate in distribution of dividends as of the date designated by the board of directors. For the purpose of determining the amount to be transferred to the said special fund, any amount transferred to this fund for previous distributions of bonus shares shall be treated as having already been capitalized, where shares entitling the holders of the right to purchase shares, have been allocated therefrom, for bonus shares.

For the purpose of distribution of bonus shares, the board of directors may, as it sees fit, resolve any difficulty that might arise and make adjustments, such as deciding that fractions of a share shall not be distributed, issue certificates in respect of an aggregate quantity of share fractions, sell such fractions and pay the proceeds from the sale thereof to those entitled to receive the fractions of the bonus shares and may also decide that cash payments shall be made to the shareholders, or that fractions of a lesser value than a stipulated amount (and if not stipulated then amounts which are less than NIS 50) shall not be brought into account in making such adjustments. Notwithstanding the foregoing, a shareholder will be entitled to apply to the Company and ask that such payment be made to him at the Company's offices.

29. **Acquisition of Company Shares**

The Company may acquire its own securities. Where the Company has acquired securities as aforesaid it may cancel them.

Chapter Seven - Exemption, Indemnification and Insurance of Officeholders

30. **Exemption of Officeholders**

The Company may exempt an officeholder therein, in advance or *post factum,* from some or all of his liability for damage as a result of breach of a duty of care *vis-à-vis* the Company, to the maximum extent that is permissible under any law.

31. **Indemnification of Officeholders**

The Company may indemnify its officeholders to the maximum extent permissible under any law. Without derogating from the generality of the foregoing, the following provisions shall apply:

31.1 The Company may indemnify an officeholder therein in respect of a liability, payment or expense imposed on him or that he has incurred as a result of an action, which he took by virtue of his being an officeholder of the Company, as follows:

31.1.1 Any financial liability imposed on him in favor of another person under a judgment, including a judgment entered under a settlement or an award approved by a court.

31.1.2 Reasonable litigation fees, including lawyer's fee, incurred by the officeholder due to any investigation or proceeding conducted against him by any authority competent to conduct an investigation or proceeding, at the end of which no indictment was filed against him and no financial liability was levied on him as an alternative for a criminal proceeding, or at the end of which no indictment was filed against him but a financial liability was levied as an alternative for a criminal proceeding in an offense not requiring proof of *mens rea* or in connection with a monetary sanction.

31.1.3 Reasonable litigation expenses, including lawyer's fees paid by the officeholder, or with which he was charged by the Court, in a proceeding filed against him by the Company or on its behalf or by any other person, or in criminal charges from which he was acquitted, or in criminal charges in which he was convicted of an offense which does not require proof of *mens rea*.

31.1.4 A payment for the party harmed by the breach, as aforesaid in Section 52(54)(a)(1)(a) of the Securities Law (the "**Party Harmed by the Breach**").

31.1.5 Expenses incurred by an officer in connection with an Administrative Proceeding conducted in his matter, including reasonable litigation expenses, including legal fees.

31.1.6 Any other liability or expense for which it is permitted and/or will be permitted by law to indemnify an officeholder.

31.2 Advance Indemnification

The Company may give an undertaking in advance to indemnify an officeholder for a liability, payment or expense as specified above in Sub-Article 31.1.1., provided that such advance indemnity undertaking shall be limited to such events as, in the opinion of the board of directors, are anticipated in view of the Company's actual activity at the time of giving the indemnity undertaking, and to such amount or criterion as the board of directors have determined to be reasonable under the circumstances of the case, and further provided that such undertaking shall state the events that in the opinion of the board of directors are anticipated in view of the Company's actual activity at the time of giving such undertaking as well as the amount or criterion that the board of directors have determined to be reasonable in the circumstances of the case. And the Company may also give an indemnity undertaking in advance to an officeholder in respect of liabilities or an expense as specified in Articles 31.1.2, 31.1.3, 31.1.4, and 31.1.5 above.

31.3 Retroactive Indemnification

The Company may indemnify an officeholder therein *ex post facto*.

32. **Officeholders' Insurance**

32.1 The Company may insure its officeholders to the maximum extent permitted under any law. Without derogating from the generality of the foregoing, the Company may enter into a contract for insuring the liability of an officeholder in the Company in respect of a liability or a payment that may be imposed on him as a result of an action that he has taken in his capacity as officeholder in the Company, in any of the following cases:

32.1.1 Breach of the duty of care to the Company or to any other person;

32.1.2 Breach of a fiduciary duty *vis-à-vis* the Company, provided that the Officeholder acted in good faith and had reasonable grounds to assume that his act would not compromise the Company's best interests;

32.1.3 Financial liability imposed on him in favor of another person;

32.1.4 Payment to the Party Harmed by the Breach;

32.1.5 Expenses incurred by an officer in connection with an Administrative Proceeding conducted in his matter, including reasonable litigation expenses, including legal fees;

32.1.6 Any other event for which it is permitted and/or will be permitted pursuant to the law to insure the liability of an officeholder.

33. **Exemption, Indemnification and Insurance - General**

33.1 It is neither the intention of the foregoing provisions in relation to exemption, indemnification and insurance, nor will there be any future intention, to restrict the Company in any way from entering into a contract in relation to exemption, insurance or indemnification of the parties specified hereunder:

33.1.1 A person who is not an officeholder of the Company, including employees, contractors or consultants of the Company who are not officeholders of the Company;

33.1.2 Officeholders in other companies. The Company may enter into a contract in relation to exemption, indemnification and insurance of officeholders in companies under its control, related companies and other companies in which it has any interest, to the maximum extent permitted under any law, and in this context the foregoing provisions in relation to exemption, indemnification and insurance of officeholders in the Company shall apply, *mutatis mutandis*.

33.2 It should be clarified that in this Chapter, an undertaking in relation to exemption, indemnification and insurance of an officeholder as aforesaid may also be valid after the office of such officeholder in the Company has terminated.

Chapter Eight - Merger, Winding Up and Reorganization of the Company

34. **Merger**

34.1 The requisite majority for approval of a merger by the general meeting shall be a simple majority.

35. **Liquidation**

35.1 If the Company is wound up, whether voluntarily or otherwise, the liquidator may, with the approval of a general meeting, distribute *in specie* parts of the Company's assets among the shareholders, and he may, with like approval, deposit such part of the Company's assets with trustees for the benefit of the shareholders, as the liquidator, with such approval, shall deem appropriate.

35.2 Subject to special rights of shares, where shares have been issued with special rights, the Company's shares shall have equal rights *inter se* in relation to the amounts of capital that have been paid or that have been credited as paid in respect of the nominal value of the shares, in connection with the surrender of capital and participation in a distribution of surplus assets of the Company upon liquidation.

36. **Reorganization of the Company**

36.1 Upon the sale of assets of the Company, the board of directors, or the liquidators (in the case of liquidation) may, if they have been duly authorized to do so in a resolution that has been passed by a simple majority at the general meeting of the Company, accept shares that are either fully or partially paid up, debentures or securities of another company, either Israeli or foreign, whether it has been incorporated or is about to be incorporated, for the purchase of all or any of the Company's assets, and the directors (if the Company's profits so allow) or the liquidators (in case of a liquidation), may distribute, among the shareholders, the shares or securities as aforesaid or any other assets of the Company without realizing them, or deposit them with trustees on behalf of the shareholders.

36.2 The general meeting may, by a resolution to be passed by the general meeting of the Company by a simple majority, decide as to a valuation of the securities or assets as aforesaid at such price and in such manner as the general meeting shall decide, and all the shareholders will be bound to accept any valuation or distribution that has been authorized as aforesaid and to waive their rights in this context, except, in the event that the Company is about to be wound-up or is in the process of winding-up, for such legal rights (if any) which, under the provisions of the law, cannot be amended, revised, or contracted out.

Chapter Nine - Notifications

37. **Notices**

37.1 A notification or any other document may be delivered by the Company to any shareholder who appears in the register of shareholders of the Company, either personally or by sending by registered mail addressed in accordance with the registered address of such shareholder in the register of shareholders or to such address as the shareholder has notified in writing to the Company as his address for the delivery of notifications, or by publication of notices in two newspapers in Israel, or by means of publishing an immediate report on the Magna system.

37.2 All notices to be given to the shareholders shall, in relation to shares that are jointly held, be given to such person whose name appears first in the register of shareholders and any notification that is given in such manner shall be sufficient notification to all the joint shareholders.

37.3 Any notification or other document which is delivered or sent to a shareholder in accordance with these Articles shall be deemed to have been duly delivered and sent in respect of all the shares held by him (whether as regards Shares held by him alone or by him jointly with others), even where such shareholder has passed away at that time or became insolvent, or an order has been issued for its winding up, or a trustee or liquidator or receiver has been appointed for his shares (whether or not the Company was aware of the occurrence of such event), until another person is registered in the register of shareholders instead of him as the holder thereof, and delivery or sending of a notification or document as aforesaid shall be deemed to be sufficient delivery or dispatch to any person who has a right to such shares.

37.4 Any notification or other document that has been sent by the Company in the mail to an address in Israel shall be deemed to have been delivered within 48 hours from the day on which the letter containing such notification or document was dispatched at the post office or within 96 hours in the event that the address is overseas, and for the purpose of proving delivery, it shall be sufficient to prove that the letter containing the notification or the document was duly addressed and was dispatched at the post office. Any notice or document delivered by means of notifications in newspapers or via an immediate report on the Magna system, will be deemed to have been delivered on the date of publishing the notice or on the date of publishing the immediate report as aforesaid.

37.5 The Company is not obliged to give notice of a general meeting to shareholders except in so far as this is mandatory by law. The notice of a general meeting shall specify the place and the time for the convening of the meeting, its agenda, a summary of the proposed resolutions and any other specification as is required under law.

37.6 Accidental omission in giving notice of a general meeting to any shareholder or non-receipt of a notification as to a meeting or other notification by any shareholder shall not invalidate a resolution that has been passed at such meeting, or cause the invalidation of processes based on such notification.

37.7 Notices to directors may be given in any manner to be determined by the board of directors.

37.8 Any shareholder and any member of the board of directors may waive his right to receive notification, or his right to receive notification within a specific period of time, and may agree that a general meeting of the Company or a meeting of the board of directors, as the case may be, shall convene and be held despite his not having received notification or despite such notification not having been received by him within the required time.

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Exhibit 2.3

DESCRIPTION OF SHARE CAPITAL

The following descriptions of our share capital and provisions of our amended and restated articles of association are summaries and do not purport to be complete. Our amended and restated articles of incorporation are filed with the SEC as an exhibit to our registration statement, of which this prospectus forms a part.

Each of the American Depositary Shares, or ADSs, represents 10 Ordinary Shares. The ADSs trade on the NASDAQ Global Market.

The principal office of The Bank of New York Mellon, located at 101 Barclay Street, New York, New York 10286.

You may hold American Depositary Shares either (A) directly (i) by having an American Depositary Receipt, which is a certificate evidencing a specific number of American Depositary Shares, registered in your name, or (ii) by having American Depositary Shares registered in your name in the Direct Registration System, or (B) indirectly by holding a security entitlement in American Depositary Shares through your broker or other financial institution. If you hold American Depositary Shares directly, you are a registered American Depositary Share holder. This description assumes you are an American Depositary Share holder. If you hold the American Depositary Shares indirectly, you must rely on the procedures of your broker or other financial institution to assert the rights of American Depositary Share holders described in this section. You should consult with your broker or financial institution to find out what those procedures are.

The Direct Registration System, or DRS, is a system administered by The Depository Trust Company, also referred to as DTC, pursuant to which the depositary may register the ownership of uncertificated American Depositary Shares, which ownership is confirmed by periodic statements sent by the depositary to the registered holders of uncertificated American Depositary Shares.

As an American Depositary Share holder, we will not treat you as one of our shareholders and you will not have shareholder rights. Israeli law governs shareholder rights. The depositary will be the holder of the ordinary shares underlying your American Depositary Shares. As a registered holder of American Depositary Shares, you will have American Depositary Share holder rights. A deposit agreement among us, the depositary and you, as an American Depositary Share holder, and all other persons indirectly holding American Depositary Shares sets out American Depositary Share holder rights as well as the rights and obligations of the depositary. New York law governs the deposit agreement and the American Depositary Shares.

The following is a summary of the material provisions of the deposit agreement. For more complete information, you should read the entire deposit agreement and the form of American Depositary Receipt, each of which has been filed as an exhibit to our Registration Statement on Form F-6 filed with the Securities and Exchange Commission.

Dividends and Other Distributions

How will you receive dividends and other distributions on the shares?

The depositary has agreed to pay to American Depositary Share holders the cash dividends or other distributions it or the custodian receives on shares or other deposited securities, after deducting its fees and expenses. You will receive these distributions in proportion to the number of shares your American Depositary Shares represent.

- ***Cash***. The depositary will convert any cash dividend or other cash distribution we pay on the shares into U.S. dollars, if it can do so on a reasonable basis and can transfer the U.S. dollars to the U.S. If that is not possible or if any government approval is needed and cannot be obtained, the deposit agreement allows the depositary to distribute the foreign currency only to those American Depositary Share holders to whom it is possible to do so. It will hold the foreign

currency it cannot convert for the account of the American Depositary Share holders who have not been paid. It will not invest the foreign currency and it will not be liable for any interest.

Before making a distribution, any withholding taxes, or other governmental charges that must be paid will be deducted. It will distribute only whole U.S. dollars and cents and will round fractional cents to the nearest whole cent. *If the exchange rates fluctuate during a time when the depositary cannot convert the foreign currency, you may lose some or all of the value of the distribution.*

- ***Shares***. The depositary may, and will if we so request, distribute additional American Depositary Shares representing any shares we distribute as a dividend or free distribution. The depositary will only distribute whole American Depositary Shares. It will sell shares which would require it to deliver a fractional American Depositary Share and distribute the net proceeds in the same way as it does with cash. If the depositary does not distribute additional American Depositary Shares, the outstanding American Depositary Shares will also represent the new shares. The depositary may sell a portion of the distributed shares sufficient to pay its fees and expenses in connection with that distribution.

- ***Rights to purchase additional shares***. If we offer holders of our securities any rights to subscribe for additional shares or any other rights, the depositary may make these rights available to American Depositary Share holders. If the depositary decides it is not legal and practical to make the rights available but that it is practical to sell the rights, the depositary will use reasonable efforts to sell the rights and distribute the proceeds in the same way as it does with cash. The depositary will allow rights that are not distributed or sold to lapse. *In that case, you will receive no value for them.*

  If the depositary makes rights available to American Depositary Share holders, it will exercise the rights and purchase the shares on your behalf. The depositary will then deposit the shares and deliver American Depositary Shares to the persons entitled to them. It will only exercise rights if you pay it the exercise price and any other charges the rights require you to pay.

  U.S. securities laws may restrict transfers and cancellation of the American Depositary Shares represented by shares purchased upon exercise of rights. For example, you may not be able to trade these American Depositary Shares freely in the U.S. In this case, the depositary may deliver restricted depositary shares that have the same terms as the American Depositary Shares described in this section except for changes needed to put the necessary restrictions in place.

- ***Other Distributions***. The depositary will send to American Depositary Share holders anything else we distribute on deposited securities by any means it thinks is legal, fair and practical. If it cannot make the distribution in that way, the depositary has a choice. After consultation with us to the extent practicable, it may decide to sell what we distributed and distribute the net proceeds, in the same way as it does with cash. Or, it may decide to hold what we distributed, in which case American Depositary Shares will also represent the newly distributed property. However, the depositary is not required to distribute any securities (other than American Depositary Shares) to American Depositary Share holders unless it receives satisfactory evidence from us that it is legal to make that distribution. The depositary may sell a portion of the distributed securities or property sufficient to pay its fees and expenses in connection with that distribution.

  The depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any American Depositary Share holders. We have no obligation to register American Depositary Shares, shares, rights or other securities under the Securities Act. We also have no obligation to take any other action to permit the distribution of American Depositary Shares, shares, rights or anything else to American Depositary Share holders. *This means that you may not receive the distributions we make on our shares or any value for them if it is illegal or impractical for us to make them available to you.*

Deposit, Withdrawal and Cancellation

How are American Depositary Shares issued?

The depositary will deliver American Depositary Shares if you or your broker deposits shares or evidence of rights to receive shares with the custodian. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the depositary will register the appropriate number of American Depositary Shares in the names you request and will deliver the American Depositary Shares to or upon the order of the person or persons that made the deposit.

How can American Depositary Share holders withdraw the deposited securities?

You may surrender your American Depositary Shares at the depositary's corporate trust office. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the depositary will deliver the shares and any other deposited securities underlying the American Depositary Shares to the American Depositary Share holder or a person the American Depositary Share holder designates at the office of the custodian. Or, at your request, risk and expense, the depositary will deliver the deposited securities at its corporate trust office, if feasible.

How do American Depositary Share holders interchange between certificated American Depositary Shares and uncertificated American Depositary Shares?

You may surrender your American Depositary Receipt to the depositary for the purpose of exchanging your American Depositary Receipt for uncertificated American Depositary Shares. The depositary will cancel that American Depositary Receipt and will send to the American Depositary Share holder a statement confirming that the American Depositary Share holder is the registered holder of uncertificated American Depositary Shares. Alternatively, upon receipt by the depositary of a proper instruction from a registered holder of uncertificated American Depositary Shares requesting the exchange of uncertificated American Depositary Shares for certificated American Depositary Shares, the depositary will execute and deliver to the American Depositary Share holder an American Depositary Receipt evidencing those American Depositary Shares.

Voting Rights

How do you vote?

American Depositary Share holders may instruct the depositary to vote the number of deposited shares their American Depositary Shares represent. The depositary will notify American Depositary Share holders of shareholders' meetings and arrange to deliver our voting materials to them if we ask it to. Those materials will describe the matters to be voted on and explain how American Depositary Share holders may instruct the depositary how to vote. For instructions to be valid, they must reach the depositary by a date set by the depositary. *Otherwise, you won't be able to exercise your right to vote unless you withdraw the shares. However, you may not know about the meeting enough in advance to withdraw the shares.*

The depositary will try, as far as practical, subject to the laws of Israel and of our articles of association or similar documents, to vote or to have its agents vote the shares or other deposited securities as instructed by American Depositary Share holders. The depositary will only vote or attempt to vote as instructed.

If the depositary solicited your voting instructions but does not receive instructions by the date specified, the depositary will consider you to have instructed it to give a proxy to a person designated by us to vote the deposited shares, unless we notify the depositary that:

- we do not wish to receive a proxy;
- substantial opposition exists; or
- the matter would materially and adversely affect the rights of holders of our ordinary shares.

We cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depositary to vote your shares. In addition, the depositary and its agents are not responsible for failing to carry out voting instructions or for the manner of carrying out voting instructions. *This means that you*

may not be able to exercise your right to vote and there may be nothing you can do if your shares are not voted as you requested.

In order to give you a reasonable opportunity to instruct the depositary as to the exercise of voting rights relating to deposited securities, if we request the depositary to act, we agree to give the depositary notice of any such meeting and details concerning the matters to be voted upon at least 30 days in advance of the meeting date.

Amendment and Termination

How may the deposit agreement be amended?

We may agree with the depositary to amend the deposit agreement and the American Depositary Receipts without your consent for any reason. If an amendment adds or increases fees or charges, except for taxes and other governmental charges or expenses of the depositary for registration fees, facsimile costs, delivery charges or similar items, or prejudices a substantial right of American Depositary Share holders, it will not become effective for outstanding American Depositary Shares until 30 days after the depositary notifies American Depositary Share holders of the amendment. At the time an amendment becomes effective, you are considered, by continuing to hold your American Depositary Shares, to agree to the amendment and to be bound by the American Depositary Receipts and the deposit agreement as amended.

How may the deposit agreement be terminated?

The depositary will terminate the deposit agreement at our direction by mailing notice of termination to the American Depositary Share holders then outstanding at least 30 days prior to the date fixed in such notice for such termination. The depositary may also terminate the deposit agreement by mailing notice of termination to us and the American Depositary Share holders if 60 days have passed since the depositary told us it wants to resign but a successor depositary has not been appointed and accepted its appointment.

After termination, the depositary and its agents will do the following under the deposit agreement but nothing else: collect distributions on the deposited securities, sell rights and other property, and deliver shares and other deposited securities upon cancellation of American Depositary Shares. Four months after termination, the depositary may sell any remaining deposited securities by public or private sale. After that, the depositary will hold the money it received on the sale, as well as any other cash it is holding under the deposit agreement for the pro rata benefit of the American Depositary Share holders that have not surrendered their American Depositary Shares. It will not invest the money and has no liability for interest. The depositary's only obligations will be to account for the money and other cash. After termination our only obligations will be to indemnify the depositary and to pay fees and expenses of the depositary that we agreed to pay.

Limitations on Obligations and Liability

Limits on our Obligations and the Obligations of the Depositary; Limits on Liability to Holders of American Depositary Shares

The deposit agreement expressly limits our obligations and the obligations of the depositary. It also limits our liability and the liability of the depositary. We and the depositary:

- are only obligated to take the actions specifically set forth in the deposit agreement without negligence or bad faith;
- are not liable if we are or it is prevented or delayed by law or circumstances beyond our control from performing our or its obligations under the deposit agreement;
- are not liable if we or it exercises discretion permitted under the deposit agreement;
- are not liable for the inability of any holder of American Depositary Shares to benefit from any distribution on deposited securities that is not made available to holders of American Depositary

Shares under the terms of the deposit agreement, or for any special, consequential or punitive damages for any breach of the terms of the deposit agreement;

- have no obligation to become involved in a lawsuit or other proceeding related to the American Depositary Shares or the deposit agreement on your behalf or on behalf of any other person; and

- may rely upon any documents we believe or it believes in good faith to be genuine and to have been signed or presented by the proper person.

In the deposit agreement, we and the depositary agree to indemnify each other under certain circumstances.

Requirements for Depositary Actions

Before the depositary will deliver or register a transfer of an American Depositary Share, make a distribution on an American Depositary Share, or permit withdrawal of shares, the depositary may require:

- payment of stock transfer or other taxes or other governmental charges and transfer or registration fees charged by third parties for the transfer of any shares or other deposited securities;

- satisfactory proof of the identity and genuineness of any signature or other information it deems necessary; and

- compliance with regulations it may establish, from time to time, consistent with the deposit agreement, including presentation of transfer documents.

The depositary may refuse to deliver American Depositary Shares or register transfers of American Depositary Shares generally when the transfer books of the depositary or our transfer books are closed or at any time if the depositary or we think it advisable to do so.

Your Right to Receive the Shares Underlying your American Depositary Shares

American Depositary Share holders have the right to cancel their American Depositary Shares and withdraw the underlying shares at any time except:

- when temporary delays arise because: (i) the depositary has closed its transfer books or we have closed our transfer books; (ii) the transfer of shares is blocked to permit voting at a shareholders' meeting; or (iii) we are paying a dividend on our shares;

- when you owe money to pay fees, taxes and similar charges; or

- when it is necessary to prohibit withdrawals in order to comply with any laws or governmental regulations that apply to American Depositary Shares or to the withdrawal of shares or other deposited securities.

Securities Registers

The transfer agent and registrar for our ADSs is The Bank of New York Mellon, and its address is 101 Barclay Street, New York, NY.

Objects and Purposes

According to Section 4 of our articles of association, we shall engage in any legal business. Our number with the Israeli Registrar of Companies is 514304005.

Private Placements

Under the Israeli Companies Law, if (i) as a result of a private placement a person would become a controlling shareholder or (ii) a private placement will entitle investors to receive 20% or more of the voting rights of a company as calculated before the private placement, and all or part of the private placement consideration is not in cash or in public traded securities or is not in market terms and if as a result of the private placement the holdings of a substantial shareholder will increase or as a result of it a person will become a substantial shareholder, then, in either case, the allotment must be approved by the board of directors and by the shareholders of the company. A "substantial shareholder" is defined as a shareholder who holds five percent or more of the company's outstanding share capital, assuming the exercise of all of the securities convertible into shares held by that person. In order for the private placement to be on "market terms" the board of directors has to determine, on the basis of detailed explanation, that the private placement is on market terms, unless proven otherwise.

Board of Directors

Under our articles of association, resolutions by the board of directors are decided by a majority of votes of the directors present, or participating, in the case of voting by media, and voting, each director having one vote.

In addition, the Israeli Companies Law requires that certain transactions, actions, and arrangements be approved as provided for in a company's articles of association and in certain circumstances by the compensation or audit committee and by the board of directors itself. Those transactions that require such approval pursuant to a company's articles of association must be approved by its board of directors. In certain circumstances, compensation or audit committee and shareholder approval are also required.

The Israeli Companies Law requires that a member of the board of directors or senior management of the company promptly and, in any event, not later than the first board meeting at which the transaction is discussed, disclose any personal interest that he or she may have, either directly or by way of any corporation in which he or she is, directly or indirectly, a 5% or greater shareholder, director or general manager or in which he or she has the right to appoint at least one director or the general manager, as well as all related material information known to him or her, in connection with any existing or proposed transaction by the company. In addition, if the transaction is an extraordinary transaction, (that is, a transaction other than in the ordinary course of business, otherwise than on market terms, or is likely to have a material impact on the company's profitability, assets or liabilities), the member of the board of directors or senior management must also disclose any personal interest held by his or her spouse, siblings, parents, grandparents, descendants, spouse's descendants, siblings and parents, and the spouses of any of the foregoing.

Once the member of the board of directors or senior management complies with the above disclosure requirement, a company may approve the transaction in accordance with the provisions of its articles of association. Under the provisions of the Israeli Companies Law, whoever has a personal interest in a matter, which is considered at a meeting of the board of directors or the audit committee, may not be present at this meeting or vote on this matter, unless it is not an extraordinary transaction as defined in the Israeli Companies Law. However, if the chairman of the board of directors or the chairman of the audit committee has determined that the presence of a director or an officer with a personal interest is required for the presentation of a matter, such officer holder may be present at the meeting. Notwithstanding the foregoing, if the majority of the directors have a personal interest in a matter, they will be allowed to participate and vote on this matter, but an approval of the transaction by the shareholders in the general meeting will be required.

Our articles of association provide that, subject to the Israeli Companies Law, all actions executed in good faith by the board of directors or by a committee thereof or by any person acting as a director or a member of a committee of the board of directors, will be deemed to be valid even if, after their execution, it is discovered that there was a flaw in the appointment of these persons or that any one of these persons was disqualified from serving in his or her office.

Our articles of association provide that, subject to the provisions of the Israeli Companies Law, the board of directors may appoint board of directors' committees. The committees of the board of directors report to the board of directors their resolutions or recommendations on a regular basis, as prescribed by the

board of directors. The board of directors may cancel the resolution of a committee that has been appointed by it; however, such cancellation will not affect the validity of any resolution of a committee, pursuant to which we acted, vis-à-vis another person, who was not aware of the cancellation thereof. Decisions or recommendations of the committee of the board which require the approval of the board of directors will be brought to the directors' attention a reasonable time prior to the discussion at the board of directors.

According to the Israeli Companies Law, a contract of a company with its directors, regarding their conditions of service, including the grant to them of exemption from liability from certain actions, insurance, and indemnification as well as the company's contract with its directors on conditions of their employment, in other capacities, require the approval of the compensation committee, the board of directors, and the shareholders by a Special Majority.

Description of Securities

Ordinary Shares

Our registered share capital is NIS 6,000,000, divided into (i) 594,000,000 registered Ordinary Shares of NIS 0.01 par value each, and (ii) 6,000,000 preferred shares of NIS 0.01 par value each..

The Ordinary Shares do not have preemptive rights, preferred rights or any other right to purchase our securities. Neither our articles of association nor the laws of the State of Israel restrict the ownership or voting of Ordinary Shares by non-residents of Israel, except for subjects of countries that are enemies of Israel.

Transfer of Shares. Fully paid Ordinary Shares are issued in registered form and may be freely transferred pursuant to our articles of association unless that transfer is restricted or prohibited by another instrument.

Notices. Under the Israeli Companies Law and our articles of association, we are required to publish notices in two Hebrew-language daily newspapers or our website at least 21 calendar days' prior notice of a shareholders' meeting. However, under regulations promulgated under the Israeli Companies Law, we are required to publish a notice in two daily newspapers at least 35 calendar days prior any shareholders' meeting in which the agenda includes matters which may be voted on by voting instruments. Regulations under the Israeli Companies Law exempt companies whose shares are listed for trading both on a stock exchange in and outside of Israel, from some provisions of the Israeli Companies Law. An amendment to these regulations exempts us from the requirements of the Israeli proxy regulation, under certain circumstances.

According to the Israeli Companies Law and the regulations promulgated thereunder, for purposes of determining the shareholders entitled to notice and to vote at such meeting, the board of directors may fix the record date not more than 40 nor less than four calendar days prior to the date of the meeting, provided that an announcement regarding the general meeting be given prior to the record date.

Election of Directors. The number of directors on the board of directors shall be no less than five and no more than eleven, including any external directors whose appointment is required by law. The general meeting is entitled, at any time and from time to time, in a resolution approved by a majority of 75% or more of the votes cast by those shareholders present and voting at the meeting in person, by proxy or by a voting instrument, not taking into consideration abstaining votes, to change the minimum or maximum number of directors as stated above as well as to amend the board classification under our Articles. A simple majority shareholder vote is required to elect a director for a term of less than three years.

Dividend and Liquidation Rights. Our profits, in respect of which a resolution was passed to distribute them as a dividend or bonus shares, are to be paid pro rata to the amount paid or credited as paid on account of the nominal value of shares held by the shareholders. In the event of our liquidation, the
liquidator may, with the general meeting's approval, distribute parts of our property in specie among the shareholders and he may, with similar approval, deposit any part of our property with trustees in favor of the shareholders as the liquidator, with the approval mentioned above deems fit. The terms of our term loan facility prohibit us from paying dividends.

Voting, Shareholders' Meetings and Resolutions. Holders of Ordinary Shares are entitled to one vote for each Ordinary Share held on all matters submitted to a vote of shareholders. The quorum required for an ordinary meeting of shareholders consists of at least two shareholders present, in person or by proxy, or who has sent us a voting instrument indicating the way in which he is voting, who hold or represent, in the aggregate, at least 25% of the voting rights of our outstanding share capital. A meeting adjourned for lack of a quorum is adjourned to the following day at the same time and place or any time and place as prescribed by the board of directors in the notice to the shareholders. At the reconvened meeting one shareholder at least, present in person or by proxy constitutes a quorum except where such meeting was called at the demand of shareholders. With the agreement of a meeting at which a quorum is present, the chairman may, and on the demand of the meeting he must, adjourn the meeting from time to time and from place to place, as the meeting resolves. Annual general meetings of shareholders are held once every year within a period of not more than 15 months after the last preceding annual general shareholders' meeting. The board of directors may call special general meetings of shareholders. The Israeli Companies Law provides that a special general meeting of shareholders may be called by the board of directors or by a request of two directors or 25% of the directors in office, whichever is the lower, or by shareholders holding at least 5% of our issued share capital and at least 1% of the voting rights, or of shareholders holding at least 5% of our voting rights.

An ordinary resolution requires approval by the holders of a majority of the voting rights present, in person or by proxy, at the meeting and voting on the resolution.

Allotment of Shares. Our board of directors has the power to allot or to issue shares to any person, with restrictions and conditions as it deems fit.

Acquisitions under Israeli Law

Full Tender Offer

A person wishing to acquire shares of an Israeli public company and who would as a result hold over 90% of the target company's issued and outstanding share capital is required by the Israeli Companies Law to make a tender offer to all of the company's shareholders for the purchase of all of the issued and outstanding shares of the company.

A person wishing to acquire shares of an Israeli public company and who would as a result hold over 90% of the issued and outstanding share capital of a certain class of shares is required to make a tender offer to all of the shareholders who hold shares of the same class for the purchase of all of the issued and outstanding shares of the same class.

If the shareholders who do not respond to or accept the offer hold less than 5% of the issued and outstanding share capital of the company or of the applicable class of the shares, and more than half of the shareholders who do not have a personal interest in the offer accept the offer, all of the shares that the acquirer offered to purchase will be transferred to the acquirer by operation of law. However, a tender offer will be accepted if the shareholders who do not accept it hold less than 2% of the issued and outstanding share capital of the company or of the applicable class of the shares.

Upon a successful completion of such a full tender offer, any shareholder that was an offeree in such tender offer, whether such shareholder accepted the tender offer or not, may, within six months from the date of acceptance of the tender offer, petition the Israeli court to determine whether the tender offer was for less than fair value and that the fair value should be paid as determined by the court. However, under certain conditions, the offeror may determine in the terms of the tender offer that an offeree who accepted the offer will not be entitled to petition the Israeli court as described above.

If the shareholders who did not respond or accept the tender offer hold at least 5% of the issued and outstanding share capital of the company or of the applicable class, the acquirer may not acquire shares of the company that will increase its holdings to more than 90% of the company's issued and outstanding share capital or of the applicable class from shareholders who accepted the tender offer.

The description above regarding a full tender offer will also apply, with necessary changes, when a full tender offer is accepted, and the offeror has also offered to acquire all of the company's securities.

Special Tender Offer

The Israeli Companies Law provides that an acquisition of shares of an Israeli public company must be made by means of a special tender offer if as a result of the acquisition the purchaser would become a holder of at least 25% of the voting rights in the company. This rule does not apply if there is already another holder of at least 25% of the voting rights in the company.

Similarly, the Israeli Companies Law provides that an acquisition of shares of a public company must be made by means of a special tender offer if as a result of the acquisition the purchaser would become a holder of more than 45% of the voting rights in the company, if there is no other shareholder of the company who holds more than 45% of the voting rights in the company.

These requirements do not apply if the acquisition (i) occurs in the context of a private offering, on the condition that the shareholders meeting approved the acquisition as a private offering whose purpose is to give the acquirer at least 25% of the voting rights in the company if there is no person who holds at least 25% of the voting rights in the company, or as a private offering whose purpose is to give the acquirer 45% of the voting rights in the company, if there is no person who holds 45% of the voting rights in the company; (ii) was from a shareholder holding at least 25% of the voting rights in the company and resulted in the acquirer becoming a holder of at least 25% of the voting rights in the company; or (iii) was from a holder of more than 45% of the voting rights in the company and resulted in the acquirer becoming a holder of more than 45% of the voting rights in the company.

The special tender offer may be consummated only if (i) at least 5% of the voting power attached to the company's outstanding shares will be acquired by the offeror and (ii) the special tender offer is accepted by a majority of the votes of those offerees who gave notice of their position in respect of the offer; in counting the votes of offerees, the votes of a holder in control of the offeror, a person who has personal interest in acceptance of the special tender offer, a holder of at least 25% of the voting rights in the company, or any person acting on their or on the offeror's behalf, including their relatives or companies under their control, are not taken into account.

In the event that a special tender offer is made, a company's board of directors is required to express its opinion on the advisability of the offer or must abstain from expressing any opinion if it is unable to do so, provided that it gives the reasons for its abstention.

An officer in a target company who, in his or her capacity as an officer, performs an action the purpose of which is to cause the failure of an existing or foreseeable special tender offer or is to impair the chances of its acceptance, is liable to the potential purchaser and shareholders for damages resulting from his acts, unless such officer acted in good faith and had reasonable grounds to believe he or she was acting for the benefit of the company. However, officers of the target company may negotiate with the potential purchaser in order to improve the terms of the special tender offer, and may further negotiate with third parties in order to obtain a competing offer.

If a special tender offer was accepted by a majority of the shareholders who announced their stand on such offer, then shareholders who did not respond to the special offer or had objected to the special tender offer may accept the offer within four days of the last day set for the acceptance of the offer. In the event that a special tender offer is accepted, then the purchaser or any person or entity controlling it and any corporation controlled by them must refrain from making a subsequent tender offer for the purchase of shares of the target company and may not execute a merger with the target company for a period of one year from the date of the offer unless the purchaser or such person or entity undertook to effect such an offer or merger in the initial special tender offer.

Merger

The Israeli Companies Law permits merger transactions if approved by each party's board of directors and, unless certain requirements described under the Israeli Companies Law are met, a majority of each party's shareholders, by a majority of each party's shares that are voted on the proposed merger at a shareholders' meeting.

The board of directors of a merging company is required pursuant to the Israeli Companies Law to discuss and determine whether in its opinion there exists a reasonable concern that, as a result of a proposed

merger, the surviving company will not be able to satisfy its obligations toward its creditors, taking into account the financial condition of the merging companies. If the board of directors has determined that such a concern exists, it may not approve a proposed merger. Following the approval of the board of directors of each of the merging companies, the boards of directors must jointly prepare a merger proposal for submission to the Israeli Registrar of Companies.

For purposes of the shareholder vote, unless a court rules otherwise, the merger will not be deemed approved if a majority of the shares voting at the shareholders meeting (excluding abstentions) that are held by parties other than the other party to the merger, any person who holds 25% or more of the means of control of the other party to the merger or anyone on their behalf including their relatives or corporations controlled by any of them, vote against the merger.

In addition, if the non-surviving entity of the merger has more than one class of shares, the merger must be approved by each class of shareholders. If the transaction would have been approved but for the separate approval of each class of shares or the exclusion of the votes of certain shareholders as provided above, a court may still rule that the company has approved the merger upon the request of holders of at least 25% of the voting rights of a company, if the court holds that the merger is fair and reasonable, taking into account the appraisal of the merging companies' value and the consideration offered to the shareholders.

Under the Israeli Companies Law, each merging company must send a copy of the proposed merger plan to its secured creditors. Unsecured creditors are entitled to receive notice of the merger, as provided by the regulations promulgated under the Israeli Companies Law. Upon the request of a creditor of either party to the proposed merger, the court may delay or prevent the merger if it concludes that there exists a reasonable concern that, as a result of the merger, the surviving company will be unable to satisfy the obligations of the target company. The court may also give instructions in order to secure the rights of creditors.

In addition, a merger may not be completed unless at least 50 days have passed from the date that a proposal for approval of the merger was filed with the Israeli Registrar of Companies and 30 days from the date that shareholder approval of both merging companies was obtained.

Anti-takeover Measures

The Israeli Companies Law allows us to create and issue shares having rights different from those attached to our Ordinary Shares, including shares providing certain preferred or additional rights to voting, distributions or other matters and shares having preemptive rights. We have 6,000,000 authorized unissued preferred shares. Our authorized preferred shares, and any other class of shares other than Ordinary Shares that we may create and issue in the future, depending on the specific rights that may be attached to them, may delay or prevent a takeover or otherwise prevent our shareholders from realizing a potential premium over the market value of their Ordinary Shares. The authorization of a new class of shares will require an amendment to our articles of association which requires the prior approval of a majority of our shares represented and voting at a general meeting. Shareholders voting at such a meeting will be subject to the restrictions under the Israeli Companies Law. In addition, provisions of our articles of our association relating to the election of our directors for terms of three years make it more difficult for a third party to effect a change in control or takeover attempt that our management and board of directors oppose.

RedHill Biopharma Ltd.
(the "Company")

AMENDED AND RESTATED AWARD PLAN (2010)

As most recently amended by the Board of Directors on March 3, 2020

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APPENDICES

1. **PREAMBLE**

1.1 This plan, as amended from time to time, shall be known as the RedHill Biopharma Ltd. Amended and Restated Award Plan (2010) (the "**Plan**"). The purpose and intent of the Plan is to provide incentives to employees, directors and/or service providers including advisors of the Company and/or of subsidiaries and/or affiliated companies of the Company (each a "**Related Company**" and collectively, "**Related Companies**") by providing them with the opportunity to purchase a proprietary interest in the Company by the issuance of ordinary shares of the Company ("**Shares**") and/or American Depositary Shares, and by the grant of options and awards of restricted shares ("**Restricted Shares**"), Restricted Share Units ("**RSUs**") and other share-based awards pursuant to the Plan , determined pursuant to the Plan, and such other securities as may be substituted for such shares pursuant to this Plan (collectively, "**Awards**").

1.2 The Plan is intended to enable the Company to grant Awards under various and different tax regimes, including, without limitation: (i) pursuant and subject to Section 102 of the Israeli Income Tax Ordinance (New Version), 1961 (the "**Income Tax Ordinance**") or any provision which may amend or replace it and any regulations, rules, orders or procedures promulgated thereunder (collectively, "**Section 102**") and to designate them as either grants made through a trustee or not through a trustee; (ii) pursuant and subject to Section 3(i) of the Income Tax Ordinance; (iii) as "incentive stock options" within the meaning of Section 422 of the United States Internal Revenue Code of 1986, as amended ("**Incentive Stock Options**" and the "**Code**", respectively) to Employees (as defined below) of the Company or any subsidiary of the Company which qualifies as a Corporation (as defined below); (iv) as options to U.S. residents, which would not qualify as Incentive Stock Options ("**Non-Qualified Stock Options**"); and (v) to grantees in jurisdictions other than Israel and the United States.

The Company, however, does not warrant that the Plan will be recognized by the income tax authorities in any jurisdiction or that future changes will not be made to the provisions of applicable laws, or rules or regulations which are promulgated from time to time thereunder, or that any exemption or benefit currently available, whether pursuant to Section 102 or otherwise, will not be abolished.

For purposes of the Plan, (i) the term "**Employee**" means a common law employee (as defined in accordance with the regulations and revenue rulings then applicable under Section 3401(c) of the Code) of the Company or any subsidiary of the Company; provided, however, in the case of individuals whose employment status, by virtue of their employer or residence, is not determined under Section 3401(c) of the Code, Employee means an individual treated as an employee for local payroll tax or employment purposes by the applicable employer under applicable law; and (ii) the term "**Corporation**" means any entity that is defined as a corporation under Section 7701 of the Code and is the Company or is in an unbroken chain of corporations (other than the Company) beginning with the Company, if each of the corporations other than the last corporation in the unbroken chain owns stock possessing a majority of the total combined voting power of all classes of stock in one of the other corporations in the chain.

1.3 The Board of Directors of the Company (the "**Board**") shall have the authority to make any requisite adjustments in the Plan and determine the relevant terms in any Agreement (as defined in Section 7 below) in order to comply with the requirements of any relevant tax regime. Furthermore, should any provision of Section 102 be amended, such

amendment shall be deemed included in the Plan with respect to Awards granted in the context of Section 102. Where a conflict arises between any section of the Plan, the Agreement or their application, and the provisions of any relevant tax law, rule or regulation, whether relied upon for tax relief or otherwise, the Board in its sole discretion shall determine the necessary changes to be made to the Plan and its determination regarding this matter shall be final and binding.

1.4 The Plan contemplates the grant of Awards by the Company both as a private company and as a company whose securities are publicly-traded. In the event the Company's securities should be registered for trading on the Nasdaq Stock Exchange, the New York Stock Exchange, any other stock exchange or an electronic quotation system, whether in the USA or elsewhere, the Awards allotted in accordance with the Plan may be made conditional to any requirement or instruction of the stock exchange authorities or of any other relevant authority acting pursuant to applicable law as shall exist from time to time. In such case, by means of a Board resolution, the Plan and the Agreements prepared pursuant hereto, may be amended as necessary to meet such requirements. In the event of a contradiction between any such amendment and the Plan's provisions, the amendment shall prevail.

2. ADMINISTRATION OF THE PLAN

2.1 The Plan shall be administered by the Board and/or by any committee of the Board so designated by the Board. Any subsequent references herein to the Board shall also mean any such committee, if appointed and, unless the powers of the committee have been specifically limited by law or otherwise, such committee shall have all of the powers of the Board granted herein. Without derogating from the generality of the foregoing, the Board shall have the authority to designate grants made pursuant to Section 102 as either grants made through a trustee or not through a trustee and to determine (and from time to time change, subject to Section 102) the tax route applicable to Awards granted through a trustee pursuant to Section 102 (e.g., the capital gains route or the employment income route) and to make any other elections with respect to the Plan pursuant to applicable law. Subject to Sections 4 and 15, the Board shall have plenary authority to determine the terms and conditions of all Awards (which need not be identical), including, without limitation, whether the Awards will be exercisable into ordinary shares of the Company or into American Depositary Shares, the purchase price of the Shares covered by each Award, the identity of those to whom, and the time or times at which, Awards shall be granted, the number of Shares to be subject to each Award, whether an Award shall be granted pursuant to Section 102 or otherwise and when an Award can be exercised and whether in whole or in installments. Subject to Section 15, the Board shall have plenary authority to construe and interpret the Plan, to prescribe, amend and rescind the rules and regulations relating to it and to make all other determinations deemed necessary or advisable for the administration of the Plan. All determinations and decisions of the Board pursuant to the provisions of the Plan and all related orders and resolutions of the Board shall be final, conclusive and binding on all persons, including the Company, its shareholders, grantees and their estates and beneficiaries.

2.2 Any directive or notice signed by a member of the Board shall constitute conclusive proof and authority for every act or decision of the Company.

2.3 No director or officer of the Company shall be personally liable or obligated to any grantee as a result of any decision made and/or action taken with respect to the Plan or its execution.

3. **SHARES SUBJECT TO THE PLAN**

The maximum number of Shares that may be issued under the Plan is 59,206,448 Shares and shall automatically be increased on January 1 of each calendar year such that immediately following such increase the maximum number of Shares that may be issued under the Plan will be equal to fifteen percent (15%) of the number of outstanding Shares on a fully-diluted basis on December 31 of the immediately preceding calendar year, one hundred percent (100%) of which may be granted pursuant to Incentive Stock Options. The Board may from time to time increase or decrease the maximum number of ordinary shares that may be issued under the Plan.

4. **OPTION EXERCISE PRICES**

The consideration to be paid by a grantee for each Share purchased by exercising an option (the "**Option Exercise Price**") shall be as determined by the Board on the date of grant, provided that the Option Exercise Price shall not be less than the nominal value of the Shares subject to the option, and if on the date of grant the Company's Shares are listed on any established stock exchange or a national market or quotation system, then except as otherwise determined by the Board, the Option Exercise Price shall not be less than the closing price on the date of grant on such established stock exchange or a national market or quotation system. The Option Exercise Price shall be denominated in the currency of the primary economic environment of, either the Company or the grantee (that is the functional currency of the Company or the currency in which the grantee is paid) as determined by the Company.

The Board may, in its discretion, grant to the holder of an outstanding option, in exchange for the surrender and cancellation of such option, a new option having an Option Exercise Price lower than provided in the option so surrendered and canceled, and containing such other terms and conditions as the Board may prescribe in accordance with the provisions of this Plan provided that such new Option Exercise Price shall not be less than the nominal value of the Shares subject to the new option.

Notwithstanding anything herein to the contrary, with respect to the grant of a Non-Qualified Stock Option or an Incentive Stock Option, the Option Exercise Price shall be no less than the Fair Market Value (as defined below) of a Share on the date of grant of such Non-Qualified Stock Option or Incentive Stock Option; provided, however, if an Incentive Stock Option is granted to an Employee who owns or is deemed to own (by reason of the attribution rules of Section 424(d) of the Code) more than ten percent (10%) of the combined voting power of all classes of stock of the Company (or any Related Company), the Option Exercise Price shall be at least one hundred ten percent (110%) of the Fair Market Value of a Share on the date of grant of such Incentive Stock Option.

For purposes hereof, the "**Fair Market Value**" of the Shares shall mean, as of any date, the last reported sale price, on that date, of the Shares of the Company on the principal securities exchange on which such Shares are then traded, or, in the event that no sales of such Shares took place on such date, the last reported sale price of such Shares on such principal securities exchange on the most recent prior date on which a sale of Shares took place; provided, however, that if such Shares are not publicly traded on the date as of which Fair Market Value is to be determined, "Fair Market Value" of the Shares shall mean the value as determined in good faith by the Board. The determination of Fair Market Value shall, where applicable, be in compliance with Section 409A of the Code.

5. **EXCLUSIVITY OF THE PLAN**

Unless otherwise determined by the Board in any particular instance as part of the Agreement, each grantee hereunder will be required to declare and agree that all prior agreements, arrangements and/or understandings with respect to Awards and options to purchase Shares of the Company which have not actually been granted prior to execution of the Agreement shall be null and void and that only the provisions of the Plan and/or the Agreement shall apply.

Notwithstanding the above, the adoption of this Plan, by itself, shall not be construed as amending, modifying or rescinding any incentive arrangement previously approved by the Board or as creating any limitations on the power of the Board to adopt such other incentive arrangements as it may deem desirable, including, without limitation, the granting of Awards otherwise than under this Plan, and such arrangements may be either applicable generally or only in specific cases.

6. **GRANT OF THE AWARDS TO THE TRUSTEE; VOTING OF SHARES**

6.1 The Board shall appoint a trustee for the purposes of this Plan, which trustee shall be approved, with respect to grants designated as grants made through a trustee pursuant to Section 102, in accordance with Section 102 (the "**Trustee**"). The Trustee shall have all the powers provided by law, Section 102 and the Plan and shall act pursuant to the provisions thereof, as they shall apply from time to time. The Company shall pay the Trustee a fee as shall be agreed between the Trustee and the Company.

6.2 Unless otherwise determined by the Board, all Awards shall be issued by the Company in the name of the Trustee and the Share certificates representing any Shares issued pursuant to options exercised hereunder or Shares vested under other Awards granted hereunder, and any and all other or additional rights deriving in connection therewith, if any, such as, but not limited to, bonus Shares (Share dividends) ("**Additional Rights**"), shall be issued by the Company in the name of the Trustee in trust for the designated grantee and shall be deposited with the Trustee, held by him or her and registered in his or her name in the register of members of the Company for such period as determined by the Board but, in the case of grants designated as grants made through a trustee pursuant to Section 102, not less than the period required, or approved, with respect thereto pursuant to Section 102, as shall be in effect from time to time (the "**Required Holding Period**").

Furthermore, and without derogating from the aforesaid or any other provision hereof, with respect to Awards granted which were designated as made through a trustee pursuant to Section 102: (i) they may not be sold until the end of the Required Holding Period, unless otherwise allowed or determined by the Israeli tax authorities; and (ii) all Additional Rights will be subject to the same tax route applicable to the original Award.

6.3 Awards granted and designated as grants made through a trustee pursuant to Section 102 will be held by the Trustee and registered in his name in trust for the designated grantee, for not less than the Required Holding Period.

6.4 Awards granted hereunder shall not confer upon the holder thereof any of the rights of a shareholder of the Company with respect to the Shares subject to such Awards until such Shares are issued and registered in the name of the holder upon exercise of the options.

6.5 For as long as any Shares are held by the Trustee or registered in his name or for as long as the certificates representing any Shares are held by the Trustee, the Trustee alone shall

be entitled to receive every notice to which a shareholder is entitled, or to demand any information, and any financial and/or other report to which a shareholder is entitled from the Company, and only he or whomever he shall designate pursuant to the Proxy and Power of Attorney referred to and as defined in Section 10.2 below (the "**Attorney**"), shall be entitled to exercise every other right of the shareholders vis-a-vis the Company including the right to participate in and to vote at all shareholders' meetings. No grantee shall be entitled to exercise any of these rights as shareholder nor make any demand or request of the Trustee and/or of the Attorney in this regard.

6.6 Shares registered in the Trustee's name shall be represented at all meetings of shareholders of the Company and shall be voted by the Trustee or the Attorney in the same manner, proportionately, as the other shareholders of the Company voting on such matter.

6.7 Nothing in the foregoing provisions shall derogate from the power of the Board to grant options to the Trustee otherwise than under the provisions of Section 102 or to grant options to grantees directly otherwise than through the Trustee or on terms which differ from those specified above or to approve the transfer of Shares from the Trustee to the name of any grantee(s) upon such conditions as shall be determined by the Board.

7. AWARD AGREEMENT; TERMINATION OF EMPLOYMENT

Unless otherwise determined by the Board, every grantee shall be required to sign grant letter or other documents as shall be determined by the Board, in the form approved by the Board (the "**Agreement**").

The Agreement shall specify the type of Award granted and whether it constitutes an Award pursuant to Section 102, and if so, under which regime, an Award pursuant to Section 3(i) of the Income Tax Ordinance, an Incentive Stock Option, a Non-Qualified Stock Option or otherwise. The Agreement need not be identical with respect to each grantee. The following terms, however, shall apply to all Awards, unless expressly otherwise decided in respect of a particular Award:

7.1 The Option Exercise Price shall be paid by the grantee to the Company no later than the date of exercise of the option unless otherwise determined in the Agreement.

7.2 The grantee shall have no right of first refusal to purchase Shares of the Company which may be offered for sale by shareholders of the Company, and shall have no pre-emptive rights to purchase Shares which are being allotted or shall in the future be allotted by the Company, to the extent any such rights otherwise exist.

7.3 The Award and/or the right to the Award are personal and except insofar as is specified in this Plan, and, where applicable, subject to Section 102, may not be transferred, assigned, pledged, withheld, attached or otherwise charged either voluntarily or pursuant to any law, except by way of transfer pursuant to the laws of inheritance, and no power of attorney or deed of transfer, whether the same has immediate effect or shall take effect on a future date, shall be given with respect thereto. During the lifetime of the grantee the Award may only be exercised by the designated grantee or, if granted to the Trustee, by the Trustee on behalf of the designated grantee. A note as to the provisions of this sub-section or a legend may appear on any document which grants the Award and in particular in the Agreement, and also on any Share certificate.

7.4 The right to exercise an option is granted to the Trustee on behalf of the grantee. Unless otherwise provided in the Agreement, vesting shall be in installments, gradually over a period of four (4) years from the date of grant of the option or such other period or periods as determined by the Board. Unless otherwise determined, at the conclusion of each period for the exercise of the option as determined in the Agreement ("**Vesting Periods**"), the option may, from time to time, be exercised in relation to part or all the Shares allocated for that period in such manner that at the end of each year following the granting of the option the Trustee shall, in the absence of a contrary determination in the Agreement, be entitled to exercise on behalf of the grantee and at his or her request up to one third (1/4) of the Shares subject to the option.

In addition, during each of the Vesting Periods, the option may be exercised in relation to all or part of the Shares allocated for any previous Vesting Period in which the option was not fully exercised, provided, subject to the provisions of Section 7.7 hereof, that at the time of the exercise of the option the grantee has continued to be employed by or to serve as a director of or provide services to, the Company or a Related Company on a continual basis from the date of the grant thereof until the date of their exercise. After the end of the Vesting Periods and during the balance of the option period, the option may be exercised, from time to time, in relation to all or part of the Shares which have not at that time been exercised and which remain subject to the option, subject to the provisions of Section 7.7 hereof and to any condition in the Agreement, if such exists, which provides a minimum number of Shares with respect to which the option may be exercised and any provision which determines the number of times that the Trustee may send the Company notice of exercise on behalf of the grantee in respect of the option. The Board shall be entitled at any time to shorten the vesting schedule or any Vesting Period.

7.5 The Board may determine at its sole discretion, that any grantee shall be entitled to receive the Awards, through the Trustee, pursuant to the provisions of this Plan or, subject to the provisions of Section 102 as relevant, directly in the name of the grantee, immediately upon execution of the Agreement or on such other date or dates as the Company has undertaken towards such grantee. In the event that a grantee is exempt from the Vesting Periods (pursuant to the provisions of Section 7.4), the Board shall be entitled, subject to the provisions of Section 102 as relevant, to determine that where the grantee does not comply with the conditions determined by the Board or ceases to be an employee of the Company or a Related Company, the Trustee, the Company or a Related Company shall have the right to repurchase the Shares from the grantee for nominal or any other consideration paid by the grantee or as otherwise determined by the Board at the time of grant. The Board may set additional conditions to this right of repurchase, including the provision of appropriate arrangements for the monies which shall be available to the Trustee or a Related Company or others for the purpose of the repurchase and may set conditions with respect to the voting rights of the grantee, rights of first refusal or pre-emptive rights to purchase Shares in the Company, to the extent such rights exist, the grantees right to receive reports or information from the Company, and the grantee's right to a dividend in respect of Shares which are subject to a right of reacquisition as aforesaid. For as long as the foregoing conditions of the Board (including a minimum period of employment as a condition for the lapse of the right to reacquisition) have not been complied with, the grantee shall not be entitled to sell or charge or transfer in any other manner the Shares which are subject to the right of reacquisition. As security for the compliance with this undertaking the Share certificate will be deposited with the Trustee who will release the same to the grantee only after the grantee becomes entitled to the Shares and the same are not subject to any other restrictive condition.

7.6 With respect to the grant of Incentive Stock Options, the Board may not grant Incentive Stock Options to any Employee which would permit the aggregate Fair Market Value (determined on the date of grant) of the Shares with respect to which Incentive Stock Options (under this and any other plan of the Company and its subsidiaries) are exercisable for the first time by such Employee during any calendar year to exceed $100,000 (U.S.). To the extent any option granted under this Plan which is designated as an Incentive Stock Option exceeds this limit or otherwise fails to qualify as an Incentive Stock Option, such option (or any such portion thereof) shall be a Non-Qualified Stock Option. If Shares acquired upon exercise of an Incentive Stock Option are disposed of by the grantee prior to the expiration of either two (2) years from the date of grant of such Incentive Stock Option or one (1) year from the transfer of Shares to the grantee pursuant to the exercise of such Incentive Stock Option, or in any other "disqualifying disposition" within the meaning of Section 422 of the Code, such grantee shall be required to notify the Company in writing of the date and terms of such disposition. A disqualifying disposition by a grantee shall not affect the status of any other option granted under the Plan as an Incentive Stock Option.

7.7 Termination of Employment/Cause Events

7.7.1 If a grantee ceases to be an employee, director or service provider (or, if relevant, an employee of a service provider) of the Company or a Related Company, other than: (i) by reason of death, disability (as determined by the Board in its absolute discretion) or retirement as provided in Section 7.7.3 below; or (ii) for Cause (as defined in Section 8.2 below); the options that shall have vested prior thereto shall remain exercisable for a period of ninety (90) days (or three (3) months in the case of an Incentive Stock Option) following the earlier of such cessation or notice of cessation (but only to the extent exercisable at termination of employment and not beyond the scheduled expiration date), unless the Agreement provides otherwise. If (i) a grantee ceases to be an employee, director or service provider (or, if relevant, an employee of a service provider) of the Company or a Related Company for Cause (as defined in Section 8.2 below) ("**Termination for Cause**") or (ii) a Cause Event (as defined in Section 8.2 below) occurs with respect to a grantee who is a former employee, director or service provider (or, if relevant, an employee of a service provider) of the Company or a Related Company, then immediately upon the Termination for Cause or notice of Termination for Cause in the case of clause (i) or the occurrence of a Cause Event in the case of clause (ii), the grantee shall not be entitled to exercise any Options, whether vested or unvested, and all such Awards granted to the grantee shall return to the pool of ordinary shares available for future grants under this Plan.

7.7.2 If the employment or the director or service-provider relationship of a grantee is terminated by reason of death, disability (as determined by the Board in its absolute discretion) or retirement after age 60 with the approval of the Board, the option shall remain exercisable for a period of twenty four (24) months following such termination (but only to the extent exercisable at termination of employment and not beyond the scheduled expiration date); provided, however, in the case of an Incentive Stock Option, with respect to a termination of employment as a result of death or disability (within the meaning of Section 22(e) of the Code), the period shall be twelve (12) months, and in the case of retirement, the period shall be three

(3) months (in each case, only to the extent exercisable at termination of employment and not beyond the scheduled expiration date).

7.7.3 The Board may determine whether any given leave of absence constitutes a termination of employment. Options awarded under this Plan shall not be affected by any change of employment so long as the grantee continues to be an employee, director or service-provider, as applicable, of the Company or a Related Company.

7.7.4 Notwithstanding the foregoing, the Board may in its absolute discretion, extend the period of exercise of the option by a grantee or grantees for such time as it shall determine either with or without conditions.

8. ACCELERATION OF AN AWARD; LIQUIDATION

8.1 Acceleration in the Event of Sale of Assets, Certain Mergers. In the event of: (i) a sale of all or substantially all of the assets of the Company; or (ii) a consolidation or merger of the Company in which the Company is not the continuing or surviving corporation and the continuing or surviving corporation (or, if such transaction is effected through a subsidiary, the parent of such continuing or surviving corporation), does not assume the Award or substitute it with an appropriate award in the continuing or surviving corporation (or in the parent as aforesaid), then, notwithstanding any contrary Vesting Periods in any Agreement or in this Plan, and unless in each case: (A) the applicable Agreement provides otherwise; or (B) the Board determines otherwise, all of the outstanding Awards held by or for the benefit of any grantee whose vesting dates fall within the first twelve (12) months thereafter shall be accelerated and become vested and exercisable immediately prior to the consummation or closing of such proposed action.

8.2 Acceleration in the Event of a Significant Event. If a "Significant Event", as defined below, shall occur, and following which the employment of a grantee with the Company or a Related Company is terminated by the Company or a Related Company, other than for "Cause" as defined below; and unless the applicable Agreement provides otherwise, all of the outstanding Awards held by or for the benefit of any grantee shall be accelerated and become immediately vested and exercisable.

Each of the following shall be a "**Significant Event**": a consolidation or merger of the Company with or into another corporation approved by the Board of the Company in which the Company is the continuing or surviving corporation or in which, if the Company is not the continuing or surviving corporation, the continuing or surviving corporation (or, if such transaction is effected through a subsidiary, the parent of such continuing or surviving corporation) assumes the Award or substitutes it with an appropriate award in the surviving corporation (or in the parent as aforesaid).

The term "**Cause**" shall mean, for the purposes hereof, any of the following: (a) the definition ascribed to Cause in the individual employment agreement or services agreement between the Company and/or its Related Party and the grantee; (b) any one of the following: dishonesty towards the Company or Related Party, substantial malfeasance or nonfeasance of duty, unauthorized disclosure of confidential information, and conduct substantially prejudicial to the business of the Company or Related Party; or, any substantial breach by the Participant of (i) his or her employment or service agreement or (ii) any other obligations toward Company or a Related Party; and (c) without limiting the foregoing clauses (a) and (b), a conviction (whether following trial, by plea of guilty or

failure to contest prosecution) in a criminal proceeding of (i) a misdemeanor involving fraud, false statements or misleading omissions, embezzlement, bribery, forgery or extortion; or (ii) a felony; or (iii) an equivalent charge to those in (i) and (ii) above in jurisdictions which do not use those designations.

The term "**Cause Event**" with respect to a former employee, director or service provider (or, if relevant, an employee of a service provider) of the Company or a Related Company shall mean, for the purposes hereof, any of the following: (a) the definition ascribed to Cause in the individual employment agreement or services agreement between the Company and/or its Related Party and the grantee in effect at the time such grantee ceases to be such an employee, director or service provider; (b) any one of the following: dishonesty towards the Company or Related Party, unauthorized disclosure of confidential information, and conduct substantially prejudicial to the business of the Company or Related Party; or, any substantial breach by the Participant of his or her obligations toward Company or a Related Party; and (c) without limiting the foregoing clauses (a) and (b), a conviction (whether following trial, by plea of guilty or failure to contest prosecution) in a criminal proceeding of (i) a misdemeanor involving fraud, false statements or misleading omissions, embezzlement, bribery, forgery or extortion; or (ii) a felony; or (iii) an equivalent charge to those in (i) and (ii) above in jurisdictions which do not use those designations.

8.3 Acceleration in the Event of a Hostile Takeover. Notwithstanding the provisions of Sections 8.1 and 8.2 above, if a "Hostile Takeover", as defined below, shall occur, and unless the applicable Agreement provides otherwise, all of the outstanding options held by or for the benefit of any grantee shall be accelerated and become immediately vested and exercisable.

Each of the following shall be a "**Hostile Takeover**": an occurrence where a person, entity or group that was not an interested party, as defined under the Israeli Securities Law 1968 on the date of the initial public offering of the Company's ordinary shares, becomes a "controlling shareholder," as defined in the Israeli Securities Law 1968, or a "holder," as defined in the Israel Securities Law 1968, of 25% or more of the voting rights in the Company or any merger or consolidation involving the Company, in each case without a resolution by the Board supporting the transaction.

8.4 Liquidation; Merger. Unless otherwise determined by the Board, in the event of: (i) the proposed liquidation or dissolution of the Company; or (ii) a consolidation or merger as described in Section 8.1 (ii) above; all outstanding Awards (including, without limitation, any Awards accelerated pursuant to Section 8.1 above) will terminate and expire immediately upon to the consummation or closing of such proposed action. Without derogating from any other right or authority of the Board hereunder, the Board may, in connection with any proposed liquidation or dissolution, or in connection with any merger or consolidation as aforesaid, determine any other date and time upon which any outstanding Awards will terminate and may also provide for the acceleration and vesting of, and right to exercise, any option which would not otherwise be exercisable.

9. TERM OF AWARDS; EXERCISE

9.1 The term of each Award shall be for such period as the Board shall determine, but not more than ten (10) years from the date of grant thereof or such shorter period as is prescribed in Section 7.7 or 8.3 hereof; provided, however, with respect to Incentive Stock Options, if

an Employee owns or is deemed to own (by reason of the attribution rules of Section 424(d) of the Code) more than ten percent (10%) of the combined voting power of all classes of stock of the Company (or any Related Company) and an Incentive Stock Option is granted to such Employee, the term of such Incentive Stock Option (to the extent required by the Code at the time of grant) shall be no more than five (5) years from the date of grant thereof.

9.2 A grantee who desires that the Trustee exercise an option granted to the Trustee on his or her behalf shall so instruct the Trustee in writing in the form annexed hereto as **Appendix A** or in such other form as shall be approved by the Board from time to time. The notice shall be accompanied by, or specify the arrangements for, payment of the full Option Exercise Price of such Shares as provided in the Agreement. The Company may require as a condition to the exercise of an option that the grantee pay or otherwise make arrangements to the Company's satisfaction, for the payment of the tax and other obligatory payments applicable to him or her (including all sums payable arising out of or in connection with the Company's obligation to deduct tax and other obligatory payments at source) pursuant to applicable law and the provisions of the Plan. The Company may also require that the grantee provide or make such representations and agreements as to grantee's investment intent and such other matters as the Company may deem necessary, advisable or appropriate at such time. Upon receipt of all the requisite documents, approvals and payments from the grantee, including sufficient proof of payment or other arrangement with respect to the payment of any applicable taxes in form satisfactory to the Company and the Trustee, the Trustee shall deliver a notice to the Company in the form annexed hereto as **Appendix B** or in such other form as shall be approved by the Board from time to time, whereupon the Company shall allot the Shares in the name of the Trustee.

9.3 A grantee who desires to exercise an option granted directly to him or her (and not through the Trustee) shall so notify the Company in writing in such form as shall be prescribed by the Board from time to time. As a condition for the exercise of the option, the grantee shall pay or otherwise make arrangements, to the Company's and Trustee's satisfaction, for the payment of the tax and other obligatory payments applicable to him or her (including all sums payable by the Company arising out of its obligation to deduct tax and other obligatory payments at source) pursuant to applicable law and the provisions of the Plan. Upon receipt of all the requisite documents, approvals and payments from the grantee, including sufficient proof of payment or other arrangement with respect to the payment of any applicable taxes in form satisfactory to the Company and the Trustee, the Company shall allot the Shares in the name of the grantee.

9.4 Without limiting the foregoing, the Board may, with the consent of the grantee, from time to time cancel all or any portion of any option then subject to exercise, and the Company's obligation in respect of such option may be discharged by: (i) payment to the grantee or to the Trustee on behalf of the grantee of an amount in cash equal to the excess, if any, of the Fair Market Value of the relevant Shares at the date of such cancellation subject to the portion of the option so canceled over the aggregate Option Exercise Price of such Shares; (ii) the issuance or transfer to the grantee or to the Trustee on behalf of the grantee of Shares of the Company with a Fair Market Value at the date of such transfer equal to any such excess; or (iii) a combination of cash and Shares with a combined value equal to any such excess, all as determined by the Board in its sole discretion.

Without derogating from the above, solely for the purpose of determining the tax liability pursuant to Section 102(b)(3) of the Income Tax Ordinance, if at the date of grant the Company's Shares are listed on any established stock exchange or a national market or

quotation system, the Fair Market Value of an Share at the date of grant shall be determined in accordance with the average value of the Company's Shares during the thirty (30) trading days preceding the date of grant, or in the thirty (30) trading days following the date of registration for trading, as the case may be.

9.5 Exercise of options will not be permitted on the effective date for distribution of bonus Shares, rights offering, distribution of a dividend, capital consolidation, capital split or capital reduction (all of the above will be: "**Effective Date**" and "**Company Event**", respectively).

If the Ex Date of a Company Event precedes the Effective Date of a Company Event, the exercise of options will not be permitted on the Ex Date as mentioned.

Ex Date - the first trading day, in which the securities are traded without the right to any payment under a Company Events.

10. RESTRICTED SHARES

10.1 General

Restricted Shares may be granted to a grantee in such form and having such terms and conditions as the Board shall deem appropriate. The provisions of separate Awards of Restricted Shares shall be set forth in separate Restricted Share Agreements ("**Restricted Share Agreements**"), which need not be identical. Subject to the restrictions set forth in Section 10.2 hereof, and except as otherwise set forth in the applicable Restricted Share Agreement, the grantee shall generally have the rights and privileges of a shareholder as to such Restricted Shares, including the right to vote such Restricted Shares. Unless otherwise set forth in a grantee's Restricted Share Agreement, cash dividends and share dividends, if any, with respect to the Restricted Share shall be withheld by the Company for the grantee's account. Except as otherwise determined by the Board, no interest will accrue or be paid on the amount of any cash dividends withheld.

10.2 Vesting and Restrictions on Transfer

Restricted Shares shall vest in such manner, on such date or dates, or upon the achievement of performance or other conditions, in each case as may be determined by the Board and set forth in a Restricted Share Agreement; *provided, however*, that notwithstanding any such vesting dates, the Board may in its sole discretion accelerate the vesting of any Award of Restricted Shares at any time and for any reason. Unless otherwise specifically determined by the Board, the vesting of an Award of Restricted Shares shall occur only while the grantee is employed by or rendering services to the Company or a Related Company, and all vesting shall cease upon the termination of the employment or service of a grantee for any reason. In addition to any other restrictions set forth in a grantee's Restricted Share Agreement, the grantee shall not be permitted to sell, transfer, pledge, or otherwise encumber the Restricted Shares prior to the time the Restricted Shares have vested pursuant to the terms of the Restricted Share Agreement or for such other period as the Board shall determine (the "**Restricted Period**"). Certificates for Shares issued pursuant to Restricted Share Awards shall bear an appropriate legend referring to such restrictions, and any attempt to dispose of any such Shares in contravention of such restrictions shall be null and void and without effect. Such certificates may, if so determined by the Board, be held in escrow by an escrow agent appointed by the Board,

or, if a Restricted Share Award is made pursuant to Section 102, by the Trustee. In determining the Restricted Period of an Award the Board may provide that the foregoing restrictions shall lapse with respect to specified percentages of the awarded Restricted Shares on successive anniversaries of the date of such Award. To the extent required by the Income Tax Ordinance or the Israeli Tax Authority, the Restricted Shares issued pursuant to Section 102 of the Income Tax Ordinance shall be issued to the Trustee in accordance with the provisions of the Income Tax Ordinance and the Restricted Shares shall be held by the Trustee for the benefit of the grantee for such period as may be required by the Income Tax Ordinance.

10.3 Forfeiture

Subject to such exceptions as may be determined by the Board, if the grantee's continuous employment or other service with the Company and/or any Related Company shall terminate for any reason prior to the time that such grantee's Restricted Shares have vested, any such Restricted Shares remaining subject to vesting or restrictions or with respect to which the purchase price has not been paid in full, shall thereupon be forfeited and shall be deemed transferred to, and reacquired by, or cancelled by, as the case may be, the Company and/or a Related Company at no cost to the Company and/or any Related Company, subject to all applicable laws. Upon forfeiture of Restricted Shares, the grantee shall have no further rights with respect to such Restricted Shares.

10.4 Other Share-Based Awards

The Board is authorized, subject to limitations under applicable law, to grant to grantee such other Awards that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based upon, or related to, Shares, as deemed by the Board to be consistent with the purposes of the Plan. The Board may also grant Shares as a bonus (whether or not subject to any vesting requirements or other restrictions on transfer), and may grant other Awards in lieu of obligations of any member of the Company and/or any Related Company to pay cash or deliver other property under the Plan or under other plans or compensatory arrangements, subject to such terms as shall be determined by the Board. The terms and conditions applicable to such Awards shall be determined by the Board and evidenced by Award Agreements, which agreements need not be identical.

11. TAXATION

11.1 General

The grantee shall be liable for all taxes, duties, fines and other payments which may be imposed by the tax authorities (whether in Israel or abroad) and for every obligatory payment of whatever source (including, but not limited to, social security, health tax, etc., as may be applicable) in respect of the Awards (including, without limitation, upon the grant of the Awards, the exercise of the options, or the registration of the Shares in the grantee's name) or dividends or any other benefit in respect thereof and/or for all charges which shall accrue to the grantee, the Company, any Related Company and/or to the Trustee in connection with the Plan, the Awards, or any act or omission by the grantee or the Company in connection therewith or pursuant to any determination by the applicable tax or other authorities, including, without limitation, any such payments required to be made by the Company as the result of any sale by the grantee of Shares which were

designated as made through a trustee pursuant to Section 102 prior to the end of the Required Holding Period. Notwithstanding the foregoing, if the Company elects the "employment income" route for Awards granted through a trustee pursuant to Section 102, the Company or the Related Company, as applicable, shall pay, at its expense, any social security payments payable by the employer with respect to Awards so granted to the extent required as a result of such choice.

11.2 Deduction at Source

The Company (including any Related Company) and/or the Trustee shall have the right to withhold or to require the grantee to pay an amount in cash or to retain or sell without notice, Shares in value sufficient to cover any tax or obligatory payment required by any governmental or administrative authority to be withheld or otherwise deducted and paid with respect to the Awards or the Shares subject thereto (including, without limitation, upon their grant, exercise, issuance or sale or the registration of the Shares in the grantee's name) or with respect to dividends or any other benefits in respect thereof ("**Withholding Tax**"), and to make payment (or to reimburse itself or himself for payment made) to the appropriate tax or other authority of an amount in cash equal to the amount of such Withholding Tax. Notwithstanding the foregoing, the grantee shall be entitled to satisfy the obligation to pay any Withholding Tax, in whole or in part, by providing the Company and/or the Trustee with funds sufficient to enable the Company and/or the Trustee to pay such Withholding Tax.

11.3 Certificate of Authorization of Assessing Officer

The Company (including any Related Company) or the Trustee shall at any time be entitled to apply to the Assessing Officer, and in the case of a grantee abroad, to any foreign tax authority, and to any other governmental or administrative authority for receipt of their certificate of authorization as to the amount of tax or other obligatory payments which the Company or any Related Company or the grantee or the Trustee is to pay to the tax or other authorities resulting from granting the Awards, or regarding any other question with respect to the application of the Plan.

11.4 Security for Payment of Taxes

Without derogating from the above, the Company (including any Related Company) and/or the Trustee shall have the right to require that any grantee provide guarantees or other security to the Company's satisfaction to guarantee the payment of any taxes or other obligatory payments which may be payable as a result of or in connection with the grant of an Award, the exercise thereof, the registration of any Awards in the grantee's name (including any sum payable arising out of or in connection with the Company's obligations to deduct tax and other obligatory payments at source); and, with respect to Awards granted pursuant to Section 102 which were not designated as made through a trustee, if the grantee's employment with the Company or any Related Company is terminated for any reason, the grantee will be obligated to provide the Company with a guarantee or other security to its satisfaction and at its discretion, to cover any tax obligations which may arise thereafter in connection with the disposition of the Shares.

12. **DIVIDENDS**

The Shares issued as a result of the vesting or the exercise of the Awards shall participate equally with the Company's other Shares in every cash dividend that shall be declared and distributed subject to the following provisions:

12.1 A cash dividend shall be distributed only to persons registered in the register of members as shareholders on the record date fixed for the distribution of the dividend.

12.2 A dividend with regard to Shares that are registered in the name of the Trustee shall be paid to the Trustee, subject to any lawful deduction of tax, whether such rate is at the usual rate applicable to a dividend or at a higher rate. The Trustee shall transfer the dividend to the grantees in accordance with instructions that he shall receive from the Company. Alternatively, the Company shall be entitled to pay the dividend directly to the grantee subject to the deduction of the applicable tax.

12.3 Without derogating from the provisions of Sections 11.2 and 12.2 hereof, the Company or the Trustee shall be entitled to set off and deduct at source from any dividend any sum that the grantee owes to the Company (including any Related Company) or the Trustee, whether under the Plan or otherwise, and/or any sum that the grantee owes to the tax or other authorities.

13. **RIGHTS AND/OR BENEFITS ARISING OUT OF THE EMPLOYEE/ EMPLOYER RELATIONSHIP AND THE ABSENCE OF AN OBLIGATION TO EMPLOY**

13.1 No income or gain which shall be credited to or which purports to be credited to the grantee as a result of the Plan, shall in any manner be taken into account in the calculation of the basis of the grantee's entitlements from the Company or any Related Company or in the calculation of any social welfare right or other rights or benefits arising out of the employee/employer relationship. If, pursuant to any law, the Company or any Related Company, shall be obliged for the purposes of calculation of the said items to take into account income or gain actually or theoretically credited to the grantee, the grantee shall indemnify the Company or any Related Company, against any expense caused to it in this regard.

13.2 Nothing in the Plan shall be interpreted as obliging the Company or any Related Company to employ the grantee and nothing in the Plan or any Award granted pursuant thereto shall confer upon any grantee any right to continue in the employment of the Company or any Related Company or restrict the right of the Company or any Related Company to terminate such employment at any time. The grantee shall have no claim whatsoever against the Company or any Related Company as a result of the termination of his or her employment, including, without limitation, any claim that such termination causes any Awards to expire and/or prevents the grantee from exercising the options and/or from receiving or retaining any Shares pursuant to any agreement between him or her and the Company, or results in any loss due to an imposition, or earlier than anticipated imposition, of tax or other liability pursuant to applicable law.

14. **ADJUSTMENTS UPON CHANGES IN CAPITALIZATION**

Upon the occurrence of any of the following described events, a grantee's rights to purchase Shares under the Plan shall be adjusted as hereinafter provided:

14.1 In the event that the Company distributes a **cash dividend**, the effective date for the distribution thereof, will take place after the date of the allocation of the Awards to the Trustee for a grantee, but before the exercise or expiry of the Option Exercise Price shall be decreased in respect of each option by the amount of the dividend per Share. For the avoidance of doubt, under no circumstances will the Option Exercise Price be decreased to a price which is less than the nominal value of an ordinary share of the Company.

14.2 In the event that the Company distributes **bonus Shares**, the effective date for the distribution of which takes place after the date of the allocation of the Awards to the Trustee for the grantee, but before the exercise or vesting or expiry of the Awards, the number of Shares to which the grantee is entitled upon the exercise or upon vesting of the Awards shall increase by the number of the Shares that the grantee would have been entitled to as bonus Shares, had he exercised the options prior to the effective date for the distribution of the bonus Shares. The Option Exercise Price shall not vary as a result of the increase in the number of Shares to which the grantee is entitled in the wake of the distribution of bonus Shares.

14.3 If rights to acquire any securities whatsoever are offered to Company shareholders by way of **rights**, the Company shall act with a view that the number of Shares that each grantee is entitled to upon the exercise or vesting of the Awards, as applicable, will be adjusted by multiplying the relevant number of Shares by the Benefit Ratio.

Benefit Ratio - the closing price of the stock exchange on the last trading day before the Ex Date divided by the base price of the ex-rights stock.

14.4 In any event of **division or consolidation** of the Company's share capital, or any other corporate capitalization event of a significantly similar nature, the Company shall effect such changes or adjustments as are required to prevent dilution or increase in a grantee's rights, pursuant to the Plan with respect to the number and class of the Shares in relation to the Awards not yet vested in accordance with their terms or exercised by the grantee and/or the Option Exercise Price of each option.

14.5 In any event of a **merger**, spin-off and/or any other structural change, Awards which have been granted under this Plan, shall be replaced by, or converted to, an alternative Award in the Company after such structural change, all at the absolute discretion of the Company's Board.

14.6 Notwithstanding anything herein to the contrary, no adjustment shall be made or authorized to the extent that such adjustment would cause the Plan or any option to violate Section 422 of the Code or Section 409A of the Code, and to the extent any adjustments are made, such adjustments shall be made in accordance with the requirements of Section 422 of the Code or Section 409A of the Code, and the rules of any securities exchange, stock market, or stock quotation system to which the Company is subject, as applicable.

15. TERM, TERMINATION AND AMENDMENT

Unless the Plan shall theretofore have been terminated as hereinafter provided, the Plan shall terminate on, and no Award shall be granted after, the tenth anniversary of the date the Plan is adopted by the Board. The Board may at any time terminate, modify or amend the Plan in such respects as it shall deem advisable. Awards granted prior to termination of the Plan may, subject to

the terms of the Plan and any Agreement or Restricted Share Agreement, be exercised thereafter. No amendment or modification of the Plan may, without the consent of the grantee to whom any Award shall theretofore have been granted, adversely affect the rights of such grantee under such Award.

16. AWARD MODIFICATIONS

Subject to the terms, conditions and limitations of the Plan, the Board at any time and from time to time in its discretion: (i) may select (by price, expiration or other relevant term or otherwise) one or more outstanding Awards granted under the Plan; (ii) may modify, extend or renew those Awards; (iii) may authorize the Company to accept the surrender of outstanding Awards and grant new or replacement Awards pursuant to the Plan in substitution therefor; and (iv) may provide that such modified, extended, renewed or substituted Awards have one or more of the following (in any combination) (A) a lower exercise price or similar component than the surrendered Award or Awards, (B) a higher number of Shares covered by such Award than the number of Shares covered by the surrendered Award or Awards, (C) a longer term than the surrendered Award or Awards, (D) more rapid vesting and exercise ability than the surrendered Award or Awards, (E) a different market or intrinsic value than the surrendered Award or Awards, and (F) other modifications and additional provisions that are authorized by the Plan and more favorable to the grantee than the surrendered Award or Awards. Notwithstanding the foregoing, however: (1) if the exercise price or similar component of the original Award was originally set at the Fair Market Value or a specified fraction or multiple thereof, such exercise price or similar component shall not be lowered in any such modification, extension, renewal or substitution to an amount that is less than the full Fair Market Value or such specified fraction or multiple thereof, as applicable, on the date of such modification, extension, renewal or substitution; and (2) no modification of an Award granted under this Plan shall adversely affect the rights or obligations of a grantee under such Award without such grantee's consent.

17. EFFECTIVENESS OF THE PLAN; APPROVALS

The Plan shall become effective as of the date determined by the Board. Notwithstanding the foregoing and Sections 3 and 15 above, in the event that approval of the Plan or any modification or amendment thereto by the shareholders of the Company is required under applicable law or pursuant to applicable stock exchange rules or regulations, such approval shall, to the extent possible, be obtained within the time required under the applicable law, rule or regulation. If such shareholder approval is required in connection with the application of specified tax treatments, the Company shall make reasonable efforts to obtain such approval within the required time.

18. RELEASE OF THE TRUSTEE AND THE ATTORNEY FROM LIABILITY

In no event shall the Trustee or the Attorney be liable to any grantee under the Plan, or to a purchaser of Shares from any grantee with respect to any act which has been or will be carried out in relation to the Plan, its execution and any matter connected thereto or arising therefrom. The grantee will be required to covenant upon signing the Agreement that he or she will not make any claim against the Trustee or the Attorney in any manner whatsoever and on any ground whatsoever and that he or she will expressly agree that if the Trustee or the Attorney are sued by them, then the Trustee or the Attorney shall be entitled by virtue of this Section alone to apply to the court for dismissal of the action against them with costs.

19. **GOVERNING LAWS**

The Plan and all instruments issued thereunder shall be governed by and construed in accordance with the laws of the State of Israel, subject to the provisions of the Code with respect to Incentive Stock Options and, in the event of any ambiguity or conflict, the provisions hereof shall be so construed and applied as to give effect to the intention that any Incentive Stock Option granted will qualify as such under Section 422 of the Code.

* * *

RedHill Biopharma Ltd.
Appendix A
to
RedHill Biopharma Ltd. Amended and Restated Award Plan (2010)
(Section 9.2)

NOTICE OF EXERCISE

Date: _____

To: Meitav Dash Trusts Ltd. (the "**Trustee**"), By Fax: 972-3-6960255 or benefits@altshul.co.il

To: RedHill Biopharma Ltd. ("**RedHill**"), Fax: 972-3-5413144 or Email: einav@redhillbio.com

Dear Sir/Madam:

Re: **Notice of Exercise**

I hereby wish to inform you that it is my desire to exercise _____ options ("**Options**") out of the _____ options which were granted on my name on _____ [Date] under the RedHill Biopharma Ltd. Award Plan (2010), as amended ("**Plan**"), and tenders herewith payment of the purchase price for such shares in full.

The exercise price of said Options is USD _____ per share, all in accordance with the Plan and the Israeli Securities Law of 1968 or any state securities laws.

The total amount for the exercise of the Options of USD _____ was paid to RedHill by me on the date of _____. I am aware that the exercise of the Options will be done only after RedHill will transfer to you written confirmation that the exercise amount was paid in full.

I am aware that all the shares will be allotted to you, registered in your name and that you will hold all the share certificates representing such shares. Likewise, I am aware of and agree to all the other provisions of the Plan and applicable laws.

Yours sincerely,

Signature: _____
Name: _____

The receipt of this form by the Trustee must be verified by phone (No. 972-3-7903444).

RedHill Biopharma Ltd.

Appendix B
to
RedHill Biopharma Ltd. Amended and Restated Award Plan (2010)
(Section 9.2)

NOTICE OF EXERCISE

Date: _____

To: RedHill Biopharma Ltd.

Dear Sirs:

Re: **Notice of Exercise**

Please be advised that on the date of _____ we received instruction from _____ ("the Grantee") to exercise _____ options ("**Options**") out of the _____ options which were granted in his/her name on _____ [Date] under the RedHill Biopharma Ltd. Award Plan (2010), as amended ("**Plan**").

The exercise price of said Options is USD _____ per share, all in accordance with the Plan and the Israeli Securities Law of 1968 or any state securities laws.

The total amount for the exercise of the Options of USD _____ should have been paid to you in full by the Grantee. Upon reception of a written confirmation from you that you received this amount in full, we will exercise the Options for shares and register these shares under our name.

Attached to this notice is the exercise notice sent to us by the Grantee.

Yours sincerely,

Meitav Dash Trusts Ltd.

Signature: _____
Name: _____

Exhibit 4.12

CERTAIN IDENTIFIED INFORMATION MARKED [***] HAS BEEN EXCLUDED FROM THE EXHIBIT BECAUSE IT IS BOTH (I) NOT MATERIAL AND (II) WOULD LIKELY CAUSE COMPETITIVE HARM TO THE COMPANY IF PUBLICLY DISCLOSED.

SUBSCRIPTION AGREEMENT

This Subscription Agreement (this "**Subscription**") is dated as of October 17, 2019, by and among Redhill Biopharma Ltd., a company limited by shares organized under the laws of the State of Israel, registration number 514304005 (the "**Company**"), Cosmo Pharmaceuticals NV, a Dutch corporation ("**Cosmo Pharma**"), and Cosmo Technologies Ltd. ("**Cosmo Technology**", and together with Cosmo Pharma, the "**Investors**"), each such Investor with a place of business at Riverside II, Sir John Rogerson's Quay, Dublin 2, Ireland.

RECITALS

A. Cosmo Pharma wishes to acquire from the Company, and the Company wishes to issue and sell to Cosmo Pharma, upon the terms and conditions stated in this Subscription, 5,185,715 American Depositary Shares (the "**Cosmo Pharma ADSs**"), representing 51,857,143 ordinary shares of the Company, par value NIS 0.01 per share (the "**Cosmo Pharma Ordinary Shares**"), at a price per share of $7.00., representing approximately the average price per ADS over the last 30 days.

B. Cosmo Technology wishes to acquire from the Company, and the Company wishes to issue and sell to Cosmo Technology, pursuant to the Exclusive License Agreement being entered into on the date hereof between the Company and Cosmo Technology (the "**License Agreement**"), upon the terms and conditions stated in this Subscription, 1,714,286 American Depositary Shares (the "**Cosmo Technology ADSs**", and together with the Cosmo Pharma ADSs, the "**ADSs**"), representing 17,142,858 ordinary shares of the Company, par value NIS 0.01 per share (together with the Cosmo Pharma Ordinary Shares, the "**Ordinary Shares**"), at a price per share of $7.00, representing approximately the average price per ADS over the last 30 days.

C. The Company desires to issue and sell to the Investors, and the Investors desire to purchase from the Company, the ADSs as more fully described in this Subscription, in a transaction exempt from the registration requirements of the Securities Act of 1933, as amended (the "**Securities Act**"), pursuant to Regulation D ("**Regulation D**") as promulgated by the United States Securities and Exchange Commission (the "**SEC**") thereunder.

NOW, THEREFORE, IN CONSIDERATION of the mutual covenants contained in this Subscription, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Company and the Investor hereby agree as follows:

1. Purchase and Sale of ADSs.

(a) Subscription Amount. Cosmo Pharma agrees to acquire, and the Company agrees to sell and issue to Cosmo Pharma, on the Closing Date (as defined below) the Cosmo Pharma ADSs for the total purchase price of US$36,300,000 (the "**Subscription Amount**"). Cosmo Technology agrees to acquire, and the Company agrees to sell and issue to Cosmo Technology, on the Closing Date the Cosmo Technology ADSs in consideration for entering into the License Agreement.

(b) Closing. The completion of the purchase and sale of the ADSs (the "**Closing**") shall take place remotely by electronic means as the parties may mutually agree on the first (1st) Business Day on which the conditions to the Closing set forth in Section 1(c) below (other than those to be satisfied at the Closing, but subject to the satisfaction or waiver of those conditions at Closing) are satisfied or waived (or such later date as is mutually agreed to by the Company and the Investors). As used herein, "**Business Day**" means any day other than Friday, Saturday, Sunday or other day on which commercial banks in New York, New York are authorized or required by law to remain closed; and "**Closing Date**" means the date on which the Closing occurs.

(c) Conditions to Closing:

(i) The obligation of the Company hereunder to issue and sell the ADSs to the Investors at the Closing is subject to satisfaction, at or before the Closing Date, of each of the following conditions, provided that these conditions are for the Company's sole benefit and may be waived by the Company at any time in its sole discretion by providing the Investor with prior written notice thereof:

(A) On the Closing Date, Cosmo Pharma shall pay the Subscription Amount by wire transfer of immediately available funds to the Company to such bank account or accounts as shall be designated by the Company, and Cosmo Technology will execute the License Agreement; and

(B) The representations and warranties of the Investors shall be true and correct in all material respects as of the date when made and as of the Closing Date as though originally made at that time (except for representations and warranties that speak as of a specific date, which shall be true and correct in all material respects as of such date and that any representation and warranty

qualified by materiality shall be true and correct in all respects), and the Investors shall have performed, satisfied and complied in all material respects with the covenants, agreements and conditions required by this Subscription to be performed, satisfied or complied with by the Investors at or prior to the Closing Date.

(ii) The obligation of the Investors hereunder to purchase and acquire the ADSs at the Closing is subject to satisfaction, at or before the Closing Date, of each of the following conditions, provided that these conditions are for the Investors' sole benefit and may be waived by the Investors at any time in its sole discretion by providing the Company with prior written notice thereof:

(A) On the Closing Date, the Company shall cause the Cosmo Pharma ADSs to be delivered in book-entry form registered in the name of Cosmo Pharma, and the Company shall cause the Cosmo Technology ADSs to be delivered in book-entry form registered in the name of Cosmo Technology, in each case on the records of The Bank of New York Mellon, as the depositary (the "**Depositary**"), pursuant to the Deposit Agreement, dated as of December 26, 2012, among the Company, the Depositary, and all owners and holders from time to time of ADSs issued thereunder;

(B) RESERVED;

(C) RESERVED;

(D) The License Agreement shall have been duly executed by all parties thereto;

(E) The ADSs shall be duly listed, and admitted and authorized for trading, on the NASDAQ Capital Market (subject to official notice of issuance, if required);

(F) The Ordinary Shares represented by the ADSs shall have been approved for listing on the Tel Aviv Stock Exchange (subject to official notice of issuance);

(G) None of the listing of the ADSs on the NASDAQ Capital Market or the listing of the Ordinary Shares on the Tel Aviv Stock Exchange shall have been suspended as of the Closing Date, nor shall suspension thereof been threatened as of the Closing Date;

(H) The representations and warranties of the Company shall be true and correct in all respects as of the date when made and as of the Closing Date as though originally made at that time (except for representations and warranties that speak as of a specific date, which shall be true and correct in all respects as of such date), and the Company shall have performed, satisfied and complied in all material respects with the covenants, agreements and conditions required by this Subscription to be performed, satisfied or complied with by the Company at or prior to the Closing Date; and

(I) The Company shall have delivered to the Investors a certificate signed by an officer of the Company, dated as of the Closing Date, certifying that the conditions specified in Section 1(c)(ii)(H) have been satisfied.

2. Representations and Warranties of the Company.

The Company represents and warrants to the Investors as follows:

(a) Organization and Authority.

(i) The Company is a corporation limited by shares duly organized and validly existing under the laws of the State of Israel, and has the requisite corporate power and authority to own its properties and to carry on its business as described in the SEC Documents (as defined below). The Company is duly qualified to do business as a foreign entity and is in good standing in every jurisdiction in which its ownership of property or the nature of the business conducted by it makes such qualification necessary, except to the extent that the failure to be so qualified or be in good standing would not have an adverse effect on the business of the Company.

(ii) The Company has the requisite power and authority to enter into this Subscription and to perform all of its obligations hereunder and to issue the ADSs in accordance with the terms hereof.

(iii) This Subscription has been duly authorized and executed by, and when delivered in accordance with the terms hereof will constitute a valid and binding agreement of, the Company enforceable in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights and remedies of creditors generally or subject to general principles of equity.

(iv) The execution and delivery of this Subscription and the consummation of the transactions contemplated hereby do not (A) conflict with or result in a breach of the Company’s governing or organizational documents, (B) conflict with, or constitute

a default (or an event which with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any agreement, indenture or instrument to which the Company or any of its subsidiaries is a party or (C) result in a violation of any law, rule, regulation, order, judgment or decree (including, without limitation, foreign, federal and state securities laws and regulations and the rules and regulations of the NASDAQ Capital Market ("**NASDAQ**") and the Tel Aviv Stock Exchange) applicable to the Company or by which any property or asset of the Company or any of its subsidiaries is bound or affected except, in the case of clause (B) or (C) above, to the extent that such violations could not reasonably be expected to have a material adverse effect on the operations or the business of the Company and its subsidiaries, taken as a whole.

(b) Issuance of ADSs; Capitalization.

(i) The Ordinary Shares represented by the ADSs have been duly authorized for issuance and sale pursuant to this Subscription and, when issued and paid for in accordance with the terms of this Subscription, will be duly authorized, validly issued, fully paid and non-assessable and free and clear of all liens, encumbrances, preemptive rights and other claims and third party rights.

(ii) The authorized capital stock of the Company is as set forth in the SEC Documents (as defined below). The issued and outstanding share capital of the Company has been duly authorized and validly issued and is fully paid and non-assessable.

(c) Consents. The Company is not required to obtain any consent from, authorization or order of, or make any filing or registration with, any court, governmental agency or any regulatory or self-regulatory agency or any other person or entity in order for it to execute, deliver or perform any of its obligations under, or contemplated by, this Subscription in accordance with the terms hereof, other than: (i) issuing a press release and filing a Report on Form 6-K disclosing the material terms of the transactions contemplated hereby with the SEC within the time required by the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), and Nasdaq, (ii) the filing with the SEC pursuant to the Section 7 hereof, (iii) the notice and/or application(s) to each applicable trading market for the issuance and sale of the ADSs and underlying Ordinary Shares and the listing of the ADSs and underlying Ordinary Shares trading thereon in the time and manner required thereby, (iv) the filing of Form D with the SEC and such filings as are required to be made under applicable state securities laws.

(d) SEC Documents. The Company has timely filed or furnished, as applicable, all reports, schedules, forms, statements and other documents required to be

filed or furnished by it with the SEC pursuant to the reporting requirements of the Exchange Act (all of the foregoing filed or furnished prior to the date hereof and all exhibits included therein and financial statements, notes and schedules thereto and documents incorporated by reference therein being hereafter referred to as "**SEC Documents**"). As of their respective dates, the SEC Documents complied in all material respects with the requirements of the Exchange Act or the Securities Act, as the case may be, and the rules and regulations of the SEC promulgated thereunder applicable to the SEC Documents, and none of the SEC Documents, at the time they were filed with the SEC, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

(e) Private Placement. Assuming the accuracy of the Investors' representations and warranties in Section 3 below, no registration under the Securities Act is required for the offer and sale of the ADSs by the Company to the Investors contemplated hereunder.

(f) No General Solicitation. The Company has not offered or sold the ADSs by any form of general solicitation or general advertising including, but not limited to, the methods described in Rule 502(c) under the Securities Act.

(g) Reporting Company; Form F-3; Trading Restrictions under Israeli Law. The Company is eligible to register the Registrable Securities (as defined below) for resale by the Buyer on a registration statement on Form F-3 under the Securities Act. The Company is subject to the reporting requirements of the Exchange Act and has filed or furnished, as applicable, all reports required thereby. To the knowledge of the Company, there do not exist any facts or circumstances (including without limitation any required approvals or waivers or any circumstances that may delay or prevent the obtaining of accountant's consents) that reasonably could be expected to prohibit or delay in any material respect the preparation and filing of a Registration Statement (as defined below) with respect to the sale of the Registrable Securities by the Investors required to be filed by the Company pursuant to Section 7 hereof. None of the ADSs or the Ordinary Shares underlying the ADSs are, or upon issuance will be, subject to any transfer restrictions under Israeli law except for restrictions on resale of such securities pursuant to the Israeli Securities Law and the regulations promulgated thereunder.

(h) Placement Agents. The Company has not engaged any placement agent, broker, finder, investment banker or other agent in connection with the offer or sale of the ADSs, and no placement agent, broker, finder, investment banker or other agent will be entitled to any brokerage, finder's or other fee or commission in connection with

the transactions contemplated by this Agreement based upon arrangements made by or on behalf of the Company.

(i) No Integrated Offering. None of the Company, any of its affiliates or, to the knowledge of the Company, any person or entity acting on their behalf has, directly or indirectly, made any offers or sales of any security or solicited any offers to buy any security, under circumstances that would require registration of the issuance of any of the ADSs under the Securities Act, whether through integration with prior offerings or otherwise, or cause this offering of the ADSs to require approval of stockholders of the Company under any applicable stockholder approval provisions, including, without limitation, under the rules and regulations of NASDAQ or the Tel Aviv Stock Exchange. None of the Company, any of its affiliates or, to the knowledge of the Company, any person or entity acting on their behalf will take any action or steps that would require registration of the issuance of any of the ADSs under the Securities Act or otherwise or cause the offering of any of the ADSs to be integrated with other offerings of securities of the Company in such a manner as to require registration of the issuance of any of the ADSs under the Securities Act.

(j) No Applicable Takeover Protections. There is no control share acquisition, business combination, poison pill (including any distribution under a rights agreement) or other similar anti-takeover provision under the Company's articles of association (other than provisions relating to a staggered board of directors) which is or could reasonably be expected to become applicable to the Investors as a result of the transactions contemplated by this Subscription, including, without limitation, the Company's issuance of the ADSs and the Investors ownership of the ADSs.

(k) Independent Accountants. Kesselman & Kesselman, a member firm of PricewaterhouseCoopers International Limited ("**Auditor**"), which has certified certain financial statements of the Company and delivered its report with respect to the audited financial statements and schedules included in the Company's annual report on Form 20-F for the year ended December 31, 2018 (the "**Form 20-F**") is an independent registered public accounting firm with respect to the Company as required by the Securities Act and the Exchange Act.

(l) Absence of Certain Changes. Since December 31, 2018, except as disclosed in the SEC Documents filed or furnished subsequent to the Form 20-F, there has been no material adverse change and no material adverse development in the business, assets, liabilities, properties, results of operations, financial condition or prospects of the Company. Since December 31, 2018, except as disclosed in the SEC Documents filed or furnished subsequent to the Form 20-F, the Company has not (A) declared or paid any dividends, (B) sold any assets outside of the ordinary course of business or (C) made any capital expenditures outside of the ordinary course of business. The

Company has not taken any steps to seek protection pursuant to any law or statute relating to bankruptcy, insolvency, reorganization, receivership, liquidation or winding up, nor does the Company have any knowledge or reason to believe that any of their respective creditors intend to initiate involuntary bankruptcy proceedings or any actual knowledge of any fact which would reasonably lead a creditor to do so.

(m) No Undisclosed Events, Liabilities, Developments or Circumstances. To the knowledge of the Company, no event, liability, development or circumstance has occurred or exists, or is reasonably expected to occur or exist, with respect to the Company or any of its respective businesses, properties, liabilities, results of operations, financial condition or prospects that would be required to be disclosed by the Company under applicable securities laws on a registration statement on Form F-1 filed with the SEC relating to an issuance and sale by the Company of any of its securities and which has not been publicly announced.

(n) Foreign Corrupt Practices. None of the Company or its subsidiaries or, to the knowledge of the Company, any director, officer, agent, employee or affiliate of the Company or its subsidiaries is currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury ("**OFAC**"), and the Company will not directly or indirectly use the proceeds of the offering of the ADSs hereunder, or lend, contribute or otherwise make available such proceeds to any joint venture partner or other person or entity for the purpose of financing the activities of any person that, to the Company's knowledge, is currently subject to any U.S. sanctions administered by OFAC.

(o) Internal Accounting and Disclosure Controls. The Company maintains internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchange Act) that is effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS, including that (A) transactions are executed in accordance with management's general or specific authorizations, (B) transactions are recorded as necessary to permit preparation of financial statements in conformity with IFRS and to maintain asset and liability accountability, (C) access to assets or incurrence of liabilities is permitted only in accordance with management's general or specific authorization and (D) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any difference. The Company maintains disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Exchange Act) that are effective in ensuring that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, including, without limitation, controls and procedures designed to ensure that information required to be

disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive officer or officers and its principal financial officer or officers, as appropriate, to allow timely decisions regarding required disclosure. The Company has not received any notice or correspondence from any accountant or other person or entity relating to any potential material weakness or significant deficiency in any part of the internal controls over financial reporting of the Company that has not been cured or otherwise resolved prior to the date hereof.

(p) Off Balance Sheet Arrangements. There is no transaction, arrangement, or other relationship between the Company and an unconsolidated or other off balance sheet entity that is required to be disclosed by the Company in its Exchange Act filings and is not so disclosed or that otherwise could be reasonably likely to have a material adverse effect on the business or operations of the Company and its subsidiaries, taken as a whole.

3. Representations and Warranties of the Investors.

Each Investor hereby represents and warrants to the Company as follows:

(a) Organization and Authority.

(i) Such Investor has the full right, power and authority to enter into this Subscription and to perform all of its obligations hereunder.

(ii) This Subscription has been duly authorized and executed by such Investor and, when delivered in accordance with the terms hereof, will constitute a valid and binding agreement of such Investor enforceable against the such Investor in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights and remedies of creditors generally or subject to general principles of equity.

(iii) The execution and delivery of this Subscription and the consummation of the transactions contemplated hereby do not (A) conflict with or result in a breach of such Investor's governing or organizational documents, (B) conflict with, or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any agreement, indenture or instrument to which such Investor is a party or (C) result in a violation of any law, rule, regulation, order, judgment or decree (including, without limitation, foreign, federal and state securities laws and regulations applicable to such Investor or by which any property or asset of such Investor is bound or affected except, in the case of clause (B) or (C) above, to the extent

that such violations could not reasonably be expected to have a material adverse effect on the operations or the business of such Investor.

(b) Information.

Such Investor acknowledges that it has had the opportunity to review this Subscription (including all exhibits and schedules thereto) and the SEC filings and has been afforded (i) the opportunity to ask such questions as it has deemed necessary of, and to receive answers from, representatives of the Company concerning the terms and conditions of the offering of the ADSs and the merits and risks of investing in the ADSs; (ii) access to information about the Company and its financial condition, results of operations, business, properties, management and prospects sufficient to enable it to evaluate its investment; and (iii) the opportunity to obtain such additional information that the Company possesses or can acquire without unreasonable effort or expense that is necessary to make an informed investment decision with respect to the investment.

(iii) Such Investor has consulted to the extent deemed appropriate by such Investor with its own advisors as to the financial, tax, legal and other matters concerning an investment in the ADSs.

(iv) Notwithstanding the foregoing, neither such inquiries nor any other investigation conducted by or on behalf of such Investor shall modify, amend or affect such Investor's right to rely on the truth, accuracy and completeness of the representations and warranties of the Company contained herein.

(c) Brokerage; Other Arrangements.

(i) Such Investor has taken no action which would give rise to any claim by any person for brokerage commissions, finders' fees or the like relating to this Subscription or the transactions contemplated hereby.

(ii) Such Investor is not a party to any agreement or arrangement, whether written or oral, with any other party regarding the Company, including relating to management of the Company, exercise of shareholder rights in the Company or transfer of Company securities and including any voting agreement, shareholder agreement or any other agreement.

(d) Ownership of ADSs. As of the date hereof, the Investors hold no ADSs, no ordinary shares and no rights to acquire ADSs or ordinary shares of the Company in the aggregate, and neither Investor will not acquire additional Company securities from the date hereof until the Closing.

(e) Private Placement.

(i) Such Investor, either alone or together with its representatives, has sufficient knowledge, sophistication and experience in business and financial matters so as to be capable of evaluating the merits and risks of the prospective investment in the ADSs, and has so evaluated the merits and risks of such investment. Such Investor is able to bear the economic risk of an investment in the ADSs and, at the present time, is able to afford a complete loss of such investment.

(ii) Such Investor understands that the ADSs are being offered and sold to it in a transaction exempt from the registration requirements of the United States federal and state securities laws in reliance on Regulation D and that the Company is relying in part upon the truth and accuracy of, and such Investor's compliance with, the representations, warranties and agreements of such Investor herein to determine the compliance of this transaction with Regulation D and the eligibility of such Investor to acquire the ADSs.

(iii) At the time such Investor was offered the ADSs, it was, and at the date hereof it is, and on the date of the Closing it will be, an "accredited investor" as defined in Rule 501(a) under the Securities Act.

(iv) Such Investor understands that the ADSs have not been and will not be registered under the Securities Act or any state securities laws, and may not be offered for sale, sold, assigned or transferred other than (A) outside of the United States accordance with Rule 904 under the Securities Act, (B) pursuant to an exemption from the registration requirements under the Securities Act, or (C) pursuant to an effective registration statement under the Securities Act, in each case in compliance with all applicable state securities laws and the securities laws of any other jurisdiction applicable to such sale, assignment or transfer.

(v) Such Investor represents that it is acquiring the ADSs for its own account for investment purposes only and not with a view to or for distributing or selling such ADSs or any part thereof or any interest therein in violation of the Securities Act or any applicable state securities law, has no present intention of distributing any of such ADSs in violation of the Securities Act or any applicable state securities law and has no direct or indirect arrangement or understandings with any other persons to distribute or regarding the distribution of such ADSs in violation of the Securities Act or any applicable state securities law.

(vi) Such Investor will not reoffer or resell any of the ADSs (or the ordinary shares represented thereby) directly or indirectly to the public in Israel without a prospectus or any exemption therefrom under the Israeli Securities Law.

(f) Short Sales. As of the date hereof, other than the transactions contemplated hereunder, such Investor has not, directly or indirectly, nor has any person acting on behalf of or pursuant to any understanding with such Investor, executed any transactions in securities of the Company, including "short sales" as defined in Rule 200 of Regulation SHO under the Exchange Act ("**Short Sales**"), during the period commencing from the time that such Investor first became aware of the proposed transactions contemplated hereunder until the date hereof (the "**Discussion Time**"). Such Investor has maintained the confidentiality of all disclosures made to it in connection with this transaction (including the existence and terms of this transaction).

4. Legend.

(a) Until such time as determined in accordance with Section 4(b) below, the ADSs will bear a restrictive legend in substantially the following form (and a stop-transfer order may be placed against transfer of the ADSs):

THE SECURITIES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED ("THE SECURITIES ACT"). THESE SECURITIES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (2) PURSUANT TO AN AVAILABLE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT, OR (3) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE STATE SECURITIES LAWS AND THE SECURITIES LAWS OF OTHER JURISDICTIONS.

(b) The Company shall cause the restrictive legend set forth in Section 4(a) to be removed from the ADSs if they are [***]. If at any time a legend is not required pursuant to this Section 4(b), upon request of either Investor the Company shall cause the Depositary to promptly, but not later than [***] Business Days (including Fridays) following the delivery by such Investor to the Depositary (with notice to the Company) of restricted ADSs (together with such customary opinions and documents required by the Depositary, and a proper instructions or instrument of transfer duly executed), at the request of such Investor, either (A) issue and deliver (or cause to be delivered) to such Investor a certificate representing the ADSs so delivered to the Depositary by such Investor, free from all restrictive and other legends, or (B) credit the aggregate number of ADSs represented by the restricted certificates so delivered to such Investor's or its

designee's balance account with the Depositary Trust Company ("**DTC**") through Deposit/Withdrawal at Custodian system (the date on which such credit is so required to be made to the balance account of such Investor or such Investor's nominee with DTC or such certificate is required to be delivered to such Investor pursuant to the foregoing is referred to herein as the "**Required Delivery Date**").

(c) If the Depositary fails to (i) issue and deliver (or cause to be delivered) to such Investor by the Required Delivery Date a certificate representing ADSs so delivered to the Depositary by such Investor that is free from all restrictive and other legends or (ii) credit the balance account of such Investor's or such Investor's nominee with DTC for such number of ADSs so delivered to the Company (other than, in the case of this clause (ii), due to the failure of such Investor's broker to initial the FAST process), and on or after the Required Delivery Date such Investor (or any other person or entity in respect, or on behalf, of such Investor) purchases (in an open market transaction or otherwise) ADSs or Ordinary Shares to deliver in satisfaction of a sale by such Investor to a non-affiliate of all or any portion of the number of ADSs or Ordinary Shares that such Investor so anticipated receiving from the Company without any restrictive legend, then, in addition to all other remedies available to such Investor, the Company shall, within [***] Business Days (including Fridays) after such Investor's request, promptly honor its obligation to cause the Depositary to so deliver to such Investor a certificate or certificates or credit such Investor's DTC account representing such number of ADSs or Ordinary Shares representing ADSs that would have been so delivered if the Company timely complied with its obligations hereunder (as the case may be) and pay cash to the Investor in an amount equal to the excess (if any) of the amount equal to such Investor's total purchase price (including brokerage commissions and other out-of-pocket expenses, if any) for the ADSs or Ordinary Shares so purchased over the product of (1) such number of ADSs or Ordinary Shares and (2) the price at which the sell order giving rise to Investor's purchase obligation was executed.

5. Covenant of the Investors Regarding Short Sales and Confidentiality

Each Investor hereby covenants that neither it nor any affiliates acting on its behalf or pursuant to any understanding with it will execute any transactions in securities of the Company, including Short Sales, during the period after the Discussion Time and ending at the time that the transactions contemplated by this Subscription are first publicly announced by the Company through a press release and/or Current Report on Form 6-K. Each Investor hereby covenants that until such time as the transactions contemplated by this Subscription are publicly disclosed by the Company through a press release and/or Current Report on Form 6-K, each Investor will maintain the confidentiality of all disclosures made to it in connection with this transaction (including the existence and terms of this transaction).

6. Covenant of the Company Regarding Right to Nominate Director

The Company hereby grants to the Investors the right to nominate one person for election to the Company's board of directors (the "**Board**") as provided in this Section 6. The Company shall cause such nominee to be added to the Board under the Company's articles of association within [***] of the Closing, subject to such nominee meeting applicable Israeli Companies Law and NASDAQ requirements and subject to the consent of the Board, which consent, subject to the Board's exercising its fiduciary duties under applicable law, will not be unreasonably withheld. At the Company's next annual meeting of shareholders ("**Upcoming Shareholder Meeting**"), subject to meeting applicable Israeli Companies Law and NASDAQ and subject to the consent of the Board, which consent shall, subject to each director's fiduciary duties under applicable law, not be unreasonably withheld, the Company will recommend the Investors' nominee to serve as a member of the Board for a three year term in accordance with the Company's articles of association. At such meeting, the Company will also propose to the shareholders (and the Investors agree to vote all their ADSs in favor of) an amendment to the Company's articles of association providing that the term of office of any director elected to the Board, and originally nominated for election by the Investors by virtue of the nomination right pursuant to this Section 6 of the Subscription, shall be three years, but automatically expire at the first annual meeting of shareholders following the Upcoming Shareholder Meeting unless the Investors, at least 75 days prior to such first annual meeting of shareholders following the Upcoming Shareholder Meeting, evidences to the Company the Investors' beneficial ownership, together with its affiliates, as such term is defined in Rule 405 of the Securities Act of 1933, as amended ("**Affiliates**"), of at least [***] of the outstanding shares of the Company (not including shares underlying any option, but including the ADSs). If not so expired at the first annual meeting following the Upcoming Shareholder Meeting, the term of office of such director shall automatically expire at the second annual meeting of shareholders following the Upcoming Shareholder Meeting, unless the Investors, at least 75 days prior to such second annual meeting following the Closing, evidences to the Company its beneficial ownership, together with its Affiliates, of at least [***] of outstanding shares of the Company (not including shares underlying any option, but including ADSs). In any event, the term of office of such director shall automatically expire at the third annual meeting of shareholders following the Upcoming Shareholder Meeting, unless such director is re-elected by the Company's shareholders. The term of office in the event of re-election of such director or election of any other director nominated by the Investors at the third annual meeting of shareholders following the Upcoming Shareholder Meeting shall be three years (without automatic expiration), or such term as generally stipulated for elections of Board members in the Company's articles of association. In the event that the shareholders do not approve such amendment, the election of the Board member

nominated by the Investors shall be three years and the Investors agree to cause their Board nominee to resign from the Board if they do not hold, together with their Affiliates, at least [***] of outstanding shares of the Company (not including shares underlying any option, but including ADSs).

7. Registration Rights

(a) The Company shall:

(i) as soon as practicable but in any event no later than [***] following the Closing Date, (the "**Filing Deadline**"), prepare and file with the SEC a registration statement on Form F-3 (or, if the Company is not then eligible to register the ADSs and Ordinary Shares represented by the ADSs (the "**Registrable Securities**") for resale on Form F-3, on another appropriate form in accordance with the Securities Act and the Exchange Act), to enable the resale of the Registrable Securities by the Investors in an offering to be made on a continuous basis pursuant to Rule 415 under the Securities Act (such registration statement being referred to herein as the "**Initial Registration Statement**" and each registration statement required to be filed under this Section 8 being referred to herein as a "**Registration Statement**"); provided, however, that the Investors shall not be named as an "underwriter" in the Registration Statement without the Investors' prior written consent;

(ii) use its reasonable best efforts, subject to receipt of necessary information from the Investors, to cause the SEC to declare the Initial Registration Statement effective as promptly as practicable, but in any event no later than the earlier of (A) the [***] after the Company receives notice from the SEC that such Registration Statement will not become subject to review, or (B) the ninetieth (90th) day after the filing thereof or if later the one hundred (as applicable, the "**Effective Deadline**");

(iii) use its reasonable best efforts to prepare and file with the SEC such amendments and supplements to a Registration Statement in compliance with applicable laws, any prospectus used in connection therewith (each, a "**Prospectus**") and any document incorporated by reference therein as may be necessary to keep such Registration Statement current, effective and free from any material misstatement or omission to state a material fact until the earliest of (A) twelve months after the effective date of the Registration Statement and (B) such time as all ADSs covered by the Registration Statement, may be sold without volume limitations pursuant to Rule 144 (the "**Effectiveness Period**");

(iv) furnish to the Investors with respect to the Registrable Securities registered under the Registration Statement (and to each underwriter, if any, of such Registrable Securities) such number of copies of the Registration Statement, and Prospectuses in conformity with the requirements
of the Securities Act and such other documents as the Investors (or underwriter,

as applicable) may reasonably request in order to facilitate the public sale or other disposition of all or any of the Registrable Securities;

(v) file documents required of the Company for normal blue sky clearance in states specified in writing by the Investors and use its commercially reasonable efforts to maintain such blue sky qualifications during the Effectiveness Period; provided, however, that the Company shall not be required to qualify to do business or consent to service of process in any jurisdiction in which it is not now so qualified or has not so consented or subject the Company to any material tax (excluding, for the avoidance of doubt, any filing fees required in connection with such filing) in any such jurisdiction where it is not then so subject;

(vi) immediately notify the Investors, at any time prior to the end of the Effectiveness Period, upon discovery that, or upon the happening of any event as a result of which, the Registration Statement includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing, and promptly prepare, file with the SEC and furnish to such holder an amendment of such Registration Statement as may be necessary so that such Registration Statement shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing;

(vii) bear all expenses in connection with the procedures in clauses (i) through (vi) of this Section 7(a) and the registration of the Registrable Securities pursuant to the Registration Statement, including any expenses incurred with respect to the duties of the Depositary pursuant to this Subscription (other than underwriting discounts or commissions, brokers' fees and similar selling expenses and any other fees or expenses incurred by the Investors, including attorneys' fees).]

8. Covenants. For a period of 180 days following the Closing, the Investors shall not (and will cause their Affiliates not to) sell or offer to sell any ADSs, Ordinary Shares or Related Securities currently or hereafter owned either of record or beneficially (as defined in Rule 13d-3 under the Exchange Act) by the undersigned or such Affiliate, or enter into any swap, hedge or similar arrangement or agreement that transfers, in whole or in part, the economic risk of ownership or otherwise publicly announce any intention to do any of the foregoing. For purposes of this section, "**Related Securities**" shall mean any options or warrants or other rights to acquire American Depositary Shares or Ordinary Shares or any securities exchangeable or exercisable for or convertible into American Depositary Shares or Ordinary Shares, or to acquire other securities or rights ultimately exchangeable or exercisable for or convertible into American Depositary Shares or Ordinary Shares.

RESERVED.

9. Miscellaneous

(a) This Subscription constitutes the entire understanding and agreement among the parties with respect to its subject matter, and there are no agreements or understandings with respect to the subject matter hereof which are not contained in this Subscription.

(b) This Subscription may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and shall become effective when counterparts have been signed by each party and delivered to the other party hereto, it being understood that the parties need not sign the same counterpart. Execution may be made by delivery by facsimile or by e-mail delivery of a ".pdf" format data file.

(c) The provisions of this Subscription are severable and, in the event that any court or officials of any regulatory agency of competent jurisdiction shall determine that any one or more of the provisions or part of the provisions contained in this Subscription shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision or part of a provision of this Subscription and this Subscription shall be reformed and construed as if such invalid or illegal or unenforceable provision, or part of such provision, had never been contained herein, so that such provisions would be valid, legal and enforceable to the maximum extent possible, so long as such construction does not materially adversely affect the economic rights of either party hereto.

(d) All communications hereunder, except as may be otherwise specifically provided herein, shall be in writing and shall be mailed, hand delivered, sent by a recognized overnight courier or sent via facsimile or by e-mail delivery and confirmed by letter, to the party to whom it is addressed at the following addresses or such other address as such party may advise the other in writing:

To the Company: as set forth on the signature page hereto.
To the Investors: as set forth on each Investor's signature page hereto.

All notices hereunder shall be effective upon receipt by the party to which it is addressed.

(e) No provision of this Subscription may be waived, modified, supplemented or amended except in a written instrument signed, in the case of an

amendment, by the Company and the Investors or, in the case of a waiver, by the party against whom enforcement of any such waiver is sought. No waiver of any default with respect to any provision, condition or requirement of this Subscription shall be deemed to be a continuing waiver in the future or a waiver of any subsequent default or a waiver of any other provision, condition or requirement hereof, nor shall any delay or omission of either party to exercise any right hereunder in any manner impair the exercise of any such right.

(f) This Subscription shall be governed by and interpreted in accordance with the laws of the State of New York for contracts to be wholly performed in such state and without giving effect to the principles thereof regarding the conflict of laws.

(g) The parties agree that irreparable damage would occur if any provision of this Subscription were not performed in accordance with the terms hereof and that the parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy to which they are entitled at law or in equity.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have caused this Subscription Agreement to be duly executed by their respective authorized signatories as of the date first indicated above.

RedHill Biopharma Ltd.

By: /s/ Dror Ben Asher
Name: Dror Ben Asher
Title: Chief Executive Officer

By: /s/ Micha Ben Chorin
Name: Micha Ben Chorin
Title: Chief Financial Officer

Address for Notices:
21Ha'arba'a Street
Tel Aviv 64739 21Israel

]Signature Page to Subscription Agreement]

IN WITNESS WHEREOF, the parties hereto have caused this Subscription Agreement to be duly executed by their respective authorized signatories as of the date first indicated above.

COSMO PHARMACEUTICALS NV

By: /s/ [***]
Name: [***]
Title: [***]

Address for Notices:
[***]
Email Address: [****]

COSMO TECHNOLOGIES LTD.

By: /s/ [***]
Name: [***]
Title: [***]

Address for Notices:
[***]

Email Address: [***]

]Signature Page to Subscription Agreement]

Exhibit 4.13

Execution Copy

STRICTLY CONFIDENTIAL

CERTAIN IDENTIFIED INFORMATION MARKED [***] HAS BEEN EXCLUDED FROM THE EXHIBIT BECAUSE IT IS BOTH (I) NOT MATERIAL AND (II) WOULD LIKELY CAUSE COMPETITIVE HARM TO THE COMPANY IF PUBLICLY DISCLOSED.

EXCLUSIVE LICENSE AGREEMENT

THIS EXCLUSIVE LICENSE AGREEMENT is made and entered into as of October 17, 2019 (the "**Effective Date**"), by and between Cosmo Technologies Ltd., a company duly incorporated and existing under the laws of Ireland, with registered offices at Riverside II, Sir John Rogerson's Quay, Dublin 2, Ireland ("**Cosmo**") and RedHill Biopharma, Inc. a Delaware corporation, having an address at 8045 Arco Corporate Drive, Suite 120, Raleigh, North Carolina 27617 and all Affiliates thereof ("**RedHill**"). Cosmo and RedHill each may be referred to herein individually as a "Party," or collectively as the "Parties".

WHEREAS, Cosmo represents that it is the sole and exclusive owner of and has the right to grant a license to RedHill in respect of the Licensed Intellectual Property and Technology (as defined below), all on the terms set forth below;

WHEREAS, Cosmo wishes to license to RedHill all Cosmo's rights in and to the Product (as defined below), including all Licensed Intellectual Property and Technology, and RedHill wishes to receive such license from Cosmo, to develop and commercialize Product for all indications and for all uses, all on the terms set forth below; and

WHEREAS, the license to be granted shall be granted on an exclusive basis all as more fully set out below.

NOW THEREFORE, THE PARTIES HERETO AGREE AS FOLLOWS:

1. DEFINITIONS

1.1 For purposes of this Agreement, the following terms shall have the following meanings:

"**Affiliate**" of a person means any other person that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with such first person. For purposes of this definition only, "control" and, with correlative meanings, the terms "controlled by" and "under common control with" will mean the possession, directly or indirectly, of the power to direct the management or policies of an entity, whether through the ownership of fifty percent or more of the voting securities or other ownership interest of a business entity (or, with respect to a limited partnership or other similar entity, its general partner or controlling entity) of the other organization or entity or by contract relating to voting rights or corporate governance, or otherwise.

"**Bankruptcy Event**" means a company (i) becomes insolvent or admits inability to pay its debts generally as they become due; (ii) becomes subject, voluntarily or involuntarily, to any proceeding under any domestic or foreign bankruptcy or insolvency law, which is not fully stayed within [***]

or is not dismissed or vacated within **[***]** after filing; (iii) is dissolved or liquidated or takes any corporate action for such purpose; (iv) makes a general assignment for the benefit of creditors; or has a receiver, trustee, custodian or similar agent appointed by order of any court of competent jurisdiction to take charge of or sell any material portion of its property or business.

"**Business Day**" means a day that is not a Saturday or Sunday or any other day on which banks in the United States and/or Israel are authorized or required by law to be closed.

"**Field of Use**" means any and all indications and uses, including therapeutic, diagnostic and other human and/or animal uses.

"**Full Royalty Term**" means the period commencing on the Effective Date and ending on the later of:

(i) **[***]**

(ii) the expiration of any **[***]**with respect to **[***]**.

"**Generic Product**" means, with respect to the Product, any product that (a) is sold by a third party (i.e., other than RedHill) that is not a Sublicensee of RedHill, under a Regulatory Approval granted by a Regulatory Authority to a third party; (b) is approved for one or more indications that are the same as one or more of the indications for which the Product is approved; and (c) is approved in reliance, in whole or in part, on the prior approval (or on safety or efficacy data submitted in support of the prior approval) of the Product as determined by the applicable US Regulatory Authority, including any product authorized for sale in the U.S. pursuant to Section 505(b)(2) or Section 505(j) of the Act (21 U.S.C. 355(b)(2) and 21 U.S.C. 355(j), respectively).

"**Intellectual Property**" (i) all pending, registered, unregistered, and common law U.S. trademark applications and trademarks, service mark applications and service marks, domain name registrations, designs, logos, and trade dress, including the goodwill related to the foregoing, and all registrations thereof ("Trademarks"); (ii) all names, brand names, business names and logos and all other names and slogans ("Trade Names"); (iii) all copyrights in published and unpublished works of authorship, and all copyright registrations and copyright applications therefor, together with all restorations, reversions, extensions and renewals thereof ("Copyrights"); (iv) trade secrets; (v) rights in trade dress and packaging; (vi) shop rights; (vii) inventions and invention disclosures; (viii) rights in industrial designs; (ix) software; and (x) all other intellectual property rights, whether granted or registered or not.

"**Know-How**" means all technology, assets, intellectual property and know-how whatsoever and all information whether patentable or not and physical objects, including clinical data, analytical test results, non-clinical pharmacology and safety data, other R&D data, Regulatory Documentation and formulation information of a like nature (except information related to manufacturing).

"**Licensed Know How**" means all right, title and interest of Cosmo and/or its Affiliates in and to Know-How that is necessary and/or useful in any way whatsoever for the development and/or commercialization of the Product in the Field or otherwise related to the Product (but not related to the manufacturing) that is otherwise necessary for RedHill to commercialize the Product or any product derived from the Licensed Intellectual Property and Technology, including Product data,

Product-related results and information, all to the fullest extent known to, generated by, vested in (or licensed to) and/or controlled by Cosmo and/or any of its Affiliates.

"**Licensed Intellectual Property**" means all right, title and interest of Cosmo and/or its Affiliates in and to Intellectual Property, including the Patents, that is necessary and/or useful in any way whatsoever for the development and/or commercialization of the Product in the Field, all to the fullest extent known to, generated by, vested in (or licensed to) and/or controlled by Cosmo and/or any of its Affiliates, including the Licensed Intellectual Property listed in **Annex A** of this Agreement.

"**Licensed Intellectual Property and Technology**" means the Licensed Know-How and the Licensed Intellectual Property.

"**Net Sales**" means the amounts (cash or equivalent to which value can be assigned) actually received by RedHill or its Affiliates in respect of the sale of a Product by RedHill or its Affiliates, less, and following recovery of, the following items (collectively, the "**Recognized Deductions**"):

(i) allowances or credits granted to and taken by customers (including wholesalers) including for damaged product, rejections, returns (including as a result of recalls), in respect of inventory management and stocking allowances and prompt payment and trade, cash and volume discounts;
(ii) amounts incurred resulting from government (or any agency thereof) mandated rebate programs;
(iii) taxes (but excluding taxes that RedHill or its Affiliates may have to pay on its revenues);
(iv) rebates, charge backs and discounts paid or credited; and
(v) any other payment which reduces gross revenue and is permitted to be deducted in calculating net sales in accordance with generally accepted accounting principles.

Notwithstanding the foregoing, for the purposes of this definition, the transfer of a Product by RedHill or one of its Affiliates to another Affiliate of RedHill or to a Sublicensee for resale is not a sale and in such cases, Net Sales will be determined based on the amount received by RedHill or such Affiliate in respect of the Product (subject to the adjustments set forth below) as sold by the Affiliate or Sublicensee to independent third-parties, less the Recognized Deductions.

"**Patents**" means the patents and patent applications listed in **Annex A**, as well as such other Product-related (i.e., patents and patent applications that are necessary and/or useful in any way whatsoever for the development and/or commercialization of the Product in the Field) (a) U.S. patents and patent applications, (b) any substitutions, divisions, continuations, continuations-in-part (but only to the extent that they cover the same invention claimed in the foregoing), reissues, renewals, registrations, confirmations, re-examinations, extensions, supplementary protection certificates and the like, and any provisional applications, of any such patents or patent applications, (c) any patents issuing from any applications filed after the Effective Date and that claim priority from any of the aforesaid patents or patent applications or from which any of such patents or patent application claim priority.

"**Product**" means AEMCOLO – a rifamycin antibacterial indicated for the treatment of travelers' diarrhea - as currently approved by the FDA - caused by noninvasive strains of Escherichia coli in adults, in all formulations, doses, forms and combinations whatsoever for human and animal use,

the use, offer for sale, sale or importation of which by RedHill would, but for this Agreement, infringe a Valid Claim in a jurisdiction in the Territory where such a Valid Claim exists.

"**Regulatory Approval**" means approval by the US FDA of an NDA (New Drug Application), or the equivalent application for marketing approval, and satisfaction of any related applicable US FDA registration and notification requirements (if any).

"**Regulatory Authority**" means the US FDA.

"**Regulatory Documentation**" means all applications, registrations, licenses, authorizations and approvals (including all Regulatory Approvals), all correspondence submitted to or received from Regulatory Authorities (including minutes and official contact reports relating to any communications with any Regulatory Authority), all supporting documents and all clinical studies and tests, including the manufacturing batch records for Products to be assigned, relating to the Product, and all data contained in any of the foregoing, including all regulatory drug lists, advertising and promotion documents, adverse event files and complaint files.

"**Regulatory Exclusivity**" means, with respect to any country, an additional market protection, other than Patent protection, granted by a Regulatory Authority in such country which confers an exclusive commercialization period during which RedHill or its Sublicensees have the exclusive right to market, price, and sell the Product in such country through a regulatory exclusivity right, such as new chemical entity exclusivity, new use or indication exclusivity, new formulation exclusivity, orphan drug exclusivity, pediatric exclusivity, or any applicable data exclusivity.

"**Sublicense**" means a sublicense from RedHill to a third party under the License granted pursuant to this Agreement and the term "**Sublicensee**" shall be construed accordingly. Any Sublicense may include the right to grant further Sublicenses.

"**Territory**" means the United States of America and territories under its control.

"**Valid Claim**" means an unexpired claim in (i) an issued and unexpired Patent which has not been revoked or held unenforceable or invalid by a decision of a court or other governmental agency of competent jurisdiction from which no appeal can be or has been taken within the time allowed for appeal, and which has not been disclaimed, donated to the public or admitted to be invalid or unenforceable through reissue, re-examination or disclaimer or otherwise, or (ii) an issued and unexpired supplementary protection certificate or equivalent instrument.

1.2 **Interpretation**. As used in this Agreement, any reference to gender shall include all genders and any reference to the plural shall include the singular, and the singular shall include the plural. When a reference is made in this Agreement to a section, such reference shall be to a section of this Agreement, unless otherwise clearly indicated to the contrary. Whenever the words "include," "includes" or "including" are used in this Agreement they shall be deemed to be followed by the words "without limitation." The words "hereof," "herein" and "herewith" and words of similar import shall, unless otherwise stated, be construed to refer to in this Agreement as a whole and not to any particular provision of this Agreement, and annex, article, section, paragraph, exhibit, annex and schedule references are references to the annex, articles, sections, paragraphs, exhibits, annexes, and schedules of this Agreement, unless otherwise specified. The

captions contained in this Agreement are for convenience only and shall not be deemed a part hereof or affect the interpretation or construction of any provision hereof.

2. LICENSE GRANT

2.1 **Scope of License**. Cosmo hereby grants to RedHill an exclusive (including as to Cosmo itself), irrevocable, perpetual license under the Licensed Intellectual Property and Technology and Cosmo's acquired marketing rights, for the purpose of developing, commercializing, using, selling, offering for sale and importing (but not manufacturing) Products, in the Field of Use, including through multi-tiered distribution channels (the "**License**"). Without derogating from the foregoing, Cosmo grants to RedHill an exclusive (including as to Cosmo itself) license to use Cosmo's Aemcolo trademarks on and with respect to the Product in the Territory (all of which are as listed in Annex A as well).

2.2 **Sublicenses**. The License is Sublicensable (and further Sublicensable, including through multiple tiers) in whole or in part, to third parties (including RedHill's Affiliates) in accordance with the terms of this Agreement. The granting of Sublicenses to RedHill's Affiliates shall be at RedHill's sole and exclusive discretion and the granting of Sublicenses to non-Affiliates shall be subject to the consent of Cosmo which shall not be unreasonably withheld, conditioned or delayed. RedHill shall be responsible for the performance of the Sublicensee of all obligations imposed under the terms of this Agreement. RedHill shall provide Cosmo with a copy of any executed sublicense agreement within **[***]** of its execution.

2.3 **Registration**. RedHill shall have the right, on its own account and at its own expense, to register as the exclusive licensee of the rights in and to the Licensed Intellectual Property and Technology in the Territory and Cosmo shall execute all documentation reasonably requested by RedHill and otherwise cooperate with RedHill in order to ensure such registration.

2.4 **Limitations on Other Licenses**. During the term of this Agreement, Cosmo shall not, without RedHill's prior written consent, grant any rights or licenses to any of the Licensed Intellectual Property and Technology, or transfer any data or know-how to any third party that conflict with the rights granted to RedHill under this Agreement in the Territory.

2.5 **Governmental Authorities**. As between the Parties, all regulatory matters regarding the Product, including without limitation, all filings in connection therewith, shall be the obligation and responsibility solely of RedHill, Notwithstanding the foregoing, Cosmo shall promptly provide Redhill with copies of all communications received from any Regulatory Authority concerning the Product.

2.6 **Additional Products**. **[***]**

2.7.1 **[***]**

2.7.2 **[***]**

2.7.3 **[***]**

3. DATA AND PRODUCT TRANSFER; MANUFACTURE AND SUPPLY

3.1 **Know-How**. Within **[***]**days following the Effective Date, Cosmo will (i) transfer to RedHill the Licensed Know-How and all information relating thereto, and copies of external

service and other contracts and documentation, information and correspondence relating to the development, marketing approval, marketing and other commercialization of Product, The information and data detailed in this Section 3 shall be provided in either hard or electronic copies, at Cosmo's discretion. Following the Effective Date, Cosmo will, at no cost to RedHill, provide RedHill with all additional information under its control relating to the Product, including commercially reasonable assistance in replying to inquiries by RedHill in respect of the information and data provided and exercise of the License and otherwise in connection with the development of the Product.

3.2 **General Assistance**. Following the Effective Date and throughout the development process, Cosmo will, at no cost to RedHill, provide RedHill with commercially reasonable general assistance, cooperation, information, guidance and the like, including provision to RedHill of all available documents, instruments, information, support and reports requested by RedHill in connection with the exercise of the License and otherwise in connection with development and commercialization of the Product, including making its employees available for consultation and in replying to inquiries by RedHill in respect of the information and data provided and cooperation with RedHill and support of RedHill's submissions of Products for approval with any and all Regulatory Authorities.

3.3 **Manufacture and Supply**. Within **[***]**from the execution and delivery of this Agreement, RedHill and Cosmo shall execute and deliver an agreement pursuant to which Cosmo shall manufacture, primary and secondary package, label and supply the Product to RedHill for sale in the Field of Use and Territory on terms to be agreed in such agreement (the "**Supply Agreement**"). Subject to the provisions of the Supply Agreement, which shall include customary provisions including related to insurance, quality, timelines, RedHill shall purchase one hundred percent (100%) of its requirements of Product from Cosmo, and Cosmo shall exclusively supply the Product for use in the Field of Use in the Territory to RedHill, all as further defined in the Supply Agreement. Cosmo shall supply the Product **[***]**and payment shall be made by RedHill within **[***]**from delivery. **[***]**Within a timeline following the Effective Date to be specified in the Supply Agreement, Cosmo shall supply to RedHill **[***]**.

3.4 Cosmo shall supply **[***]**packaged samples of the Product **[***]**.

4. COMMERCIALIZATION

4.1 **Promotional Activities**. During the term of the Agreement, RedHill shall be responsible for all aspects of the commercialization of the Product for the Field in the Territory, including the promotion, sales, booking of sales, marketing, managed care, reimbursement, FDA, pricing, regulatory compliance and reporting, pharmacovigilance.

4.2 RedHill shall use commercially reasonable efforts to market, promote and sell the Product in the Territory at its own cost. For the sake of this Section 4 “commercially reasonable efforts” shall be evaluated with reference to the class of products to which the Product with its relevant indication pertains and shall mean a level of effort consistent with that applied in the Territory by RedHill, or peer companies of the same size and with the same available resources, for other products with similar potential, characteristic features, target indication and competitiveness.

4.3 RedHill shall use commercially reasonable efforts to obtain reimbursement for the Product in the Territory at its own cost. RedHill shall launch the Product in the Territory by **[***]**, provided Cosmo timely supplies the Product in sufficient quantities and adequate quality.

4.4 RedHill shall not promote or market in the Territory **[***]**.

4.5 RedHill shall, provided Cosmo timely supplies the Product in sufficient quantities and adequate quality, reasonably fill market demand for the Product following commencement of marketing at any time during the term of this Agreement.

4.6 During the Full Royalty Term RedHill will commercialize the Product utilizing its sales force at any time in accordance with a Commercialization Plan which shall include number of sales reps to be utilized for the Product, number of product details per quarter, bonus plan and annual marketing budget, physician targets, sample requirements, managed care coverage, wholesaler distribution plan and other details (the "**Commercialization Plan**"). Within **[***]** following the Effective Date, RedHill shall use commercially reasonable efforts to prepare and submit to Cosmo **[***]**. **[***]** RedHill shall update the Commercialization Plan every year within October 31, taking in consideration the performance of the Product and its eventual additional indications. Cosmo shall have an opportunity to comment on such updated Commercialization Plan submitted by RedHill and RedHill will consider in good faith all such comments.

4.7 In implementing the commercialization of the Product and otherwise exercising its rights and fulfilling its obligations under this Agreement, RedHill shall have full discretion with respect to its own level of expenditure of resources, except as otherwise expressly set forth herein or in the Commercialization Plan. RedHill may engage third parties to the performance of RedHill's obligations hereunder. **[***]**

4.8 **Promotional Materials**. Cosmo shall provide RedHill in a timely manner, but no later than **[***]** following the Effective Date, with the electronic and physical advertising, promotional, educational, training and communication materials in its possession in relation to marketing, advertising and Promotion of the Product to Third Parties including market research, web/internet-based material and other relevant background material potentially helpful for planned commercialization of the Product in the Territory ("**Promotional Materials**"). In addition, Cosmo shall provide RedHill with any and all Promotional Material related to promotion/commercialization activities done by Cosmo **[***]** and shall assign to RedHill and provide RedHill with full access in all respects to any **[***]**/s used by Cosmo for the promotion of the Product in the Territory, including the assignment of related agreements, and will assist RedHill in assuming full promotional/commercialization activities and responsibilities related to such **[***]**.

4.9 **Statements**. Each Party shall make, and shall permit its representatives to make, only such statements and claims regarding the Product, including as to efficacy and safety, as are consistent with the product labels and inserts and other promotional materials. Without limitation to the foregoing, each Party shall not, and shall not permit its representatives, to make any untrue or misleading statements or comments about the Product, and/or take any action that jeopardizes or could reasonably be expected to jeopardize the goodwill or reputation of the other Party or its products, including the Product.

5. FURTHER DEVELOPMENT

5.1 RedHill acknowledges that the Product is already approved in the Territory for Travelers' Diarrhea and that marketing of the Product shall commence immediately under this indication. RedHill also acknowledges that Cosmo is currently **[***]**. Further, RedHill acknowledges that Cosmo is **[***]**.

5.2 RedHill acknowledges that, to **[***]**.

5.3 Reasonably soon after the successful completion of the **[***]**, RedHill shall be in charge of conducting **[***]**. The **[***]**. The costs **[***]**. In this respect, RedHill acknowledges that **[***]**.

5.4 RedHill shall be the primary Party responsible for regulatory matters in the Territory. RedHill shall therefore obtain and maintain all Product Regulatory Approvals in the Territory. RedHill will ensure that such Product Regulatory Approvals are kept in force at its own expense during the term of the Agreement, and will notify Cosmo of any change in the status of the Product Regulatory Approval.

5.5 RedHill shall adhere to all requirements of applicable laws, rules and regulations which relate to reporting and investigation of adverse events for the Product and shall be responsible for reporting all safety information, including adverse events, to Regulatory Authorities in the Territory in compliance with such requirements. Cosmo shall report promptly to RedHill any adverse event reports it receives related to the Products.

5.6 RedHill shall be responsible for responding to any correspondence or inquiry from any regulatory authority in the Territory relating to the Product.

5.7 RedHill shall perform the responsibilities of the Marketing Authorization Holder in the Territory for the Product.

5.8 Within **[***]** following the Effective Date, RedHill and Cosmo will set up an **[***]** comprising members of both Parties with a goal of **[***]**the Product, **[***]** as discussed above (the "**[***]**"). Within **[***]** following the Effective Date, RedHill will present to Cosmo a **[***]** for execution by the Parties ("**[***]**").

5.9 Following presentation of the **[***]**, the Parties will discuss, in good faith, the **[***]**. Neither Party shall commit or undertake to accept and/or execute against the proposed **[***]** unless and until a joint **[***]** is reached between the Parties.

5.10 In case of disagreement over the **[***]** for any reason whatsoever, the Parties will escalate the issues to senior management and eventually CEOs, with the perspective of finding a mutually acceptable path. Should the disagreement persist, there shall be no liability of either Party in the event of no further **[***]**.

5.11 Any future Intellectual Property and Know-How regarding the Product, including any Intellectual Property and Know-How arising from**[***]**, shall be owned by Cosmo and included in the License granted hereunder with no further consideration payable by RedHill.

6. TRADEMARK LICENSE

6.1 Cosmo hereby grants RedHill the royalty-free right to use the Aemcolo trademark (the "**Product Trademark**") in the Territory during the term of this Agreement solely in connection with the commercialization of the Product.

6.2 Whenever RedHill uses the Product Trademark in advertising or in any other manner in connection with the Product, RedHill shall, subject to relevant laws and regulations, clearly indicate Cosmo ownership of the Product Trademarks. When using the Product Trademarks under this Agreement, RedHill undertakes to comply with all laws and regulations pertaining to trademarks in force at any time in the Territory.

6.3 RedHill shall, to the extent permitted by applicable laws, ensure that the Product Trademarks appear in marketing materials, in such manner as is reasonably determined by the Parties.

7. JOINT STEERING COMMITTEE

7.1 Within **[***]** following the Effective Date, the Parties shall establish a joint steering committee (the "**JSC**") comprised of up to four (4) members with up to two (2) members being appointed by Cosmo, of which one shall be the "**Cosmo Project Leader**", and up to two (2) members being appointed by RedHill, of which one shall be the "**RedHill Project Leader**". All such representatives shall be individuals of suitable authority and seniority with significant and relevant experience and expertise. Each Party may remove any member appointed by it for any reason or no reason and appoint another member in his or her stead. Any appointment or removal shall be notified to the other Party in writing.

7.2 The JSC shall be responsible for ensuring full cooperation between the Parties in implementing this Agreement and for monitoring compliance with the Agreement and the Commercialization Plan. The JSC shall discuss, inter alia, marketing, promotion and sales strategy for the Promotion of the Product in the Territory.

7.3 The Cosmo Project Leader and the RedHill Project Leader (collectively, the "**Project Leaders**") shall facilitate the flow of information and otherwise promote communications and collaboration within and among the Parties, the JSC, and any other sub-committees or teams that the JSC may appoint or constitute.

7.4 The JSC shall hold meetings at such times and places as agreed between the members of the JSC. The JSC may conduct meetings in person or by teleconference or videoconference or other means. Each Party shall only be responsible for its own costs related to the JSC and meetings. The Project Leader conducting the meeting also will be responsible for taking and distributing the minutes. At and between meetings of the JSC, each Party shall keep the other fully and regularly informed as to its progress with its respective tasks and obligations under the Agreement and shall make themselves available to the other members of the JSC for communication purposes.

7.5 At each JSC meeting, at least one (1) member appointed by RedHill and one (1) member for Cosmo present in person, by teleconference or videoconference or by other means shall constitute a quorum. Each Party shall have equal voting power, whether represented by one or two

committee members, on all matters before the JSC and, unless specifically determined otherwise herein: provided, however, that in the case of a tie-vote, RedHill shall have the deciding vote.

7.6 Each Party shall be entitled to appoint up to two (2) non-voting observers to the JSC. Furthermore, by mutual consent of the members appointed by both Parties, such consent not to be unreasonably withheld, conditioned or delayed, either Party may invite other personnel to attend appropriate meetings of the JSC.

7.7 The JSC may act without a meeting if prior to such action the JSC members agree regarding such action and a written consent thereto is signed by all members of the JSC.

7.8 The JSC may amend or expand upon the foregoing procedures for its internal operations by unanimous written consent.

7.9 The JSC shall not have any power to amend this Agreement or bind or incur liability on behalf of either Party hereto without such Party's express prior written authorization, and shall have only such powers as are specifically delegated to them hereunder.

7.10 Notwithstanding the regular meeting schedule of the JSC, a meeting of the JSC may be called by either Party on ten (10) days written notice to the other, unless such notice is waived by the other Party. In the event of any meeting called pursuant to a notice under this Section 7.10, the Party calling the meeting shall provide with the notice an agenda for the meeting together with the information that such Party believes is relevant for the items to be discussed. Neither Party shall call more than two (2) additional meetings per calendar year for the JSC under this Section 7.10 without the other Party's consent.

7.11 The JSC shall, among its other authorities, have the authority to establish and appoint sub-committees, as the JSC deems necessary. All decisions of a subcommittee are subject to approval by the JSC. The JSC may prescribe rules of procedure for the foregoing subcommittees. In the event that any such other subcommittees fail to reach agreement on an issue within its respective area of oversight, the matter shall be referred to the JSC.

7.12 Unless otherwise expressly stated, nothing contained in this Agreement may be deemed to make any member of the JSC a partner, agent or legal representative of the other, or to create any fiduciary relationship for any purpose whatsoever. No member of the JSC shall have any authority to act for, or to assume any obligation or responsibility on behalf of, any other member of the JSC, or the other Party.

8. INFORMATION; REPORTING

8.1 RedHill shall be responsible for all activities relating to medical surveillance and pharmacovigilance within the Territory, including management of a safety database, preparation and filing of safety update reports, conducting post-authorization safety studies, literature search and signal detection.

8.2 **Information**. Each Party shall promptly notify the other Party of receipt of information from a Governmental Authority that: (i) raises any material concern regarding the safety or efficacy of the Product, or would affect the Product Label and Insert, Promotion and/or sale of the Product; (ii) indicates a potential material liability for either Party relating to the Product; (iii) is reasonably likely to lead to a recall or market withdrawal of the Product; or (iv) is reasonably likely to impact

the manner in which a Party satisfies its obligations hereunder. Cosmo shall promptly provide RedHill with copies of all material communications received from any Governmental Authority concerning the Product.

8.3 **Adverse Experience Reporting**. Each Party shall give the other notice of any Product complaint it receives, including but not limited to any adverse drug experience (as defined in 21 CFR 314.80 or any successor provision thereto) of which it obtains information in accordance with the following procedure:

8.3.1 Information concerning any adverse drug experience associated with the Product shall be reported, as appropriate, to (i) RedHill's call center which can be reached at 833-237-4455 or (ii) Cosmo's call center which can be reached at _____, within one (1) Business Day after initial receipt of such information;

8.3.2 Report's shall contain: (i) the date the report was received by Cosmo; (ii) the name of the reporter; (iii) the address and telephone number of the reporter; and (iv) an indication of the adverse drug experience; and

8.3..3 All other Product complaints not covered by 5.2.1 above shall be reported to RedHill in writing within **[***]** after initial receipt of such information

9. REPORTS

9.1 Until the end of the Full Royalty Term, RedHill agrees as follows:

9.1.1 **Development Reports**. To keep Cosmo informed with respect to activities and progress regarding the development, commercialization, sublicensing, and government approvals of the Product. RedHill will provide **[***]** development reports within **[***]** following the close of each half-year period.

9.1.2 **First Commercial Sale Report**. To report to Cosmo the date of the First Commercial Sale.

9.1.3 **Royalty Reports**. With respect to each Royalty payment pursuant to Section 6.2, on a calendar quarterly basis within **[***]** following the end of each March, June, September and December, to deliver to Cosmo reports with respect to the period covered by the Royalty payment including the amount of Net Sales and/or Sublicense Consideration (if any) received from Products, including the Recognized Deductions applicable in computing Net Sales and the deductions applicable in computing Sublicense Consideration, and the total Royalties due based on Net Sales and Sublicense Consideration.

9.2 **Final Report**. If this Agreement is terminated for any reason during the Full Royalty Term, RedHill shall deliver a final report and associated Royalty payment to Cosmo within **[***]** after such termination. Except as provided above, following termination, RedHill shall have no further reporting obligations under this Section 5.

10. FINANCIAL PROVISIONS

10.1 **Milestone Payments**. RedHill will pay to Cosmo the following one-time milestone payments (such payments are due only once in respect of each milestone event actually achieved

and are not payable per indication or per generation) after first achievement of each of the applicable milestones, as follows:

10.1.2 **[***] Milestones**

10.1.2.1 A one-time payment of **[***]** (the "**First [***] Milestone Payment**"), if Net Sales equal or exceed One Hundred Million US Dollars ($100,000,000) during any calendar year during the Full Royalty Term.

10.1.2.2 A one-time payment of **[***]** (the "**Second [***] Milestone Payment**"), **[***]**.

10.1.2.3 A one-time payment of **[***]** (the "**Third [***] Milestone Payment**"), *plus* **[***].**

10.1.3 **Regulatory Milestones for [***]**

10.1.3.1 Within **[***]** following commencement **[***]**.

10.1.3.2 Within thirty **[***]** following **[***]**.

10.1.3.3 Within thirty **[***]**.

10.2 **Up-Front Payment**. Within **[***]** after the Effective Date, RedHill will issue to Cosmo in consideration for the commercialization rights in this agreement, American Depositary Shares ("**ADSs**"), each representing ten (10) Ordinary Shares, par value NIS 0.01 per share of RedHill, having an aggregate value equal to Twelve Million US Dollars ($12,000,000) based on the agreed ADS price of $7.0 for a total of 1,714,286 ADSs pursuant to a Subscription Agreement, dated the date hereof, among RedHill, Cosmo and Cosmo Pharmaceuticals NV, ("**Cosmo ADSs**"), which ADSs shall be issued in the form of private placement and will be locked up for a period of hundred and eighty (180) days and registered under the name of Cosmo Technologies Ltd.

10.3 **Royalty Payments**. During the Full Royalty Term, RedHill will pay Cosmo royalties ("**Royalties**") equal to **[***]** of Net Sales.

10.4 **Royalty Stacking**. RedHill may deduct from any payment due under this Agreement any amounts RedHill is required to pay to any third party in respect of the use of such third party's intellectual property rights in order to exercise the License hereunder.

10.5 **Due Dates for Payment**. All payments due pursuant to the provisions of Section 10.1.2 shall be due and payable to Cosmo on a calendar year basis within **[***]** following the end of the applicable year and all payments due pursuant to the provisions of Section 10.3 shall be due and payable to Cosmo on a calendar quarterly basis within **[***]** following the end of the applicable quarter.

10.6 **Payment Method**. Any amounts due to Cosmo under this Agreement will be paid in U.S. dollars, by wire transfer in immediately available funds in each case against the receipt of an appropriate invoice from Cosmo for same and shall be paid to an account designated in writing at least **[***]** in advance by Cosmo. In the event such payment may require approval of any governmental authority, RedHill undertakes to file for approval promptly following the Effective Date and to effectuate prompt payment following receipt of the necessary approval.

10.7 **Taxes**. RedHill may deduct from amounts it is required to pay Cosmo pursuant to this Agreement an amount equal to that required by applicable law to be withheld by RedHill on behalf of Cosmo for or due on account of any taxes (other than taxes imposed on or measured by net income of RedHill) or similar governmental charge imposed by any jurisdiction based on such payments to Cosmo ("**Withholding Taxes**") and such payment shall be deemed as payment to Cosmo in accordance with this Agreement. RedHill will provide Cosmo a certificate evidencing payment of any Withholding Taxes.

10.8 **Continuing Right**. Following the expiration of the Full Royalty Term, RedHill shall be entitled, in perpetuam, to continue to exploit the License in the Field in the Territory and, provided the manufacturing agreement continues in force, having to pay **[***]**, if the relevant milestones/targets are achieved.

11. RECORDS RETENTION AND AUDIT

11.1 **Record Retention**. Until the expiry of the Full Royalty Term, RedHill will maintain (and will ensure that its Affiliates maintain) complete and accurate books, records and accounts that fairly reflect Net Sales and Sublicense Consideration, in sufficient detail to confirm the accuracy of Royalty payments made hereunder, which books, records and accounts will be retained for five (5) year after the end of the period to which such books, records and accounts pertain. For the avoidance of doubt, RedHill has no (a) duty of trust or other fiduciary relationship with Cosmo regarding the maintenance of the records or the calculation and reporting of royalties or (b) obligations to maintain any records except in accordance with its own document retention policy.

11.2 **Audit.** Cosmo will have the right, at its own cost, to have an independent certified public accounting firm of nationally recognized standing, reasonably acceptable to RedHill and who agrees to be bound by a customary undertaking of confidentiality at least as restrictive as those in this Agreement, have access during RedHill's normal business hours, and upon reasonable prior written notice, to RedHill's records as may be reasonably necessary to verify the accuracy of RedHill's Royalty Reports, for any period; *provided*, *however*, that Cosmo will not have the right to conduct more than one such audit in any calendar year or more than one such audit covering any given time period. The accounting firm shall not in any way be compensated (in whole or in part) contingent on the outcome of the audit. The accounting firm will disclose to Cosmo only the results of its audit and not information pertaining to other businesses or activities of RedHill. Any such audit shall not unreasonably interfere with the business of RedHill and shall be completed as expeditiously as possible. Cosmo shall provide to RedHill a copy of the audit report within thirty **[***]** of its receipt thereof. Without derogating from the foregoing, Cosmo's audit rights shall be conducted no later than six (6) months following the final payment under this Agreement. The costs of the audit are the responsibility of Cosmo provided that in the event that there is a shortfall of more than **[***]** in the payment due, and provided such five percent (5%) or more shortfall is verified by an additional (second) audit to be conducted by RedHill per section 11.3, the audit costs and all related travel costs, these latter up to a maximum cap of **[***]**, will be covered by RedHill within **[***]** of billing.

11.3 **Payment of Additional Amounts**. If the audit report shows that payments made by RedHill are in excess of the required payment, Cosmo shall pay RedHill the excess amount at the time it provides the copy of the audit report to RedHill. If the audit report shows that additional

payments are owed by RedHill under this Agreement, RedHill shall, at its own cost, as expeditiously as possible conduct an additional (second) audit to verify Cosmo's audit results, and, assuming the two audits reconcile, RedHill shall make such additional payments within **[***]** after the date on which such second accounting firm's written report is delivered to RedHill. If the results of the two audits do not reconcile, the Parties shall, unless otherwise agreed, appoint a third independent auditor, who – on basis of the audit results achieved by the first two auditors and such additional investigations and reviews, which the third auditor may find to be required – shall conduct a third and final audit the result of which shall be applied by the Parties. The Parties shall equally share the costs of for the third audit to be conducted, unless the third audit substantially confirms the results of either party's individual audit in which case the audit costs and all related travel costs of such audit shall be paid by the other party.

11.4 **Confidentiality**. Cosmo will treat all information subject to review under this Section 11 in accordance with the confidentiality provisions of Section 15 below.

12. REPRESENTATIONS AND WARRANTIES

12.1 **By Both Parties**. Each Party hereby represents, warrants and covenants to the other Party as of the Effective Date as follows:

12.1.1 Such Party (a) has the power and authority and the legal right to enter into this Agreement and perform its obligations hereunder, and (b) has taken all necessary action on its part required to authorize the execution and delivery of this Agreement and the performance of its obligations hereunder. This Agreement has been duly executed and delivered on behalf of such Party and constitutes a legal, valid and binding obligation of such Party and is enforceable against it in accordance with its terms subject to the effects of bankruptcy, insolvency or other laws of general application affecting the enforcement of creditor rights and judicial principles affecting the availability of specific performance and general principles of equity, whether enforceability is considered a proceeding at law or equity.

12.2.2 Such Party has obtained all necessary consents, approvals and authorizations of all governmental authorities and other parties required to be obtained by such Party in connection with the execution and delivery of this Agreement and the performance of its obligations hereunder have been obtained.

12.2.3 The execution and delivery of this Agreement and the performance of such Party's obligations hereunder (a) do not conflict with or violate any requirement of applicable law or any provision of the articles of incorporation, bylaws or any similar instrument of such Party, as applicable, in any material way, and (b) do not conflict with, violate, or breach or constitute a default or require any consent not already obtained under, any contractual obligation or court or administrative order by which such Party is bound.

12.2 **By Cosmo**. Cosmo hereby further represents, warrants, and covenants to RedHill as of the Effective Date as follows:

12.2.1 The patents and patent applications identified on Annex A are all the patents and patent applications owned or controlled by Cosmo or any of its Affiliates, or in which Cosmo or any of its Affiliates has a licensable interest, that are necessary or useful for RedHill to use, offer to sell, sell and import the Products in the Territory.

12.2.2 Cosmo has the sole legal and/or beneficial title to and ownership of the Patents and is the record owner of all patent applications and patents that comprise the Patents as is necessary to fulfill its obligations under this Agreement and to grant the License to RedHill pursuant to this Agreement, and the Licensed Intellectual Property and Technology is free and clear of any liens, encumbrances or third party rights (including without limitation, the right to receive royalties or other compensation).

12.2.3 Cosmo has not and during the term of this Agreement, provided that this Agreement expires due to the expiration of the Full Royalty Term, thereafter, shall not grant any rights to the Licensed Intellectual Property and Technology that conflict with the rights granted to RedHill hereunder, and no third party has any rights whatsoever (including the right to receive royalties or any other compensation) under the Patents, or to develop, use, sell, offer for sale or import Products under the Licensed Intellectual Property and Technology in the Territory.

12.2.4 To the best of Cosmo's knowledge: a) the Licensed Know-How has not been misappropriated and is non-infringing; b) the exercise by RedHill of the License will not by itself infringe upon the patent or other intellectual property rights of any third party; c) no actions, suits, claims, disputes, or proceedings concerning the Licensed Intellectual Property and Technology are currently pending or have been threatened; and d) there are no legal actions or proceedings by a third party (including employees or former employees of Cosmo) contesting the ownership or validity of the Licensed Intellectual Property and Technology or the Product or any part thereof.

12.2.5 No additional licenses to any patents (including patents owned or controlled by third parties) or know-how are required to develop, use or sell the Product. To the extent a license under any additional patents or related rights owned or controlled by Cosmo or any of its Affiliates or in which Cosmo or any of its Affiliates has a licensable interest is necessary in order to develop, use, sell, offer for sale or import Products, Cosmo or its Affiliates shall grant such a license to RedHill on a non-exclusive royalty-free basis for the purpose of exercising the License herein granted in the Territory.

12.2.6 Cosmo has not brought or threatened any claim against any third party alleging infringement of any Patent, nor, to its knowledge, is any third party infringing or, to its knowledge, preparing or threatening to infringe any patent, or practicing any claim of any patent application, comprising a Patent.

13. LIMITATION OF LIABILITY.

Except in the case of a fraud or willful misrepresentation, breach of confidentiality obligations and indemnification for payments to third parties under Section 13, in no event shall either Party be liable to the other or any of its Affiliates for any consequential, incidental, indirect, special, punitive or exemplary damages (including lost profits, business or goodwill) suffered or incurred by such other Party or its Affiliates, whether based upon a claim or action of contract, warranty, negligence or tort, or otherwise, arising out of this Agreement.

14. PATENTS

14.1 Patent Prosecution and Maintenance

14.1.1 Prosecution by Cosmo. Cosmo undertakes and shall have the sole, exclusive and first right, at its own expense, to prosecute and maintain the Patents using counsel of its choice. All such prosecutions and filings shall be for the benefit of both Parties and shall identify Cosmo as the owner of the inventions described in the applications. Cosmo will provide RedHill with copies of all relevant documentation so that RedHill will be informed of the continuing prosecution. Cosmo shall not abandon or cease the prosecution of any of the Patents without first notifying RedHill in advance and providing it with the opportunity to assume responsibility for such Patents, providing RedHill with all information and documentation, including timely executing any powers of attorney or providing other documentation that RedHill might request that is necessary to continue the preparation, filing, prosecution and maintenance of such applications or registrations at RedHill's expense and through patent attorneys of its choice.

The Parties shall cooperate and assist each other as such other Party may reasonably request from time to time in connection with its activities set forth in this Section 14.1.1., including consulting as to the strategy and on all material issues relating to the prosecution, maintenance or extension of any relevant Patents. Each Party shall (i) keep the other Party currently informed of the status of and all steps to be taken in the preparation and prosecution of all applications filed by it (ii) furnish the other Party with copies of such applications, amendments thereto and other related material correspondence to and from patent offices, and (iii) to the extent reasonably practicable, permit the other Party an opportunity to offer its comments thereon and give such comments good faith consideration before making a submission to a patent office which could materially affect the scope or validity of the Patent coverage that may result. Such other Party shall offer its comments, if any, promptly. Cosmo shall be solely responsible for making decisions regarding patent term extensions, including supplementary protection certificates and any other extensions that are now or become available in the future with respect to the Patents in the Territory. Each Party shall reasonably cooperate, as requested by the other Party, to promptly and timely implement or effect such decisions. Notwithstanding the foregoing, the Parties shall coordinate their activities with respect to any patent term extension and foreign equivalents thereof with respect to all Patents in order to secure the optimal protection for the Product available under Applicable Law in the Territory. Cosmo shall be solely responsible for the selection and listing of Patents in the FDA's publication entitled "Approved Drug Products with Therapeutic Equivalence Evaluations" (the "Orange Book") with respect to Licensed Product. Cosmo shall consult with RedHill regarding such activities to secure the optimal protection of the Product, but Cosmo shall have final, decision-making authority regarding such matters. On an overall basis, Cosmo shall use reasonable efforts to conduct any such activity including claims, comments and any other changes reasonably requested by RedHill to protect the Products contemplated to be sold under this Agreement.

14.2 Patent Enforcement.

14.2.1 **Infringement Notice**. If Cosmo or RedHill determines that any Patent is being infringed by a third party's activities and that such infringement could affect the exercise of the License under this Agreement, it will promptly notify the other Party in writing. In addition, if Cosmo or RedHill determines that any Licensed Know-How is being misappropriated by a third party's activities and that such misappropriation could affect the exercise of the License under this Agreement, it will promptly notify the other Party in writing.

14.2.2 **RedHill Enforcement**. RedHill will have the sole, exclusive and first right, but not the obligation, to remove such infringement and/or misappropriation and to control all litigation to remove such infringement and/or misappropriation, all as RedHill shall deem appropriate in its sole discretion. RedHill will provide Cosmo with copies of all relevant documentation so that Cosmo will be informed of the continuing action and may comment upon such documentation sufficiently in advance of any initial deadline for filing a response, provided, however, that if Cosmo has not commented upon such documentation in a reasonable time for RedHill to sufficiently consider Cosmo's comments prior to a deadline, or RedHill must act to preserve the action, RedHill will be free to act without consideration of Cosmo's comments, if any. RedHill shall, subject to recovery under Section 14.2.5, be solely responsible for all costs and expenses of such litigation undertaken by RedHill. RedHill agrees to inform Cosmo promptly if RedHill decides not to take infringement or misappropriation action in order for Cosmo to assume responsibility of infringement or misappropriation action to be taken as per Cosmo's discretion.

14.2.3 **Cosmo Enforcement**. In the event Cosmo does, at its discretion, undertake any infringement or misappropriation action, Cosmo will provide RedHill with copies of all relevant documentation so that RedHill will be informed of the continuing action and may comment upon such documentation sufficiently in advance of any initial deadline for filing a response, provided, however, that if RedHill has not commented upon such documentation in a reasonable time for Cosmo to sufficiently consider RedHill's comments prior to a deadline, or Cosmo must act to preserve the action, Cosmo will be free to act without consideration of RedHill's comments, if any. Cosmo shall, subject to recovery under Section 14.2.5, be solely responsible for all costs and expenses of such litigation undertaken by Cosmo.

14.2.4 **Co-operation**. The Parties will provide reasonable assistance to each other, including providing access to relevant documents and other evidence, making its employees available at reasonable business hours, and joining the action to the extent necessary to allow the prosecuting Party to maintain the action.

14.2.5 **Recovery**. Any amounts recovered in connection with or as a result of any action contemplated by Sections 14.2.2 and 14.2.3, whether by settlement or judgment, will be used to reimburse the Parties for their reasonable costs and expenses in making such recovery (which amounts will be allocated pro rata if insufficient to cover the totality of such expenses), and any remainder received by RedHill in excess of the reasonable costs and expenses in making such recovery will be treated as Net Sales and payments will be due in respect of same pursuant to this Agreement.

14.3 **Patent License**

In the event that either or both of Cosmo or RedHill are sued by a third party alleging that the commercialization of a Product infringes upon any intellectual property rights of such third party, the Party being so sued shall immediately give the other Party notice of same and the Parties shall thereafter proceed as provided in Section 17.

Neither Party shall, without the consent of the other Party, which shall not be unreasonably delayed or withheld, enter into any settlement or compromise or consent to any judgment in respect of any claim related to rights licensed to RedHill under this Agreement.

15. CONFIDENTIALITY

15.1 **Disclosure and Use Restriction**. The Parties agree that, during the Term of this Agreement and thereafter, each Party will keep completely confidential and will not publish, submit for publication or otherwise disclose, and will not use for any purpose except for the purposes contemplated by this Agreement, any Confidential Information (as such term is defined below) received from the other Party.

15.2 **Confidential Information**. "**Confidential Information**" means all information and know-how and any tangible embodiments thereof provided by or on behalf of one Party to the other Party either in connection with the discussions and negotiations pertaining to this Agreement or in the course of performing this Agreement, which may include data; knowledge; practices; processes; ideas; research plans; engineering designs and drawings; research data; manufacturing processes and techniques; scientific, manufacturing, marketing and business plans; and financial and personnel matters relating to the disclosing Party or to its present or future products, sales, suppliers, customers, employees, investors or business. Notwithstanding the foregoing, information or know-how of a Party shall not be deemed Confidential Information of such Party for purposes of this Agreement if such information or know-how:

(i) was already known to the receiving Party, other than under an obligation of confidentiality or non-use, at the time of disclosure to such receiving Party;

(ii) was generally available or known to parties reasonably skilled in the field to which such information or know-how pertains, or was otherwise part of the public domain, at the time of its disclosure to such receiving Party;

(iii) became generally available or known to parties reasonably skilled in the field to which such information or know-how pertains, or otherwise became part of the public domain, after its disclosure to such receiving Party through no fault of the receiving Party;

(iv) was disclosed to such receiving Party, other than under an obligation of confidentiality or non-use, by a third party who had no obligation to the disclosing Party not to disclose such information or know-how to others; or

(v) was independently discovered or developed by such receiving Party, as evidenced by their written records, without the use of Confidential Information belonging to the disclosing Party and prior to any subsequent disclosure by the receiving Party.

All Licensed Know-How shall be deemed to be Confidential Information of Cosmo; provided that RedHill shall be entitled to disclose and use any Licensed Know-How in the exercise of its rights under this Agreement on the terms provided in Section 15.3, including clause (iv) thereof.

15.3 **Authorized Disclosure**. Notwithstanding the provisions of Section 15.1 above, a Party shall be entitled to disclose the Confidential Information of the other Party hereto to the extent that such disclosure is:

(i) made in response to a valid order of a court of competent jurisdiction; *provided*, however, that such Party will first (to the extent practicably possible) have given notice to such other Party and given such other Party a reasonable opportunity to quash such order and to obtain a protective order requiring that the Confidential Information and documents that are the subject of such order be held in confidence by such court or agency or, if disclosed, be used only for the purposes for which the order was issued; and *provided*

further that if a disclosure order is not quashed or a protective order is not obtained, the Confidential Information disclosed in response to such court or governmental order will be limited to that information which is legally required to be disclosed in response to such court or governmental order;

(ii) otherwise required by law or stock exchange rule; *provided, however*, that the disclosing Party will provide such other Party with notice of such disclosure in advance thereof to the extent practicably possible and to the extent permitted, will redact from such disclosure the other party's Confidential Information or designate the same as trade secret;

(iii) made by such Party to Regulatory Authorities as necessary for the development or commercialization of a medicinal product, including the Product, in a country, as required in connection with any filing, application or request for Regulatory Approval or as required by applicable securities laws and regulations, subject to the limitations in Section 15.3(ii);

(iv) made by such Party, in connection with the performance of this Agreement, to Sublicensees, Affiliates, directors, officers, employees, consultants, representatives or agents, each of whom prior to disclosure must be bound by obligations of confidentiality and non-use at least equivalent in scope to those set forth in this Agreement; or

(v) made by such Party in the course of submitting financial accounts to relevant authorities as per local statutory requirements or to existing or potential acquirers; existing or potential collaborators; investment bankers; existing or potential investors, merger candidates, partners, venture capital firms or other financial institutions or investors for purposes of obtaining financing; or, bona fide strategic potential partners; each of whom prior to disclosure must be bound by obligations of confidentiality and non-use at least equivalent in scope to those set forth in this Agreement.

16. PRESS RELEASES

Press releases or other similar public communication by either Party relating to the terms of this Agreement (but not, for the avoidance of doubt, unless reference is made to the other Party or the terms of this Agreement, with respect to activities in exercise of its rights under this Agreement) will be approved in advance by the other Party, which approval will not be unreasonably withheld or delayed, except for those communications required by applicable law, regulation or securities exchange rule (including a public offering prospectus), disclosures of information for which consent has previously been obtained, and information of a similar nature to that which has been previously disclosed publicly with respect to this Agreement, each of which will not require advance approval, but will be provided to the other Party as soon as practicable after the release or communication thereof. For the avoidance of doubt, the Parties may issue press releases regarding the fact that this Agreement has been signed and the nature of the Agreement so long as they do not describe the specific provisions hereof without approval from the other party.

17. INDEMNIFICATION

17.1 **Indemnification of Cosmo**. RedHill will defend and hold Cosmo and its directors, officers, employees and agents ("**Cosmo Parties**") harmless from and against any and all liability, suits, investigations, claims or demands by a third party to the extent arising from or occurring as a result of or in connection with (a) the negligence or willful misconduct on the part of RedHill in performing any activity contemplated by this Agreement, (b) breach by RedHill of any

representations, warranties, or covenants set forth in this Agreement and/or (c) Product liability; except to the extent a Loss arises from the (i) negligence or willful misconduct on the part of an Cosmo Party; or (ii) breach by Cosmo of any representations, warranties or covenants set forth in this Agreement. RedHill shall, in addition, indemnify Cosmo against any losses, damages or liabilities from such claims (including reasonable attorneys' fees and expenses) by paying the amount of any judgment awarded against Cosmo in connection with such claims.

17.2 **Indemnification of RedHill**. Cosmo will defend and hold RedHill, its Affiliates, and their respective directors, officers, employees and agents ("**RedHill Parties**"), harmless, from and against any and all liability, suits, investigations, claims or demands by a third party to the extent arising from or occurring as a result of or in connection with (a) negligence or willful misconduct on the part of Cosmo; or (b) breach by Cosmo of any representations, warranties, or covenants set forth in this Agreement, except to the extent the liability or loss arises from or occurs as a result of or in connection with (i) negligence or willful misconduct on the part of a RedHill Party; (ii) breach by RedHill of any representations, warranties, or covenants set forth in this Agreement. Cosmo shall, in addition, indemnify RedHill against any losses, damages or liabilities from such claims (including reasonable attorneys' fees and expenses) by paying the amount of any judgment awarded against RedHill in connection with such claims.

Cosmo shall further be responsible for and shall indemnify and hold RedHill harmless in respect of:

17.2.1 All royalties and other payments existing under an agreement by which Cosmo is bound or any obligation undertaken by Cosmo, required to be paid to third parties in respect of the commercialization of the Products.

17.2.2 All royalty and other payments required to be paid to other third parties in respect of the Product as a result of a claim by any of Cosmo's existing or former employees, consultants or shareholders, or any person named in Cosmo's patents or patent applications, or any person claiming it should have been named as an inventor in such patent applications.

17.3 **Additional Licenses**. In the event that additional license(s) or rights or waivers with respect to intellectual property (irrespective of whether such is the intellectual property covered herein or any other intellectual property) are necessary to enable RedHill, its Affiliates or Sublicensees to exercise the License, and the receipt of same requires payment of royalties, settlement payments, awards or any other payments made to and taken by any third party on account of the use of such third party's intellectual property or a waiver with respect thereto, then RedHill shall, in addition to any other remedies available to it pursuant to this Agreement, applicable law or otherwise, effect a reduction in the Royalties payable to Cosmo hereunder by the amount of such third party payments (without derogating from any other deductions permitted herein, including on account of a Combination Product reduction).

17.4 Conditions to Indemnity. Each Party's agreement to indemnify and hold the other harmless is conditioned upon the indemnified Party (i) providing written notice to the indemnifying Party of any claim, demand or action arising out of the indemnified activities within **[***]** after the indemnified Party has knowledge of such claim, demand or action, (ii) permitting the indemnifying Party to assume full responsibility to investigate, prepare for and defend against any such claim or demand, (iii) assisting the indemnifying Party, at the indemnifying Party's reasonable expense, in

the investigation of, preparation of and defense of any such claim or demand; and (iv) the indemnifying Party not compromising or settling such claim or demand without the indemnified Party's prior written consent, which shall not be unreasonably withheld, conditioned or delayed; provided that, if the Party entitled to indemnification fails to promptly notify the indemnifying Party pursuant to the foregoing clause (i), the indemnifying Party shall only be relieved of its indemnification obligation to the extent it is prejudiced by such failure. Notwithstanding the foregoing, if in the reasonable judgment of the indemnified party, such suit or claim involves an issue or matter which could have a materially adverse affect on the business, operations or assets of the indemnified party, the indemnified party may waive its rights to indemnity under this Agreement and control the defense or settlement thereof, but in no event shall any such waiver be construed as a waiver of any indemnification rights such indemnified party may have at law or in equity.

18. TERM AND TERMINATION

18.1 **Term**. The term of this Agreement (the "**Term**") commences upon the Effective Date and will continue until terminated in accordance with the terms hereof.

18.2 **Termination**.

18.2.1 **Termination for Breach**. Failure by a Party to comply with any of its material obligations contained herein will entitle the Party not in default to give to the defaulting Party notice specifying the nature of the material breach, requiring the defaulting Party to make good or otherwise cure such material breach, providing specific actions that the defaulting Party could take to cure such material breach, and stating its intention to terminate the Agreement if such material breach is not cured. If such material breach is not capable of cure or if such material breach is capable of cure and is not cured within **[***]** after the receipt of such notice (or, if such material breach is capable of cure but cannot be cured within **[***]**, if the defaulting Party does not commence actions to cure such material breach within such period and thereafter diligently continue such actions), the Party not in default will be entitled, without limiting any of its other rights conferred on it by this Agreement (except as expressly set forth herein), to terminate this Agreement by providing written notice to the breaching Party.

18.2.2 **Voluntary Termination**. Each Party shall be entitled, in its sole discretion, to terminate this Agreement at any time on **[***]** written notice to the other Party, which notice may not be given earlier than **[***]** following the Effective Date. Neither Party will be required to pay the other Party any compensation in respect of such termination. Upon termination of this Agreement, the License granted under this Agreement shall immediately terminate and, except as permitted in Section 18.3.1, RedHill will immediately cease any and all development and other activities regarding the Product.

Consequences of Termination

18.3.1 **License**. Upon early termination of this Agreement, all rights granted to RedHill under Section 2.1 will terminate; provided that RedHill shall have a period of **[***]** after the date of termination to sell-off Product, subject to Royalties on such sales being duly paid to Cosmo.

18.3.2 **Continuation following a Party's Bankruptcy**. The Parties agree that in the event that either Party becomes insolvent or makes a filing under bankruptcy or similar laws in any

jurisdiction, the other Party shall have the protection afforded to the licensee under the United States Bankruptcy Code, including the protections set forth in 11 U.S.C §365(n) or its equivalent in any other jurisdiction which allows the licensee, upon rejection of the license agreement by the debtor-licensor or its representative, the option to either retain the licensee's rights in the intellectual property under the existing contract while continuing to pay royalties, or to treat the executory contract as terminated. Furthermore, in the event Cosmo becomes insolvent or makes a filing under bankruptcy or similar laws in any jurisdiction, Cosmo will continue to supply RedHill with the Product. If Cosmos fails to supply the Product in sufficient quantity and adequate quality, including through a third party, Cosmos shall be deemed to have automatically granted RedHill an exclusive irrevocable, perpetual license with right to sublicense of all Cosmos Intellectual Property and Know-How (including relating to manufacturing) necessary, appropriate or useful for RedHill to manufacture or engage a third party to manufacture the Product for sale in the Territory and Cosmo shall immediately transfer all relevant methods, processes, and documentation necessary, appropriate or useful to RedHill and/or a third party designated by RedHill, and provide such material assistance for manufacture of the Product as RedHill or its third party manufacturer may reasonably require. If Cosmo subsequently demonstrates to RedHill's satisfaction that it is capable of supplying the Product in sufficient quantity and adequate quality, RedHill will transfer the manufacture back to Cosmo.

18.3.3 **Return of Information and Materials**. Upon termination of this Agreement, each Party will return to the other all Confidential Information of the other Party (except one copy of which may be retained for archival and compliance purposes).

18.3.4 **Accrued Rights**. Termination or expiration of this Agreement for any reason will be without prejudice to any rights or financial compensation that will have accrued to the benefit of a Party prior to such termination or expiration. Such termination or expiration will not relieve a Party from obligations that are expressly indicated to survive the termination or expiration of this Agreement.

18.3.5 **Survival**. This Section 18.3 and Sections 13 and 15-19 of this Agreement will survive expiration or termination of this Agreement for any reason.

18.3.6 **License Survival**. Once the Full Royalty Term shall expire, RedHill shall be entitled to continue to sell the Product in the Field throughout the Territory without having to pay Royalties or any other amounts to Cosmo in respect of such activities subsequent to such date.

18.3.7 **Continuation of Rights**. Notwithstanding anything to the contrary herein, in the event of material breach of this Agreement by Cosmo, and without derogating from any of RedHill's other rights at law, RedHill shall have the right to continue all activities under the License granted herein and to continue utilizing the Patents for the exploitation of the License.

19. MISCELLANEOUS

19.1 **Assignment**. Without the prior written consent of the other Party hereto, neither Party will sell, transfer, assign, delegate, pledge or otherwise dispose of, whether voluntarily, involuntarily, by operation of law or otherwise, this Agreement or any of its rights or duties hereunder; provided, however, that (i) either Party hereto may assign or transfer this Agreement or any of its rights or obligations hereunder without the consent of the other Party to any Affiliate, or to any third party

successor in interest with which it has merged or consolidated, or to which it has transferred all or substantial part of its assets or stock to which this Agreement relates. Any purported assignment or transfer in violation of this Section 19.1 will be void *ab initio* and of no force or effect.

19.2 **Severability.** Should any term or provision of this Agreement be or become invalid or unenforceable or should this Agreement contain an omission, the validity or enforceability of the remaining terms or provisions shall not be affected. In such case, subject to the next following sentence, the Parties shall immediately commence to negotiate in good faith in order to replace the invalid or unenforceable term or provision by such other valid or enforceable term or provision which comes as close as possible to the original intent and effect of the invalid or unenforceable term or provision, or respectively, to fill the omission by inserting such term or provision which the Parties would have reasonably agreed to, if they had considered the omission at the date hereof. In the event that any term or provision as aforesaid is invalid, void or unenforceable by reason of its scope, duration or area of applicability or some similar limitation as aforesaid, then the court making such determination shall have the power to reduce the scope, duration, area or applicability of the term or provision so that they shall be enforceable to the maximum scope, duration, area or applicability permitted by applicable law which shall not exceed those specified in this Agreement or to replace such term or provision with a term or provision that comes closest to expressing the intention of the invalid or unenforceable term or provision.

19.3 **Governing Law and Arbitration**. This Agreement will be governed by and construed in accordance with the laws of England, without reference to any rules of conflicts of laws. In the event of any dispute arising out of or in connection with the present Agreement, the parties agree that such dispute shall be finally settled under the Rules of Arbitration of the International Chamber of Commerce - ICC by a panel of three arbitrators appointed in accordance with the said Rules of Arbitration. The arbitrators shall apply English Law. The seat of arbitration shall be London and the language of the arbitration proceeding shall be English.

19.4 **Notices**. All notices or other communications that are required or permitted hereunder will be in writing and delivered personally with acknowledgement of receipt, sent by electronic mail (provided receipt is acknowledged), facsimile (and promptly confirmed by personal delivery, registered or certified mail or overnight courier as provided herein), sent by nationally-recognized overnight courier or sent by registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

If to Cosmo, to:

Cosmo Technologies Ltd.
[***]

If to RedHill, to:

RedHill Biopharma Ltd.
21 Ha'arba'a Street
Tel-Aviv 64739
Israel
Email: adi@redhillbio.com
Fax: +972 (3) 541 3144

or to such other address as the Party to who notice is to be given may have furnished to the other Party in writing in accordance herewith. Any such communication will be deemed to have been given (i) when delivered, if personally delivered, (ii) on the Business Day (on the receiving end) after dispatch, if sent by nationally-recognized overnight courier (third business day if sent internationally), (iii) on the third business day following the date of mailing, if sent by mail (fifth business day if sent internationally) and (iv) on the first business day (on the receiving end) after being sent by facsimile or by if sent by electronic mail followed by facsimile. It is understood and agreed that this Section 19.4 is not intended to govern the day-to-day business communications necessary between the Parties in performing their duties, in due course, under the terms of this Agreement.

19.5 **Entire Agreement; Modifications.** This Agreement sets forth and constitutes the entire agreement and understanding between the Parties with respect to the subject matter hereof and all prior agreements, understanding, promises and representations, whether written or oral, with respect thereto are superseded hereby. Each Party confirms that it is not relying on any representations or warranties of the other Party except as specifically set forth herein. No amendment, modification, release or discharge will be binding upon the Parties unless in writing and duly executed by authorized representatives of both Parties.

19.6 **Relationship of the Parties**. It is expressly agreed that the Parties will be independent contractors of one another and that the relationship between the Parties will not constitute a partnership, joint venture or agency.

19.7 **Waiver.** Any term or condition of this Agreement may be waived at any time by the Party that is entitled to the benefit thereof, but no such waiver will be effective unless set forth in a written instrument duly executed by or on behalf of the Party waiving such term or condition. Any such waiver will not be deemed a waiver of any other right or breach hereunder.

19.8 **Counterparts.** This Agreement may be executed in two (2) or more counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

19.9 **No Third Party Beneficiaries.** The representations, warranties, covenants and agreements set forth in this Agreement are for the sole benefit of the Parties hereto and their successors and permitted assigns, and they will not be construed as conferring any rights on any other parties.

19.10 **Expenses**. Except as expressly provided herein, each party shall each bear its own legal, accounting and other expenses in connection with this Agreement and the transactions contemplated hereby.

19.11 **Further Assurances.** Each Party will duly execute and deliver, or cause to be duly executed and delivered, such further instruments and do and cause to be done such further acts and things, including the filing of such assignments, agreements, documents and instruments, as may be necessary to carry out the provisions and purposes of this Agreement.

19.12 **Force Majeure**. Neither party shall be responsible to the other for failure or delay in performing any of its obligations under this Agreement or for other non-performance hereof but only to the extent that such delay or non-performance is occasioned by a cause beyond the reasonable control and without fault or negligence of such party, including earthquake, fire, flood, explosion, discontinuity in the supply of power, court order or governmental interference, act of God, strike or other labor trouble, act of war or terrorism and provided that such party will inform the other party as soon as is reasonably practicable and that it will entirely perform its obligations immediately after the relevant cause has ceased its effect. If any such force majeure event continues for a continuous period of 12 months, the Party whose performance is not prevented by such event may terminate this Agreement with immediate effect by providing the other Party with written notice.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the Effective Date.

Cosmo Technologies Ltd.
Signature: /s/ [***]
Name: [***]
Title: [***]

RedHill Biopharma Inc.
Signature: /s/ Dror Ben-Asher
Name: Dror Ben-Asher
Title: Director

Signature: /s/ Micha Ben Horin
Name: Micha Ben Horin
Title: Director

Signature: /s/ Rick Scruggs
Name: Rick Scruggs
Title: COO

ANNEX A

[***]

Exhibit 4.14

Execution Version

CREDIT AGREEMENT

Dated as of February 23, 2020

among

REDHILL BIOPHARMA INC.,
as the Borrower,

REDHILL BIOPHARMA LTD.,
as a Guarantor,

HCR COLLATERAL MANAGEMENT, LLC,
as the Administrative Agent

and

THE LENDERS FROM TIME TO TIME PARTY HERETO

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SCHEDULES

EXHIBITS

CREDIT AGREEMENT

This CREDIT AGREEMENT is entered into as of February 23, 2020 among REDHILL BIOPHARMA INC., a Delaware corporation (the "Borrower"), REDHILL BIOPHARMA LTD., a company incorporated under the laws of the State of Israel, as Guarantor ("RedHill Parent"), the Lenders (defined herein), HCR Collateral Management, LLC, as Administrative Agent and those additional entities that hereafter become parties hereto in accordance with the terms hereof by executing a Joinder Agreement.

The Borrower has requested that the Lenders make an investment in the Borrower in the form of a term loan facility, and the Lenders are willing to do so on the terms and conditions set forth herein.

In consideration of the mutual covenants and agreements herein contained, the parties hereto covenant and agree as follows:

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

1.01 Defined Terms.

As used in this Agreement, the following terms shall have the meanings set forth below:

"Acquired Assets" means (a) an exclusive license relating to the asset identified on Schedule 1.01(a) hereto (the "Specified Asset") and associated assets (with approval from the Lenders) acquired by the Borrower prior to the one-year anniversary of the Closing Date or (b) an asset approved by the Lenders in writing prior to the Acquisition thereof (such approval not to be unreasonably withheld).

"Acquisition" means, with respect to any Person, the acquisition (including any license or any acquisition of any license) by such Person, in a single transaction or in a series of related transactions, of (a) assets of another Person which constitute all or substantially all of the assets of such Person, or of any division, line of business or other business unit of such Person, (b) at least a majority of the Voting Stock of another Person, in each case whether or not involving a merger or consolidation with such other Person and whether for cash, property, services, assumption of Indebtedness, securities or otherwise, (c) one or more Acquisition Products or a Person or division, line of business or other business unit of another Person holding an Acquisition Product(s), or (d) IP Rights of a Person or division, line of business or other business unit of another Person holding such IP Rights.

"Acquisition Product" means any product or service developed, manufactured, marketed, offered for sale, promoted, sold, tested, used or otherwise distributed by a Person other than RedHill Parent or any of its Subsidiaries.

"Act" means the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)).

"Administrative Agent" means HCR Collateral Management, LLC, in its capacity as administrative agent under any of the Loan Documents, or any duly appointed successor administrative agent, pursuant to the terms hereof.

"Administrative Agent's Office" means the Administrative Agent's address and, as appropriate, account as set forth on Schedule 11.02 or such other address or account as the Administrative Agent may from time to time notify the Borrower and the Lenders in accordance with Section 11.02(c).

"Aemcolo" means Aemcolo (rifamycin) delayed-release tablets, for oral use.

"Affiliate" means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

"Agreement" means this Credit Agreement.

"Amortization Date" means the Interest Payment Date immediately following the three (3) year anniversary of the Closing Date; provided, that, if (x) the trailing four quarters of Net Revenues for the fiscal quarter ending March 31, 2021 are less than $25,000,000 (based upon the quarterly sales report provided pursuant to Section 2.12(c) and RedHill Parent's quarterly and annual financial statements) or (y) the trailing four quarters of Net Revenues for the fiscal quarter ending March 31, 2022 are less than $50,000,000 (based upon the quarterly sales reports provided pursuant to Section 2.12(c) and RedHill Parent's quarterly and annual financial statements), then, at the Required Lenders' sole discretion, "Amortization Date" shall mean the Interest Payment Date immediately following the two (2) year anniversary of the Closing Date.

"Annual Net Revenues" means, with respect to any Calendar Year, the aggregate amount of worldwide Net Revenues for that Calendar Year.

"Applicable Percentage" means with respect to any Lender at any time, with respect to such Lender's portion of the outstanding Term Loans at any time (or any payment of interest, prepayment premiums, fees, revenue payments or any other fees or payments due unless specifically sated otherwise with respect thereto), as applicable, the percentage of the Outstanding Amount of such Term Loans held by such Lender at such time. The initial Applicable Percentage of each Lender is set forth opposite the name of such Lender on Schedule 2.01 or in the Assignment and Assumption pursuant to which such Lender becomes a party hereto, as applicable.

"Applicable Royalty Rate" means the percentage based on the applicable portion of Annual Net Revenues and the Loans advanced, as set forth in the chart below, and calculated as follows: (a) if only the Tranche A Term Loans are funded pursuant to Section 2.01(a)(i), the percentage set forth in the applicable row of column 1, (b) if the Tranche B Term Loans are also funded pursuant to Section 2.01(a)(ii), the percentage set forth in the applicable row of column 2 or (c) if the Tranche D Term Loans are also funded pursuant to Section 2.01(a)(iv), the percentage set forth in the applicable row of column 3:

Applicable Royalty Rate based on Annual Net Revenues	**1. Only the Tranche A Term Loans are funded pursuant to Section 2.01(a)(i)**	**2. If the Tranche B Term Loans are also funded pursuant to Section 2.01(a)(ii)**	**3. If the Tranche D Term Loans are also funded pursuant to Section 2.01(a)(iv)**
Portion of Annual Net Revenues less than or equal to $75,000,000	2.00%	4.00%	4.50%

"Approved Independent Certified Public Accountant" means Deloitte Touche Tohmatsu Limited, PricewaterhouseCoopers International Limited, Ernst & Young Global Limited, KPMG International Cooperative, BDO International Limited, their successors and the respective Affiliates and member firms of each of the foregoing.

"Assignment and Assumption" means an assignment and assumption entered into by a Lender and an Eligible Assignee (with the consent of any party whose consent is required by Section 11.06(b)), and accepted by the Administrative Agent, in substantially the form of Exhibit D or any other form (including electronic documentation generated by MarkitClear or other electronic platform) approved by the Administrative Agent.

"Asset Acquisition" means the purchase, license or other acquisition of the Acquired Assets as provided for in the Asset Acquisition Agreement and the related transactions.

"Asset Acquisition Agreement" means the purchase, license or other acquisition agreement providing for the purchase, license or acquisition of the Acquired Assets by the Borrower (including, without limitation, all schedules and exhibits thereto), which agreement shall be subject to the approval of the Administrative Agent and the Lenders in their sole discretion.

"Asset Acquisition Documentation" means, collectively, the Asset Acquisition Documents and all schedules, exhibits, annexes and amendments thereto, and all side letters and agreements affecting the terms thereof or entered into in connection therewith.

"Asset Acquisition Documents" means the Asset Acquisition Agreement and any other documents executed or issued, or to be executed or issued, by or on behalf of the Borrower and/or any of its Affiliates in respect of the Asset Acquisition (but excluding the Loan Documents).

"Attributable Indebtedness" means, on any date, (a) in respect of any Capital Lease of any Person, the capitalized amount thereof that would appear on a balance sheet of such Person prepared as of such date in accordance with IFRS as in effect on December 31, 2018, (b) in respect of any Synthetic Lease of any Person, the capitalized amount of the remaining lease payments under the relevant lease that would appear on a balance sheet of such Person prepared as of such date in accordance with IFRS as in effect on December 31, 2018 and if such lease were accounted for as a Capital Lease and (c) in respect of any Securitization Transaction of any Person, the outstanding principal amount of such financing, after taking into account reserve accounts and making appropriate adjustments, determined by the Administrative Agent in its reasonable judgment.

"Audited Financial Statements" means the audited consolidated balance sheet of RedHill Parent and its Subsidiaries for the fiscal year ended December 31, 2018, and the related consolidated statements of income or operations, shareholders' equity and cash flows for such fiscal year of RedHill Parent and its Subsidiaries, including the notes thereto, audited by independent public accountants of recognized national standing and prepared in conformity with IFRS.

"Bail-In Action" means the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

"Bail-In Legislation" means, with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.

"Board of Directors" means (a) with respect to a company or corporation, the board of directors of the company or corporation or any committee thereof duly authorized to act on behalf of such board, (b) with respect to a partnership, the Board of Directors of the general partner of the partnership, (c) with respect to a limited liability company, the managing member or members or any controlling committee of

managing members thereof, and (d) with respect to any other Person, the board or committee of such Person serving a similar function.

"Borrower" has the meaning set forth in the introductory paragraph hereto.

"Borrowing" means a borrowing of Loans by the Borrower pursuant to Section 2.01.

"Borrowing Date" means the Tranche A Funding Date, with respect to the Tranche A Term Loans, the Tranche B Funding Date, with respect to the Tranche B Term Loans, the Tranche C Funding Date, with respect to the Tranche C Term Loans, and the Tranche D Funding Date, with respect to the Tranche D Term Loans.

"Business Day" means any day other than a Saturday, Sunday or other day on which commercial banks are authorized to close under the Laws of, or are in fact closed in the State of New York or the State of Israel.

"Businesses" means, at any time, a collective reference to the businesses operated by RedHill Parent and its Subsidiaries at such time.

"Calendar Quarter" means, for the first calendar quarter, the period beginning on the Closing Date and ending on the last day of the calendar quarter in which the Closing Date falls, and thereafter each successive period of three (3) consecutive calendar months ending on March 31, June 30, September 30 or December 31.

"Calendar Year" means (a) for the first such Calendar Year the period beginning on the Closing Date and ending on December 31 of the year in which the Closing Date occurs, (b) for each year thereafter, each successive period beginning on January 1 and ending twelve (12) consecutive calendar months later on December 31, and (c) for the last year, the period beginning on January 1 of the year in which this Agreement terminates and ending on the Revenue Interest Maturity Date.

"Capital Lease" means, as applied to any Person, any lease of any property by that Person as lessee which, in accordance with IFRS as in effect on December 31, 2018, would be required to be accounted for as a capital lease on the balance sheet of that Person.

"Cash Equivalents" means, as at any date, (a) securities issued or directly and fully guaranteed or insured by the United States or any agency or instrumentality thereof (provided, that, the full faith and credit of the United States is pledged in support thereof) having maturities of not more than twenty-four months from the date of acquisition, (b) Dollar denominated time deposits and certificates of deposit of (i) any United States domestic commercial bank of recognized standing having capital and surplus in excess of $250,000,000, or, in the case of foreign banks, $100,000,000 (or the Dollar equivalent of), or (ii) any bank whose short-term commercial paper rating from S&P is at least A-1 or the equivalent thereof or from Moody's is at least P-2 or the equivalent thereof (any such bank being an "Approved Bank"), in each case with maturities of not more than twenty-four months from the date of acquisition, (c) commercial paper and variable or fixed rate notes issued by any Approved Bank (or by the parent company thereof) or any variable rate notes issued by, or guaranteed by, any corporation rated A-2 (or the equivalent thereof) or better by S&P or P-2 (or the equivalent thereof) or better by Moody's and maturing within twenty-four months of the date of acquisition, (d) repurchase agreements entered into by any Person with a bank or trust company (including any of the Lenders) or recognized securities dealer having capital and surplus meeting the qualifications of an Approved Bank specified in clause (b)(i) above for underlying securities of the type described in clauses (a) and (b) above and (e) below, (e) readily marketable obligations issued by any state, commonwealth or territory of the United States or any political subdivision or taxing authority thereof

having an Investment Grade Rating from either Moody's or S&P having maturities of not more than twenty-four months from the date of acquisition, (f) Dollars or any other currencies held by the Borrower, the Guarantor and their respective Subsidiaries, (g) Investments, classified in accordance with IFRS as current assets, in money market investment programs registered under the Investment Company Act of 1940 which are administered by reputable financial institutions having capital and surplus meeting the qualifications of an Approved Bank specified in clause (b)(i) above and the portfolios of which are limited to Investments of the character described in the foregoing subdivisions clauses (a) through (f), and (g) in the case of investments by any Subsidiary not incorporated, organized or formed in the United States, or investments made in a country outside the United States, other investments of comparable tenor and credit quality to those described in the foregoing clauses (a) to (f) customarily utilized in the countries where such Subsidiary is incorporated, organized or formed or in which such investment is made.

"Change of Control" means the occurrence of any of the following events:

(a) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act, but excluding any employee benefit plan of such person or its subsidiaries, and any person or entity acting in its capacity as trustee, agent or other fiduciary or administrator of any such plan) is or becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, including through an option or warrant), directly or indirectly, of Equity Interests representing 40% (or, in the case of Cosmo Pharmaceuticals NV and its Affiliates, 50%) or more of the aggregate ordinary voting power in the election of the Board of Directors of RedHill Parent represented by the issued and outstanding Equity Interests of RedHill Parent on a fully-diluted basis (and taking into account all such securities that such person or group has the right to acquire pursuant to any option right or warrant);

(b) during any period of twelve (12) consecutive months, a majority of the members of the Board of Directors of RedHill Parent cease to be composed of individuals (i) who were members of that Board of Directors on the first day of such period, (ii) whose election, appointment or nomination to that Board of Directors was approved by individuals referred to in clause (i) above constituting at the time of such election, appointment or nomination at least a majority of that Board of Directors or (iii) whose election, appointment or nomination to that Board of Directors was approved by individuals referred to in clauses (i) and (ii) above constituting at the time of such election, appointment or nomination at least a majority of that Board of Directors;

(c) RedHill Parent shall fail to own 100% of the Equity Interests of the Borrower;

(d) any "change of control", "fundamental change" or any comparable term shall occur under any document or other agreement evidencing any Funded Indebtedness of RedHill Parent and/or its Subsidiaries with an aggregate principal amount in excess of the Threshold Amount; or

(e) RedHill Parent or any of its Subsidiaries grants or transfers the right to Exploit Talicia, Aemcolo, the Specified Asset and/or any Acquired Assets in the United States, in each case, to any Person other than to the Borrower.

"Closing Date" means the date hereof.

"Code" means the U.S. Internal Revenue Code of 1986, as amended.

"Collateral" means a collective reference to all real and personal property with respect to which Liens in favor of the Administrative Agent, for the benefit of the holders of the Obligations, are purported to be granted pursuant to and in accordance with the terms of the Collateral Documents.

"Collateral Access Agreement" means an agreement in form and substance reasonably satisfactory to the Administrative Agent pursuant to which (a) a lessor of real property on which Collateral in an aggregate amount in excess of $1,000,000 is stored or otherwise located, or (b) a warehouseman, processor or other bailee of inventory or other property owned by any Loan Party which is in an aggregate amount in excess of $1,000,000, in each case, acknowledges the Liens of the Administrative Agent and waives (or, if approved by the Administrative Agent, subordinates) any Liens held by such Person on such property, and permits the Administrative Agent reasonable access to any Collateral stored or otherwise located thereon.

"Collateral Documents" means a collective reference to the Security Agreement, the Pledge Agreement, the Collateral Documents (Israel), the Control Agreements, the Perfection Certificate, the Collateral Access Agreements, the Mortgages (if any) and other security documents as may be executed and delivered by the Loan Parties pursuant to the terms of Section 7.14.

"Collateral Documents (Israel)" means the Israeli Fixed Charge Debenture and the Israeli Floating Charge Debenture.

"Compliance Certificate" means a certificate substantially in the form of Exhibit E.

"Confidential Information" means all non-public information, whether written, oral or in any electronic, visual or other medium, that is the subject of reasonable efforts to keep it confidential and that is owned by RedHill Parent or any Subsidiary or that RedHill Parent or any Subsidiary is licensed, authorized or otherwise granted rights under or to, and that is used by the Borrower, RedHill Parent or any other Person to manufacture, import, market, promote, advertise, offer for sale, sell, use and/or otherwise distribute a Product.

"Contractual Obligation" means, as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound.

"Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. "Controlling" and "Controlled" have meanings correlative thereto. Without limiting the generality of the foregoing, except with respect to the definition of "Subsidiary", a Person shall be deemed to be Controlled by another Person if such other Person possesses, directly or indirectly, power to vote 20% or more of the securities having ordinary voting power for the election of directors, managing general partners or the equivalent.

"Control Agreement" means any account control agreement by and among a Loan Party, the applicable depository bank or securities intermediary at which a Deposit Account or a Securities Account, as the case may be, is maintained, and the Administrative Agent, in each case in form and substance reasonably satisfactory to the Administrative Agent.

"Copyright License" means any written agreement providing for the grant of any right to use any Work under any Copyright.

"Copyrights" means all registered or unregistered copyrights, copyrightable works and subject matter, including all registrations of, and applications to register, the foregoing.

"Debt Issuance" means the issuance by any Loan Party or any Subsidiary of any Indebtedness other than Indebtedness permitted under Section 8.03.

"Debtor Relief Laws" means the Bankruptcy Code of the United States, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws of the United States or other applicable jurisdictions from time to time in effect, including the Israeli Insolvency and Rehabilitation Law and the Israeli Companies Ordinance (1983) and the Israeli Pledge Law (1967).

"Default" means any event or condition that constitutes an Event of Default or that, with the giving of any notice, the passage of time, or both, would be an Event of Default.

"Default Rate" means an interest rate equal to the sum of (x) the then applicable Interest Rate plus (y) three percent (3%) per annum, to the fullest extent permitted by applicable Laws.

"Defaulting Lender" means, subject to Section 2.11(b), any Lender that (a) has failed to perform any of its funding obligations hereunder within three (3) Business Days of the date required to be funded by it hereunder, (b) has notified the Borrower or the Administrative Agent that it does not intend to comply with its funding obligations hereunder or (c) has, or has a direct or indirect parent company that has, (i) become the subject of a proceeding under any Debtor Relief Law, (ii) had a receiver, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or a custodian appointed for it or (iii) taken any action in furtherance of, or indicated its consent to, approval of or acquiescence in any such proceeding or appointment; provided, that, a Lender shall not be a Defaulting Lender solely by virtue of the ownership or acquisition of any Equity Interests in that Lender or any direct or indirect parent company thereof by a Governmental Authority.

"Deposit Account" means a "deposit account" (as defined in Article 9 of the Uniform Commercial Code), investment account or other account in which funds are held or invested to or for the credit or account of any Loan Party, including any debenture or blank pledge.

"Designated Jurisdiction" means any country or territory to the extent that such country or territory is the subject of any Sanction.

"Discharge of Term Loan Obligations" means repayment in full in cash of the Obligations in respect of the Term Loans (other than inchoate indemnity obligations for which no claim has yet been made) and termination of all commitments to lend or otherwise extend credit under the Loan Documents.

"Disposition" or "Dispose" means the sale, transfer, license, lease or other disposition (including any Sale and Leaseback Transaction or any issuance by any Subsidiary of its Equity Interests and whether consummated in a single transaction or in a series of transactions and whether effected pursuant to a Division or otherwise) of any property or rights by any Loan Party or any Subsidiary, including any sale, assignment, transfer or other disposal, with or without recourse, of any notes or accounts receivable or any rights and claims associated therewith, but excluding the following (collectively, the "Permitted Transfers"): (a) the sale, lease, license, transfer or other disposition of inventory in the ordinary course of business, (b) the sale, lease, license, transfer or other disposition in the ordinary course of business of surplus, obsolete or worn out property no longer used or useful in the conduct of business of RedHill Parent and its Subsidiaries, (c) any sale, lease, license, transfer or other disposition of property or rights (other than the Talicia Assets or any Acquired Assets) by RedHill Parent or any of its Subsidiaries (other than the Borrower or any of its Subsidiaries) to any Loan Party or any Subsidiary; provided, that, if the transferor of such property is a Loan Party (i) the transferee thereof must be a Loan Party or (ii) to the extent such transaction constitutes an Investment, such transaction is permitted under Section 8.02, (d) any sale, lease,

license, transfer or other disposition of any property or rights to the Borrower so long as the Borrower is a Loan Party; (e) the abandonment or other disposition of IP Rights that are not material or are no longer used or useful in any material respect in the business of RedHill Parent and its Subsidiaries (other than the Talicia Assets or any Acquired Assets), (f) non-exclusive licenses, sublicenses, leases or subleases (other than relating to IP Rights, in each case) granted to third parties in the ordinary course of business and not interfering with the business of RedHill Parent and its Subsidiaries, (g) any Involuntary Disposition or any sale, lease, license or other disposition of property (other than, for the avoidance of doubt, IP Rights) in settlement of, or to make payment in satisfaction of, any property or casualty insurance, (h) dispositions of cash and Cash Equivalents, in each case, in the ordinary course of business, (i) dispositions consisting of the sale, transfer, assignment or other disposition of unpaid and overdue accounts receivable in connection with the collection, compromise or settlement thereof in the ordinary course of business and not as part of a financing transaction, (j) Permitted Licenses, (k) the sale, transfer, issuance or other disposition of a *de minimis* number of shares of the Equity Interests of a Foreign Subsidiary of a Loan Party in order to qualify members of the governing body of such Subsidiary if required by applicable Law, (l) payments pursuant to Earn Out Obligations, (m) any sale, lease, license, transfer or other disposition of property to the extent that such property is exchanged for, or credited against the purchase price of, similar replacement property, and (n) transfers of royalties, licenses and trade receivables in connection with any Permitted Royalty/Revenue Financing. It is understood and agreed that, notwithstanding anything to the contrary set forth in this definition, in no event shall a "Permitted Transfer" include any license of any Product (or any IP Rights associated therewith) other than Permitted Licenses.

"Dispute(s)" means any opposition, interference, reexamination, injunction, claim, suit, action, citation, summons, subpoena, hearing, inquiry, investigation (by the International Trade Commission or otherwise), complaint, arbitration, mediation, demand, decree or other dispute, disagreement, proceeding, claim or *inter partes* review (other than standard patent prosecution before a Patent Office).

"Disqualified Capital Stock" means any Equity Interest which, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable), or upon the happening of any event, (a) matures (excluding any maturity as the result of an optional redemption by the issuer thereof) or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the option of the holder thereof, in whole or in part, prior to the ninety-first (91st) day after the Term Loan Maturity Date, (b) requires the payment of any cash dividends at any time prior to the ninety-first (91st) day after the Term Loan Maturity Date, (c) contains any repurchase obligation which may come into effect prior to the date that is ninety-first (91st) days following the Term Loan Maturity Date at the time such Equity Interest is issued (it being understood that if any such repurchase obligation is in part, only such part coming into effect prior to the date that is ninety-first (91st) days following the Term Loan Maturity Date shall constitute Disqualified Capital Stock), or (d) is convertible into or exchangeable (unless at the sole option of the issuer thereof) for (i) debt securities or (ii) any Equity Interests referred to in clause (a), (b) or (c) above, in each case at any time prior to the ninety-first (91st) day after the Term Loan Maturity Date.

"Dollar" and "$" mean lawful money of the United States.

"Domain Names" means all domain names and URLs that are registered and/or owned by or licensed to RedHill Parent or any Subsidiary or with respect to which RedHill Parent or any Subsidiary is authorized or granted rights under or to.

"Domestic Subsidiary" means any Subsidiary organized under the laws of the United States, any state thereof or the District of Columbia.

"Drug Application" means a New Drug Application or an Abbreviated New Drug Application, as those terms are defined in the FDCA and the FDA regulations promulgated thereunder, for any Product, as appropriate, in each case of RedHill Parent or any Subsidiary.

"Earn Out Obligations" means, with respect to an Acquisition, all obligations of RedHill Parent or any Subsidiary to make earn out or other contingency payments (including purchase price adjustments, non-competition and consulting agreements, or other indemnity obligations) pursuant to the documentation relating to such Acquisition. For purposes of determining the aggregate consideration paid for an Acquisition at the time of such Acquisition, the amount of any Earn Out Obligations shall be deemed to be the maximum amount of the earn out payments in respect thereof as specified in the documents relating to such Acquisition.

"EEA Financial Institution" means (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

"EEA Member Country" means any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

"EEA Resolution Authority" means any public administrative authority or any person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

"Eligible Assignee" means any Person that meets the requirements to be an assignee under Section 11.06(b).

"Environmental Laws" means any and all federal, state, local, foreign and other applicable statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any materials into the environment, including those related to hazardous substances or wastes, air emissions and discharges to waste or public systems.

"Environmental Liability" means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of RedHill Parent or any of its Subsidiaries directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

"Equity Interests" means, with respect to any Person, all of the shares of capital stock of (or other ownership or profit interests in) such Person, all of the warrants, options or other rights for the purchase or acquisition from such Person of shares of capital stock of (or other ownership or profit interests in) such Person, all of the securities convertible into or exchangeable for shares of capital stock of (or other ownership or profit interests in) such Person or warrants, rights or options for the purchase or acquisition from such Person of such shares (or such other interests), and all of the other ownership or profit interests in such Person (including partnership, member, membership or trust interests therein), whether voting or

nonvoting, and whether or not such shares, warrants, options, rights or other interests are outstanding on any date of determination.

"ERISA" means the Employee Retirement Income Security Act of 1974.

"ERISA Affiliate" means any entity, trade or business (whether or not incorporated) under common control with the Borrower within the meaning of Section 414(b) or (c) of the Code (and Sections 414(m) and (o) of the Code for purposes of provisions relating to Section 412 of the Code).

"ERISA Event" means (a) a Reportable Event with respect to a Pension Plan, (b) the withdrawal of the Borrower or any ERISA Affiliate from a Pension Plan subject to Section 4063 of ERISA during a plan year in which such entity was a "substantial employer" as defined in Section 4001(a)(2) of ERISA or a cessation of operations that is treated as such a withdrawal under Section 4062(e) of ERISA, (c) a complete or partial withdrawal (within the meaning of Sections 4203 and 4205 of ERISA) by the Borrower or any ERISA Affiliate from a Multiemployer Plan, (d) the filing by the plan administrator of a notice of intent to terminate a Pension Plan or the treatment of a Pension Plan amendment as a termination under Sections 4041 or 4041A of ERISA, (e) the institution by the PBGC of proceedings under Section 4042 of ERISA to terminate a Pension Plan, (f) the occurrence of any event or condition which constitutes grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan, (g) the determination that any Pension Plan is considered an at-risk plan or a plan in endangered or critical status within the meaning of Section 432 of the Code or Sections 303 and 305 of ERISA, or (h) the imposition of any liability pursuant to Sections 4062(e) or 4069 of ERISA or by reason of the application of Section 4212(c) of ERISA upon the Borrower or any ERISA Affiliate.

"EU Bail-In Legislation Schedule" means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor person), as in effect from time to time.

"Event of Default" has the meaning set forth in Section 9.01.

"Exchange Act" means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"Excluded Taxes" means any of the following Taxes imposed on or with respect to a Recipient or required to be withheld or deducted from a payment to a Recipient: (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes and branch profits Taxes, in each case (i) imposed as a result of such Recipient being organized under the laws of, or having its principal office or, in the case of any Lender, its applicable lending office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes, (b) in the case of a Lender, U.S. federal withholding Taxes imposed on amounts payable to or for the account of such Lender with respect to an applicable interest in a Loan or Term Loan Commitment pursuant to a law in effect on the date on which (i) such Lender acquires such interest in the Term Loan Commitment or, if such Lender did not fund the applicable Loan pursuant to a prior Term Loan Commitment, on the date such Lender acquires the applicable interest in such Loan (in each case, other than pursuant to an assignment request by the Borrower under Section 11.13) or (ii) such Lender changes its lending office, except in each case to the extent that, pursuant to Section 3.01, amounts with respect to such Taxes were payable either to such Lender's assignor immediately before such Lender acquired the applicable interest in such Loan or Term Loan Commitment or to such Lender immediately before it changed its lending office, (c) Taxes attributable to such Recipient's failure to comply with Section 3.01(d) and (d) any U.S. federal withholding Taxes imposed under FATCA.

"Exclusively Licensed Patents" means the Patents exclusively licensed to any Loan Party or Subsidiary.

"Exploitation" shall mean, with respect to any Product, (a) any and all activities directed to the research, development, marketing, promotion, distribution, offering for sale, selling, and otherwise encouraging the approved use of such Product; (b) importing and exporting such Product for sale; and (c) interacting with applicable Governmental Authorities regarding the foregoing. When used as a verb, the term "Exploit" shall mean to engage in Exploitation.

"Extraordinary Receipts" means any cash received by or paid to or for the account of any Person not in the ordinary course of business, including tax refunds, pension plan reversions, proceeds of insurance (other than proceeds of business interruption insurance to the extent such proceeds constitute compensation for lost earnings), condemnation awards (and payments in lieu thereof), indemnity payments and any purchase price adjustments.

"Facilities" means, at any time, a collective reference to the facilities and real properties owned, leased or operated by any Loan Party or any Subsidiary.

"Fair Market Value" means, with respect to any asset or group of assets on any date of determination, the value of the consideration obtainable in a sale of such asset at such date of determination assuming a sale by a willing seller to a willing purchaser dealing at arm's length and arranged in an orderly manner over a reasonable period of time having regard to the nature and characteristics of such asset, as reasonably determined in good faith by the Board of Directors of RedHill Parent.

"FATCA" means Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantially comparable and not materially more onerous to comply with), any current or future Treasury Regulations thereunder or official interpretations thereof, any agreements entered into pursuant to current Section 1471(b)(1) of the Code (or any amended or successor version described above) and any intergovernmental agreement, treaty or convention among Governmental Authorities (or related legislation or official administrative guidance or rules) implementing the foregoing.

"FDA" means the Food and Drug Administration of the United States of America or any successor entity thereto.

"FDCA" means the Federal Food, Drug and Cosmetic Act, as amended, 21 U.S.C. Section 301 et seq. and all regulations promulgated thereunder.

"Federal Funds Rate" means, for any day, the greater of (a) the rate per annum equal to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day provided, that, if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day and (b) 0%.

"Fee Letter" means that certain fee letter agreement dated as of the date hereof between RedHill Parent and the Administrative Agent.

"Foreign Lender" means a Lender that is not a U.S. Person.

"Foreign Subsidiary" means any Subsidiary that is not a Domestic Subsidiary.

"FRB" means the Board of Governors of the Federal Reserve System of the United States.

"Fund" means any Person (other than a natural Person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its activities.

"Funded Indebtedness" means, as to any Person at a particular time, without duplication, all of the following, whether or not included as indebtedness or liabilities in accordance with IFRS:

(a) all obligations, whether current or long-term, for borrowed money (including the Term Loan Obligations) and all obligations of such Person evidenced by bonds, debentures, notes, loan agreements or other similar instruments;

(b) all purchase money Indebtedness;

(c) the principal portion of all obligations under conditional sale or other title retention agreements relating to property purchased by such Person or any Subsidiary thereof (other than customary reservations or retentions of title under agreements with suppliers entered into in the ordinary course of business);

(d) all obligations arising under letters of credit (including standby and commercial), bankers' acceptances, bank guaranties, surety bonds and similar instruments;

(e) all obligations, other than Earn Out Obligations and similar obligations, in respect of the deferred purchase price of property or services (other than trade accounts payable in the ordinary course of business and, in each case, not past due for more than 60 days after the date on which such trade account payable was created);

(f) the Attributable Indebtedness of Capital Leases, Securitization Transactions and Synthetic Leases;

(g) all obligations of such Person to purchase, redeem, retire, defease or otherwise make any payment in respect of any Equity Interests in such Person or any other Person, valued, in the case of a redeemable preferred interest, at the greater of its voluntary or involuntary liquidation preference plus accrued and unpaid dividends;

(h) all Funded Indebtedness of others secured by (or for which the holder of such Funded Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on, or payable out of the proceeds of production from, property owned or acquired by such Person, whether or not the obligations secured thereby have been assumed;

(i) all Guarantees with respect to Funded Indebtedness of the types specified in clauses (a) through (h) above of another Person; and

(j) all Funded Indebtedness of the types referred to in clauses (a) through (i) above of any partnership or joint venture (other than a joint venture that is itself a corporation or limited liability company) in which such Person is a general partner or joint venturer, except to the extent that Funded Indebtedness is expressly made non-recourse to such Person.

For purposes hereof, the amount of any direct obligation arising under letters of credit (including standby and commercial), bankers' acceptances, bank guaranties, surety bonds and similar instruments shall be the maximum amount available to be drawn thereunder.

"Governmental Authority" means the government of the United States, the government of Israel or any other nation, or of any political subdivision thereof, whether state, local or otherwise and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

"Governmental Licenses" means all authorizations issuing from a Governmental Authority, including the FDA, based upon or as a result of applications to and requests for approval from a Governmental Authority for the right to manufacture, import, store, market, promote, advertise, offer for sale, sell, use and/or otherwise distribute a Product, which are owned by or licensed to RedHill Parent or any Subsidiary, acquired by RedHill Parent or any Subsidiary via assignment, purchase or otherwise or that RedHill Parent or any Subsidiary is authorized or granted rights under or to.

"Guarantee" means, as to any Person, (a) any obligation, contingent or otherwise, of such Person guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation payable or performable by another Person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of such Person, direct or indirect, (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation, (ii) to purchase or lease property, securities or services for the purpose of assuring the obligee in respect of such Indebtedness or other obligation of the payment or performance of such Indebtedness or other obligation, (iii) to maintain working capital, equity capital or any other financial statement condition or liquidity or level of income or cash flow of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation, or (iv) entered into for the purpose of assuring in any other manner the obligee in respect of such Indebtedness or other obligation of the payment or performance thereof or to protect such obligee against loss in respect thereof (in whole or in part), or (b) any Lien on any assets of such Person securing any Indebtedness or other obligation of any other Person, whether or not such Indebtedness or other obligation is assumed by such Person (or any right, contingent or otherwise, of any holder of such Indebtedness to obtain any such Lien). The amount of any Guarantee shall be deemed to be an amount equal to the stated or determinable amount of the related primary obligation, or portion thereof, in respect of which such Guarantee is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by the guaranteeing Person in good faith. The term "Guarantee" as a verb has a corresponding meaning.

"Guarantors" means RedHill Parent and each other Person that joins this Agreement as a Guarantor pursuant to Section 7.12, together with their successors and permitted assigns.

"Guaranty" means the Guaranty made by the Guarantors in favor of the Administrative Agent, the Lenders and the other holders of the Obligations pursuant to Article IV.

"Hazardous Materials" means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos-containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

"HCR" means HealthCare Management, LLC.

"HHS" means the United States Department of Health and Human Services and any successor agency thereof.

"IFRS" means international financing reporting standards as then in effect, applied on a basis consistent (except for changes concurred in by RedHill Parent's independent public accountants) with the

most recent audited consolidated financial statements of RedHill Parent and its Subsidiaries delivered to the Administrative Agent.

"IND" means (i) any investigational new drug application, as defined in 21 C.F.R. § 312.3(b) (or any successor statute or regulation, as updated from time to time) or any comparable application filed with the applicable Regulatory Authority in a given country or regulatory jurisdiction, the filing of which is necessary to commence or conduct clinical testing of a product in humans in such country or jurisdiction, and (ii) all supplements and amendments that may be filed with respect to the foregoing.

"Indebtedness" means, as to any Person at a particular time, without duplication, all of the following, whether or not included as indebtedness or liabilities in accordance with IFRS:

(k) all Funded Indebtedness;

(l) the Swap Termination Value of any Swap Contract;

(m) all Guarantees with respect to outstanding Indebtedness of the types specified in clauses (a) and (b) above of any other Person; and

(n) all Indebtedness of the types referred to in clauses (a) through (c) above of any partnership or joint venture (other than a joint venture that is itself a corporation or limited liability company) in which such Person or a Subsidiary thereof is a general partner or joint venturer, unless such Indebtedness is expressly made non-recourse to such Person or such Subsidiary.

"Indemnified Taxes" means (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any Obligation of any Loan Party under this Agreement or any other Loan Document and (b) to the extent not otherwise described in clause (a) of this definition, Other Taxes.

"Indemnitee" means the Administrative Agent (and any sub-agent thereof) and each Lender, and each Related Party of any of the foregoing Persons.

"Information" means all information received from a Loan Party or any Subsidiary relating to the Loan Parties or any Subsidiary or any of their respective businesses, other than any such information that is available to the Administrative Agent or any Lender on a nonconfidential basis prior to disclosure by such Loan Party or any Subsidiary.

"Instruction to Payors" has the meaning set forth in Section 2.12(b).

"Interest Payment Date" means (a) the last day of each March, June, September and December; provided, that, if any such last day is not a Business Day, the applicable "Interest Payment Date" shall be the first Business Day immediately preceding such last day; and (b) the Term Loan Maturity Date.

"Interest Rate" means, as of any Interest Rate Determination Date, the per annum interest rate equal to the sum of (a) 8.20% per annum; provided, however, that, if the trailing four quarters of Net Revenues for the fiscal quarter ending March 31, 2021 for which financial statements have been delivered by RedHill Parent pursuant to Section 7.01(b) equal or exceed $38,000,000.00, 6.70% per annum and (b) the LIBOR Rate as of such date.

"Interest Rate Determination Date" means (i) the Closing Date and (ii) the first Business Day of each fiscal quarter (i.e., January, April, July and October), commencing with the first such date following the Closing Date.

"Interim Financial Statements" means the unaudited condensed consolidated interim financial statements of RedHill Parent and its Subsidiaries as at the end of and for the fiscal quarter ended September 30, 2019, including condensed consolidated interim statements of financial position, comprehensive income (loss), changes in equity, and cash flows.

"Internal Revenue Service" or "IRS" means the United States Internal Revenue Service.

"Investment" means, as to any Person, any direct or indirect acquisition or investment by such Person, whether by means of (a) the purchase or other acquisition of Equity Interests of another Person, (b) a loan, advance or capital contribution to, Guarantee or assumption of debt of, or purchase or other acquisition of any other debt or equity participation or interest in, another Person, including any partnership or joint venture interest in such other Person and any arrangement pursuant to which the investor Guarantees Indebtedness of such other Person, or (c) an Acquisition. For purposes of covenant compliance, the amount of any Investment shall be the amount actually invested, without adjustment for subsequent increases or decreases in the value of such Investment.

"Investment Grade Rating" means a rating equal to or higher than Baa3 (or the equivalent) by Moody's and BBB- (or the equivalent) by S&P, or an equivalent rating by any other rating agency.

"Involuntary Disposition" means any loss of, damage to or destruction of, or any condemnation or other taking for public use of, any property of any Loan Party or any of its Subsidiaries.

"IP Rights" means, collectively, all Confidential Information, all Copyrights, all Copyright Licenses, all Domain Names, all Governmental Licenses, all applications and requests for Governmental Licenses, all Other Intellectual Property, all Other IP Agreements, all Patents, all Patent Licenses, all Proprietary Databases, all Proprietary Software, all Trademarks, all Trademark Licenses, all Trade Secrets, all Websites, all Website Agreements and all Regulatory Approvals.

"Israeli Innovation Authority" shall mean the Israeli National Authority for Technological Innovation.

"Israeli Insolvency and Rehabilitation Law" means the Israeli Insolvency and Rehabilitation Law, 2018 as amended from time to time and any regulations promulgated thereunder.

"Israeli Fixed Charge Debenture" means the Israeli law first ranking fixed charge, dated as of the Closing Date, made by RedHill Parent in favor of the Administrative Agent, for the benefit of the holders of the Obligations, over its Intellectual Property (as defined therein), certain Talicia Assets, Capital Notes and such other assets as set forth therein, as amended or modified from time to time in accordance with the terms hereof.

"Israeli Floating Charge Debenture" means the Israeli law first ranking floating charge, dated as of the Closing Date, made by RedHill Parent in favor of the Administrative Agent, for the benefit of the holders of the Obligations, over its Inventory (as defined therein) and other assets that may be set forth therein from time to time, as amended or modified from time to time in accordance with the terms hereof.

"Joinder Agreement" means a joinder agreement substantially in the form of Exhibit C executed and delivered by a Subsidiary in accordance with the provisions of Section 7.12.

"Knowledge" means, with respect to RedHill Parent and its Subsidiaries, the knowledge of the members of the Board of Directors of such party and the officers of such party and the knowledge that they would have if they had made due and diligent inquiry of the files and records in their control or possession

and of those employees, agents, consultants, attorneys, accountants, advisors and other persons who would be expected to have knowledge as to the relevant matter.

"Laws" means, collectively, all international, foreign, federal, state and local statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authority, in each case, whether or not having the force of law.

"Lenders" means each of the Persons identified as a "Lender" on the signature pages hereto and their successors and assigns.

"Lending Office" means, as to any Lender, the office address of such Lender and, as appropriate, account of such Lender set forth on Schedule 11.02 or such other address or account as such Lender may from time to time notify to the Borrower and the Administrative Agent in accordance with Section 11.02(c).

"LIBOR" means the London Interbank Offered Rate.

"LIBOR Rate" means, as of any Interest Rate Determination Date, the greater of (a) the rate appearing on the applicable Reuters page (or on any successor or substitute page or service providing quotations of interest rates applicable to dollar deposits in the London interbank market comparable to those currently provided on such page, as determined by the Administrative Agent from time to time) at approximately 11:00 a.m., London time, on such Interest Rate Determination Date for a period of three months; provided, that, the rate of interest determined by the Administrative Agent to be the rate or the arithmetic mean of rates at which dollar deposits in immediately available funds are offered to first-tier banks in the London interbank Eurodollar market at approximately 11:00 a.m., London time, on such Interest Rate Determination Date for a period of three months and (b) 1.75%; provided, however, that, if (x) the administrator responsible for determining and publishing such rate per annum has made a public announcement identifying a date certain on or after which such rate shall no longer be provided or published, as the case may be, (y) timely, adequate and reasonable means do not exist for ascertaining such rate and the circumstances giving rise to the Administrative Agent's inability to ascertain any such rates are unlikely to be temporary as determined in the Administrative Agent's reasonable discretion or (z) after the date hereof, the adoption of or any change in any requirement of Law or in the interpretation or application thereof by any competent Governmental Authority shall make it unlawful for a Lender or its lending office to maintain loans or other advances based on LIBOR, then the Administrative Agent may, upon prior written notice to the Borrower, choose a reasonably comparable index or source together with corresponding adjustments to Section 2.05 that the Administrative Agent, in its reasonable discretion, has determined is necessary to preserve the current all-in yield (including interest rate margins, any interest rate floors and original issue discount, but without regard to future fluctuations of such alternative index, it being acknowledged and agreed that neither the Administrative Agent nor any Lender shall have any liability whatsoever from such future fluctuations) to use as the basis for LIBOR.

"License Agreement" means any partnership agreement, license agreement or similar agreement entered into by RedHill Parent and/or its Subsidiaries, pursuant to which RedHill Parent and/or a Subsidiary has granted a license or sublicense to any third party to develop, have developed, make, have made, seek Regulatory Approvals for, distribute, use, have used, import, sell, offer to sell, have sold or otherwise Exploit any Product.

"Licensee" means, with respect to any Product, a third party to whom RedHill Parent or any of its Subsidiaries has granted a license or sublicense to any third party to develop, have developed, make, have

made, seek Regulatory Approvals for, distribute, use, have used, import, sell, offer to sell, have sold or otherwise Exploit such Product under the applicable License Agreement. As used in this Agreement "Licensee" includes any third party to whom RedHill Parent or any of its Subsidiaries has granted the right (or any third party to whom any such third party has granted the right) to distribute any Product.

"Lien" means any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge, or preference, priority or other security interest of any kind or nature whatsoever (including any conditional sale or other title retention agreement, any easement, right of way or other encumbrance on title to real property, and any financing lease having substantially the same economic effect as any of the foregoing).

"Loan" means an extension of credit by a Lender to the Borrower under Article II.

"Loan Documents" means this Agreement, each Note, the Fee Letter, each Joinder Agreement, each Collateral Document and any other agreement, instrument or document between one or more Loan Parties and the Administrative Agent and/or one or more Lender(s) that is designated by its terms as a "Loan Document".

"Loan Notice" means a notice of a Borrowing of Loans pursuant to Section 2.02(a), which shall be substantially in the form of Exhibit A.

"Loan Parties" means, collectively, the Borrower and each Guarantor.

"Material Adverse Effect" means (a) a material adverse change in, or a material adverse effect upon, the business, assets, properties, liabilities (actual or contingent), or condition (financial or otherwise) or prospects (excluding prospects of Pipeline Products) of RedHill Parent and its Subsidiaries taken as a whole, (b) an impairment of the rights and remedies of the Administrative Agent or any Lender under any Loan Document to which it is a party or a material impairment in the perfection, value or priority of the Administrative Agent's security interests in the Collateral, (c) an impairment of the ability any Loan Party to perform its material obligations under any Loan Document to which it is a party, or (d) a material adverse effect upon the legality, validity, binding effect or enforceability against any Loan Party of any Loan Document to which it is a party.

"Material Contracts" means the Organization Documents and the other agreements set forth on Schedule 6.22.

"Material IP Rights" means IP Rights that (a) are material to the operations, business, property, condition (financial or otherwise) or prospects of RedHill Parent and its Subsidiaries or their licensee(s) or (b) the loss of which could reasonably be expected, either individually or in the aggregate, to have a Material Adverse Effect.

"Material Real Property" means any fee-owned real property located in the United States owned by any Loan Party on the Closing Date, acquired by any Loan Party after the Closing Date or owned by any Person at the time such Person becomes a Loan Party, in each case, having a Fair Market Value in excess of $5,000,000 as of the date of acquisition thereof or if the owning entity becomes a Loan Party after the Closing Date, as of the date such Person becomes a Loan Party.

"Maximum Rate" means the maximum rate of non-usurious interest permitted by applicable Law.

"Moody's" means Moody's Investors Service, Inc. and any successor thereto.

"Mortgages" means the mortgages, deeds of trust or deeds to secure debt that purport to grant to the Administrative Agent, for the benefit of the holders of the Obligations, a security interest in the fee interest and/or leasehold interests of any Loan Party in real property.

"Multiemployer Plan" means any "employee benefit plan" (as defined in Section 3(3) of ERISA) that is a "multiemployer plan" as defined in Section 4001(a)(3) of ERISA, to which the Borrower or any ERISA Affiliate makes or is obligated to make contributions, or during the preceding five plan years, has made or been obligated to make contributions.

"Net Revenues" means the Net Sales, Other Royalty Payments, and any other payments made in lieu of the sale of any Product (to the extent such payments are not included in the Net Sales or Other Royalty Payments) and any other revenue generated from normal business operations of RedHill Parent and its Subsidiaries recognized as revenue by RedHill Parent and its Subsidiaries in accordance with IFRS. Notwithstanding the foregoing, in no event shall Net Revenue as calculated pursuant to the foregoing definition be less than net revenue as reported in RedHill Parent's financial statements provided pursuant to Section 7.01.

"NDA" means a "new drug application" as such term is used under the United States Federal Food, Drug and Cosmetic Act, 21 U.S.C. 301, et. seq., as it may be amended from time to time, including all subsequent submissions, supplements and amendments thereto.

"Net End User Sales" means IQVIA prescription sales, as delivered to the Administrative Agent by RedHill Parent and approved by the Administrative Agent in the Administrative Agent's sole discretion with any adjustments thereto that the Administrative Agent may make, such approval and adjustments not to be unreasonably withheld or applied.

"Net Sales" means, with respect to the Products, the gross amount billed or invoiced or otherwise recognized as revenue by RedHill Parent and its Subsidiaries in accordance with IFRS in respect of worldwide sales or other dispositions of the Products by RedHill Parent, its Affiliates or Licensees (or any permitted assignee or transferee hereunder) (but not including sales to an Affiliate or Licensee unless the Affiliate or Licensee is the ultimate end user of such Product; provided, that, for purposes of this Net Sales definition, a third-party distributor to which RedHill Parent and/or any of its Subsidiaries has sold Products for no less than wholesale value shall be considered an "end user", and sales by such distributor to any third parties shall not be included in Net Sales), less the following deductions to the extent included in the gross amount billed or invoiced in respect of sales or other dispositions of the Products or otherwise recognized as revenue by RedHill Parent and its Subsidiaries in accordance with IFRS: (a) rebates, credits or allowances actually granted for damaged or defective products, returns or rejections of Products or recalls, or for retroactive price reductions and billing errors; (b) normal and customary trade, cash, quantity and other customary discounts, allowances and credits (including chargebacks) given to third parties in the ordinary course of business; (c) excise taxes, sales taxes, duties, VAT taxes and other taxes to the extent imposed upon and paid with respect to the sales price, and a pro rata portion of pharmaceutical excise taxes imposed on sales of pharmaceutical products as a whole and not specific to Products (such as those imposed by the U.S. Patient Protection and Affordable Care Act of 2010, Pub. L. No. 111-148, as amended) (and excluding in each case national or local taxes based on income); (d) freight, postage, shipping and shipping insurance expense and other transportation charges directly related to the distribution of the Products; (e) distribution services agreement fees and other similar amounts allowed or paid to third party distributors, including specialty distributors of the Products, (f) rebates made with respect to sales paid for by any Governmental Authority, their agencies and purchasers and reimbursers, managed health care organizations, or to trade customers; (g) the portion of administrative fees paid during the relevant time period to group purchasing organizations or pharmaceutical benefit managers relating to the Products; (h) any invoiced amounts that are not collected by RedHill Parent, its Affiliates or Licensees, including bad

debts; and (i) any customary or similar payments to the foregoing clauses (a) through (h) that apply to the sale or disposition of pharmaceutical products.

In the case of any sale or other disposal for value, such as barter or counter-trade, of a Product, or part thereof, other than in an arm's length transaction exclusively for cash, Net Sales shall be calculated as above on the value of the non-cash consideration received or the fair market price (if higher) of such Included Product in the country of sale or disposal, as determined in accordance with IFRS.

"Non-Exclusively Licensed Patents" means Patents licensed to a Loan Party or Subsidiary on a non-exclusive basis.

"NME" means a "new molecular entity" as designated by the FDA.

"Note" or "Notes" means the Term Notes, individually or collectively, as appropriate.

"Obligations" means all advances to, and debts, liabilities, obligations, covenants and duties of, any Loan Party arising under any Loan Document or otherwise with respect to any Loan and any Revenue Interest, in each case, whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising and including interest and fees that accrue after the commencement by or against any Loan Party or any Affiliate thereof of any proceeding under any Debtor Relief Laws naming such Person as the debtor in such proceeding, regardless of whether such interest and fees are allowed claims in such proceeding.

"OFAC" means the Office of Foreign Assets Control of the United States Department of the Treasury.

"Organization Documents" means, (a) with respect to any company or corporation, the certificate or articles of incorporation and the memorandum or articles of association, bylaws (or equivalent or comparable constitutive documents with respect to any non-U.S. jurisdiction), (b) with respect to any limited liability company, the certificate or articles of formation or organization and operating agreement, and (c) with respect to any partnership, joint venture, trust or other form of business entity, the partnership, joint venture or other applicable agreement of formation or organization and any agreement, instrument, filing or notice with respect thereto filed in connection with its formation or organization with the applicable Governmental Authority in the jurisdiction of its formation or organization and, if applicable, any certificate or articles of formation or organization of such entity.

"Other Connection Taxes" means, with respect to any Recipient, Taxes imposed as a result of a present or former connection between such Recipient and the jurisdiction imposing such Taxes (other than connections arising from such Recipient having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced under any Loan Document, or sold or assigned an interest under any Loan Document).

"Other Intellectual Property" means all worldwide intellectual property rights, industrial property rights, proprietary rights and common-law rights, whether registered or unregistered, which are not otherwise included in Confidential Information, Copyrights, Domain Names, Other IP Agreements, Patents, Trademarks, Proprietary Databases, Proprietary Software, Websites, Website Agreements and Trade Secrets, including, without limitation, all rights to and under all new and useful algorithms, data (including all clinical data relating to a Product), databases, designs, discoveries, inventions, know-how, methods, processes, protocols, chemistries, compositions, formulas, show-how, software (other than commercially available, off-the-shelf software that is not assignable in connection with a Change of Control),

specifications for Products, techniques, technology, trade dress and all improvements thereof and thereto, in each of the foregoing cases, which is owned by or licensed to RedHill Parent or any Subsidiary or with respect to which RedHill Parent or any Subsidiary is authorized or granted rights under or to.

"Other IP Agreements" means any agreement, whether written or oral, providing for the grant of any right under any Confidential Information, Governmental License, application or request for a Governmental License, Proprietary Database, Proprietary Software, Trade Secret and/or any other IP Right, to the extent that the grant of any such right is not otherwise the subject of a Copyright License, Trademark License, Patent License or Website Agreement.

"Other Royalty Payments" means, without duplication, any partnership distributions, royalty payments, upfront payments, milestone payments or similar payments or any other amounts payable by the Licensees to RedHill Parent or its Subsidiaries under or in respect of the applicable License Agreement or any other amounts or proceeds arising from the applicable License Agreement other than: (a) payments by Licensees for payment or reimbursement of expenses, including patent prosecution, defense, enforcement or maintenance expenses in respect of any intellectual property or IP Rights; (b) the fair market value of payments received by RedHill Parent from a Licensee for any debt and/or equity securities or instruments issued by RedHill Parent, or payments for an acquisition of all or substantially all of its assets that include the assignment of this Agreement; (c) funds received from a Licensee as a reimbursement of expenses for bona fide research and development of products (including payments for FTEs, clinical development and manufacturing expenses); and (d) currently unrecognized revenue from any cash payments received on or before the Closing Date under lease agreements in effect as of the Closing Date.

"Other Taxes" means all present or future stamp, court, documentary, intangible, excise, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Loan Document, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment (other than an assignment made pursuant to Section 11.13).

"Outstanding Amount" means with respect to any Loans on any date, the aggregate outstanding principal amount thereof after giving effect to any borrowings and prepayments or repayments of any Loans occurring on such date.

"Owned Patents" means the Patents owned by the Loan Parties or their Subsidiaries.

"Participant" means a Person to whom a Lender sell participations in all or a portion of such Lender's rights and/or obligations under this Agreement.

"Participant Register" means a register on which a Lender enters the name and address of each Participant and the principal amounts (and interest amounts) of each Participant's interest in the Term Loan or other obligations under the Loan Documents.

"Patent License" means any written agreement, providing for the grant of any right under any Patent.

"Patent Office" means the respective patent office (foreign or domestic) for any patent.

"Patents" means all letters patent and patent applications in the United States and all other countries (and all letters patent that issue therefrom or from an application claiming priority therefrom) and all reissues, reexaminations, extensions, renewals, divisions and continuations (including continuations-in-part and continuing prosecution applications) thereof, for the full term thereof, together with any and all (i)

rights and privileges arising under Applicable Law with respect to such Person's use of any patents, (ii) inventions and improvements described and claimed therein, (iii) reissues, divisions, continuations, renewals, extensions and continuations-in-part thereof and amendments thereto, and (iv) rights corresponding thereto throughout the world.

"Patent Payments" means (i) income, fees, royalties, damages, claims and payments now or hereafter due and/or payable under any Patent, and with respect thereto, including damages and payments for past, present or future infringements thereof, and (ii) rights to sue for past, present or future infringements thereof.

"PBGC" means the Pension Benefit Guaranty Corporation or any successor thereto.

"Pension Funding Rules" means the rules of the Code and ERISA regarding minimum required contributions (including any installment payment thereof) to Pension Plans and set forth in Section 412, 430, 431, 432 and 436 of the Code and Sections 302, 303, 304 and 305 of ERISA.

"Pension Plan" means any "employee pension benefit plan" (as defined in Section 3(2) of ERISA), other than a Multiemployer Plan, that is maintained or is contributed to by the Borrower and any ERISA Affiliate and is either covered by Title IV of ERISA or is subject to minimum funding standards under Section 412 of the Code.

"Perfection Certificate" means that certain perfection certificate, in form and substance reasonably satisfactory to the Administrative Agent, executed by RedHill Parent and the Borrower and dated as of the Closing Date.

"Permits" means licenses, Governmental Licenses, certificates, accreditations, Regulatory Approvals, other authorizations, registrations, permits, consents, clearances and approvals required in connection with the conduct of RedHill Parent's or any Subsidiary's business or to comply with any applicable Laws, and those issued by state governments for the conduct of RedHill Parent's or any Subsidiary's business.

"Permitted Acquisitions" means the Acquisition of the Specified Asset and any other Acquired Asset; provided, that, in each case, (a) no Default or Event of Default shall have occurred and be continuing or would result from such Acquisition, (b) (i) in the case of any purchase or acquisition of Equity Interests in a Person, such Person (including each Subsidiary of such Person), upon the consummation of such purchase or acquisition, will be a Subsidiary of the Borrower, or (ii) in the case of any purchase, license or acquisition of other assets, such assets will be owned and/or licensed by the Borrower, (c) the property or rights purchased, licensed or acquired (or the property of the Person acquired) in such Acquisition is used or useful in a business that is materially the same as or reasonably related, ancillary, similar, complementary, or synergistic to the line of business of RedHill Parent and its Subsidiaries on the Closing Date (or any reasonable extensions, developments or expansions thereof), (d) the Administrative Agent shall have received all items in respect of the Equity Interests or property purchased, licensed or acquired in such Acquisition required to be delivered by the terms of Section 7.12 and/or Section 7.14, (e) in the case of an Acquisition of the Equity Interests of another Person, the Board of Directors of such other Person shall have duly approved such Acquisition, (f) if aggregate consideration (including cash and non-cash consideration, deferred purchase price and any Earn Out Obligations) for the Acquisition is greater than $15,000,000, the Borrower shall have delivered to the Administrative Agent and the Lenders pro forma financial statements for RedHill Parent and its Subsidiaries after giving effect to such Acquisition for the twelve month period ending as of the most recent fiscal quarter end in a form satisfactory to the Administrative Agent, (g) the representations and warranties made by the Loan Parties in each Loan Document shall be true and correct in all material respects (and in all respects if any such representation or warranty is already qualified by

materiality or reference to Material Adverse Effect) at and as if made as of the date of such Acquisition (after giving effect thereto), except to the extent any such representation and warranty expressly relates to an earlier date, in which case it shall be true and correct in all material respects (and in all respects if any such representation or warranty is already qualified by materiality or reference to Material Adverse Effect) as of such earlier date, (h) (i) in the case of the Acquisition of the Specified Asset, the Acquisition Documents, providing for such Acquisition (including all schedules and exhibits thereto), shall be subject to the approval of the Administrative Agent in its sole discretion, and (ii) in the case of all other Acquisitions of an Acquired Asset, the Acquisition Documents, providing for such Acquisition (including all schedules and exhibits thereto), shall be subject to the approval of the Administrative Agent in its reasonable discretion, (i) other than in the case of the Acquisition of the Specified Asset, such Acquisition shall be paid for by the Borrower solely out of or with the net proceeds of a substantially concurrent sale by RedHill Parent of Equity Interests of RedHill Parent (other than Disqualified Equity Interests), (j) no Indebtedness shall have been incurred or assumed by any Loan Party or any Subsidiary in anticipation of, or in connection with, such Acquisition, and (k) in the case of the Acquisition of the Specified Asset, the Borrower shall draw the Tranche B Term Loan in full (or such lesser amount as the Lenders shall agree to in writing in their sole discretion) substantially concurrent with the Borrower's obligation to fund such Acquisition. Notwithstanding anything herein to the contrary, the Acquisition of the Specified Asset shall not be a "Permitted Acquisition" or permitted under this Agreement unless the Borrower draws the Tranche B Term Loans in full, or such lesser amount as the Lenders shall agree to in writing in their sole discretion.

"Permitted Licenses" means, collectively, (a) licenses of over-the-counter software that is commercially available to the public, (b) the Talicia Intercompany Agreement in effect on the Closing Date and amendments thereto approved by the Administrative Agent in its sole discretion, and (c) non-exclusive and exclusive licenses for the use of the intellectual property of RedHill Parent and its Subsidiaries (other than any license of (x) any Acquired Assets in the United States (or any state or other political subdivision thereof) or (y) any Talicia Assets (including, in each case, any IP Rights associated with such Products)) entered into in the ordinary course of business; provided, that, with respect to each such license described in clause (c), (i) no Default or Event of Default has occurred or is continuing at the time of entry into such license, (ii) the license constitutes an arms-length transaction, the terms of which, on their face, do not provide for a sale or assignment of any intellectual property and do not restrict the ability of RedHill Parent or any of its Subsidiaries, as applicable, to pledge, grant a Lien on or assign or otherwise transfer any intellectual property, (iii) in the case of any exclusive license, (A) the Borrower delivers ten (10) days' prior written notice and a brief summary of the terms of the proposed license to the Administrative Agent and delivers to the Administrative Agent and the Lenders copies of the final executed licensing documents in connection with the exclusive license promptly upon consummation thereof, and (B) any such license could not result in a legal transfer of title of the licensed property but may be exclusive in respects other than territory and may be exclusive as to territory only as to discrete geographical areas outside of the United States, and (iv) in the case of any exclusive license that includes the United States as a territory, all upfront payments, royalties, milestone payments or other proceeds arising from the licensing agreement that are payable to RedHill Parent or any of its Subsidiaries are paid to a Deposit Account that is governed by a Control Agreement. It is understood and agreed that, notwithstanding anything to the contrary set forth in this definition, in no event shall a "Permitted License" include (x) any license of any Acquired Assets (or any IP Rights associated therewith) in the United States (or any state or other political subdivision thereof) or (y) any license of the Talicia Assets (or any IP Rights associated therewith) other than the Talicia Intercompany Agreement permitted under clause (b) herein.

"Permitted Liens" means, at any time, Liens in respect of property of any Loan Party or any of its Subsidiaries permitted to exist at such time pursuant to the terms of Section 8.01.

"Permitted Royalty/Revenue Financings" means any royalty or revenue financing providing for (a) the sale, transfer or other disposition by RedHill Parent or any Foreign Subsidiary (provided, that, such

Foreign Subsidiary is not a Loan Party or a Subsidiary of the Borrower or any other Domestic Subsidiary) of rights to payment under royalties, licenses and trade receivables solely with respect to a Product (other than Talicia, Aemcolo, or the Specified Asset) to a Royalty/Revenue Subsidiary in a transaction or series of transactions purporting to be sales, and (b) the sale, transfer or other disposition of, or granting a Lien in, such royalties, licenses and trade receivables by a Royalty/Revenue Subsidiary to any investor, in each case under clause (a) or (b) above, without any recourse to RedHill Parent and its Subsidiaries (other than the Royalty/Revenue Subsidiary) other than pursuant to customary representations and warranties (such as valid title to the sold, transferred or disposed asset), customary covenants (such as the servicing of the sold trade receivables), and other similar provisions customary for such financings, whether pursuant to a Guarantee or otherwise, and that may be secured solely by a security interest in the Equity Interests of the Royalty/Revenue Subsidiary, royalties (or rights therein or related thereto), rights to payment under royalties, licenses and the proceeds thereof. The "amount" or "principal amount" of any Permitted Royalty/Revenue Financing shall be deemed at any time to be (i) in the case of any Permitted Royalty/Revenue Financing where the sale, transfer or other disposition referred to in clause (a) above is funded by the incurrence of Indebtedness that are to receive payments from, or that represent interests in, the cash flow derived from the applicable royalties, licenses and/or trade receivables, the aggregate principal or stated amount of such Indebtedness (or, if there shall be no such principal or stated amount, the uncollected amount of the trade receivable sold, transferred or disposed pursuant to such Permitted Royalty/Revenue Financing, net of any such trade receivable that have been written off as uncollectible), and (ii) in the case of any Permitted Royalty/Revenue Financing involving a direct sale, transfer or other disposition by a Royalty/Revenue Subsidiary to one or more investors, the uncollected amount of the trade receivables transferred pursuant to such Permitted Royalty/Revenue Financing, net of any such trade receivables that have been written off as uncollectible.

"Permitted Transfers" has the meaning set forth in the definition of Disposition.

"Person" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

"Pipeline Product" means any Product not currently or previously offered for sale by RedHill Parent or any of its Subsidiaries.

"Plan" means any "employee benefit plan" within the meaning of Section 3(3) of ERISA (including a Pension Plan) that is maintained for employees of the Borrower or, in the case of any Pension Plan, any ERISA Affiliate or to which the Borrower or, in the case of any Pension Plan, any ERISA Affiliate is required to contribute on behalf of any of its employees.

"Pledge Agreement" means the pledge agreement dated as of the Closing Date executed in favor of the Administrative Agent, for the benefit of the holders of the Obligations, by each of the Loan Parties, as amended or modified from time to time in accordance with the terms hereof.

"Product" means any current or future product or service advertised, developed, imported, manufactured, marketed, offered for sale, licensed, provided, promoted, sold, tested, used or otherwise distributed by RedHill Parent or any Subsidiary in connection with the Business, including those products set forth on Schedule 1.01(c) (as updated from time to time in accordance with the terms of this Agreement) and including, without limitation, Talicia, Aemcolo, the Specified Asset and any Acquired Assets, if applicable; provided, that, if any Loan Party shall fail to comply with its obligations under this Agreement to give notice to Administrative Agent and update Schedule 1.01(c) prior to manufacturing, selling, developing, testing or marketing any new Product, any such improperly undisclosed Product shall be deemed to be included in this definition.

"Prohibited Subsidiary" means any Subsidiary of RedHill Parent that is not the Borrower or a subsidiary of the Borrower.

"Proprietary Databases" means any material non-public proprietary database or information repository that is owned by or licensed to RedHill Parent or any Subsidiary or with respect to which RedHill Parent or any Subsidiary is authorized or granted rights under or to.

"Proprietary Software" means any proprietary software (other than any software that is generally commercially available, off-the-shelf and/or open source) including, without limitation, the object code and source code forms of such software and all associated documentation, which is owned or licensed to RedHill Parent or any Subsidiary or with respect to which RedHill Parent or any Subsidiary is authorized or granted rights under or to.

"QIDP" means a qualified infectious disease product as designated by the FDA.

"Qualified Capital Stock" of any Person means any Equity Interests of such Person that are not Disqualified Capital Stock.

"Quarterly Net Revenues" means, with respect to any Calendar Quarter, the aggregate amount of worldwide Net Revenues for that Calendar Quarter.

"Quarterly Payment Date" means each February 15, May 15, August 15 and November 15, beginning May 15, 2021 (provided, that, if any such date is not a Business Day, the applicable "Quarterly Payment Date" shall be the Business Day immediately preceding such date).

"Recipient" means the Administrative Agent, any Lender, and any other recipient of any payment by or on account of any obligation of any Loan Party under any Loan Document.

"RedHill Parent" means RedHill Biopharma, Ltd., a company incorporated under the laws of the State of Israel.

"Register" means a register for the recordation of the names and addresses of the Lenders, and the Term Loan Commitments of, and principal amounts (and interest amounts) of the Loans owing to, each Lender pursuant to the terms hereof from time to time.

"Registered IP" means (i) all Copyrights and all Trademarks of any Loan Party and its Subsidiaries, that are registered, or in respect of which an application for registration has been filed or recorded, with the United States Patent and Trademark Office or the United States Copyright Office or with any other Governmental Authority (or comparable organization or office established in any country or pursuant to an international treaty or similar international agreement for the filing, recordation or registration of interests in intellectual property), together with relevant identifying information with respect to such Copyrights and Trademarks, (ii) all Patents of any Loan Party and its Subsidiaries that are issued, or in respect of which an application has been filed or recorded, with the United States Patent and Trademark Office or with any other Governmental Authority (or comparable organization or office established in any country or pursuant to an international treaty or similar international agreement for the filing, recordation or registration of interests in intellectual property), together with relevant identifying information with respect to such Patents, and (iii) all Domain Names of any Loan Party, together with relevant identifying information with respect to such Domain Names.

"Regulatory Approval Application" means an application submitted to the appropriate Regulatory Authority seeking Regulatory Approval of a product in a country, including INDs and NDAs.

"Regulatory Approvals" means, with respect to a country or other jurisdiction, the approvals (including approvals of biologics license applications and marketing authorization applications), licenses, registrations, clearances or authorizations of any Governmental Authority necessary to market and/or commercialize any Product in such country or other jurisdiction.

"Regulatory Documentation" means any and all (i) applications, registrations, licenses, authorizations and approvals, and non-clinical and clinical study authorization applications or notifications (including all INDs, Regulatory Approval Applications, Regulatory Approvals and amendments and supplements to any of the foregoing and all supporting files, writings, data, studies and reports) prepared for submission to a Regulatory Authority or any other Governmental Authority with a view to the obtaining or maintaining of any Regulatory Approval, (ii) substantive correspondence to or with the FDA, any Regulatory Authority or any other Governmental Authority, (iii) pharmacovigilance databases, adverse drug experience reports and associated documents, and investigations of adverse drug experience reports, and (iv) non-clinical, clinical and other data contained or referenced in or supporting any of the foregoing.

"Regulatory Authority" means, in a particular country or regulatory jurisdiction, any applicable supranational, national, regional, state or local regulatory agency, department, bureau, commission, council or other Governmental Authority involved in granting Regulatory Approval for a product in such country or regulatory jurisdiction, including without limitation, the FDA.

"Related Indemnified Party" means, with respect to any Indemnitee, (a) any controlled or controlling Affiliate of such Indemnitee, and (b) the respective officers, directors, employees, agents or representatives of such Indemnitee or any of its controlled or controlling Affiliates, in the case of this clause (b), acting at the direction of such Indemnitee or controlled or controlling Affiliate; provided, that, each reference to a controlled or controlling Affiliate in this definition pertains to a controlled or controlling Affiliate involved in the negotiation, syndication, administration or enforcement of this Agreement.

"Related Parties" means, with respect to any Person, such Person's Affiliates and the partners, directors, officers, employees, agents, trustees, administrators, managers, advisors, sub-advisors and representatives of such Person and of such Person's Affiliates.

"Reportable Event" means any of the events set forth in Section 4043(c) of ERISA, other than events for which the thirty-day notice period has been waived.

"Required Lenders" means, at any time, Lenders having Total Credit Exposures representing more than 50% of the Total Credit Exposures of all Lenders. The Total Credit Exposure of any Defaulting Lender shall be disregarded in determining Required Lenders at any time.

"Resignation Effective Date" means the date thirty (30) days after the retiring Administrative Agent gives notice of its resignation (or such earlier day as shall be agreed by the Required Lenders).

"Responsible Officer" means the chief executive officer, president, chief financial officer, chief operating officer, senior vice president, general counsel, vice president of finance, treasurer, assistant treasurer or controller of a Loan Party and, solely for purposes of the delivery of certificates pursuant to Sections 5.01 or 7.12(b), the secretary or any assistant secretary of a Loan Party. Any document delivered hereunder that is signed by a Responsible Officer of a Loan Party shall be conclusively presumed to have been authorized by all necessary corporate, partnership and/or other action on the part of such Loan Party and such Responsible Officer shall be conclusively presumed to have acted on behalf of such Loan Party.

"Restricted Payment" means (a) any dividend or other distribution, direct or indirect, on account of any shares (or equivalent) of any class of Equity Interests of any Loan Party or any of its Subsidiaries,

now or hereafter outstanding, (b) any redemption, retirement, sinking fund or similar payment, purchase or other acquisition for value, direct or indirect, of (i) any shares (or equivalent) of any class of Equity Interests of any Loan Party or any of its Subsidiaries, now or hereafter outstanding or (ii) any call option on any shares (or equivalent) of any class of Equity Interests or any Loan Party or any of its Subsidiaries (irrespective of whether such call option can be cash, net share or physically settled), (c) any payment made to retire, or to obtain the surrender of, any outstanding warrants, options or other rights to acquire shares of any class of Equity Interests of any Loan Party or any of its Subsidiaries, now or hereafter outstanding, or (d) any payments made by any Loan Party or Subsidiary (other than the applicable Royalty/Revenue Subsidiary) with respect to the corresponding Permitted Royalty/Revenue Financing (other than of the limited recourse nature described in the definition thereof).

"Revenue Interest" means all of RedHill Parent's rights, title and interest in and to, free and clear of any and all Liens, that portion of the Annual Net Revenues of RedHill Parent and its Subsidiaries in an amount equal to the Revenue Interest Payment Amount for each Calendar Quarter for the period from January 1, 2021 to December 31, 2029.

"Revenue Interest Maturity Date" means February 15, 2030.

"Revenue Interest Payment Amount" means, for each Calendar Quarter, an amount equal to the Applicable Royalty Rate multiplied by the Quarterly Net Revenues for such Calendar Quarter. For clarity, the Applicable Royalty Rate used to calculate the Revenue Interest Payment Amount for a given Calendar Quarter will be based on the aggregate worldwide Net Revenues billed or invoiced in such Calendar Quarter and all prior Calendar Quarters in the applicable Calendar Year. The Revenue Interest Payment Amount for each Quarterly Payment Date shall be determined in a manner consistent with the example of such calculation set forth in Exhibit H.

"Royalty/Revenue Subsidiary" means any Wholly-Owned Subsidiary that: (a) is a Foreign Subsidiary, (b) is owned directly by RedHill Parent, (c) is formed for the sole and exclusive purpose of engaging in activities in connection with a Permitted Royalty/Revenue Financing and (d) whose sole assets consist of a single Product (which, for the avoidance of doubt, may not include Talicia, any Talicia Assets, the Specified Asset, any Acquired Assets or Aemcolo) and any royalties (or rights therein or related thereto), rights to payment under royalties, licenses and the proceeds thereof, which are the subject of the Permitted Royalty/Revenue Financing.

"S&P" means S&P Global Ratings, a division of S&P Global Inc., and any successor thereto.

"Safety Notices" means any recalls, field notifications, market withdrawals, warnings, "dear doctor" letters, investigator notices, safety alerts or other notices of action issued or instigated by RedHill Parent, any Subsidiary or any Governmental Authority relating to an alleged lack of safety or regulatory compliance of the Products.

"Sale and Leaseback Transaction" means, with respect to any Loan Party or any Subsidiary, any arrangement, directly or indirectly, with any Person whereby the Loan Party or such Subsidiary shall sell or transfer any property used or useful in its business, whether now owned or hereafter acquired, and thereafter rent or lease such property or other property that it intends to use for substantially the same purpose or purposes as the property being sold or transferred.

"Sanction(s)" means any sanction administered or enforced by the United States government (including, without limitation, OFAC), the State of Israel, the United Nations Security Council, the European Union, Her Majesty's Treasury ("HMT") or other relevant sanctions authority , in each case to the extent applicable to RedHill Parent or one of the Subsidiaries.

"SEC" means the Securities and Exchange Commission, or any Governmental Authority succeeding to any of its principal functions.

"Securities Account" means a "securities account" (as defined in Article 8 of the Uniform Commercial Code) or other account to or for the credit or account of any Loan Party to which a financial asset is or may be credited in accordance with an agreement under which the Person maintaining the account undertakes to treat the Person for whom the account is maintained as entitled to exercise the rights that comprise the financial asset.

"Securities Act" means the Securities Act of 1933.

"Securitization Transaction" means, with respect to any Person, any financing transaction or series of financing transactions (including factoring arrangements) pursuant to which such Person or any Subsidiary of such Person may sell, convey or otherwise transfer, or grant a security interest in, accounts, payments, receivables, rights to future lease payments or residuals or similar rights to payment to a special purpose subsidiary or affiliate of such Person.

"Security Agreement" means the security agreement dated as of the Closing Date executed in favor of the Administrative Agent, for the benefit of the holders of the Obligations, by each of the Loan Parties, as amended or modified from time to time in accordance with the terms hereof.

"Solvent" or "Solvency" means, with respect to any Person as of a particular date, that on such date (a) such Person is able to pay its debts and other liabilities, contingent obligations and other commitments as they mature in the ordinary course of business, (b) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay as such debts and liabilities mature in their ordinary course, (c) such Person is not engaged in a business or a transaction, and is not about to engage in a business or a transaction, for which such Person's property would constitute unreasonably small capital after giving due consideration to the prevailing practice in the industry in which such Person is engaged or is to engage, (d) such Person is not insolvent according to the insolvency tests set out in the Israeli Insolvency and Rehabilitation Law, (e) the fair value of the property of such Person is greater than the total amount of liabilities, including, without limitation, contingent liabilities, of such Person and (f) the present fair salable value of the assets of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured. In computing the amount of contingent liabilities at any time, it is intended that such liabilities will be computed at the amount which, in light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

"Specified Transaction" means any Acquisition, any Disposition, any sale, transfer or other disposition that results in a Person ceasing to be a Subsidiary, any Involuntary Disposition or any Investment that results in a Person becoming a Subsidiary, in each case, whether by merger, consolidation or otherwise.

"Subordinated Indebtedness" means Indebtedness of RedHill Parent or any Subsidiary subordinated to all of RedHill Parent's now or hereafter indebtedness to the Administrative Agent (pursuant to a subordination, intercreditor, or other similar agreement in form and substance satisfactory to the Administrative Agent entered into between the Administrative Agent and the other creditor), on terms acceptable to the Administrative Agent in its sole discretion.

"Subsidiary" of a Person means a corporation, partnership, joint venture, limited liability company or other business entity of which a majority of the shares of Voting Stock is at the time beneficially owned, or the management of which is otherwise controlled, directly, or indirectly through one or more

intermediaries, or both, by such Person. Unless otherwise specified, all references herein to a "Subsidiary" or to "Subsidiaries" shall refer to a Subsidiary or Subsidiaries of, in each case to the extent applicable, to RedHill Parent or one of its Subsidiaries.

"Swap Contract" means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules, a "Master Agreement"), including any such obligations or liabilities under any Master Agreement.

"Swap Termination Value" means, in respect of any one or more Swap Contracts, after taking into account the effect of any legally enforceable netting agreement relating to such Swap Contracts, (a) for any date on or after the date such Swap Contracts have been closed out and termination value(s) determined in accordance therewith, such termination value(s) and (b) for any date prior to the date referenced in clause (a), the amount(s) determined as the mark-to-market value(s) for such Swap Contracts, as determined based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Swap Contracts (which may include a Lender or any Affiliate of a Lender).

"Synthetic Lease" means any synthetic lease, tax retention operating lease, off-balance sheet loan or similar off-balance sheet financing arrangement whereby the arrangement is considered borrowed money indebtedness for tax purposes but would be classified as an operating lease or does not otherwise appear on a balance sheet in accordance with IFRS as in effect on December 31, 2018.

"Talicia" means RedHill Parent's proprietary three-drug combination of omeprazole, a proton pump inhibitor, amoxicillin, a penicillin-class antibacterial, and rifabutin, a rifamycin antibacterial, marketed as Talicia®, as well as any follow-on compound that consists of a proton pump inhibitor, a penicillin-class antibacterial, and a rifamycin.

"Talicia Assets" mean (a) the Talicia Intercompany Agreement, (b) any contracts relating in any material respect to Talicia to which RedHill Parent or any of its Subsidiaries is a party, (c) the IP Rights and Patent Payments relating in any material respect to Talicia, (d) gross revenues of RedHill Parent and its Subsidiaries with respect to Talicia, (e) the Talicia Regulatory Documentation; (f) all inventory (including work-in-process) of Talicia; (g) the Talicia Records; (h) any Deposit Account, any Securities Account and all rights (contractual and otherwise and whether constituting accounts, contract rights, financial assets, cash, investment property or general intangibles) arising under, connected with or in any way related to any Deposit Account or any Securities Account containing any Net Revenues relating in any material respect to Talicia, (i) all of the Equity Interests in the Borrower; (j) to the extent that any Subsidiary of RedHill Parent owns any portion of any asset relating in any material respect to Talicia, all of the Equity Interests in such Subsidiary, and (k) any assets relating in any material respect to Talicia that may be acquired by RedHill Parent or any of its Subsidiaries after the Closing Date.

"Talicia Intercompany Agreement" means that certain Inter-company Services, Supply and Commercialization Agreement, dated as of February 23, 2020, between RedHill Parent and the Borrower, as in effect on the Closing Date.

"Talicia Records" means all books, records and recorded information maintained by RedHill Parent or any of its controlled Affiliates (including any copies (electronic or otherwise) thereof) relating in any material respect to Talicia.

"Talicia Regulatory Documentation" means all Regulatory Documentation owned by RedHill Parent or any of its controlled Affiliates (including any copies (electronic or otherwise) thereof) that is, or was, acquired, developed, compiled, collected or generated in connection with Talicia in any material respect.

"Taxes" means any present or future income, excise, stamp, documentary, sales, value added, property or franchise taxes or other taxes, fees, duties, levies, assessments, withholdings (including backup withholding) or other charges of any nature whatsoever (including any incremental taxes, interest, penalties and additions to tax thereon) imposed by any Governmental Authority.

"Term Loan" means the Tranche A Term Loans, the Tranche B Term Loans, the Tranche C Term Loans and/or the Tranche D Term Loans.

"Term Loan Commitment" means, as to each Lender, its obligation to make its portion of the Term Loans to the Borrower pursuant to Section 2.01, in the initial principal amount set forth opposite such Lender's name on Schedule 2.01. The aggregate principal amount of the Term Loan Commitments of all of the Lenders as in effect on the Closing Date is $115,000,000.

"Term Loan Maturity Date" means February 23, 2026.

"Term Note" means a promissory note in the form of Exhibit B.

"Third Party" means any Person other than Loan Parties or their Affiliates.

"Threshold Amount" means $5,000,000.

"Total Credit Exposure" means, as to any Lender at any time, the unused Term Loan Commitment of such Lender and the Outstanding Amount of all Loans of such Lender at such time.

"Trade Secrets" means any data or information that is not commonly known by or available to the public, and which (a) derives economic value, actual or potential, from not being commonly known to and not being readily ascertainable by proper means by other Persons who can obtain economic value from its disclosure or use, (b) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy, and (c) which are owned by or licensed to RedHill Parent or any Subsidiary or with respect to which RedHill Parent or any Subsidiary is authorized or granted rights under or to.

"Trademark License" means any written agreement providing for the grant of any right to use any Trademark.

"Trademarks" means all statutory and common-law trademarks, trade names, corporate names, company names, business names, fictitious business names, trade styles, service marks, logos and other source or business identifiers, and the goodwill associated therewith, now existing or hereafter adopted or acquired, all registrations and recordings thereof, and all applications to register in connection therewith,

under the laws of the United States, any state thereof or any other country or any political subdivision thereof, or otherwise (including under Israeli Law), for the full term and all renewals thereof, which are owned by or licensed to RedHill Parent or any Subsidiary or with respect to which RedHill Parent or any Subsidiary is authorized or granted rights under or to.

"Tranche A Availability Period" means the period from and including the Closing Date to and including the date that is thirteen (13) Business Days following the Closing Date or such earlier date as the Tranche A Term Loan Commitments shall terminate as provided herein.

"Tranche A Funding Date" means the date upon which the conditions precedent under Sections 5.01, 5.02 and 5.06 have been satisfied to the satisfaction of the Lenders, which (subject to such satisfaction) shall be the date that is within twelve (12) Business Days following receipt by the Administrative Agent of the applicable Loan Notice but prior to the termination of the Tranche A Availability Period.

"Tranche A Term Loan Commitment" means, with respect to each Lender, the commitment of such Lender to make Tranche A Term Loans hereunder. The amount of each Lender's Tranche A Term Loan Commitment as of the Closing Date is set forth on Schedule 2.01. The aggregate amount of the Tranche A Term Loan Commitments as of the Closing Date is $30,000,000.

"Tranche A Term Loans" means the term loans made by the Lenders to the Borrower on the Tranche A Funding Date pursuant to Section 2.01(a)(i).

"Tranche B Availability Period" means the period from and including the Closing Date to and including the date that is sixty (60) days following the Closing Date or such earlier date as the Tranche B Term Loan Commitments shall terminate as provided herein.

"Tranche B Funding Date" means the date upon which the conditions precedent under Sections 5.03 and 5.06 have been satisfied to the satisfaction of the Lenders, which (subject to such satisfaction) shall be the date that is within twelve (12) Business Days following receipt by the Administrative Agent of the applicable Loan Notice but prior to the termination of the Tranche B Availability Period.

"Tranche B Term Loan Commitment" means, with respect to each Lender, the commitment of such Lender to make Tranche B Term Loans hereunder. The amount of each Lender's Tranche B Term Loan Commitment as of the Closing Date is set forth on Schedule 2.01. The aggregate amount of the Tranche B Term Loan Commitments as of the Closing Date is $50,000,000.

"Tranche B Term Loans" means the term loans made by the Lenders to the Borrower during the Tranche B Availability Period pursuant to Section 2.01(a)(ii).

"Tranche C Availability Period" means the period from and including the Tranche B Funding Date to and including the date that is one year following the Closing Date or such earlier date as the Tranche C Term Loan Commitments shall terminate as provided herein.

"Tranche C Funding Date" means the date upon which the conditions precedent under Sections 5.04 and 5.06 have been satisfied to the satisfaction of the Lenders, which (subject to such satisfaction) shall be the date that is within twelve (12) Business Days following receipt by the Administrative Agent of the Loan Notice but prior to the termination of the Tranche C Availability Period.

"Tranche C Term Loan Commitment" means, with respect to each Lender, the commitment of such Lender to make Tranche C Term Loans hereunder. The amount of each Lender's Tranche C Term Loan

Commitment as of the Closing Date is set forth on Schedule 2.01. The aggregate amount of the Tranche C Term Loan Commitments as of the Closing Date is $20,000,000.

"Tranche C Term Loans" means the term loans made by the Lenders to the Borrower during the Tranche C Availability Period pursuant to Section 2.01(a)(iii).

"Tranche D Availability Period" means the period from and including the Tranche C Funding Date to and including the date that is eighteen months following the Closing Date or such earlier date as the Tranche D Term Loan Commitments shall terminate as provided herein.

"Tranche D Funding Date" means the date upon which the conditions precedent under Sections 5.05 and 5.06 have been satisfied to the satisfaction of the Lenders, which (subject to such satisfaction) shall be the date that is within twelve (12) Business Days following receipt by the Administrative Agent of the Loan Notice but prior to the termination of the Tranche D Availability Period.

"Tranche D Term Loan Commitment" means, with respect to each Lender, the commitment of such Lender to make Tranche D Term Loans hereunder. The amount of each Lender's Tranche D Term Loan Commitment as of the Closing Date is set forth on Schedule 2.01. The aggregate amount of the Tranche D Term Loan Commitments as of the Closing Date is $15,000,000.

"Tranche D Term Loans" means the term loans made by the Lenders to the Borrower during the Tranche D Availability Period pursuant to Section 2.01(a)(iv).

"Treasury Regulations" means the regulations, including temporary regulations, promulgated by the United States Treasury Department under the Code, as such regulations may be amended from time to time.

"U.S. Person" means a United States person within the meaning of Section 7701(a)(30) of the Code.

"United States" and "U.S." mean the United States of America.

"Voting Stock" means, with respect to any Person, Equity Interests issued by such Person the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or persons performing similar functions) of such Person, even though the right so to vote has been suspended by the happening of such a contingency.

"Website Agreements" means all agreements between RedHill Parent and/or any Subsidiary and any other Person pursuant to which such Person provides any services relating to the hosting, design, operation, management or maintenance of any Website, including without limitation, all agreements with any Person providing website hosting, database management or maintenance or disaster recovery services to RedHill Parent and/or any Subsidiary and all agreements with any domain name registrar, as all such agreements may be amended, supplemented or otherwise modified from time to time.

"Websites" means all websites that RedHill Parent or any Subsidiary shall operate, manage or control through a Domain Name, whether on an exclusive basis or a nonexclusive basis, including, without limitation, all content, elements, data, information, materials, hypertext markup language (HTML), software and code, works of authorship, textual works, visual works, aural works, audiovisual works and functionality embodied in, published or available through each such website and all IP Rights in each of the foregoing.

"Wholly Owned Subsidiary" means any Person 100% of whose Equity Interests are at the time owned by RedHill Parent directly or indirectly through one or more other Persons 100% of whose Equity Interests are at the time owned, directly or indirectly, by RedHill Parent.

"Withholding Agent" means any Loan Party, the Administrative Agent and any other Person required by applicable Law to withhold or deduct amounts from a payment made by or on account of any obligation of any Loan Party under any Loan Document.

"Work" means any work or subject matter that is subject to protection pursuant to Title 17 of the United States Code.

"Write-Down and Conversion Powers" means, with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.

1.02 Other Interpretive Provisions.

With reference to this Agreement and each other Loan Document, unless otherwise specified herein or in such other Loan Document:

(a) The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation." The word "will" shall be construed to have the same meaning and effect as the word "shall." Unless the context requires otherwise, (i) any definition of or reference to any agreement, instrument or other document (including the Loan Documents and any Organization Document) shall be construed as referring to such agreement, instrument or other document as from time to time amended, modified, extended, restated, replaced or supplemented from time to time (subject to any restrictions set forth herein or in any other Loan Document), (ii) any reference herein to any Person shall be construed to include such Person's successors and assigns, (iii) the words "hereto", "herein," "hereof" and "hereunder," and words of similar import when used in any Loan Document, shall be construed to refer to such Loan Document in its entirety and not to any particular provision thereof, (iv) all references in any Loan Document to Articles, Sections, Preliminary Statements, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Preliminary Statements, Exhibits and Schedules to, the Loan Document in which such references appear, (v) any reference to any law shall include all statutory and regulatory provisions consolidating, amending, replacing or interpreting such law and any reference to any law or regulation shall, unless otherwise specified, refer to such law or regulation as amended, modified, extended, restated, replaced or supplemented from time to time, and (vi) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all real and personal property and tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

(b) In the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including;" the words "to" and "until" each mean "to but excluding;" and the word "through" means "to and including."

(c) Section headings herein and in the other Loan Documents are included for convenience of reference only and shall not affect the interpretation of this Agreement or any other Loan Document.

(d) Any reference to insolvency, bankruptcy, liquidation, receivership, administration, reorganization, dissolution, winding-up, relief of debtors, or similar proceedings hereunder shall also include the seeking of or decision relating to: (i) adjustment, protection from creditors, relief of debtors, an order for commencing proceedings ("*Tzav Ptichat Halichim*"), an order for financial rehabilitation ("*Tzav Shikum Calcali*"); (ii) a debt arrangement ("*Hesder Chov*"); or (iii) the recognition of a foreign proceeding with respect to an insolvency of a company ("*Hakara be Halich Zar*"), as such terms are understood under the Israeli Insolvency and Rehabilitation Law.

1.03 Accounting Terms.

(a) Generally. Except as otherwise specifically prescribed herein, all accounting terms not specifically or completely defined herein shall be construed in conformity with, and all financial data (including financial ratios and other financial calculations) required to be submitted pursuant to this Agreement shall be prepared in conformity with, IFRS applied on a consistent basis, as in effect from time to time, applied in a manner consistent with that used in preparing the Audited Financial Statements, except as otherwise specifically prescribed herein; provided, however, that, calculations of Attributable Indebtedness under any Synthetic Lease or the implied interest component of any Synthetic Lease shall be made by RedHill Parent in accordance with accepted financial practice and consistent with the terms of such Synthetic Lease.

(b) Changes in IFRS. If at any time any change in IFRS would affect the computation of any financial definition or requirement set forth in any Loan Document, and either the Borrower or the Required Lenders shall so request, the Administrative Agent, the Lenders and the Borrower shall negotiate in good faith to amend such definition or requirement to preserve the original intent thereof in light of such change in IFRS (subject to the approval of the Required Lenders); provided, that, until so amended, (i) such requirement shall continue to be computed in accordance with IFRS prior to such change therein and (ii) the Borrower shall provide to the Administrative Agent and the Lenders financial statements and other documents required under this Agreement or as requested hereunder setting forth a reconciliation between calculations of such definition or requirement made before and after giving effect to such change in IFRS.

1.04 Illegality.

If any Lender determines in good faith in its reasonable discretion that any change in Law after the Closing Date has made it unlawful, or that any Governmental Authority has asserted after the Closing Date that it is unlawful, for such Lender or its applicable Lending Office to make, maintain or fund Loans whose interest is determined by reference to the LIBOR Rate, or to determine or charge interest rates based upon the LIBOR Rate, or any Governmental Authority has imposed material restrictions on the authority of such Lender to purchase or sell, or to take deposits of, Dollars in the London interbank market, then, on notice thereof by such Lender to the Borrower through the Administrative Agent, any obligation of such Lender to make or continue LIBOR Rate Loans shall be suspended until such Lender notifies the Administrative Agent and the Borrower that the circumstances giving rise to such determination no longer exist (which notice such Lender agrees to give promptly). Upon receipt of such notice, the Borrower shall, upon demand from such Lender (with a copy to the Administrative Agent) convert all LIBOR Rate Loans of such Lender to Loans of an alternate rate of interest as determined by the Borrower and the Administrative Agent, giving due consideration to the then prevailing market convention for determining a rate of interest for syndicated loans in the United States at such time, either on the immediately succeeding Interest Rate Determination Date thereafter, if such Lender may lawfully continue to maintain such LIBOR Rate Loans to such day, or immediately, if such Lender may not lawfully continue to maintain such LIBOR Rate Loans.

1.05 Times of Day.

Unless otherwise specified, all references herein to times of day shall be references to Eastern time (daylight or standard, as applicable).

ARTICLE II

THE COMMITMENTS; REVENUE INTEREST

2.01 Term Loan Commitments.

(a) Tranche A Term Loans; Tranche B Term Loans; Tranche C Term Loans; Tranche D Term Loans.

(i) Subject to the terms and conditions set forth herein, including the conditions set forth in Sections 5.01, 5.02 and 5.06, each Lender severally agrees during the Tranche A Availability Period to make its portion of the Tranche A Term Loans to Borrower in Dollars on the Tranche A Funding Date in a principal amount equal to such Lender's Tranche A Term Loan Commitment. The Tranche A Term Loan Commitment of each Lender shall terminate immediately and without further action at the funding of such Lender's Tranche A Term Loan on the Tranche A Funding Date. In addition, on the last day of the Tranche A Availability Period, the Tranche A Term Loan Commitment of each Lender shall terminate immediately and without further action (to the extent not theretofore terminated).

(ii) Subject to the terms and conditions set forth herein, including the conditions set forth in Sections 5.03 and 5.06, each Lender severally agrees during the Tranche B Availability Period to make its portion of the Tranche B Term Loans to Borrower in Dollars on the Tranche B Funding Date in a principal amount equal to such Lender's Tranche B Term Loan Commitment. The Tranche B Term Loan Commitment of each Lender shall terminate immediately and without further action at the funding of such Lender's Tranche B Term Loan on the Tranche B Funding Date. In addition, on the last day of the Tranche B Availability Period, the Tranche B Term Loan Commitment of each Lender shall terminate immediately and without further action (to the extent not theretofore terminated).

(iii) Subject to the terms and conditions set forth herein, including the conditions set forth in Sections 5.04 and 5.06, each Lender severally agrees during the Tranche C Availability Period to make its portion of the Tranche C Term Loans to Borrower in Dollars on the Tranche C Funding Date in a principal amount equal to such Lender's Tranche C Term Loan Commitment. The Tranche C Term Loan Commitment of each Lender shall terminate immediately and without further action at the funding of such Lender's Tranche C Term Loan on the Tranche C Funding Date. In addition, on the last day of the Tranche C Availability Period, the Tranche C Term Loan Commitment of each Lender shall terminate immediately and without further action (to the extent not theretofore terminated).

(iv) Subject to the terms and conditions set forth herein, including the conditions set forth in Sections 5.05 and 5.06, each Lender severally agrees during the Tranche D Availability Period to make its portion of the Tranche D Term Loans to Borrower in Dollars on the Tranche D Funding Date in a principal amount equal to such Lender's Tranche D Term Loan Commitment. The Tranche D Term Loan Commitment of each Lender shall terminate immediately and without further action at the funding of such

Lender's Tranche D Term Loan on the Tranche D Funding Date. In addition, on the last day of the Tranche D Availability Period, the Tranche D Term Loan Commitment of each Lender shall terminate immediately and without further action (to the extent not theretofore terminated).

The Term Loans are not revolving in nature and any amount repaid on the Term Loans may not be reborrowed.

(b) Tax Treatment. The parties intend that, for U.S. federal and applicable state, local and non-U.S. income tax purposes, the Term Loans together with the related Revenue Interest Payment Amounts shall be treated as single contingent payment debt instruments governed by the rules set forth in Treasury Regulation Section 1.1275-4, and the maturity date of such instruments shall be the Revenue Interest Maturity Date. The parties shall cooperate in good faith to determine the issue price, comparable yield and projected payment schedule reasonably promptly after the Closing Date. Unless otherwise required by applicable Law or the good faith resolution of a tax audit, no party shall take any position inconsistent with the preceding sentence on any U.S. federal or applicable state, local or non-U.S. tax return or for any other U.S. federal or applicable state, local or non-U.S. income tax purpose.

2.02 Term Loan Borrowings.

(a) Each Borrowing shall be made upon the Borrower's notice (in the form of a written Loan Notice, appropriately completed and signed by a Responsible Officer of the Borrower) to the Administrative Agent, which must be given not later than 11:00 a.m. at least twelve (12) Business Days in advance of the requested date of such Borrowing (or, in the case of the Borrowing to occur on the Closing Date, such shorter period as the Lenders may agree to in their sole discretion). Each Loan Notice shall specify the requested date of the Borrowing (which shall be a Business Day); provided, however, that, in respect of a notice to borrow the Tranche B Term Loans, the Borrower may, by written notice to the Administrative Agent, (i) provide a revocable notice that is conditioned upon the satisfaction of a closing condition in the Asset Acquisition Agreement related to receipt of necessary antitrust or similar regulatory approvals and/or (ii) change the requested date of the Borrowing in such Loan Notice to a date after the originally requested date of the Borrowing in order to fund the Tranche B Term Loans substantially concurrently with the closing of the Asset Acquisition; provided, that, in the case of this clause (ii), such changed date shall not be more than 60 days after the original requested date and the Borrower shall be responsible for any interest costs, expenses or fees, from the originally requested date of the Borrowing to such changed date, of the Administrative Agent and Lenders in sourcing the funds.

(b) Following receipt of a Loan Notice, the Administrative Agent shall promptly notify each Lender of the amount of its Applicable Percentage of the applicable Term Loans. Upon satisfaction of the applicable conditions set forth in Section 5.06 (provided, that, in addition to Section 5.06 (i) if such Borrowing is the Borrowing of the Tranche A Loans, Sections 5.01 and 5.02, or (ii) if such Borrowing is the Borrowing of the Tranche B Term Loans, Section 5.03, (iii) if such Borrowing is the Borrowing of the Tranche C Term Loans, Section 5.04 or (iv) if such Borrowing is the Borrowing of the Tranche D Term Loans, Section 5.05), each Lender shall wire transfer an amount equal to its Applicable Percentage of the applicable Term Loans to Borrower in accordance with instructions provided to (and acceptable to) the Lenders by the Borrower.

2.03 Term Loan Prepayments.

(a) Voluntary Prepayments of Term Loans. Subject to the payment of any prepayment premium and fees payable pursuant to the Fee Letter and any other fees or amounts payable hereunder at such time, the Borrower may, upon irrevocable notice from the Borrower to the Administrative Agent, voluntarily prepay the outstanding Term Loans, in whole but not in part; provided, that, such notice must be received not later than 11:00 a.m. three (3) Business Days prior to the date of prepayment. Such notice shall specify the date and amount of such prepayment. If such notice is given by the Borrower, the Borrower shall make such prepayment which shall be due and payable on the date specified therein. Any prepayment pursuant to this Section 2.03(a) shall be accompanied by (w) all accrued interest on the outstanding principal amount of the Term Loans prepaid, (x) the prepayment premium and fees payable pursuant to the Fee Letter and (y) all fees, costs, expenses, indemnities and other amounts due and payable hereunder at the time of prepayment. Each such prepayment shall be applied to the Loans of the Lenders in accordance with their respective Applicable Percentages.

(b) Change of Control. Upon the occurrence of a Change of Control, the Borrower shall prepay the outstanding principal amount of the Term Loans in whole, but not in part, together with all accrued and unpaid interest thereon plus the prepayment premium and fees payable pursuant to the Fee Letter, plus all other Obligations (other than the Revenue Interest, which shall remain outstanding following any Change of Control). The Borrower shall make such prepayment and the payment amount shall be due and payable on the effective date of such Change of Control.

2.04 Repayment of Loans.

The Borrower shall repay the Outstanding Amount of the Term Loans in equal installments, rounded to the nearest Dollar, on each Interest Payment Date beginning on the Interest Payment Date immediately following the Amortization Date through and including the Term Loan Maturity Date (which payments shall be reduced as a result of the application of prepayments in accordance with the order of priority set forth in Section 2.03), unless accelerated sooner pursuant to Section 9.02; provided, however, that, if any principal repayment installment to be made by the Borrower shall come due on a day other than a Business Day, such principal repayment installment shall be due on the first immediately preceding Business Day. Any remaining unpaid principal amount of Term Loans, together with all accrued and unpaid interest, fees payable pursuant to the Fee Letter, plus all other Term Loan Obligations (other than contingent indemnification obligations for which no claim has been asserted) shall be due and payable on the Term Loan Maturity Date.

2.05 Interest.

(a) Pre-Default Rate. Subject to the provisions of subsection (b) below, the Term Loans shall bear interest on the outstanding principal amount thereof at a rate per annum equal to the Interest Rate, as determined on the most recent Interest Rate Determination Date.

(b) Default Rate. (i) Upon the occurrence of any Event of Default, all outstanding Obligations shall thereafter bear interest at an interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by applicable Laws and (ii) accrued and unpaid interest on past due amounts (including interest on past due interest) shall be due and payable in cash on demand.

(c) Interest Generally. Interest on each Loan shall be due and payable in cash in arrears on each Interest Payment Date and at such other times as may be specified herein. Interest

hereunder shall be due and payable in accordance with the terms hereof before and after judgment, and before and after the commencement of any proceeding under any Debtor Relief Law.

2.06 Prepayment Premium and Fees.

The Borrower shall pay to Administrative Agent and/or the Lenders, as applicable, such prepayment premium and/or fees as described in the Fee Letter.

2.07 Computation of Interest.

All computations of interest shall be made on the basis of a 360-day year and actual days elapsed. Interest shall accrue on each Loan for the day on which such Loan is made, and shall not accrue on such Loan, or any portion thereof, for the day on which such Loan or such portion is paid.

2.08 Evidence of Debt.

The Loans made by each Lender shall be evidenced by one or more accounts or records maintained by such Lender in the ordinary course of business. The accounts or records maintained by each Lender shall be conclusive absent manifest error of the amount of Loans made by the Lenders to the Borrower and the interest and payments thereon. Any failure to so record or any error in doing so shall not, however, limit or otherwise affect the obligation of the Borrower hereunder to pay any amount owing with respect to the Obligations. Upon the request of any Lender made through the Administrative Agent, the Borrower shall execute and deliver to such Lender a Term Note, which shall evidence such Lender's Loans in addition to such accounts or records. Each Lender may attach schedules to its Note and endorse thereon the date, amount and maturity of its Loans and payments with respect thereto.

2.09 Payments Generally.

(a) General. Except as otherwise expressly set forth herein, all payments to be made by any Loan Party shall be made free and clear of and without condition or deduction for any counterclaim, defense, recoupment or setoff. Except as otherwise expressly provided in the Loan Documents, all payments by any Loan Party under the Loan Documents shall be made, without any presentment thereof, directly to the Lenders, at the respective Lending Offices of the Lenders; provided, that, if at the time of any such payment a Lender is a Defaulting Lender, such Defaulting Lender's pro rata share of such payment shall be made directly to the Administrative Agent at the Administrative Agent's Office. The Loan Parties will make such payments in Dollars, in immediately available funds not later than 2:00 p.m. on the date due, marked for attention as indicated, or in such other manner or to such other account in any United States bank as the Lenders may from time to time direct in writing. All payments received by the Lenders after 2:00 p.m. shall be deemed received on the next succeeding Business Day and any applicable interest or fee shall continue to accrue. If any payment to be made by the Borrower shall come due on a day other than a Business Day, payment shall be made on the next following Business Day, and such extension of time shall be reflected in computing interest.

(b) Obligations of Lenders Several. The obligations of the Lenders hereunder to make Loans and to make payments pursuant to Section 11.04(c) are several and not joint. The failure of any Lender to make any Loan or to make any payment under Section 11.04(c) on any date required hereunder shall not relieve any other Lender of its corresponding obligation to do so on such date, and no Lender shall be responsible for the failure of any other Lender to so make its Loan or to make its payment under Section 11.04(c).

(c) Funding Source. Nothing herein shall be deemed to obligate any Lender to obtain the funds for any Loan in any particular place or manner or to constitute a representation by any Lender that it has obtained or will obtain the funds for any Loan in any particular place or manner.

2.10 Sharing of Payments by Lenders.

If any Lender shall, by exercising any right of setoff or otherwise, obtain payment in respect of any principal of or interest on its portion of any of the Term Loans or prepayment premium or fee in connection therewith resulting in such Lender's receiving payment of a proportion of the aggregate amount of the Term Loans and accrued interest thereon and prepayment premium and fees payable pursuant to the Fee Letter in connection therewith greater than its pro rata share thereof as provided herein, then the Lender shall (a) notify the Administrative Agent of such fact and (b) purchase (for cash at face value) participations in the portions of the Loans of the other Lenders, or make such other adjustments as shall be equitable, so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of, accrued interest on and prepayment premium or exit fees in connection with their respective portions of the Loans and other amounts owing them; provided, that:

(i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest; and

(ii) the provisions of this Section 2.10 shall not be construed to apply to (x) any payment made by or on behalf of the Borrower pursuant to and in accordance with the express terms of this Agreement (including the application of funds arising from the existence of a Defaulting Lender) or (y) any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its portion of the Loans to any assignee or participant, other than an assignment to the Borrower or any Subsidiary (as to which the provisions of this Section 2.10 shall apply).

Each Loan Party consents to the foregoing and agrees, to the extent it may effectively do so under applicable Law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against such Loan Party rights of setoff and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of such Loan Party in the amount of such participation.

For purposes of clause (b) of the definition of "Excluded Taxes," a Lender that acquires a participation pursuant to this Section 2.10 shall be treated as having acquired such participation on the earlier date(s) on which such Lender acquired the applicable interest(s) in the Term Loan Commitment(s) or Loan(s) (as applicable) to which such participation relates.

2.11 Defaulting Lenders.

(a) Adjustments. Notwithstanding anything to the contrary contained in this Agreement, if any Lender becomes a Defaulting Lender, then, until such time as that Lender is no longer a Defaulting Lender, to the extent permitted by applicable Law:

(i) Waivers and Amendment. The Defaulting Lender's right to approve or disapprove any amendment, waiver or consent with respect to this Agreement shall be restricted as set forth in the definition of "Required Lenders" and Section 11.01. Each Lender agrees to provide the Borrower, the Administrative Agent and each other Lender with prompt written notice of such Lender becoming a Defaulting Lender.

(ii) Reallocation of Payments. Any payment of principal, interest, fees or other amount received by the Administrative Agent for the account of that Defaulting Lender (whether voluntary or mandatory, at maturity, pursuant to Article IX or otherwise, and including any amounts made available to the Administrative Agent by that Defaulting Lender pursuant to Section 11.08), shall be applied at such time or times as may be determined by the Administrative Agent as follows: first, to the payment of any amounts owing by that Defaulting Lender to the Administrative Agent hereunder; second, as the Borrower may request (so long as no Default or Event of Default exists), to the funding of any Loan in respect of which that Defaulting Lender has failed to fund its portion thereof as required by this Agreement, as determined by the Administrative Agent; third, if so determined by the Administrative Agent and the Borrower, to be held in a non-interest bearing deposit account and released in order to satisfy obligations of that Defaulting Lender to fund Loans under this Agreement; fourth, to the payment of any amounts owing to the Lenders as a result of any judgment of a court of competent jurisdiction obtained by any Lender against that Defaulting Lender as a result of that Defaulting Lender's breach of its obligations under this Agreement; fifth, so long as no Default or Event of Default exists, to the payment of any amounts owing to the Borrower as a result of any judgment of a court of competent jurisdiction obtained by the Borrower against that Defaulting Lender as a result of that Defaulting Lender's breach of its obligations under this Agreement; and sixth, to that Defaulting Lender or as otherwise directed by a court of competent jurisdiction; provided, that, if (x) such payment is a payment of the principal amount of any Loans in respect of which that Defaulting Lender has not fully funded its appropriate share and (y) such Loans were made at a time when the conditions set forth in Section 5.06 were satisfied or waived, such payment shall be applied solely to pay the Loans of all non-Defaulting Lenders on a pro rata basis prior to being applied to the payment of any Loans of that Defaulting Lender. Any payments, prepayments, prepayment premiums, fees or other amounts paid or payable to a Defaulting Lender that are applied (or held) to pay amounts owed by a Defaulting Lender pursuant to this Section 2.11(a)(ii) shall be deemed paid to and redirected by that Defaulting Lender, and each Lender irrevocably consents hereto.

(b) Defaulting Lender Cure. If the Borrower and the Administrative Agent agree in writing in their sole discretion that a Defaulting Lender should no longer be deemed to be a Defaulting Lender, the Administrative Agent will so notify the parties hereto, whereupon as of the effective date specified in such notice and subject to any conditions set forth therein, that Lender will cease to be a Defaulting Lender; provided, that, no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of the Borrower while that Lender was a Defaulting Lender; provided, further, that, except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Lender to Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender having been a Defaulting Lender.

2.12 Revenue Interest.

(a) Payments on Account of the Revenue Interest.

(i) In consideration of the Lenders advancing the Term Loans hereunder, on each Quarterly Payment Date until the Revenue Interest Maturity Date, the Loan Parties shall collectively pay the Revenue Interest for the preceding Calendar Quarter to the Lenders. This Agreement shall be in full force and effect until all Revenue Interests and all other Obligations have been paid in full.

(ii) All Revenue Interests required to be paid but not paid to the Lenders on each Quarterly Payment Date shall bear interest at the Default Rate from the due date until paid in full or, if less, the maximum interest rate permitted by applicable Law.

(b) Deposit Account Management.

(i) If any Net Revenues of RedHill Parent or any of its Subsidiaries for any Product in the United States are not remitted by the Licensee or account Debtor to a Deposit Account governed by a Control Agreement, RedHill Parent and/or the Borrower shall promptly deliver instructions to such Licensee or account debtor (the "Instruction to Payors") with respect to such Net Revenues (which instruction shall be in form and substance reasonably satisfactory to the Administrative Agent) to remit the applicable payments to Deposit Accounts that are governed by Control Agreements. To the extent any such payments are paid directly to RedHill Parent or any of its Subsidiaries or to any Deposit Account or Securities Account not governed by a Control Agreement, RedHill Parent or such Subsidiary shall remit to a Deposit Account that is governed by a Control Agreement all such amounts within fifteen (15) Business Days of its Knowledge of such receipt of any such funds.

(ii) On each Quarterly Payment Date, the Borrower. shall disburse to each Lender its pro rata share of an amount equal to the lesser of (x) all funds on deposit in such Deposit Accounts and (y) the Revenue Interest for such Quarterly Payment Date. If the amount to be disbursed to the account of any Lender on any Quarterly Payment Date pursuant to the preceding sentence is less than the Revenue Interest to which such Lender is entitled for the relevant Calendar Quarter, the Borrower and/or its Subsidiaries shall pay the amount of such shortfall to such Lender on such Quarterly Payment Date.

(iii) Upon the Discharge of Term Loan Obligations: (A) RedHill Parent and its Subsidiaries shall continue to ensure that all Net Revenues of RedHill Parent or any of its Subsidiaries for any Product in the United States are deposited into Deposit Accounts that are governed by Control Agreements; (B) so long as no Default or Event of Default has occurred and is continuing, a minimum of the Applicable Royalty Rate of such amounts shall remain in such Deposit Accounts governed by Control Agreements until the Quarterly Payment Date immediately following the date of such deposit and may not be transferred to any other Deposit Account or Securities Account of RedHill Parent or any of its Subsidiaries, except as otherwise permitted by Section 2.12(b)(iii)(C), and (C) if the amount of funds on deposit in such Deposit Accounts governed by Control Agreements on any Quarterly Payment Date exceeds the Revenue Interest for such Quarterly Payment Date, such excess amount may be transferred out of such Deposit Accounts.

(iv) If a Default or Event of Default has occurred and is continuing, no funds in any Deposit Account governed by a Control Agreement shall be transferred to any other Deposit Account or Securities Account of RedHill Parent and/or its Subsidiaries, and the Administrative Agent shall have the right to exercise all of its rights and remedies under Article IX, including, without limitation, if applicable, directing any depositary bank to transfer all of the funds in the Deposit Account to the Administrative Agent until all of the Obligations owed by RedHill Parent and its Subsidiaries under this Agreement and the other Loan Documents have been paid in full.

(v) No Loan Party shall have any right to terminate any Deposit Account governed by a Control Agreement without the Administrative Agent's prior written

consent; provided, that, without the Administrative Agent's consent each Loan Party shall have the right from time to time to establish a replacement Deposit Account so long as it is subject to a Control Agreement.

(c) Included Product Payment Reports and Records Retention. On or prior to each Quarterly Payment Date, RedHill Parent shall deliver to the Administrative Agent a written report of the amount of gross sales of the Product in the United States during the applicable Calendar Quarter, an itemized calculation of Net Revenues on a country-by-country basis and a calculation of the amount of the Revenue Interest due under Section 2.12(a) in respect of the applicable Calendar Quarter, showing the Applicable Royalty Rate applied thereto. For three (3) years after each sale of any Product made by RedHill Parent or any of its Subsidiaries, RedHill Parent shall keep (and shall ensure that its Subsidiaries shall keep) complete and accurate records of such sale in sufficient detail to confirm the accuracy of the applicable Revenue Interests paid pursuant to Section 2.12(a)(i). RedHill Parent shall use commercially reasonable efforts to include, in each contract of RedHill Parent and its Subsidiaries for the distribution, marketing or selling of any Product entered into on or after the Closing Date, obligations reasonably appropriate to ensure that the counterparty to such contract shall furnish to RedHill Parent all information necessary for RedHill Parent to comply with this Section 2.12(c) and calculate the Revenue Interest payable each Calendar Quarter as set forth in this Agreement.

(d) Audits.

(i) Upon the written request and at the sole expense (subject to clause (ii)) of the Administrative Agent, and not more than once in each Calendar Year (so long as no Default or Event of Default has occurred and is continuing), RedHill Parent shall permit an independent certified public accounting firm of national prominence selected by the Administrative Agent, and reasonably acceptable to RedHill Parent, to have access to and to review, during normal business hours and upon not less than thirty (30) days' prior written notice, the relevant documents and records of RedHill Parent and its Subsidiaries as may reasonably be necessary to verify the accuracy and timeliness of the reports and payments (including calculation and payment of any Revenue Interest) made by the Borrower and RedHill Parent under this Agreement. Such review may cover the records for sales or other dispositions of any Product, Net Revenues, and Other Royalty Payments in any Calendar Year ending no earlier than the first day of the previous Calendar Year. Notwithstanding the foregoing, after the occurrence and during the continuance of a Default or Event of Default, the Administrative Agent shall have the right, as often, at such times and with such prior notice, as the Administrative Agent shall determine, in its reasonable discretion, to have an independent certified public accounting firm of national prominence selected by the Administrative Agent review the relevant documents and records of RedHill Parent and its Subsidiaries.

(ii) If such accounting firm reasonably concludes that any Revenue Interests were owed and were not paid when due during such period pursuant to the provisions of this Agreement, the Borrower shall pay any late or unpaid Revenue Interests within sixty (60) days after the date the Administrative Agent delivers to the Borrower a notice including the accounting firm's written report and requesting such payment. If the amount of the underpayment (exclusive of interest accrued thereon pursuant to Section 2.12(a)(ii)) is greater than the lesser of (i) ten percent (10%) of the total amount actually owed for the period audited or (ii) one million dollars ($1,000,000), then the Borrower and RedHill Parent shall in addition reimburse the Administrative Agent for all reasonable costs and fees of the accounting firm related to such audit. In the event of overpayment, any amount

of such overpayment shall be fully creditable against Revenue Interests payable for the immediately succeeding Calendar Quarter(s).

ARTICLE III

TAXES

3.01 Taxes.

(a) All payments by or on account of any Obligation of any Loan Party under this Agreement or any other Loan Document shall be made without deduction or withholding for any Taxes, except as required by applicable Law. If any applicable Law (as determined in the good faith discretion of an applicable Withholding Agent) requires the deduction or withholding of any Tax in respect of any such payment by any applicable Withholding Agent, then the applicable Withholding Agent shall be entitled to make such deduction or withholding and shall timely pay the full amount deducted or withheld to the relevant Governmental Authority in accordance with applicable Law and, if such Tax is an Indemnified Tax, then the sum payable by the applicable Loan Party shall be increased as necessary so that after all such deductions or withholdings have been made (including such deductions and withholdings applicable to additional sums payable under this Section 3.01), the applicable Lender (or, in the case of payments received by the Administrative Agent for its own account, the Administrative Agent) receives an amount equal to the sum it would have received had no such deduction or withholding been made.

(b) Each Loan Party shall timely pay to the relevant Governmental Authority in accordance with applicable Law, or, at the option of the Administrative Agent, timely reimburse it for the payment of, all Other Taxes.

(c) The Loan Parties shall jointly and severally indemnify each Recipient, within 10 days after demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section 3.01) payable or paid by such Recipient or required to be withheld or deducted from a payment to such Recipient and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error.

(d) Any Lender that is entitled to an exemption from, or reduction of, withholding Tax with respect to any payments made under this Agreement or any other Loan Document shall deliver to the Borrower and the Administrative Agent, at the time or times reasonably requested by the Borrower or the Administrative Agent, such properly completed and executed documentation prescribed by applicable Laws or otherwise reasonably requested by the Borrower or the Administrative Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if reasonably requested by the Borrower or the Administrative Agent, shall deliver such other documentation prescribed by applicable Law or as otherwise reasonably requested by the Borrower or the Administrative Agent as will enable the Borrower or the Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Notwithstanding any other provision of this Section 3.01(d), a Lender shall not be required to deliver any documentation that such Lender is not legally eligible to deliver or cannot obtain, in a reasonable manner, any such information as might be required by the Borrower. Each Lender hereby authorizes the Administrative Agent to

deliver to the Loan Parties and to any successor Administrative Agent any documentation provided by such Lender to the Administrative Agent pursuant to this Section 3.01(d). Notwithstanding anything to the contrary in this Section 3.01(d), in the case of any withholding Tax other than U.S. federal withholding Tax, no Lender shall be required to provide any information regarding such Lender or any of its direct or indirect owners (I) that is not in such Lender's possession (except, in the case of any Lender other than HCR or any of its Affiliates, information that otherwise would have been in such Lender's possession but for a willful or deliberate failure to obtain such information (from its direct or indirect owners) for the purpose of avoiding such Lender's obligations under this Section 3.01(d)) or (II) that is materially more intrusive, or onerous to provide, than the information such Lender is required to provide to an applicable withholding agent in respect of U.S. federal withholding Taxes.

(i) Without limiting the generality of the foregoing:

(A) any Lender that is a U.S. Person shall deliver to the Borrower and the Administrative Agent on or prior to the date on which such Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), executed originals of IRS Form W-9 certifying that such Lender is exempt from U.S. federal backup withholding Tax;

(B) any Foreign Lender shall, to the extent it is legally eligible to do so, deliver to the Borrower and the Administrative Agent on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), two executed originals of whichever of the following is applicable:

(a) in the case of a Foreign Lender claiming the benefits of an income tax treaty to which the United States is a party (x) with respect to payments of interest under this Agreement or any other Loan Document, IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable, establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "interest" article of such tax treaty and (y) with respect to any other applicable payments under this Agreement or any other Loan Document, IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable, establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "business profits" or "other income" article of such tax treaty;

(b) IRS Form W-8ECI;

(c) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Code, (x) a certificate substantially in the form of Exhibit K-1 to the effect that such Foreign Lender is not a "bank" within the meaning of Section 881(c)(3)(A) of the Code, a "10 percent shareholder" of the Borrower within the meaning of Section 871(h)(3)(B) of the Code or a "controlled foreign corporation" described in Section 881(c)(3)(C) of the Code (a "U.S. Tax Compliance Certificate") and that no payment under any Loan Document is effectively connection with such Lender's conduct of a U.S. trade or

business and (y) IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable; or

(d) to the extent a Foreign Lender is not the beneficial owner (for example, a Foreign Lender that is a partnership or a participating Lender), IRS Form W-8IMY, accompanied by IRS Form W-8ECI, IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable, a U.S. Tax Compliance Certificate substantially in the form of Exhibit K-2 or Exhibit K-3, IRS Form W-9 and/or another certification documents from each beneficial owner, as applicable; provided, that, if the Foreign Lender is a partnership (and not a participating Lender) and one or more direct or indirect partners of such Foreign Lender are claiming the portfolio interest exemption, such Foreign Lender may provide a U.S. Tax Compliance Certificate substantially in the form of Exhibit K-4 on behalf such direct or indirect partner(s);

(C) any Foreign Lender shall, to the extent it is legally eligible to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), executed originals of any other documentation prescribed by applicable Law as a basis for claiming exemption from, or a reduction in, U.S. federal withholding Tax, duly completed, together with such supplementary documentation as may be prescribed by applicable Law to permit the Borrower or the Administrative Agent to determine the withholding or deduction, if any, required to be made; and

(D) if a payment made to a Lender under this Agreement or any other Loan Document would be subject to U.S. federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Borrower and the Administrative Agent at the time or times prescribed by Law and at such time or times reasonably requested by the Borrower or the Administrative Agent such documentation prescribed by applicable Law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrower or the Administrative Agent as may be necessary for the Borrower and the Administrative Agent to comply with their obligations under FATCA, to determine whether such Lender has complied with such Lender's obligations under FATCA or to determine the amount, if any, to deduct and withhold from such payment. Solely for purposes of this clause (D), "FATCA" shall include any amendments made to FATCA after the date of this Agreement.

(e) Each Lender agrees that if any documentation it previously delivered pursuant to Section 3.01(d) expires or becomes obsolete or inaccurate in any respect, it shall update such documentation or promptly notify the Borrower and the Administrative Agent in writing of its legal ineligibility to do so.

(f) If any party determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified pursuant to this Section 3.01 (including by the payment of additional amounts pursuant to this Section 3.01), it shall pay to the

indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made under this Section 3.01 with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) of such indemnified party and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund). Such indemnifying party, upon the request of such indemnified party, shall repay to such indemnified party the amount paid over pursuant to this Section 3.01(e) (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) in the event that such indemnified party is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this Section 3.01(e), in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this Section 3.01(e) the payment of which would place the indemnified party in a less favorable net after-Tax position than the indemnified party would have been in if the Tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such Tax had never been paid. This paragraph shall not be construed to require any indemnified party to make available its Tax returns (or any other information relating to its Taxes that it deems confidential) to the indemnifying party or any other Person.

(g) If any Loan Party is required to pay any Indemnified Taxes or additional amounts to any Lender or to any Governmental Authority for the account of any Lender pursuant to this Section 3.01, then such Lender shall, if requested by the Borrower, use commercially reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign and delegate its rights and obligations hereunder to another of its offices, branches or Affiliates, if, in the judgment of such Lender, such designation or assignment and delegation (i) would eliminate or reduce amounts payable pursuant to this Section 3.01 in the future and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment and delegation.

3.02 Survival.

Each party's obligations under this Article III shall survive termination of the Term Loan Commitments, repayment, satisfaction or discharge of all other Obligations hereunder, resignation of the Administrative Agent and any assignment of rights by, or the replacement of, a Lender.

ARTICLE IV

GUARANTY

4.01 The Guaranty.

Each of the Guarantors hereby jointly and severally, irrevocably, and unconditionally guarantees to each Lender and the Administrative Agent as hereinafter provided, as primary obligor and not merely as surety, the prompt payment of the Obligations in full when due (whether at stated maturity, as a mandatory prepayment, by acceleration or otherwise (including amounts that would become due but for the operation of the automatic stay under Section 362(a) of the Bankruptcy Code of the United States of America)) strictly in accordance with the terms hereof. The Guarantors hereby further agree that if any of the Obligations are not paid in full when due (whether at stated maturity, as a mandatory prepayment, by acceleration or otherwise), the Guarantors will, jointly and severally, promptly pay the same, without any demand or notice whatsoever, and that in the case of any extension of time of payment or renewal of any of the Obligations,

the same will be promptly paid in full when due (whether at extended maturity, as a mandatory prepayment, by acceleration or otherwise) in accordance with the terms of such extension or renewal.

Notwithstanding any provision to the contrary contained herein or in any other Loan Document, the obligations of each Guarantor under this Agreement and the other Loan Documents shall be limited to an aggregate amount equal to the largest amount that would not render such obligations subject to avoidance under the Debtor Relief Laws or any comparable provisions of any applicable state law.

4.02 Obligations Unconditional.

The obligations of the Guarantors under Section 4.01 are joint and several, absolute and unconditional, irrespective of the value, genuineness, validity, regularity or enforceability of any of the Loan Documents, or any other agreement or instrument referred to therein, or any substitution, release, impairment or exchange of any other guarantee of or security for any of the Obligations, and, to the fullest extent permitted by applicable law, irrespective of any law or regulation or other circumstance whatsoever which might otherwise constitute a legal or equitable discharge or defense of a surety or guarantor, it being the intent of this Section 4.02 that the obligations of the Guarantors hereunder shall be absolute and unconditional under any and all circumstances. Each Guarantor agrees that such Guarantor shall have no right of subrogation, indemnity, reimbursement or contribution against the Borrower or any other Guarantor for amounts paid under this Article IV until such time as the Obligations (other than inchoate indemnity obligations) have been paid in full and the Term Loan Commitments have expired or terminated. Without limiting the generality of the foregoing, it is agreed that, to the fullest extent permitted by law, the occurrence of any one or more of the following shall not alter or impair the liability of any Guarantor hereunder, which shall remain absolute and unconditional as described above:

(a) at any time or from time to time, without notice to any Guarantor, the time for any performance of or compliance with any of the Obligations shall be extended, or such performance or compliance shall be waived;

(b) any of the acts mentioned in any of the provisions of any of the Loan Documents, or any other agreement or instrument referred to in the Loan Documents shall be done or omitted;

(c) the maturity of any of the Obligations shall be accelerated, or any of the Obligations shall be modified, supplemented or amended in any respect, or any right under any of the Loan Documents, or any other agreement or instrument referred to in the Loan Documents shall be waived or any other guarantee of any of the Obligations or any security therefor shall be released, impaired or exchanged in whole or in part or otherwise dealt with;

(d) any Lien granted to, or in favor of, the Administrative Agent or any Lender or Lenders as security for any of the Obligations shall fail to attach or be perfected; or

(e) any of the Obligations shall be determined to be void or voidable (including, without limitation, for the benefit of any creditor of any Guarantor) or shall be subordinated to the claims of any Person (including, without limitation, any creditor of any Guarantor).

With respect to its obligations hereunder, each Guarantor hereby expressly waives diligence, presentment, demand of payment, protest and all notices whatsoever, and any requirement that the Administrative Agent or any Lender exhaust any right, power or remedy or proceed against any Person under any of the Loan Documents, or any other agreement or instrument referred to in the Loan Documents, or against any other Person under any other guarantee of, or security for, any of the Obligations.

4.03 Reinstatement.

The obligations of the Guarantors under this Article IV shall be automatically reinstated if and to the extent that for any reason any payment by or on behalf of any Person, or any Lender exercises its right of setoff, in respect of the Obligations is rescinded, invalidated, declared to be fraudulent or preferential, set aside or must be otherwise restored by any holder of any of the Obligations, whether as a result of any proceedings in bankruptcy or reorganization or otherwise, and each Guarantor agrees that it will indemnify the Administrative Agent and each Lender on demand for all reasonable and documented costs and expenses (including, without limitation, the fees, charges and disbursements of counsel) incurred by the Administrative Agent or such Lender in connection with such rescission or restoration, including any such costs and expenses incurred in defending against any claim alleging that such payment constituted a preference, fraudulent transfer or similar payment under any bankruptcy, insolvency or similar law. The obligations of each Guarantor under this paragraph shall survive termination of this Agreement.

4.04 Certain Additional Waivers.

Each Guarantor agrees that such Guarantor shall have no right of recourse to security for the Obligations, except through the exercise of rights of subrogation subject to Section 4.02 and through the exercise of rights of contribution pursuant to Section 4.06.

4.05 Remedies.

The Guarantors agree that, to the fullest extent permitted by applicable law, as between the Guarantors, on the one hand, and the Administrative Agent and the Lenders, on the other hand, the Obligations may be declared to be forthwith due and payable as provided in Section 9.02 (and shall be deemed to have become automatically due and payable in the circumstances provided in said Section 9.02) for purposes of Section 4.01 notwithstanding any stay, injunction or other prohibition preventing such declaration (or preventing the Obligations from becoming automatically due and payable) as against any other Person and that, in the event of such declaration (or the Obligations being deemed to have become automatically due and payable), the Obligations (whether or not due and payable by any other Person) shall forthwith become due and payable by the Guarantors for purposes of Section 4.01. The Guarantors acknowledge and agree that their obligations hereunder are secured in accordance with the terms of the Collateral Documents and that the Lenders may exercise their remedies thereunder in accordance with the terms thereof.

4.06 Rights of Contribution.

The Guarantors agree among themselves that, in connection with payments made hereunder, each Guarantor shall have contribution rights against the other Guarantors as permitted under applicable law. Such contribution rights shall be subordinate and subject in right of payment to the obligations of such Guarantors under the Loan Documents and no Guarantor shall exercise such rights of contribution until all Obligations (other than inchoate indemnity obligations) have been paid in full and the Term Loan Commitments have terminated.

4.07 Guarantee of Payment; Continuing Guarantee.

The guarantee in this Article IV is a guaranty of payment and not of collection, is a continuing guarantee, and shall apply to all Obligations whenever arising and shall be binding upon each Guarantor and its successors and assigns, and each Guarantor irrevocably waives (to the fullest extent permitted by applicable law) any right to revoke the guarantee in this Article IV as to future transactions giving rise to any Obligations.

ARTICLE V

CONDITIONS PRECEDENT TO CLOSING AND BORROWINGS

5.01 Conditions of Effectiveness.

This Agreement shall become effective upon the satisfaction of the following conditions precedent:

(a) Loan Documents. Receipt by the Administrative Agent of executed counterparts (including by electronic means) of this Agreement and the other Loan Documents, each executed (in a manner reasonably acceptable to the Administrative Agent) by a Responsible Officer of the signing Loan Party.

(b) Opinions of Counsel. Receipt by the Administrative Agent of a favorable opinion of Cravath, Swaine & Moore LLP and Gross, Kleinhendler, Hodak, Halevy, Greenberg, Shenhav & Co., counsel to the Loan Parties, addressed to the Administrative Agent and each Lender as of the Closing Date, dated the Closing Date and in form and substance reasonably satisfactory to the Administrative Agent.

(c) Financial Statements. The Administrative Agent shall have received the Audited Financial Statements and the Interim Financial Statements.

(d) No Material Adverse Effect. There shall not have occurred since December 31, 2018 any event or condition that has had or could reasonably be expected, either individually or in the aggregate, to have a Material Adverse Effect.

(e) Litigation. There shall not exist any action, suit, investigation or proceeding pending or threatened in any court or before an arbitrator or Governmental Authority that could reasonably be expected, either individually or in the aggregate, to have a Material Adverse Effect.

(f) Organization Documents, Resolutions, Etc. Receipt by the Administrative Agent of the following, each of which shall be originals or facsimiles (followed promptly by originals in the case of the certificates described in clauses (i), (ii) and (iv) below), in form and substance reasonably satisfactory to the Administrative Agent and its legal counsel:

(i) copies of the Organization Documents of each Loan Party certified to be true and complete as of a recent date by the appropriate Governmental Authority of the state or other jurisdiction of its incorporation or organization, where applicable, and certified by a secretary or assistant secretary of such Loan Party to be true and correct as of the Closing Date;

(ii) such certificates of resolutions or other action, incumbency certificates and/or other certificates of Responsible Officers of each Loan Party as the Administrative Agent may reasonably require evidencing the identity, authority and capacity of each Responsible Officer thereof authorized to act as a Responsible Officer in connection with this Agreement and the other Loan Documents to which such Loan Party is a party;

(iii) copies of the Board resolutions of each Loan Party authorizing the execution, delivery and performance of each Loan Document and any documents and notices to be signed under or in connection with any of the Loan Documents. Without derogation from the foregoing, RedHill Parent’s board resolutions shall certify, pursuant

to sections 256(d) and 282 of the Israeli Companies Law 1999, that all approvals, as required under the Israeli Companies Law 1999 (including, without limitation, under sections 255, 270-272 and Section 277 thereof) and the Organization Documents of the Borrower and RedHill Parent, have been duly obtained for, amongst other things, the transactions contemplated by the Loan Documents; and

(iv) such documents and certifications as the Administrative Agent may reasonably require to evidence that each Loan Party is duly organized or formed, and is validly existing, in good standing, including a status confirmation certificate issued by the Israeli Companies Registrar with respect to RedHill Parent (to the extent such concept exists in the relevant jurisdiction), and qualified to engage in business in the state or other jurisdiction of organization or formation.

(g) Perfection and Priority of Liens. Receipt by the Administrative Agent of the following:

(i) searches of Uniform Commercial Code filings in the jurisdiction of formation of each Loan Party or where a filing would need to be made in order to perfect the Administrative Agent's security interest in the Collateral, copies of the financing statements on file in such jurisdictions and evidence that no Liens exist other than Permitted Liens, each to the extent as applicable to such Loan Party;

(ii) UCC financing statements for each appropriate U.S. jurisdiction as is necessary to perfect the Administrative Agent's security interest in the Collateral;

(iii) all certificates evidencing any certificated Equity Interests pledged to the Administrative Agent pursuant to the Pledge Agreement, together with duly executed in blank and undated stock powers attached thereto;

(iv) searches of ownership of, and Liens on, the Registered IP of each Loan Party in the appropriate governmental offices;

(v) duly executed notices of grant of security interest in the form required by the Security Agreement as are necessary, in the Administrative Agent's sole discretion, to perfect the Administrative Agent's security interest in the IP Rights of the Loan Parties; and

(vi) such Control Agreements as shall be necessary to cause the Loan Parties to be in compliance with Sections 2.12 and 7.16.

(h) Perfection of Collateral Documents (Israel). Receipt by the Administrative Agent of the following:

(i) the Collateral Documents (Israel), the Security Agreement and the Pledge Agreement, each dated as of the Closing Date, duly executed and delivered by RedHill Parent.

(ii) original copies duly executed of notices of charges (Form 10) in relation to each of the Collateral Documents (Israel), the Security Agreement and the Pledge Agreement.

(iii) copies of excerpts of RedHill Parent from the Israeli Companies Registrar and Israel Patent Office evidencing that there are no outstanding Liens over its assets, except as permitted under this Agreement.

(i) Evidence of Insurance. Receipt by the Administrative Agent of copies of insurance policies or certificates of insurance of the Loan Parties evidencing liability and casualty insurance meeting the requirements set forth in the Loan Documents.

(j) Closing Certificate. Receipt by the Administrative Agent of a certificate signed by a Responsible Officer of RedHill Parent certifying (i) that the conditions specified in Sections 5.01(d), (e) and (l) have been satisfied, (ii) that RedHill Parent and its Subsidiaries (after giving effect to the transactions contemplated hereby and the incurrence of Indebtedness related thereto) are Solvent on a consolidated basis, (iii) that as of the Closing Date, the Borrower and its Subsidiaries have no Indebtedness for borrowed money, other than Indebtedness permitted by Section 8.03, (iv) that neither RedHill Parent nor any of its Subsidiaries as of the Closing Date has outstanding any Disqualified Capital Stock, and (v) as true and complete an attached description of all intercompany Indebtedness of RedHill Parent and its Subsidiaries.

(k) Existing Indebtedness. The Loan Parties and their respective Subsidiaries shall have no Indebtedness for borrowed money (other than Indebtedness permitted to exist under Section 8.03) as of the Closing Date.

(l) Governmental and Third Party Approvals. RedHill Parent and its Subsidiaries shall have received all material governmental, shareholder and third party consents and approvals necessary in connection with the transactions contemplated by this Agreement and the other Loan Documents and the other transactions contemplated hereby and all applicable waiting periods shall have expired without any action being taken by any Person that could reasonably be expected to restrain, prevent or impose any material adverse conditions on RedHill Parent or any of its Subsidiaries or such other transactions or that could seek to threaten any of the foregoing, and no law or regulation shall be applicable which could reasonably be expected to have such effect.

(m) Corporate Structure and Capitalization. The capital and ownership structure and the equity holder arrangements of the Borrower on the Closing Date, on a pro forma basis after giving effect to the transactions contemplated by the Loan Documents shall be reasonably satisfactory to the Lenders.

(n) Fees. Receipt by HCR, the Administrative Agent and the Lenders of any fees required to be paid on or before the Closing Date.

(o) Plan of Exploitation for Talicia Assets. Receipt by the Administrative Agent of a plan for the Exploitation of Talicia and the Talicia Assets substantially in the form of Exhibit I, which plan shall be satisfactory to the Administrative Agent in its sole discretion.

(p) Other. Receipt by the Administrative Agent and the Lenders of such other documents, instruments, agreements and information as requested by the Administrative Agent or any Lender, including, but not limited to, information regarding litigation, tax, accounting, labor, insurance, pension liabilities (actual or contingent), real estate leases, material contracts, debt agreements, property ownership, environmental matters, contingent liabilities and management of RedHill Parent and its Subsidiaries; such information may include, if requested by the Administrative Agent, asset appraisal reports and written audits of accounts receivable, inventory, payables, controls and systems.

Without limiting the generality of the provisions of the last paragraph of Section 10.03, for purposes of determining compliance with the conditions specified in this Section 5.01, each Lender that has signed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to a Lender unless the Administrative Agent shall have received notice from such Lender prior to the proposed Closing Date specifying its objection thereto.

5.02 Conditions to the Tranche A Term Loans.

The obligation of each Lender to advance Tranche A Term Loans on the Tranche A Funding Date is subject to the following conditions precedent:

(a) Litigation. There shall not exist any action, suit, investigation or proceeding pending or threatened in any court or before an arbitrator or Governmental Authority that could reasonably be expected, either individually or in the aggregate, to have a Material Adverse Effect.

(b) Fees. Receipt by HCR, the Administrative Agent and the Lenders of any fees required to be paid on or before the Tranche A Funding Date.

(c) Closing Certificate. Receipt by the Administrative Agent of a certificate signed by a Responsible Officer of RedHill Parent certifying that the conditions specified in Sections 5.06(a), (b), (c) and (d) have been satisfied.

(d) The capital and ownership structure and the equity holder arrangements of the Borrower on the Tranche A Funding Date, on a pro forma basis after giving effect to the transactions contemplated by the Loan Documents shall be reasonably satisfactory to the Lenders.

(e) The Tranche A Funding Date shall occur within the Tranche A Availability Period.

5.03 Conditions to the Tranche B Term Loans.

The obligation of each Lender to advance Tranche B Term Loans on the Tranche B Funding Date is subject to the following conditions precedent:

(a) Asset Acquisition. Substantially concurrently with the borrowing of Tranche B Term Loans hereunder and prior to the one-year anniversary of the Closing Date, (i) the Asset Acquisition shall be consummated in accordance with the terms and conditions of the Asset Acquisition Documentation approved by the Administrative Agent and the Lenders in their sole discretion, and the Asset Acquisition Agreement shall not have been altered, amended or otherwise modified or supplemented or any provision or condition therein waived, and the Borrower shall not have consented to any action that would require the consent of the Borrower under the Asset Acquisition Agreement if such alteration, amendment, modification, supplement, waiver or consent would (A) be adverse to the interests of the Lenders (in their capacities as lenders and holders of a Revenue Interest in the Annual Net Revenues of the Acquired Assets), or (B) adversely impact the timing, amount or duration of any payments to be received by the Lenders, in each such case, without the prior written consent of the Administrative Agent and the Lenders; provided, that, the Asset Acquisition Agreement (including all schedules and exhibits thereto) provided to the Administrative Agent on February 22, 2020 is approved by the Administrative Agent, and (ii) the Administrative Agent shall have received from RedHill Parent an officer's certificate certifying and attaching RedHill Parent's and the Borrower's plan for the Exploitation of the Acquired Assets as of the Closing Date, which plan shall be satisfactory to the Administrative Agent in its sole

discretion. For purposes of the foregoing condition, it is understood and agreed that with respect to an Asset Acquisition pursuant to clause (a) of the definition of "Acquired Assets", (i) any increase or decrease in the purchase price effected in accordance with any purchase price adjustment set forth in the Asset Acquisition Agreement shall not be materially adverse to the interests of the Lenders in their capacities as such, (ii) any extension of the "outside date" set forth in the Asset Acquisition Agreement shall not be materially adverse to the interests of the Lenders in their capacities as such, (iii) any change in the purchase price of less than 10.0% shall not be materially adverse to the interests of the Lenders in their capacities as such; provided, that, any such reduction in the Purchase Price shall be applied to reduce the Tranche B Term Loans, and (iv) any modification, amendment, consent, waiver or determination in respect of the definition of "Material Adverse Effect" or "Material Adverse Change" in the Asset Acquisition Documentation with respect to any Acquired Assets shall be deemed to be material and adverse to the interests of the Lenders.

(b) Tranche A Funding. The Borrower shall have borrowed the Tranche A Term Loans.

(c) Closing Certificate. Receipt by the Administrative Agent of a certificate signed by a Responsible Officer of RedHill Parent certifying that (i) the conditions specified in Sections 5.03(a) and (b) and Sections 5.06(a), (b), (c) and (d) have been satisfied, and (ii) that attached thereto are the true and complete copies of the Asset Acquisition Documents as in effect on the Tranche B Funding Date and that such documents have not been amended.

(d) The capital and ownership structure and the equity holder arrangements of the Borrower on the Tranche B Funding Date, on a pro forma basis after giving effect to the transactions contemplated by the Loan Documents shall be reasonably satisfactory to the Lenders.

(e) Receipt by the Administrative Agent of a satisfactory letter of direction containing funds flow information, with respect to the proceeds of the Tranche B Term Loans on the Tranche B Funding Date.

(f) The Tranche B Funding Date shall occur within the Tranche B Availability Period.

5.04 Conditions to the Tranche C Term Loans.

The obligation of each Lender to advance Tranche C Term Loans on the Tranche C Funding Date is subject to the following conditions precedent:

(a) QIDP. Prior to the termination of the Tranche C Availability Period, Talicia has been granted QIDP.

(b) Net End User Sales. The Borrower has Net End User Sales of Talicia for the nine month period ending September 30, 2020 of at least $20,000,000.

(c) Tranche A and B Fundings. The Borrower shall have borrowed the Tranche A Term Loans and the Tranche B Term Loans.

(d) Closing Certificate. Receipt by the Administrative Agent of a certificate signed by a Responsible Officer of RedHill Parent certifying that the conditions specified in Sections 5.04(a), (b) and (c) and Sections 5.06(a), (b), (c) and (d) have been satisfied.

(e) The capital and ownership structure and the equity holder arrangements of the Borrower on the Tranche C Funding Date, on a pro forma basis after giving effect to the transactions contemplated by the Loan Documents shall be reasonably satisfactory to the Lenders.

(f) Receipt by the Administrative Agent of a satisfactory letter of direction containing funds flow information, with respect to the proceeds of the Tranche C Term Loans on the Tranche C Funding Date.

(g) The Tranche C Funding Date shall occur within the Tranche C Availability Period.

5.05 Conditions to the Tranche D Term Loans.

(a) Asset Acquisition Deferred Payment. The Administrative Agent, the Lenders and the Borrower shall have mutually agreed for the Lenders to make and the Borrower to borrow the Tranche D Term Loans and fund the deferred payment obligation of the Borrower pursuant to the Asset Acquisition Agreement for the Specified Asset and identified on Schedule 1.01(a).

(b) Tranche A, B and C Fundings. The Borrower shall have borrowed the Tranche A Term Loans, the Tranche B Term Loans and the Tranche C Term Loans.

(c) Closing Certificate. Receipt by the Administrative Agent of a certificate signed by a Responsible Officer of RedHill Parent certifying that the conditions specified in Sections 5.05(a), (b) and (c) and Sections 5.06(a), (b), (c) and (d) have been satisfied.

(d) The capital and ownership structure and the equity holder arrangements of the Borrower on the Tranche D Funding Date, on a pro forma basis after giving effect to the transactions contemplated by the Loan Documents shall be reasonably satisfactory to the Lenders.

(e) Receipt by the Administrative Agent of a satisfactory letter of direction containing funds flow information, with respect to the proceeds of the Tranche D Term Loans on the Tranche D Funding Date.

(f) The Tranche D Funding Date shall occur within the Tranche D Availability Period.

5.06 Conditions to all Borrowings.

The obligation of each Lender to honor any Loan Notice is subject to the following conditions precedent:

(a) The representations and warranties of each Loan Party contained in Article VI or any other Loan Document, or which are contained in any document furnished at any time under or in connection herewith or therewith, shall be true and correct in all material respects (and in all respects if any such representation or warranty is already qualified by materiality or reference to Material Adverse Effect) on and as of the date of such Borrowing, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct in all material respects (and in all respects if any such representation or warranty is already qualified by materiality or reference to Material Adverse Effect) as of such earlier date, and except that for purposes of this Section 5.06, (i) the representations and warranties contained in subsections (a) and (b) of Section 6.05 shall be deemed to refer to the most recent statements furnished pursuant to subsections (a) and (b), respectively, of Section 7.01 and (ii) with respect to any Loan Notice delivered in connection with the Tranche B Term Loans and a bringdown of the

representations and warranties of each Loan Party contained in Article VI or any other Loan Document on the Tranche B Funding Date, as of the Asset Acquisition, references to "Talicia Assets" in Section 6.23 is replaced with "Talicia Assets and the Acquired Assets" or "Talicia Assets or the Acquired Assets", as applicable.

(b) No Default or Event of Default shall exist, or would result from such proposed Borrowing or from the application of the proceeds thereof.

(c) The Administrative Agent shall have received a Loan Notice in accordance with the requirements hereof.

(d) There shall not have occurred since the Closing Date any event or condition that has had or could reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect.

(e) There shall not have occurred since the effective date of the applicable Asset Acquisition Agreement any event or condition that has had or could reasonably be expected to have, either individually or in the aggregate, a material adverse change in, or a material adverse effect upon, the business, assets, properties, liabilities (actual or contingent), condition (financial or otherwise) or prospects of the Acquired Assets.

Each Loan Notice submitted by the Borrower shall be deemed to be a representation and warranty that the conditions specified in Sections 5.06(a) and (b) have been satisfied on and as of the date of the applicable Borrowing.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES

The Loan Parties represent and warrant to the Administrative Agent and the Lenders that:

6.01 Existence, Qualification and Power.

Each Loan Party and each of its Subsidiaries (a) is duly incorporated, organized or formed, validly existing and in good standing (to the extent such concept exists in the relevant jurisdiction) under the Laws of the jurisdiction of its incorporation or organization, (b) has all requisite power and authority and all requisite governmental licenses, authorizations, consents and approvals to (i) own or lease its assets and carry on its business as now being or as proposed to be conducted and (ii) execute, deliver and perform its obligations under the Loan Documents to which it is a party, (c) is duly qualified and is licensed and in good standing (to the extent such concept exists in the relevant jurisdiction) under the Laws of each jurisdiction where its ownership, lease or operation of properties or the conduct of its business requires such qualification or license; except in each case referred to in clause (b)(i) or (c), to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect and (d) RedHill Parent is not a "company in breach" ("*hevrah meferah*"), as such term is defined in the Israeli Companies Law 1999, and has not received a notice that it is expected to be registered as such.

6.02 Authorization; No Contravention.

The execution, delivery and performance by each Loan Party of each Loan Document to which such Person is party has been duly authorized by all necessary corporate or other organizational action, and does not (a) contravene the terms of any of such Person's Organization Documents, (b) conflict with or

result in any breach or contravention of, or the creation of any Lien under, or require any payment to be made under (i) any Contractual Obligation to which such Person is a party or affecting such Person or the properties of such Person or any of its Subsidiaries or (ii) any order, injunction, writ or decree of any Governmental Authority or any arbitral award to which such Person or its property is subject, or (c) violate any Law (including Regulation U or Regulation X issued by the FRB).

6.03 Governmental Authorization; Other Consents.

No approval, consent, exemption, authorization, or other action by, or notice to, or filing with, any Governmental Authority or any other Person is necessary or required in connection with the execution, delivery or performance by, or enforcement against, any Loan Party of this Agreement or any other Loan Document to which it is party other than (a) those that have already been obtained and are in full force and effect, and (b) filings to perfect the Liens created by the Collateral Documents. No authorization or approval or other action by, and no notice or filing with, the Israeli Innovation Authority is required for the due execution, delivery, performance, registration or perfection of any of the Collateral Documents.

6.04 Binding Effect.

Each Loan Document has been duly executed and delivered by each Loan Party that is party thereto. Each Loan Document constitutes a legal, valid and binding obligation of each Loan Party that is party thereto, enforceable against each such Loan Party in accordance with its terms, subject to applicable Debtor Relief Laws or other Laws affecting creditors' rights generally and subject to general principles of equity.

6.05 Financial Statements; No Material Adverse Effect.

(a) The Audited Financial Statements (i) were prepared in accordance with IFRS consistently applied throughout the period covered thereby, except as otherwise expressly noted therein, (ii) fairly present in all material respects the financial condition of RedHill Parent and its Subsidiaries as of the date thereof and their results of operations for the period covered thereby in accordance with IFRS consistently applied throughout the period covered thereby, except as otherwise expressly noted therein, and (iii) show all material indebtedness and other liabilities, direct or contingent, of RedHill Parent and its Subsidiaries as of the date thereof, including material liabilities for taxes, commitments and Indebtedness.

(b) The Interim Financial Statements (i) were prepared in accordance with IFRS consistently applied throughout the period covered thereby, except as otherwise expressly noted therein, (ii) fairly present in all material respects the financial condition of RedHill Parent and its Subsidiaries as of the date thereof and their results of operations for the period covered thereby, subject, in the case of clauses (i) and (ii), to the absence of footnotes and to normal year-end audit adjustments, and (iii) show all material indebtedness and other liabilities, direct or contingent, of RedHill Parent and its Subsidiaries as of the date thereof, including material liabilities for taxes, material commitments and Indebtedness.

(c) From the date of the Audited Financial Statements to and including the Closing Date, there has been no Disposition by any Loan Party or any Subsidiary, or any Involuntary Disposition, of any material part of the business or property of any Loan Party or any Subsidiary, and no purchase or other acquisition by any of them of any business or property (including any Equity Interests of any other Person) material to any Loan Party or any Subsidiary, in each case, which is not reflected in the foregoing financial statements or in the notes thereto and has not otherwise been disclosed in writing to the Lenders on or prior to the Closing Date.

(d) The financial statements delivered pursuant to Section 7.01(a) and (b) have been prepared in accordance with IFRS (except as may otherwise be permitted under Section 7.01(a) or (b), as applicable) and present fairly in all material respects (on the basis disclosed in the footnotes to such financial statements) the consolidated financial condition, results of operations and cash flows of RedHill Parent and its Subsidiaries as of the dates thereof and for the periods covered thereby.

(e) Since the date of the Audited Financial Statements, there has been no event or circumstance, either individually or in the aggregate, that has had or could reasonably be expected to have a Material Adverse Effect.

6.06 Litigation.

There are no actions, suits, proceedings, claims or disputes pending or, to the Knowledge of the Loan Parties after due and diligent investigation, threatened or contemplated, at law, in equity, in arbitration or before any Governmental Authority, by or against any Loan Party or any of its Subsidiaries or against any of their properties or revenues that (a) as of the Closing Date, purport to affect or pertain to this Agreement or any other Loan Document, or any of the transactions contemplated hereby, or (b) either individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

6.07 No Default.

(a) Neither any Loan Party nor any Subsidiary is in default under or with respect to any Contractual Obligation that could reasonably be expected to have a Material Adverse Effect.

(b) No Default or Event of Default has occurred and is continuing.

6.08 Ownership of Real Property; Liens.

Each Loan Party and its Subsidiaries has good record and marketable title in fee simple to, or valid leasehold interests in, all real property necessary or used in the ordinary conduct of its business, except for such defects in title as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The property of each Loan Party and its Subsidiaries is subject to no Liens, other than Permitted Liens.

6.09 Environmental Compliance.

Except as could not reasonably be expected to have a Material Adverse Effect:

(a) (i) Each of the Facilities and all operations at the Facilities are in compliance with all applicable Environmental Laws, (ii) there is no violation of any Environmental Law with respect to the Facilities or the Businesses, and (iii) there are no conditions relating to the Facilities or the Businesses that could give rise to liability under any applicable Environmental Laws, except in each case that could reasonably be expected to have a Material Adverse Effect.

(b) None of the Facilities contains, or has previously contained, any Hazardous Materials at, on or under the Facilities in amounts or concentrations that constitute or constituted a violation of, or could give rise to liability under, Environmental Laws that could reasonably be expected to have a Material Adverse Effect.

(c) Neither any Loan Party nor any Subsidiary has received any written or verbal notice of, or inquiry from any Governmental Authority regarding, any violation, alleged violation, non-compliance, liability or potential liability regarding environmental matters or compliance with Environmental Laws with regard to any of the Facilities or the Businesses that could reasonably be expected to have a Material Adverse Effect, nor does any Responsible Officer of any Loan Party have Knowledge, or reason to believe that any such notice will be received or is being threatened.

(d) Hazardous Materials have not been transported or disposed of from the Facilities, or generated, treated, stored or disposed of at, on or under any of the Facilities or any other location, in each case by or on behalf of any Loan Party or any Subsidiary in violation of, or in a manner that would be reasonably likely to give rise to liability under, any applicable Environmental Law that could reasonably be expected to have a Material Adverse Effect.

(e) No judicial proceeding or governmental or administrative action is pending or, to the Knowledge of the Loan Parties, threatened, under any Environmental Law to which any Loan Party or any Subsidiary is or will be named as a party, nor, to the Knowledge of the Loan Parties, are there any consent decrees or other decrees, consent orders, administrative orders or other orders, or other administrative or judicial requirements outstanding under any Environmental Law with respect to any Loan Party, any Subsidiary, the Facilities or the Businesses.

(f) There has been no release or threat of release of Hazardous Materials at or from the Facilities, or arising from or related to the operations (including, without limitation, disposal) of any Loan Party or any Subsidiary in connection with the Facilities or otherwise in connection with the Businesses, in violation of or in amounts or in a manner that could give rise to liability under Environmental Laws that could reasonably be expected to have a Material Adverse Effect.

6.10 Insurance.

The properties of the Loan Parties and their Subsidiaries are insured with financially sound and reputable insurance companies that are not Affiliates of such Persons, in such amounts, with such deductibles and covering such risks as are customarily carried by companies engaged in similar businesses and owning similar properties in localities where the applicable Loan Party or the applicable Subsidiary operates. The insurance coverage of the Loan Parties and their Subsidiaries as in effect on the Closing Date is outlined as to carrier, policy number, expiration date, type, amount and deductibles on Schedule 6.10.

6.11 Taxes.

Except for failures that could not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect each of the Loan Parties and their Subsidiaries (1) have timely and duly filed all Tax returns and reports required to have been filed by it, except to the extent that the failure to do so could not, individually or in the aggregate reasonably be expected to result in a Material Adverse Effect, and (2) have paid all Taxes levied or imposed upon it or its properties, income or assets otherwise due and payable (including, in each case, in its capacity as a withholding agent), except those which are being contested in good faith by appropriate proceedings diligently conducted and for which adequate reserves have been provided in accordance with IFRS. There is no proposed Tax assessment or other Tax claim against any Loan Party or any Subsidiary that, if made, could reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect. Neither any Loan Party nor any Subsidiary thereof is party to any Tax sharing agreement under which any payments, if made, would reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect.

6.12 ERISA Compliance.

(a) Except as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, (i) each Plan is in compliance with the applicable provisions of ERISA, the Code and other federal or state laws, and (ii) each Pension Plan that is intended to be a qualified plan under Section 401(a) of the Code has received a favorable determination letter from the Internal Revenue Service to the effect that the form of such Plan is qualified under Section 401(a) of the Code, an application for such a letter is currently being processed by the Internal Revenue Service or is entitled to rely on the opinion or advisory letter issued by the Internal Revenue Service to the sponsor of a preapproved plan document and, to the best Knowledge of the Loan Parties, nothing has occurred that would prevent, or cause the loss of, such tax-qualified status.

(b) There are no pending or, to the best Knowledge of the Loan Parties, threatened claims, actions or lawsuits, or action by any Governmental Authority, with respect to any Plan that could reasonably be expected to have a Material Adverse Effect. There has been no prohibited transaction or violation of the fiduciary responsibility rules with respect to any Plan, in any case, that has resulted or could reasonably be expected to result in a Material Adverse Effect.

(c) Except as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, (i) no ERISA Event has occurred or is reasonably expected to occur with respect to any Pension Plan, (ii) the Borrower and each ERISA Affiliate has met all applicable requirements under the Pension Funding Rules in respect of each Pension Plan, and no waiver of the minimum funding standards under the Pension Funding Rules has been applied for or obtained, (iii) as of the most recent valuation date for any Pension Plan, the funding target attainment percentage (as defined in Section 430(d)(2) of the Code) is sixty percent (60%) or higher and no facts or circumstances exist that could reasonably be expected to cause the funding target attainment percentage for any such plan to drop below sixty percent (60%) as of the most recent valuation date, (iv) neither the Borrower nor any ERISA Affiliate has incurred any liability to the PBGC other than for the payment of premiums due but not delinquent under Section 4007 of ERISA, and (v) neither the Borrower nor any ERISA Affiliate has engaged in a transaction that could reasonably be expected to be subject to Section 4069 or Section 4212(c) of ERISA.

6.13 Subsidiaries.

(a) Set forth on Schedule 6.13(a) is a complete and accurate list as of the Closing Date of each Subsidiary of any Loan Party, together with (i) jurisdiction of organization, (ii) number of shares of each class of Equity Interests outstanding, (iii) number and percentage of outstanding shares of each class owned (directly or indirectly) by any Loan Party or any Subsidiary and (iv) number and effect, if exercised, of all outstanding options, warrants, rights of conversion or purchase and all other similar rights with respect thereto. The outstanding Equity Interests of each Subsidiary of any Loan Party are validly issued, fully paid and non-assessable.

(b) All issued and outstanding Equity Interests of RedHill Parent and each of its Subsidiaries is duly authorized and validly issued, fully paid, non-assessable and such Equity Interests were issued in compliance with all applicable Laws. All issued and outstanding Equity Interest of RedHill Parent's Subsidiaries are free and clear of all Liens other than Permitted Liens. As of the Closing Date, except as described on Schedule 6.13(b), there are no outstanding commitments or other obligations of any Subsidiary to issue, and no rights of any Person to acquire, any shares of any Equity Interests of any Subsidiary.

6.14 Margin Regulations; Investment Company Act.

(a) The Borrower is not engaged and will not engage, principally or as one of its important activities, in the business of purchasing or carrying margin stock (within the meaning of Regulation U issued by the FRB), or extending credit for the purpose of purchasing or carrying margin stock.

(b) None of any Loan Party or any Subsidiary is or is required to be registered as an "investment company" under the Investment Company Act of 1940.

6.15 Disclosure.

Each Loan Party has disclosed to the Administrative Agent and the Lenders all agreements, instruments and corporate or other restrictions to which it or any of its Subsidiaries is subject, and all other matters known to it, that, either individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect. No report, financial statement, certificate or other information furnished (whether written or oral) by or on behalf of any Loan Party to the Administrative Agent or any Lender in connection with the transactions contemplated hereby and the negotiation of this Agreement or delivered hereunder or under any other Loan Document (in each case, as modified or supplemented by other information so furnished) contains any material misstatement of fact or omits to state any fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, that, with respect to financial projections, estimates, budgets or other forward-looking information, the Loan Parties represent only that such information was prepared in good faith based upon assumptions believed by RedHill Parent to be reasonable at the time such information was prepared (it being understood that such information is as to future events and is not to be viewed as facts, is subject to significant uncertainties and contingencies, many of which are beyond the control of RedHill Parent and its Subsidiaries, that no assurance can be given that any particular projection, estimate, budget or forecast will be realized and that actual results during the period or periods covered by any such projections, estimate, budgets or forecasts may differ significantly from the projected results and such differences may be material).

6.16 Compliance with Laws.

Each Loan Party and each Subsidiary is in compliance with the requirements of all Laws and all orders, writs, injunctions and decrees applicable to it or to its properties, except in such instances in which (a) such requirement of Law or order, writ, injunction or decree is being contested in good faith by appropriate proceedings diligently conducted or (b) the failure to comply therewith could not reasonably be expected to have a Material Adverse Effect.

6.17 Intellectual Property.

(a) Schedule 6.17(a) sets forth a complete and accurate list of the Grantor's Patents, including the following: Schedule 6.17(a)(i) sets forth a complete and accurate list of the Owned Patents; Schedule 6.17(a)(ii) sets forth a complete and accurate list of the Exclusively Licensed Patents; and Schedule 6.17(a)(iii) sets forth a complete and accurate list of the Non-Exclusively Licensed Patents. Schedule 6.17(a) also indicates for each Patent: (i) the application number; (ii) the patent or registration number, if any; (iii) the country or other jurisdiction where the Patent was issued, registered, or filed; (iv) the scheduled expiration date of any issued Patent, including a notation if such scheduled expiration date includes a term extension or supplementary protection certificate; and (v) the registered owner thereof.

(b) The Loan Parties and their Subsidiaries are the sole and exclusive owner of the entire right, title and interest in each of the Owned Patents. The Owned Patents are not subject to any encumbrance, lien or claim of ownership by any Third Party, and there are no facts that would preclude the applicable Loan Party or Subsidiary from having unencumbered title to each Owned Patents. No Loan Party or Subsidiary has received any notice of any claim by any Third Party challenging the ownership of the rights of such Loan Party or Subsidiary in and to such Owned Patent.

(c) The Loan Parties and their Subsidiaries have a valid, exclusive license to use each of the Exclusively Licensed Patents. Since January 1, 2017, except as disclosed in Schedule 6.17(m), there have not been, nor are there any pending or threatened, disputes relating to any Loan Party's or Subsidiary's right to use the Exclusively Licensed Patents. All licenses and similar agreements relating to each Loan Party's or Subsidiary's, as applicable, rights in the Exclusively Licensed Patents have been provided to the Administrative Agent prior to the Closing Date.

(d) As of the date of this Agreement, none of the Loan Parties or their Subsidiaries have any licenses to use any Non-Exclusively Licensed Patents.

(e) Each Person who has or has had any rights in or to the Owned Patents or Exclusively Licensed Patents, including each inventor named on the Owned Patents or Exclusively Licensed Patents, has executed a contract assigning their entire right, title and interest in and to such Patents and the inventions embodied, described and/or claimed therein, to the owner thereof, and each such contract has been duly recorded at the United States Patent and Trademark Office.

(f) To the Knowledge of each Loan Party, no issued Owned Patent or Exclusively Licensed Patent has lapsed, expired or otherwise been terminated. No Owned Patent or Exclusively Licensed Patent applications have lapsed, expired, been abandoned or otherwise been terminated, other than by operation of law

(g) There are no unpaid maintenance fees, annuities or other like payments with respect to the Owned Patents or Exclusively Licensed Patents or Patent Payments.

(h) Each of the Owned Patents or Exclusively Licensed Patents correctly identifies each and every inventor of the claims thereof as determined in accordance with the laws of the jurisdiction in which such Owned Patent or Exclusively Licensed Patent was issued or is pending. To the Knowledge of each Loan Party, there is not any Person who is or claims to be an inventor of any of the Owned Patents or the Exclusively Licensed Patents who is not a named inventor thereof. No Loan Party or Subsidiary has received any notice from any Person who is or claims to be an inventor of any of the Owned Patents or the Exclusively Licensed Patents who is not a named inventor thereof.

(i) To the Knowledge of each Loan Party, each of the Owned Patents or Exclusively Licensed Patents is valid, enforceable and subsisting. No Loan Party or Subsidiary has received any opinion of counsel that any of the Owned Patents or Exclusively Licensed Patents is invalid or unenforceable. No Loan Party or Subsidiary has received any notice of any claim by any Third Party challenging the validity or enforceability of any of the Owned Patents or Exclusively Licensed Patents, except as disclosed in Schedule 6.17(m).

(j) To each Loan Party's Knowledge, each individual associated with the filing and prosecution of the Owned Patents or Exclusively Licensed Patents has complied in all material respects with all applicable duties of candor and good faith in dealing with any Patent Office,

including any duty to disclose to any Patent Office all information known by such individual to be material to patentability of each such Owned Patent or Exclusively Licensed Patent, in those jurisdictions where such duties exist.

(k) Each Product has at least one valid claim, with at least a 5 year term remaining, of at least one Owned Patent or Exclusively Licensed Patent covering such Product that but for such Loan Party's and Subsidiary's rights in such Patent would be infringed by any Loan Party's or any Subsidiary's Exploitation of such Product.

(l) To each Loan Party's Knowledge, except for information disclosed to the applicable Patent Office during prosecution of the Patents, there are no Patents, published patent applications, articles, abstracts or other prior art deemed material to patentability of any of the inventions claimed in such Patents, or that would otherwise reasonably be expected to materially adversely affect the validity or enforceability of any of the claims of such Patents.

(m) Except as disclosed in Schedule 6.17(m), there are no pending or threatened proceedings against the Owned Patents or Exclusively Licensed Patents before a Governmental Authority that could (i) impact the validity and/or enforceability of any of the claims of the Patents, or (ii) otherwise impact whether any claim within the Owned Patents or Exclusively Licensed Patents is a valid claim.

(n) Except as disclosed in Schedule 6.17(m), there is no pending, decided or settled Dispute, including without limitation any International Trade Commission investigations, and, to the Knowledge of the Loan Parties, no such Dispute been threatened, in each case challenging the legality, validity, enforceability, scope or ownership of any Owned Patent or Exclusively Licensed Patent, or adjudicating whether any Owned Patent or Exclusively Licensed Patent is or would be infringed by the Exploitation of a Product by a Third Party or which would give rise to a credit or right of set off against the Product Payments (or the right to receive the same).

(o) Except as disclosed in Schedule 6.17(m), there have not been nor are there any pending Disputes or like procedures involving any of the Owned Patents or Exclusively Licensed Patents. To the Knowledge of the Loan Parties, except as disclosed in Schedule 6.17(m), there are not any threatened Disputes or like procedures involving any of the Owned Patents or Exclusively Licensed Patents.

(p) To the Knowledge of the Loan Parties, none of the conception, development and reduction to practice of the inventions claimed in the Owned Patents or Exclusively Licensed Patents has constituted or involved the misappropriation of trade secrets or other rights or property of any Third Party.

(q) No Loan Party has filed any disclaimer, other than a terminal disclaimer, or made or permitted any other voluntary reduction in the scope of any Owned Patent or Exclusively Licensed Patent.

(r) Except as disclosed in Schedule 6.17(m), no Loan Party, Subsidiary nor any other Person has undertaken or omitted to undertake any acts, and, to the Knowledge of the Loan Parties, no circumstances or grounds exist, that would void, invalidate, reduce or eliminate, in whole or in part, the enforceability or scope of any of the Owned Patents or Exclusively Licensed Patents.

(s) To the Knowledge of the Loan Parties, no Third Party Patent has been, or is, or will be, infringed by the Exploitation of the Products by the Loan Parties and their Subsidiaries. To

the Loan Parties' Knowledge, no Patent other than the Owned Patents or Exclusively Licensed Patents would limit or prohibit in any material respect any Loan Party's or Subsidiary's Exploitation of any Product. No Loan Party or Subsidiary has received any notice of any claim by any Third Party asserting that such Person's Exploitation of any Product infringes such Third Party's Patents Rights. No Loan Party or Subsidiary has received any opinion of counsel regarding infringement or non-infringement of any Third Party Patents by such Loan Party's or Subsidiary's Exploitation of any Product.

(t) To each Loan Party's Knowledge, there are no pending, published patent applications owned by any Third Party, which the Loan Parties and their Subsidiaries do not have the right to use, which if issued, would limit or prohibit in any material respect the Loan Parties' or their Subsidiaries' Exploitation of any Product.

(u) There are no Disputes between any Loan Party or Subsidiary and a Third Party relating to the Loan Parties' and Subsidiaries' Exploitation of any Product. No Loan Party or Subsidiary has received or given notice of any such Dispute, and to each Loan Party's Knowledge, there exists no circumstances or grounds upon which any such claims could be asserted, except as disclosed in Schedule 6.17(m). The Owned Patents or Exclusively Licensed Patents are not subject to any outstanding injunction, judgment or other decree, ruling, charge settlement or other disposition of any Dispute.

(v) To each Loan Party's Knowledge, no Third Party is infringing any of the issued Owned Patents or the Exclusively Licensed Patents. No Loan Party or Subsidiary thereof has put any Third Party on notice of infringement of any of the issued Owned Patents or Exclusively Licensed Patents.

(w) There are no copyrights, trademarks, trade secrets, or internet domain names material to the Loan Parties' or their Subsidiaries' Exploitation of any Product.

(x) To each Loan Party's Knowledge, there is no reason why Talicia will not be granted three years of data exclusivity by the FDA.

(y) Talicia has met the criteria for obtaining the additional 5 years of exclusivity under QIDP, and the 5 years of exclusivity will be granted if the FDA grants the 3 years of exclusivity referenced in (x).

(z) To the Knowledge of each Loan Party, Aemcolo is considered by the FDA to contain a NME and therefore entitled to data exclusivity for 5 years until November 16, 2023.

(aa) Aemcolo is entitled to 5 years of exclusivity under QIDP, extending the exclusivity referenced in (z) until November 16, 2028.

6.18 Solvency.

The Borrower is Solvent on an individual basis, and RedHill Parent and its Subsidiaries are Solvent, on a consolidated basis.

6.19 Perfection of Security Interests in the Collateral.

The Collateral Documents create valid security interests in, and Liens on, the Collateral purported to be covered thereby, which security interests and Liens will be, upon the timely and proper filings,

deliveries, notations and other actions contemplated in the Collateral Documents perfected security interests and Liens (to the extent that such security interests and Liens can be perfected by such filings, deliveries, notations and other actions), prior to all other Liens other than Permitted Liens.

6.20 Business Locations.

Set forth on Schedule 6.20(a) is a list of all real property that is owned or leased by the Loan Parties as of the Closing Date (with a designation of whether such real property is owned or leased). Set forth on Schedule 6.20(b) is the taxpayer identification number and organizational identification number of each Loan Party as of the Closing Date. The exact legal name and state of organization of (a) the Borrower is as set forth on the signature pages hereto and (b) each Guarantor is (i) as set forth on the signature pages hereto, (ii) as set forth on the signature pages to the Joinder Agreement pursuant to which such Guarantor became a party hereto or (iii) as may be otherwise disclosed by the Loan Parties to the Administrative Agent in accordance with Section 8.12(c). Except as set forth on Schedule 6.20(c), no Loan Party has during the five years preceding the Closing Date (i) changed its legal name, (ii) changed its state of organization, or (iii) been party to a merger, consolidation or other change in structure.

6.21 Sanctions Concerns; Anti-Corruption Laws; PATRIOT Act.

(a) Sanctions Concerns. No Loan Party, nor any Subsidiary, nor, to the Knowledge of the Loan Parties and their Subsidiaries, any director, officer, employee, agent, affiliate or representative thereof, is an individual or entity that is, or is owned or controlled by, any individual or entity that is (i) currently the subject or target of any Sanctions, (ii) included on OFAC's List of Specially Designated Nationals, HMT's Consolidated List of Financial Sanctions Targets and the Investment Ban List, or any similar list enforced by any other relevant sanctions authority or (iii) located, organized or resident in a Designated Jurisdiction.

(b) Anti-Corruption Laws. To the extent applicable, the Loan Parties and their Subsidiaries have conducted their business in compliance with the United States Foreign Corrupt Practices Act of 1977, the UK Bribery Act 2010 and other similar anti-corruption legislation in other jurisdictions, and have instituted and maintained policies and procedures designed to promote and achieve compliance with such laws.

(c) PATRIOT Act. To the extent applicable, each Loan Party and each Subsidiary is in compliance with (i) the Trading with the Enemy Act, as amended, and each of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) and any other enabling legislation or executive order relating thereto and (ii) the PATRIOT Act.

6.22 Material Contracts.

Except for the Material Contracts, as of the Closing Date there are no (a) employment agreements covering the management of RedHill Parent or any Subsidiary, (b) collective bargaining agreements or other labor agreements covering any employees of RedHill Parent or any Subsidiary, (c) agreements for managerial, consulting or similar services to which RedHill Parent or any Subsidiary is a party or by which it is bound, (d) agreements regarding RedHill Parent or any Subsidiary, its assets or operations or any investment therein to which any of its equityholders is a party or by which it is bound, (e) real estate leases, licenses of IP Rights or other lease or license agreements to which RedHill Parent or any Subsidiary is a party, either as lessor or lessee, or as licensor or licensee (other than licenses arising from the purchase of "off the shelf" products), (f) customer or supply agreements to which RedHill Parent or any Subsidiary is a party, in each case with respect to the preceding clauses (a), (c), (d), (e) and (f) requiring payment of more

than $1,000,000 in any year or (g) any other agreements or instruments to which RedHill Parent or any Subsidiary is a party, and the breach, nonperformance or cancellation of which, or the failure of which to renew, could reasonably be expected to have a Material Adverse Effect. Schedule 6.22 sets forth, with respect to each real estate lease agreement that requires aggregate annual rent payments of more than $1,000,000 to which RedHill Parent or any Subsidiary is a party as of the Closing Date, the address of the subject property and the annual rental (or, where applicable, a general description of the method of computing the annual rental). The consummation of the transactions contemplated by the Loan Documents will not give rise to a right of termination in favor of any party to any Material Contract.

6.23 Compliance of Products.

(a) The Loan Parties represent and warrant:

(i) that RedHill Parent and its Subsidiaries possess all Permits, including Regulatory Approvals from the FDA and other Governmental Authorities required for the Exploitation of the Talicia Assets, except where the failure to so possess could not reasonably be expected to result in a Material Adverse Effect, and all such Permits are in full force and effect, except where the failure to be in full force and effect could not reasonably be expected to result in a Material Adverse Effect;

(ii) that (A) RedHill Parent and its Subsidiaries have not received any written communication from any Governmental Authority regarding any failure to materially comply with any Laws, including any terms or requirements of any Regulatory Approval and (B) to the Knowledge of RedHill Parent and its Subsidiaries, there are no facts or circumstances that are reasonably likely to give rise to any revocation, withdrawal, suspension, cancellation, material limitation, termination or adverse modification of any Regulatory Approval, in each case as they relate to the Talicia Assets;

(iii) that none of the officers, directors, employees, shareholders, agents, or Affiliates of RedHill Parent or any Subsidiary or any agent or consultant involved in any Drug Application, has been alleged to have committed or convicted of any crime or engaged in any conduct for which debarment is authorized by 21 U.S.C. Section 335a;

(iv) that none of the officers, directors, employees, or, to the Loan Parties' Knowledge, Affiliates of RedHill Parent or any Subsidiary or any agent or consultant has (A) made an untrue statement of material fact or fraudulent statement to any Governmental Authority or failed to disclose a material fact required to be disclosed to a Governmental Authority; or (B) committed an act, made a statement, or failed to make a statement that could reasonably be expected to provide a basis for the FDA to invoke its policy respecting "Fraud, Untrue Statements of Material Facts, Bribery, and Illegal Gratuities," set forth in 56 Fed. Regulation 46191 (September 10, 1991);

(v) that all applications, notifications, submissions, information, claims, reports and statistics and other data and conclusions derived therefrom, utilized as the basis for or submitted in connection with any and all requests for a Regulatory Approval from the FDA or other Governmental Authority relating to RedHill Parent or any Subsidiary, their business operations with respect to the Talicia Assets, when submitted to the FDA or other Governmental Authority were true, complete and correct in all material respects as of the date of submission or any necessary or required updates, changes, corrections or modifications to such applications, submissions, information and data have been submitted to the FDA or other Governmental Authority;

(vi) that all preclinical and clinical trials conducted by or on behalf of RedHill Parent and its Subsidiaries that have been submitted to any Governmental Authority, including the FDA and its counterparts worldwide, in connection with any request for a Regulatory Approval, are being or have been conducted in compliance in all material respects with the required experimental protocols, procedures and controls pursuant to and applicable Laws;

(vii) that all of the Talicia Assets have since January 1, 2018 been manufactured, transported, stored and handled in all material respects in accordance with current good manufacturing practices applicable from time to time and applicable Laws;

(viii) that neither RedHill Parent nor any Subsidiary has received any written notice that any Governmental Authority, including without limitation the FDA, the Office of the Inspector General of HHS or the United States Department of Justice has commenced or threatened to initiate any action against RedHill Parent or a Subsidiary, any action to enjoin RedHill Parent or a Subsidiary, its officers, directors, employees, agents and Affiliates, from conducting its business at any facility owned or used by it or for any material civil penalty, injunction, seizure or criminal action that could reasonably be expected to have a Material Adverse Effect;

(ix) neither RedHill Parent nor any Subsidiary has received from the FDA, at any time since January 1, 2018, a Warning Letter, unresolved Form FDA-483, "Untitled Letter," or similar written correspondence or notice alleging violations of laws and regulations enforced by the FDA, or any comparable correspondence from any other Governmental Authority with regard to the Talicia Assets or the manufacture, processing, packaging or holding thereof, or any comparable correspondence from any foreign counterpart of the FDA, or any comparable correspondence from any foreign counterpart of any state or local authority with regard to the Talicia Assets or the testing, manufacture, processing, packing, or holding thereof, that could reasonably be expected to have a Material Adverse Effect; and

(x) that, since January 1, 2018, (A) there have been no Safety Notices, (B) to the Loan Parties' Knowledge, there are no unresolved material product complaints with respect to the Talicia Assets which could reasonably be expected to have a Material Adverse Effect, and (C) to the Loan Parties' Knowledge, there are no facts that would be reasonably likely to result in (1) a material Safety Notice with respect to the Talicia Assets, (2) a material change in the labeling of any of the Talicia Assets, or (3) a termination or suspension of the Exploitation of the Talicia Assets.

(b) With respect to the Talicia Assets, the Loan Parties represent and warrant that:

(i) all such Products are listed on Schedule 1.01(c) and RedHill Parent has delivered to the Administrative Agent on or prior to the Closing Date copies of all Regulatory Approvals relating to such Products issued or outstanding as of the Closing Date; provided, that, if RedHill Parent and/or any Subsidiary shall at any time obtain any new or additional Regulatory Approvals from the FDA, or parallel state or local authorities, or foreign counterparts of the FDA, or parallel state or local authorities, with respect to any such Product which has previously been disclosed to Administrative Agent, RedHill Parent shall promptly give written notice to Administrative Agent of such new or additional Regulatory Approvals, along with a copy thereof);

(ii) the operation of the business of RedHill Parent and its Subsidiaries with respect to the Talicia Assets, including the manufacture, import, marketing, promotion, sale, labeling, and distribution of such Products, has been in compliance with all Permits and applicable Laws, except where a failure to so comply could not reasonably be expected to have a Material Adverse Effect;

(iii) without limiting the generality of Section 6.23(a)(i) and (ii) above, with respect to the Talicia Assets being tested or manufactured by RedHill Parent and its Subsidiaries, as of the Closing Date, to the Loan Parties' Knowledge, neither RedHill Parent nor any Subsidiary has received any written notice from any applicable Governmental Authority, including the FDA, that such Governmental Authority is conducting an investigation or review of (A) RedHill Parent and its Subsidiaries' (or any third party contractors therefor) manufacturing facilities and processes for manufacturing such Product or the marketing and sales of such Product, in each case which have identified any material deficiencies or violations of Laws or the Permits related to the manufacture, marketing and/or sales of such Product that could reasonably be expected to result in a Material Adverse Effect, or (B) any such Regulatory Approval that could be reasonably expected to result in a revocation or withdrawal of such Regulatory Approval, nor has any such Governmental Authority issued any order or recommendation stating that the development, testing, manufacturing, marketing or sales of such Product by RedHill Parent and its Subsidiaries should cease or that such Product should be withdrawn from the marketplace;

(iv) neither RedHill Parent nor any Subsidiary has experienced any significant failures in the manufacturing of any such Product for commercial sale that has had or could reasonably be expected to have, if such failure occurred again, a Material Adverse Effect.

6.24 Labor Matters.

There are no existing or, to the Knowledge of the Loan Parties, threatened strikes, lockouts or other labor disputes involving RedHill Parent or any Subsidiary that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect. Except as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, hours worked by and payments of compensation made by RedHill Parent and its Subsidiaries to their respective employees are not in violation of the Fair Labor Standards Act or any other applicable law, rule or regulation dealing with such matters.

6.25 EEA Financial Institution.

No Loan Party or any of their Subsidiaries is an EEA Financial Institution.

ARTICLE VII

AFFIRMATIVE COVENANTS

Subject to Section 11.21, so long as any Lender shall have any Term Loan Commitment hereunder or any Loan or other Obligation hereunder shall remain unpaid or unsatisfied (other than contingent indemnification obligations for which no claim has been asserted), the Loan Parties shall and shall cause each Subsidiary to:

7.01 Financial Statements.

Deliver to the Administrative Agent and each Lender, in form and detail satisfactory to the Administrative Agent and the Required Lenders (it being understood and agreed that, so long as the financial statements delivered pursuant to this Section 7.01 comply in all material respects with the form and detail of financial statement requirements of the SEC, such financial statements shall be deemed satisfactory in form and detail to the Administrative Agent and the Required Lenders):

(a) as soon as available, and in any event within ninety (90) days after the end of each fiscal year of RedHill Parent (or, if earlier, when required to be filed with the SEC), a consolidated statement of financial position of RedHill Parent and its Subsidiaries as at the end of such fiscal year, and the related consolidated statements of comprehensive income (loss), changes in equity, and cash flows for such fiscal year, setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail and prepared in accordance with IFRS, audited and accompanied by a report and opinion of an Approved Independent Certified Public Accountant, which report and opinion shall be prepared in accordance with generally accepted auditing standards and shall not be subject to any "going concern" or like qualification or exception or any qualification or exception as to the scope of such audit; and

(b) as soon as available, and in any event within sixty (60) days after the end of each of the first three fiscal quarters of each fiscal year of RedHill Parent (or, if earlier, when required to be filed with the SEC), a condensed consolidated interim statement of financial position of RedHill Parent and its Subsidiaries as at the end of its fiscal quarter, and the related condensed consolidated interim statements of comprehensive income (loss), changes in equity, and cash flows for such fiscal quarter, setting forth in each case in comparative form the figures for the corresponding fiscal quarter of the previous fiscal year, all in reasonable detail and certified by a Responsible Officer of RedHill Parent as fairly presenting in all material respects the financial condition, results of operations, shareholders' equity and cash flows of RedHill Parent and its Subsidiaries in accordance with IFRS, subject only to normal year-end audit adjustments and the absence of footnotes.

7.02 Certificates; Other Information.

(a) Deliver to the Administrative Agent and each Lender, in form and detail satisfactory to the Administrative Agent and the Required Lenders:

(i) concurrently with the delivery of the financial statements referred to in Sections 7.01(a) and (b), a duly completed Compliance Certificate signed by the chief executive officer, chief financial officer, treasurer or controller of RedHill Parent, certifying compliance with the covenant set forth in Section 8.16 and setting forth a calculation of Net Revenues for the four fiscal quarter period covered by such Compliance Certificate;

(ii) concurrently with the delivery of the financial statements referred to in Section 7.01(a), beginning with the fiscal year commencing January 1, 2022, a duly completed Compliance Certificate signed by the chief executive officer, chief financial officer, treasurer or controller of RedHill Parent, certifying compliance with the covenant set forth in Section 8.18 and setting forth a calculation of Net Sales for the four-fiscal quarter period covered by such Compliance Certificate;

(iii) as soon as practicable, and in any event not later than seventy-five (75) days after the commencement of each fiscal year of RedHill Parent, beginning with the fiscal year commencing January 1, 2021, an annual business plan and budget of RedHill Parent and its Subsidiaries for the then current fiscal year containing, among other things, projections for each quarter of such fiscal year, substantially in the form of Exhibit J hereto;

(iv) promptly after the same are available, copies of each annual report, proxy or financial statement or other report or communication sent to the equityholders of any Loan Party, and copies of all annual, regular, periodic and special reports and registration statements which a Loan Party may file or be required to file with the SEC under Section 13 or 15(d) of the Exchange Act, and not otherwise required to be delivered to the Administrative Agent pursuant hereto;

(v) promptly after any request by the Administrative Agent or any Lender, copies of any detailed audit reports, management letters or recommendations submitted to the Board of Directors (or the audit committee of the Board of Directors) of RedHill Parent by independent accountants in connection with the accounts or books of RedHill Parent or any of its Subsidiaries, or any audit of any of them;

(vi) promptly after the furnishing thereof, copies of any statement or report furnished to any holder of debt securities of any Loan Party or any Subsidiary pursuant to the terms of any indenture, loan or credit or similar agreement and not otherwise required to be furnished to the Lenders pursuant to Section 7.01 or any other clause of this Section 7.02;

(vii) promptly, and in any event within five (5) Business Days after receipt thereof by any Loan Party or any Subsidiary thereof, (i) a summary of any material notice or other correspondence received from the SEC (or comparable agency in any applicable non-U.S. jurisdiction) concerning any investigation or possible investigation or other inquiry by such agency regarding financial or other operational results of any Loan Party or any Subsidiary thereof and (ii) a summary of any material written correspondence or any other material written communication from the FDA or any other regulatory body, in either case which summary may be redacted to preserve attorney-client or similar privilege;

(viii) as soon as practicable, and in any event not later than the last Business Day of each month, copies of the most recent monthly statements for each Deposit Account, Securities Account and other bank account or securities account of RedHill Parent and each other Loan Party;

(ix) promptly, such additional information regarding the business, financial or corporate affairs of any Loan Party or any Subsidiary, or compliance with the terms of the Loan Documents, as the Administrative Agent or any Lender may from time to time request;

(x) concurrently with the delivery of the financial statements referred to in Sections 7.01(a) and (b), a certificate of a Responsible Officer of RedHill Parent (i) listing (A) all applications by any Loan Party, if any, for (1) U.S. Copyrights, Patents or Trademarks and (2) Copyrights, Patents or Trademarks with respect to Talicia, Aemcolo or the Specified Asset, in each case, made since the date of the prior certificate (or, in the case of the first such certificate, the Closing Date), (B) all issuances of registrations or letters on existing applications by any Loan Party for (1) U.S. Copyrights, Patents and

Trademarks and (2) Copyrights, Patents or Trademarks with respect to Talicia, Aemcolo or the Specified Asset, in each case, received since the date of the prior certificate (or, in the case of the first such certificate, the Closing Date), (C) all Trademark Licenses, Copyright Licenses and Patent Licenses entered into by any Loan Party since the date of the prior certificate (or, in the case of the first such certificate, the Closing Date), (D) such supplements to Schedule 6.17 as are necessary to cause such schedule to be true and complete as of the date of such certificate and (ii) attaching the insurance binder or other evidence of insurance for any insurance coverage of any Loan Party or any Subsidiary that was renewed, replaced or modified during the period covered by such financial statements; and

(xi) concurrently with the delivery of the financial statements referred to in Sections 7.01(a) and (b), a certificate of a Responsible Officer of RedHill Parent containing information regarding the amount of all Dispositions, Involuntary Dispositions, Debt Issuances, Extraordinary Receipts and Acquisitions, in each case and in each instance, in excess of $3,000,000 that occurred during the period covered by such financial statements.

Documents required to be delivered pursuant to Section 7.01(a) or (b) or Section 7.02 may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date (i) on which RedHill Parent posts such documents, or provides a link thereto on RedHill Parent's website on the Internet at the website address listed on Schedule 11.02, or (ii) on which such documents are posted on RedHill Parent's behalf on an Internet or intranet website, if any, to which each Lender and the Administrative Agent have access (whether a commercial, third-party website or whether sponsored by the Administrative Agent and including, for the avoidance of doubt, the EDGAR system website of the SEC). The Administrative Agent shall have no obligation to request the delivery of or to maintain paper copies of the documents referred to above, and in any event shall have no responsibility to monitor compliance by any Loan Party with any such request for delivery by a Lender, and each Lender shall be solely responsible for requesting delivery to it or maintaining its copies of such documents.

(b) The Administrative Agent shall have the right, from time to time, not more than once per calendar quarter, during normal business hours and upon no less than ten (10) Business Days' prior written notice to the Borrower (provided, that, after the occurrence and during the continuance of a Default or Event of Default, the Administrative Agent and each Lender shall have the right, as often, at such times and without such prior notice, as each shall determine in its reasonable discretion), to have one or more Responsible Officers of the Borrower and RedHill Parent conduct a meeting with the Administrative Agent (provided, that, no more than two meetings per calendar year shall be held in-person (the remainder of such meetings in any calendar year, if any, shall be held telephonically); provided, further, that, the location of such in-person meetings shall alternate between the offices or facilities of the Administrative Agent, on the one hand, and the offices or facilities of the Borrower, on the other), sufficient to discuss, with the Administrative Agent, the business, operations, properties and financial and other condition of RedHill Parent and its Subsidiaries, to discuss any Product (including Product inventory), to discuss regulatory activities with respect to any Product, to discuss business development and Exploitation efforts relating to any Product and to verify compliance with the provisions of the Loan Documents, among other matters.

7.03 Notices.

(a) Promptly (and in any event, within five (5) Business Days of a Responsible Officer having Knowledge thereof) notify the Administrative Agent of the occurrence of any Default,

specifying the nature and extent thereof and the corrective action (if any) taken or proposed to be taken with respect thereto.

(b) Promptly (and in any event, within ten (10) Business Days of a Responsible Officer having Knowledge thereof) notify the Administrative Agent of any matter that has resulted or could reasonably be expected to result in a Material Adverse Effect.

(c) Promptly (and in any event, within ten (10) Business Days of a Responsible Officer having Knowledge thereof) notify the Administrative Agent of the occurrence of any ERISA Event.

(d) Promptly (and in any event, within five (5) Business Days) notify the Administrative Agent and each Lender of any material change in accounting policies or financial reporting practices by RedHill Parent or any Subsidiary.

(e) Promptly (and in any event, within ten (10) Business Days of a Responsible Officer having Knowledge thereof) notify the Administrative Agent of any litigation arbitration or governmental investigation or proceeding not previously disclosed by a Loan Party which has been instituted or, to the Knowledge of the Loan Parties, is threatened in writing against any Loan Party or to which any of the properties of any thereof is subject which could reasonably be expected to result in losses and/or expenses in excess of the Threshold Amount; provided, however, that such notice may be in summary form or redacted, in each case to preserve attorney-client or similar privilege.

(f) Promptly (and in any event, within two (2) Business Days) notify the Administrative Agent and each Lender of the occurrence of any default or event of default under (a) any document or other agreement evidencing any Indebtedness with an aggregate principal amount in excess of the Threshold Amount or (b) any Material Contract.

(g) Promptly (and in any event, within five (5) Business Days) notify the Administrative Agent and each Lender of (i) the termination of any Material Contract other than upon its scheduled termination date; (ii) the receipt by RedHill Parent or any of its Subsidiaries from a counterparty asserting a default by RedHill Parent or any of its Subsidiaries under any Material Contract where such alleged default, if accurate would permit such counterparty to terminate such Material Contract; (iii) the entering into of any new Material Contract by a Loan Party; or (iv) any material amendment to a Material Contract in any manner adverse to the Lenders; provided, that, for so long as RedHill Parent is subject to the public reporting requirements of the Exchange Act, the foregoing items shall be deemed to be furnished in writing pursuant to this Section 8.02(g) on the date on which such information is first available via the SEC's EDGAR system or any successor thereto.

(h) Promptly (and in any event, within five (5) Business Days) notify the Administrative Agent and each Lender of the occurrence of any event with respect to an Loan Party's property or assets resulting in a judgments, debts, liabilities, expenses, costs, damages or losses, to the extent not covered by insurance, aggregating $250,000 or more.

(i) Promptly (and in any event, within ten (10) Business Days of a Responsible Officer having Knowledge thereof) notify the Administrative Agent of any material licensing agreement or arrangement entered into by RedHill Parent or any Subsidiary in connection with any infringement or alleged infringement of the intellectual property of another Person.

(j) Promptly (and in any event, within ten (10) Business Days of a Responsible Officer having Knowledge thereof) give written notice to the Administrative Agent of any representation or warranty made or deemed made by any Loan Party in any of the Loan Documents or in any certificate delivered to the Administrative Agent pursuant hereto proving to be untrue, inaccurate or incomplete in any material respect on the date as of which made or deemed made.

Each notice pursuant to this Section 7.03(a) through (j) shall be accompanied by a statement of a Responsible Officer of RedHill Parent setting forth details of the occurrence referred to therein and stating what action the applicable Loan Party has taken and proposes to take with respect thereto. Each notice pursuant to Section 7.03(a) shall describe with particularity any and all provisions of this Agreement and any other Loan Document that have been breached.

7.04 Payment of Obligations.

Pay and discharge, as the same shall become due and payable, all its material obligations and liabilities, including (a) all Tax liabilities upon it or its properties or assets (including in its capacity as a withholding agent), unless the same are being contested in good faith by appropriate proceedings diligently conducted and adequate reserves in accordance with IFRS are being maintained by the Loan Party or such Subsidiary, (b) all lawful claims which, if unpaid, would by law become a Lien upon its property (other than Permitted Liens), and (c) all Indebtedness, but subject to any subordination provisions contained in any instrument or agreement evidencing such Indebtedness.

7.05 Preservation of Existence, Etc.

(a) Preserve, renew and maintain in full force and effect its legal existence under the Laws of the jurisdiction of its organization (except in a transaction permitted by Section 8.04 or Section 8.05).

(b) Preserve, renew and maintain in full force and effect its good standing under the Laws of the jurisdiction of its organization, except to the extent the failure to do so could not reasonably be expected to have a Material Adverse Effect.

(c) Take all reasonable action to maintain all rights, privileges, permits, licenses and franchises necessary or desirable in the normal conduct of its business, except to the extent that the failure to do so could not reasonably be expected to have a Material Adverse Effect.

(d) Preserve or renew all of its Registered IP in respect of which an application for registration has been filed or recorded with the United States Copyright Office or the United States Patent and Trademark Office, the non-preservation or non-renewal of which could reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect.

7.06 Maintenance of Properties.

(a) Maintain, preserve and protect all of its material properties and equipment necessary in the operation of its business in good working order and condition (ordinary wear and tear excepted).

(b) Make all necessary repairs thereto and renewals and replacements thereof, except where the failure to do so could not be expected to have a Material Adverse Effect.

(c) Use the standard of care typical in the industry in the operation and maintenance of its facilities.

7.07 Maintenance of Insurance.

(a) Maintain with financially sound and reputable insurance companies not Affiliates of RedHill Parent, insurance with respect to its properties and business against loss or damage of the kinds customarily insured against by Persons engaged in the same or similar business, of such types and in such amounts as are customarily carried under similar circumstances by such other Persons.

(b) Within thirty (30) days of the Closing Date, cause the Administrative Agent and its successors and/or assigns to be named as lender's loss payee or mortgagee as its interest may appear, and/or additional insured with respect to any such insurance providing liability coverage or coverage in respect of any Collateral, and cause each provider of any such insurance to agree, by endorsement upon the policy or policies issued by it or by independent instruments furnished to the Administrative Agent, that it will give the Administrative Agent thirty (30) days (or such lesser amount as the Administrative Agent may agree) prior written notice before any such policy or policies shall be altered or canceled.

7.08 Compliance with Laws.

Comply with the requirements of all Laws and all orders, writs, injunctions and decrees applicable to it or to its business or property, except in such instances in which (a) such requirement of Law or order, writ, injunction or decree is being contested in good faith by appropriate proceedings diligently conducted, or (b) the failure to comply therewith could not reasonably be expected to have a Material Adverse Effect.

7.09 Books and Records.

(a) Maintain proper books of record and account, in which full, true and correct entries in conformity with IFRS consistently applied shall be made of all financial transactions and matters involving the assets and business of such Loan Party or such Subsidiary, as the case may be.

(b) Maintain such books of record and account in material conformity with all applicable requirements of any Governmental Authority having regulatory jurisdiction over such Loan Party or such Subsidiary, as the case may be.

7.10 Inspection Rights.

Permit representatives designated by the Administrative Agent to visit and inspect any of its properties, to examine its corporate, financial and operating records, and make copies thereof or abstracts therefrom, and to discuss its affairs, finances and accounts with its directors, officers, and independent public accountants, all at the expense of RedHill Parent and at such reasonable times during normal business hours and as often as may be desired, upon reasonable advance notice to RedHill Parent; provided, that, (a) the Administrative Agent shall not exercise such rights more often than one time during any calendar year; provided, further, that, upon the occurrence and during the continuance of an Event of Default, the Administrative Agent may do any of the foregoing at the expense of RedHill Parent at any time without advance notice.

7.11 Use of Proceeds.

Use the proceeds of: (i) the Tranche A Term Loans to fund commercial operations of Talicia, Aemcolo and other commercial stage Products, (ii) the Tranche B Term Loans Loan to fund the Asset Acquisition and commercial operations of the Acquired Assets and (iii) the Tranche C Term Loans and the Tranche D Term Loans in the manner agreed by the parties, provided, that, in no event shall the proceeds of the Loans be (a) used in contravention of any Law or of any Loan Document or (b) distributed as dividends to RedHill Parent or be provided as a loan, payment of Indebtedness, services, expenses or fees or otherwise transferred to RedHill Parent or any Prohibited Subsidiary in any other way.

7.12 Additional Subsidiaries.

(a) At the time of the acquisition or formation of any Subsidiary:

(i) notify the Administrative Agent thereof in writing, together with the (A) jurisdiction of organization, (B) number of shares of each class of Equity Interests outstanding, (C) number and percentage of outstanding shares of each class owned (directly or indirectly) by RedHill Parent or any Subsidiary and (D) number and effect, if exercised, of all outstanding options, warrants, rights of conversion or purchase and all other similar rights with respect thereto; and

(ii) if such Subsidiary (x) is organized under the laws of the United States, any state thereof, or the District of Columbia or (y) owns any Talicia Asset, any Acquired Asset, any property or right located in the United States, or any property or right relating in any material respect to the Exploitation of any Product in the United States, in each case, cause such Subsidiary to (A) become a Guarantor by executing and delivering to the Administrative Agent a Joinder Agreement or such other documents as the Administrative Agent shall deem appropriate for such purpose, and (B) deliver to the Administrative Agent documents of the types referred to in Sections 5.01(f) and (g), in the case of any personal property Collateral located at a premises leased by a Loan Party, such Collateral Access Agreements as may be reasonably required by the Administrative Agent and favorable opinions of counsel to such Person (which shall cover, among other things, the legality, validity, binding effect and enforceability of the documentation referred to in clause (i)), all in form, content and scope reasonably satisfactory to the Administrative Agent; provided, that any documents required by this Section 7.12(a)(ii) of the type referred to in Section 5.01(g)(vi) and the Collateral Access Agreements requested by the Administrative Agent pursuant to this clause (ii) shall be delivered within five days of such acquisition or formation.

(b) If RedHill Parent or any Subsidiary transfers any Talicia Asset, any Acquired Asset, any property or right located in the United States, or any property or right relating in any material respect to the Exploitation of any Product in the United States, to a Subsidiary that is not a Loan Party, immediately cause such Subsidiary to (i) become a Guarantor by executing and delivering to the Administrative Agent a Joinder Agreement or such other documents as the Administrative Agent shall deem appropriate for such purpose, and (ii) deliver to the Administrative Agent documents of the types referred to in Sections 5.01(f) and (g) and favorable opinions of counsel to such Person (which shall cover, among other things, the legality, validity, binding effect and enforceability of the documentation referred to in clause (i)), all in form, content and scope reasonably satisfactory to the Administrative Agent.

7.13 ERISA Compliance.

Do each of the following: (a) maintain each Plan in compliance with the applicable provisions of ERISA, the Code and other federal or state law, (b) cause each Pension Plan that is qualified under Section 401(a) of the Code to maintain such qualification, and (c) make all contributions required to be made by RedHill Parent and its Subsidiaries to any Pension Plan subject to Section 412, Section 430 or Section 431 of the Code, in each case, except as could not reasonably be expected to have a Material Adverse Effect.

7.14 Pledged Assets.

(a) Equity Interests.

(i) Cause 100% of the issued and outstanding Equity Interests of each Subsidiary directly owned by a Loan Party (other than RedHill Parent) to be subject at all times to a first priority, perfected Lien in favor of the Administrative Agent, for the benefit of the Lenders, pursuant to the terms and conditions of the Collateral Documents, together with opinions of counsel and any filings and deliveries necessary in connection therewith to perfect the security interests therein, all in form and substance satisfactory to the Administrative Agent; provided, that, the Loan Parties shall have thirty (30) days after the acquisition of such Equity Interests to perfect the Administrative Agent's Lien thereon.

(ii) Cause 100% of the issued and outstanding Equity Interests of the Borrower and each Guarantor directly owned by RedHill Parent to be subject at all times to a first priority, perfected Lien in favor of the Administrative Agent, for the benefit of the Lenders, pursuant to the terms and conditions of the Collateral Documents, together with opinions of counsel and any filings and deliveries necessary in connection therewith to perfect the security interests therein, all in form and substance satisfactory to the Administrative Agent; provided, that, RedHill Parent shall have thirty (30) days after the acquisition of such Equity Interests to perfect the Administrative Agent's Lien thereon.

(b) Other Property.

(i) Cause all property (other than Excluded Property (as defined in the Security Agreement)) of each Loan Party (other than RedHill Parent) to be subject at all times to first priority (subject to Permitted Liens), perfected (and, in the case of Material Real Property, a Mortgage) Liens in favor of the Administrative Agent, for the benefit of the Lenders, to secure the Obligations pursuant to the Collateral Documents or, with respect to any such property acquired subsequent to the Closing Date, such other additional security documents as the Administrative Agent shall request and, in connection with the foregoing, deliver to the Administrative Agent such other documentation as the Administrative Agent may request including filings and deliveries necessary to perfect such Liens, Organization Documents, resolutions, and favorable opinions of counsel to such Person, all in form, content and scope reasonably satisfactory to the Administrative Agent; provided, that, the Loan Parties shall have thirty (30) days after the acquisition of such property to perfect the Administrative Agent's Lien thereon.

(ii) Cause all Talicia Assets, Acquired Assets, property or right located in the United States, or property or right relating in any material respect to the Exploitation of any Product in the United States (in each case, other than Excluded Property (as defined in the Security Agreement)) of RedHill Parent to be subject at all times to first priority (subject to Permitted Liens), perfected Liens in favor of the Administrative Agent, for the

benefit of the Lenders, to secure the Obligations pursuant to the Collateral Documents or, with respect to any such property acquired subsequent to the Closing Date, such other additional security documents as the Administrative Agent shall request and, in connection with the foregoing, deliver to the Administrative Agent such other documentation as the Administrative Agent may request including filings and deliveries necessary to perfect such Liens, Organization Documents, resolutions, and favorable opinions of counsel to such Person, all in form, content and scope reasonably satisfactory to the Administrative Agent; provided, that, RedHill Parent shall have thirty (30) days after the acquisition of such property to perfect the Administrative Agent's Lien thereon.

7.15 [Reserved].

7.16 Deposit Accounts; Securities Accounts.

(a) Within thirty (30) days after the acquisition or establishment of any Deposit Account or Securities Account by any Loan Party, provide written notice thereof to the Administrative Agent and the Lenders.

(b) Cause (i) all Deposit Accounts and Securities Accounts of the Loan Parties (other than RedHill Parent) and (ii) all Deposit Accounts and Securities Accounts of RedHill Parent containing Net Revenues of RedHill Parent or any of its Subsidiaries for any Product in the United States, in each case, at all times to be subject to Control Agreements, in each case in form and substance satisfactory to the Administrative Agent. RedHill Parent agrees that to the extent any of its Deposit Accounts and/or Securities Accounts contain Net Revenues of RedHill Parent or any of its Subsidiaries for any Product in the United States, it shall promptly notify the Administrative Agent thereof and create a first raking floating charge or otherwise create a security interest in favor of the Administrative Agent, for the benefit of the Lenders, over its rights under such accounts.

(c) Maintain all of the cash, Cash Equivalents and other funds of the Loan Parties and their Subsidiaries (other than RedHill Parent, except with respect to Net Revenues of RedHill Parent or any of its Subsidiaries for any Product in the United States) in (i) Deposit Accounts or Securities Accounts, in each case, that are subject to a Control Agreement, or (ii) in Excluded Deposit Accounts.

(d) Ensure that no Loan Party terminates any Deposit Account or Securities Account governed by a Control Agreement without the Administrative Agent's prior written consent; provided, that, without the Administrative Agent's consent, such Loan Party may from time to time to establish a replacement for a Deposit Account or Securities Account governed by a Control Agreement so long as any such replacement is governed by a Control Agreement.

7.17 Products.

(a) Without limiting the generality of Section 7.08, in connection with the development, testing, manufacture, marketing or sale of each of Talicia, the Talicia Assets, the Specified Asset, any Acquired Assets and Aemcolo by RedHill Parent or any Subsidiary, RedHill Parent or such Subsidiary shall comply in all material respects with all Regulatory Approvals.

(b) Without limiting the generality of Section 7.17(a) above, Borrower shall immediately and in any event within three (3) Business Days give written notice to Administrative Agent upon Borrower's becoming aware that any of the representations and warranties set forth in Section 6.23 with respect to Talicia, the Talicia Assets, the Specified Asset and any Acquired

Assets and Aemcolo have become incorrect in any material respect (provided, that, for the avoidance of doubt, the giving of such notice shall not cure or result in the automatic waiver of any Default or Event of Default that may have resulted from such breach of such representation or warranty).

7.18 Consent of Licensors.

Promptly after entering into or becoming bound by any license or agreement (other than over-the-counter software that is commercially available to the public), the failure, breach or termination of which could reasonably be expected to have a Material Adverse Effect, the Loan Parties shall provide written notice to the Administrative Agent of the material terms of such license or agreement. For any license or agreement with respect to the Specified Asset the Loan Parties shall, and for any license or agreement with respect to Aemcolo the Loan Parties shall use their best efforts to, obtain the consent of, or waiver by, any Person whose consent or waiver is necessary for (i) the applicable Loan Party's interest in such licenses or contract rights to be deemed Collateral and for the Administrative Agent to have a security interest in it that might otherwise be restricted by the terms of the applicable license or agreement, whether now existing or entered into in the future and (ii) the Administrative Agent to have the ability in the event of a liquidation of any of the Collateral to dispose of such Collateral in accordance with the Administrative Agent's rights and remedies under this Agreement and the other Loan Documents. For any other license or agreement, the Loan Parties shall use commercially reasonable efforts to obtain the consent of, or waiver by, any Person whose consent or waiver is necessary for (i) the applicable Loan Party's interest in such licenses or contract rights to be deemed Collateral and for the Administrative Agent to have a security interest in it that might otherwise be restricted by the terms of the applicable license or agreement, whether now existing or entered into in the future and (ii) the Administrative Agent to have the ability in the event of a liquidation of any of the Collateral to dispose of such Collateral in accordance with the Administrative Agent's rights and remedies under this Agreement and the other Loan Documents.

7.19 Anti-Corruption Laws.

To the extent applicable, conduct its business in compliance with the United States Foreign Corrupt Practices Act of 1977, the UK Bribery Act 2010 and other similar anti-corruption legislation in other jurisdictions and maintain policies and procedures designed to promote and achieve compliance with such laws.

7.20 Maintenance of IP Rights.

(a) Renew, prosecute, enforce, defend, and maintain all Patents and Trademarks in which the Loan Parties have a right to renew, prosecute, enforce, defend, or maintain except where the failure to renew, prosecute, enforce, defend or maintain any such IP Rights could not reasonably be expected, either individually or in the aggregate, to have a Material Adverse Effect.

(b) At its sole expense, take any and all commercially reasonable actions and prepare, execute, deliver and file any and all agreements, documents or instruments which are necessary and/or desirable to (i) diligently prosecute and maintain the Owned Patents and Exclusively Licensed Patents and (ii) diligently defend or assert the Owned Patents and Exclusively Licensed against infringement or interference by any other Persons, and against any claims of invalidity or unenforceability, in any jurisdiction (including, without limitation, by bringing any legal action for infringement or defending any claim of invalidity or action of a third party for declaratory judgment of non-infringement or non-interference) except where the failure to renew, prosecute, enforce, defend, or maintain any such Patents would not reasonably be expected to have a Material Adverse

Effect. Loan Parties shall not disclaim or abandon, or fail to take any action necessary or desirable to prevent the disclaimer or abandonment of, the Patents.

(c) In the event that any Loan Party becomes aware that the use of the Patents and/or the Exploitation of Talicia, Aemcolo, the Specified Asset or any Acquired Assets infringes or violates, either currently or in the future, any third party intellectual property, such Loan Party shall promptly take commercially reasonable steps to secure the right to use such intellectual property on behalf of itself and shall pay all costs and amounts associated in connection with obtaining any such license.

7.21 Talicia Assets and Acquired Assets.

(a) The Borrower shall either (i) possess all licenses and other rights to, or (ii) have license to use, in each case, the Talicia Assets, Acquired Assets and Permits, including Regulatory Approvals from the FDA and other Governmental Authorities necessary and advisable for the Exploitation of Talicia and the Acquired Assets in the United States.

(b) The Loan Parties shall Exploit or engage in the Exploitation of (i) Talicia and the Talicia Assets in accordance with the plan provided to the Administrative Agent prior to the Closing Date and attached hereto as Exhibit I; provided, that, for the avoidance of doubt, a reduction in the number of sales representatives exclusively responsible for Talicia, the Acquired Assets and Aemcolo below (x) 76 sales representatives as on and after the Closing Date and (y) 119 sales representatives as on and after July 31, 2020, in the case of each of clauses (x) and (y) for 30 consecutive days shall be a failure to perform and observe this Section 7.21, and (ii) the Acquired Assets in accordance with the plan to be provided to the Administrative Agent prior to the Tranche B Funding Date pursuant to Section 5.03(a)(ii).

7.22 Post-Closing Matters.

RedHill Parent and the Borrower undertake:

(a) by no later than three (3) Business Days after the Closing Date, to deliver to the Administrative Agent evidence that all Collateral Documents (Israel), the Pledge Agreement and the Security Agreement have been duly filed for registration and stamped '*nitkabel'* by the Israeli Companies Registrar and, with respect to the Israeli Fixed Charge Debenture, the Israeli Patent Authority, together with all required notices and a Hebrew convenience translation thereof accompanied by confirmation letters of RedHill Parent as to the adequacy of the translations;

(b) by no later than twenty-one (21) days after the Closing Date, to deliver to the Administrative Agent evidence that: (i) each of the Collateral Documents (Israel), the Pledge Agreement and the Security Agreement have been duly registered with the Israeli Companies Registrar together with an original charge registration certificate; and (ii) the Israeli Fixed Charge was duly registered with the Israeli Patent Authority together with an original charge registration certificate;

(c) by no later than twenty-one (21) days after the Closing Date, deliver to the Administrative Agent a favorable opinion of legal counsel to the Loan Parties under the laws of Israel, addressed to the Administrative Agent and each Lender, with respect to the Israeli post-Closing matters, in form and substance satisfactory to the Administrative Agent;

(d) by no later than thirty (30) days after the Closing Date, to deliver to the Administrative Agent such Collateral Access Agreements as may be reasonably required by the Administrative Agent;

(e) by no later than thirty (30) days after the Closing Date, to deliver to the Administrative Agent copies of insurance policies or certificates of insurance naming the Administrative Agent as additional insured (in the case of liability insurance) or Lender's loss payee (in the case of hazard insurance) on behalf of the Lenders;

(f) by no later than thirty (30) days after the Closing Date, to deliver to the Administrative Agent (i) for each of the manufacturing and/or supply agreement listed on Schedule 4 to the Israeli Fixed Charge Debenture (in execution form if not executed as of the Closing Date) one of the following options: (A) (x) an amendment or written consent to such agreement to permit the assignment of and creation of a security interest over such agreement to a third party and (y) executed local law collateral documents, providing for a perfected security interest in such agreement, as determined by the Administrative Agent in its sole discretion; (B) the assignment of such agreement to the Borrower; or (C) an executed backup manufacturing and supply agreements between the Borrower and the applicable manufacturer or supplier, and (ii) executed counterparts of any amendments to the Israeli Fixed Charge Debenture and any notices required to be made with the Israeli Companies Registrar or otherwise for this purpose, as needed to memorialize the foregoing under this clause (f); and

(g) by no later than ten (10) Business Days after the Closing Date, to deliver to the Administrative Agent executed counterparts (including by electronic means) of an amendment to the Talicia Intercompany Agreement, incorporating the amendments to the Talicia Intercompany Agreement as requested by the Administrative Agent in its sole discretion.

ARTICLE VIII

NEGATIVE COVENANTS

Subject to Section 11.21, so long as any Lender shall have any Term Loan Commitment hereunder or any Loan or other Obligation hereunder shall remain unpaid or unsatisfied (other than contingent indemnification obligations for which no claim has been asserted), no Loan Party shall, nor shall it permit any Subsidiary to, directly or indirectly:

8.01 Liens.

Create, incur, assume or suffer to exist any Lien upon any of its property, assets or revenues, whether now owned or hereafter acquired, other than the following:

(a) Liens pursuant to any Loan Document;

(b) Liens existing on the date hereof and listed on Schedule 8.01; provided, that, such Liens do not encumber assets used or useful in the Exploitation of Talicia;

(c) Liens (other than Liens imposed under ERISA) for Taxes not yet due or which are being contested in good faith and by appropriate proceedings diligently conducted, if adequate reserves with respect thereto are maintained on the books of the applicable Person in accordance with IFRS;

(d) Liens in respect of property imposed by requirements of Law, which were incurred in the ordinary course of business and do not secure Indebtedness for borrowed money, such as, without limitation, carriers', warehousemen's, materialmen's, landlords', workmen's, suppliers', repairmen's and mechanics' Liens and other similar Liens arising in the ordinary course of business;

(e) pledges or deposits in the ordinary course of business in connection with workers' compensation, unemployment insurance and other social security legislation, other than any Lien imposed by ERISA;

(f) deposits to secure the performance of bids, trade contracts and leases (other than Indebtedness), statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;

(g) easements, rights-of-way, restrictions and other similar affecting real property which, in the aggregate, are not substantial in amount, and which do not in any case materially detract from the value of the property subject thereto or materially interfere with the ordinary conduct of the business of the applicable Person;

(h) Liens securing judgments for the payment of money (or appeal or other surety bonds relating to such judgments) not constituting an Event of Default under Section 9.01(h);

(i) Liens securing Indebtedness permitted under Section 8.03(e); provided, that: (i) such Liens do not at any time encumber any property other than the property financed by such Indebtedness, (ii) the Indebtedness secured thereby does not exceed the cost (negotiated on an arm's length basis) or fair market value, whichever is lower, of the property being acquired on the date of acquisition and (iii) such Liens attach to such property concurrently with or within ninety days after the acquisition thereof;

(j) licenses, sublicenses, leases or subleases (other than relating to intellectual property) granted to others in the ordinary course of business not interfering in any material respect with the business of any Loan Party or any of its Subsidiaries;

(k) any interest of title of a lessor under, and Liens arising from UCC financing statements (or equivalent filings, registrations or agreements in foreign jurisdictions) relating to, leases permitted by this Agreement;

(l) normal and customary rights of setoff upon deposits of cash in favor of banks or other depository institutions;

(m) Liens of a collection bank arising under Section 4-210 of the Uniform Commercial Code on items in the course of collection;

(n) Liens of sellers of goods to RedHill Parent and any of its Subsidiaries arising under Article 2 of the Uniform Commercial Code or similar provisions of applicable law in the ordinary course of business, covering only the goods sold and securing only the unpaid purchase price for such goods and related expenses;

(o) Liens in favor of customs and revenue authorities arising as a matter of law, in the ordinary course of business, to secure payment of customs duties in connection with the importation of goods;

(p) Liens securing liability for reimbursement or indemnification obligations of RedHill Parent or any Subsidiary to insurance carriers providing insurance to RedHill Parent or any Subsidiary arising by virtue of deposits made in the ordinary course of business;

(q) Permitted Licenses;

(r) Liens on (i) assets of any Royalty/Revenue Subsidiary pledged in connection with a Permitted Royalty/Revenue Financing, and (ii) Equity Interests of any Royalty/Revenue Subsidiary pledged by RedHill Parent pursuant to a Permitted Royalty/Revenue Financing; and

(s) other Liens securing Indebtedness not exceeding $100,000 in the aggregate at any one time outstanding; provided, that, such Liens do not encumber assets relating in any material respect to the Exploitation of Talicia or any Acquired Assets, if applicable.

8.02 Investments.

Make any Investments, except:

(a) Investments held by RedHill Parent or such Subsidiary in the form of cash or Cash Equivalents;

(b) Investments existing as of the Closing Date and set forth in Schedule 8.02;

(c) Investments in any Person that is a Loan Party (and if such Person becomes a Loan Party as a result of an Acquisition, such Acquisition is a Permitted Acquisition), other than any Investment by the Borrower or any Subsidiary of the Borrower in RedHill Parent or any Prohibited Subsidiary;

(d) (i) Investments by any Subsidiary of the Borrower that is not a Loan Party in the Borrower or any other Subsidiary of the Borrower; and (ii) Investments by any Prohibited Subsidiary in RedHill Parent and any other Prohibited Subsidiary;

(e) Investments consisting of extensions of credit in the nature of accounts receivable or notes receivable arising from the grant of trade credit in the ordinary course of business, and Investments received in satisfaction or partial satisfaction thereof from financially troubled account debtors to the extent reasonably necessary in order to prevent or limit loss;

(f) Permitted Acquisitions;

(g) loans and advances to employees in an aggregate amount not to exceed $500,000 at any time outstanding, for travel, entertainment, relocation and analogous ordinary business purposes and to purchase Equity Interests of RedHill Parent;

(h) Guarantees permitted by Section 8.03 (other than by reference to Section 8.02 (or any clause hereof));

(i) promissory notes and other non-cash consideration that is permitted to be received in connection with Dispositions permitted by Section 8.05;

(j) Investments (including Indebtedness obligations) received in connection with the bankruptcy or reorganization of customers or suppliers and in settlement of delinquent obligations of, and other disputes with, customers or suppliers arising in the ordinary course of business;

(k) Investments by RedHill Parent directly and not exceeding $15,000,000 made in connection with the establishment of a strategic partnership, strategic alliance, joint venture or similar arrangement;

(l) Investments in a Royalty/Revenue Subsidiary made in connection with a Permitted Royalty/Revenue Financing; and

(m) other Investments not exceeding $3,000,000 in the aggregate at any one time outstanding, no more than $1,000,000 in the aggregate of which may be Investments of the Borrower and its Subsidiaries; provided, that, no such Investment shall be an Investment by the Borrower or any Subsidiary of the Borrower to RedHill Parent or any Prohibited Subsidiary.

8.03 Indebtedness.

Create, incur, assume or suffer to exist any Indebtedness, except:

(a) Indebtedness under the Loan Documents;

(b) Indebtedness of RedHill Parent and its Subsidiaries existing on the Closing Date and described on Schedule 8.03;

(c) intercompany Indebtedness permitted under Section 8.02;

(d) obligations (contingent or otherwise) of the Borrower existing or arising under any Swap Contract, provided, that, such obligations are (or were) entered into by such Person in the ordinary course of business for the purpose of directly mitigating risks associated with liabilities, commitments, investments, assets, or property held or reasonably anticipated by such Person, or changes in the value of securities issued by such Person, and not for purposes of speculation or taking a "market view;"

(e) purchase money Indebtedness (including obligations in respect of Capital Leases or Synthetic Leases) hereafter incurred by a Loan Party to finance the purchase of fixed assets, and renewals, refinancings and extensions thereof, provided, that, (i) the total of all such Indebtedness for all such Persons taken together shall not exceed an aggregate principal amount of $500,000 at any one time outstanding, (ii) such Indebtedness when incurred shall not exceed the purchase price of the asset(s) financed and (iii) no such Indebtedness shall be refinanced for a principal amount in excess of the principal balance outstanding thereon at the time of such refinancing;

(f) unsecured Subordinated Indebtedness of RedHill Parent or a Foreign Subsidiary (provided, that, such Foreign Subsidiary is not a Loan Party or a Subsidiary of the Borrower or any other Domestic Subsidiary) that matures no earlier than 90 days following the Term Loan Maturity Date; provided, that, RedHill Parent's trailing twelve month operating profits exceed $25,000,000 (based upon RedHill Parent's financial statements that have been delivered pursuant to Sections 7.01(a) or (b));

(g) all Indebtedness of any partnership or joint venture (other than a joint venture that is itself a corporation or limited liability company) in which a Loan Party is a general partner or

joint venturer; provided, that, such Indebtedness is without any recourse to RedHill Parent or any of its Subsidiaries, whether pursuant to a Guarantee or otherwise; and

(h) Indebtedness of Royalty/Revenue Subsidiaries incurred pursuant to Permitted Royalty/Revenue Financings in an aggregate amount for all such Permitted Royalty/Revenue Financings not to exceed $30,000,000 at any one time outstanding;

(i) other unsecured Indebtedness of RedHill Parent in an aggregate amount not to exceed $500,000 at any one time outstanding.

8.04 Fundamental Changes.

Merge, dissolve, liquidate, consolidate with or into another Person, or Dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to or in favor of any Person; provided, that, notwithstanding the foregoing provisions of this Section 8.04 but subject to the terms of Sections 7.12 and 7.14, (a) the Borrower may merge or consolidate with any of its Subsidiaries, provided, that, the Borrower shall be the continuing or surviving corporation, (b) any Loan Party (other than the Borrower) may merge or consolidate with any other Loan Party (other than the Borrower); provided, that, the Borrower shall remain a direct Subsidiary of RedHill Parent, (c) any Subsidiary that is not a Loan Party may be merged or consolidated with or into any Loan Party; provided, that, such Loan Party shall be the continuing or surviving corporation and no Subsidiary of the Borrower may be merged or consolidated with RedHill Parent or a Prohibited Subsidiary, and (d) any Subsidiary that is not a Loan Party may be merged or consolidated with or into any other Subsidiary that is not a Loan Party; provided, that, no Subsidiary of the Borrower may be merged or consolidated with RedHill Parent or a Prohibited Subsidiary.

8.05 Dispositions.

Make any Disposition (other than, for the avoidance of doubt, Permitted Transfers) unless (a) the consideration paid in connection therewith shall be in an amount not less than the fair market value of the property disposed of and at least 75% of such consideration shall be cash or Cash Equivalents paid contemporaneously with consummation of such Disposition, (b) no Default or Event of Default shall have occurred and be continuing both immediately prior to and after giving effect to such Disposition, (c) such transaction does not involve the sale or other disposition of a minority equity interest in any Subsidiary, (d) such transaction does not involve a sale, transfer, license or other disposition of any Product (including Talicia or the Acquired Assets) (or any IP Rights associated therewith) in the United States (or any state or political subdivision thereof), (e) such transaction does not involve (x) the sale of assets either relating in any material respect to, or used in, the Exploitation of Talicia or the Acquired Assets or (y) the license of any Acquired Assets (or any IP Rights associated therewith) in the United States (or any state or other political subdivision thereof) or (y) any license of the Talicia Assets (or any IP Rights associated therewith) other than the Talicia Intercompany Agreement, and (f) the aggregate net book value of all of the assets sold or otherwise disposed of (including, for the avoidance of doubt, the assets sold or otherwise disposed of in such Disposition) occurring during the term of this Agreement does not exceed $1,000,000.

8.06 Restricted Payments.

Declare or make, directly or indirectly, any Restricted Payment, or incur any obligation (contingent or otherwise) to do so, except that:

(a) each Subsidiary of RedHill Parent (other than the Borrower and its Subsidiaries) may make Restricted Payments to any Loan Party;

(b) each Subsidiary of the Borrower may make Restricted Payments to the Borrower and any Subsidiary of the Borrower that is a Loan Party; and

(c) RedHill Parent and each Subsidiary may declare and make dividend payments or other distributions payable solely in the Qualified Capital Stock of such Person.

Notwithstanding anything herein to the contrary and for the avoidance of doubt, none of the Borrower or any of its Subsidiaries may make any Restricted Payment to RedHill Parent or any other Subsidiary of RedHill Parent that is not a Subsidiary of the Borrower regardless of any contractual agreement to the contrary or otherwise.

8.07 Change in Nature of Business.

Engage in any material line of business substantially different from those lines of business conducted by RedHill Parent and its Subsidiaries, taken as a whole, on the Closing Date or any business substantially related or incidental thereto.

8.08 Transactions with Affiliates and Insiders.

Enter into or permit to exist any transaction or series of transactions with any officer, director or Affiliate of such Person other than (a) advances of working capital to any Loan Party, (b) transfers of cash and assets to any Loan Party, (c) intercompany transactions expressly permitted by Section 8.02, Section 8.03, Section 8.04, Section 8.05 or Section 8.06, (d) normal and reasonable compensation and reimbursement of expenses of officers and directors in the ordinary course of business and (e) except as otherwise specifically limited in this Agreement, other transactions which are entered into in the ordinary course of such Person's business on terms and conditions substantially as favorable to such Person as would be obtainable by it in a comparable arms-length transaction with a Person other than an officer, director or Affiliate.

8.09 Burdensome Agreements.

Enter into, or permit to exist, any Contractual Obligation with any Person that (a) encumbers or restricts the ability of any such Person to (i) make Restricted Payments to any Loan Party, (ii) pay any Indebtedness or other obligations owed to any Loan Party, (iii) make loans or advances to any Loan Party, (iv) transfer any of its property to any Loan Party, (v) pledge Collateral pursuant to the Loan Documents or any renewals, refinancings, exchanges, refundings or extension thereof or (vi) act as a Loan Party pursuant to the Loan Documents or any renewals, refinancings, exchanges, refundings or extension thereof, except (in respect of any of the matters referred to in clauses (i) through (v) above) for (1) this Agreement and the other Loan Documents, (2) any document or instrument governing Indebtedness incurred pursuant to Section 8.03(e), provided, that, any such restriction contained therein relates only to the asset or assets constructed or acquired in connection therewith, (3) any Permitted Lien or any document or instrument governing any Permitted Lien, provided, that, any such restriction contained therein relates only to the asset or assets subject to such Permitted Lien, or (4) customary restrictions and conditions contained in any agreement relating to the sale of any property permitted under Section 8.05 pending the consummation of such sale, or (b) requires the grant of any security for any obligation if such property is given as security for the Obligations.

8.10 Use of Proceeds.

Use the proceeds of any Loan, whether directly or indirectly, and whether immediately, incidentally or ultimately, to purchase or carry margin stock (within the meaning of Regulation U of the FRB) or to

extend credit to others for the purpose of purchasing or carrying margin stock or to refund indebtedness originally incurred for such purpose.

8.11 Prepayment of Other Indebtedness.

Make (or give any notice with respect thereto) any required, involuntary, voluntary or optional payment or prepayment or redemption, cash settlement or acquisition for value of (including without limitation, by way of depositing money or securities with the trustee with respect thereto before due for the purpose of paying when due), refund, refinance or exchange of any Indebtedness (including any intercompany Indebtedness) of any Loan Party or any Subsidiary (other than Indebtedness arising under the Loan Documents or permitted under Sections 8.03(d), (e), and (i), and other than by any Royalty/Revenue Subsidiary in respect of Indebtedness incurred pursuant to Section 8.03(h); provided, that, with respect to Indebtedness incurred pursuant to Section 8.03(h), such payment, redemption, settlement or acquisition for value is made solely from the cash received by such Royalty/Revenue Subsidiary from the licenses, royalties and trade receivables for the corresponding Permitted Royalty/Revenue Financing).

8.12 Organization Documents; Fiscal Year; Legal Name, State of Formation and Form of Entity; Certain Amendments.

(a) Amend, modify or change its Organization Documents in a manner adverse to the Lenders under the Loan Documents.

(b) Change its fiscal year.

(c) Without providing ten (10) days prior written notice to the Administrative Agent, change its name, state of organization or form of organization.

8.13 Ownership of Subsidiaries.

Notwithstanding any other provisions of this Agreement to the contrary, (a) permit any Person (other than any Loan Party or any Wholly Owned Subsidiary of RedHill Parent) to own any Equity Interests of any, direct or indirect, Domestic Subsidiary of RedHill Parent, (b) permit any Loan Party or any Subsidiary to issue or have outstanding any Disqualified Capital Stock or (c) create, incur, assume or suffer to exist any Lien on any Equity Interests of any Subsidiary of any Loan Party, except for Permitted Liens.

8.14 Sale Leasebacks.

Enter into any Sale and Leaseback Transaction.

8.15 Sanctions; Anti-Corruption Laws.

(a) Directly or indirectly, use the proceeds of the Term Loan, or lend, contribute or otherwise make available such proceeds of the Term Loan to any Person, to fund any activities of or business with any Person, or in any Designated Jurisdiction, that, at the time of such funding, is the subject of Sanctions, or in any other manner that will result in a violation by any Person (including any Person participating in the transaction, whether as Lender, Administrative Agent, or otherwise) of Sanctions.

(b) To the extent applicable, directly or indirectly, use the proceeds of the Term Loan for any purpose which would breach the United States Foreign Corrupt Practices Act of 1977, the UK Bribery Act 2010 and other similar anti-corruption legislation in other jurisdictions.

8.16 Liquidity.

Permit, on any Business Day, cash and Cash Equivalents, in each case, of the Loan Parties held in Deposit Accounts and Securities Accounts for which the Administrative Agent shall have received an effective Control Agreement at any time to be less than (i) $6,000,000, from the Closing Date to the earlier of (x) the Term Loan Maturity Date and (y) the Tranche B Funding Date, (ii) $16,000,000, from the Tranche B Funding Date to the earlier of (x) the Term Loan Maturity Date and (y) the Tranche C Funding Date, (iii) $20,000,000, from the Tranche C Funding Date to the earlier of (x) the Term Loan Maturity Date and (y) the Tranche D Funding Date and (iv) $23,000,000, from the Tranche D Funding Date to the Term Loan Maturity Date.

8.17 Key Person Departure.

(a) RedHill Parent shall not, with respect to Dror Ben-Asher, (i) terminate his employment as the full time, active chief executive officer of RedHill Parent or diminish his title, duties or authority as of the Closing Date with respect to his current role and responsibilities or (ii) permit him to cease to function as the full time, active chief executive officer of RedHill Parent or to diminish his title, duties or authority as of the Closing Date with respect to his current role and responsibilities, in each case, unless replaced within 90 days of such time with the written approval of the Administrative Agent after the Administrative Agent's good faith consideration of potential replacements proposed by RedHill Parent at such time.

(b) RedHill Parent and/or the Borrower shall not, with respect to Rick Scruggs, (i) terminate his employment as the full time, active chief commercial officer of the Borrower or diminish his title, duties or authority as of the Closing Date with respect to his current role and responsibilities or (ii) permit him to cease to function as the full time, active chief commercial officer of the Borrower or to diminish his title, duties or authority as of the Closing Date with respect to his current role and responsibilities, in each case, unless replaced within 90 days of such time with the written approval of the Administrative Agent after the Administrative Agent's good faith consideration of potential replacements proposed by RedHill Parent at such time.

8.18 Minimum Net Sales. Beginning with the fiscal quarter ending June 30, 2022, permit Net Sales for any trailing four fiscal quarter period to be less than $90,000,000, measured quarterly as of the last day of the applicable fiscal quarter.

ARTICLE IX

EVENTS OF DEFAULT AND REMEDIES

9.01 Events of Default.

Any of the following shall constitute an Event of Default:

(a) Non-Payment. The Borrower or any other Loan Party fails to pay (i) when and as required to be paid herein, any amount of principal of any Loan, or (ii) within three Business Days after the same becomes due, any interest on any Loan, or any fee due hereunder, or (iii) within five Business Days after the same becomes due, any other amount payable hereunder or under any other Loan Document; or

(b) Specific Covenants. Any Loan Party fails to perform or observe any term, covenant or agreement contained in any of Section 7.01, 7.02, 7.03, 7.05, 7.10, 7.11, 7.12, 7.14, 7.16, 7.17, 7.18, 7.19, 7.21(a) or (b)(ii), 7.22 or Article VIII; or

(c) Other Defaults. Any Loan Party fails to perform or observe any other covenant or agreement (not specified in subsection (a) or (b) above) contained in any Loan Document on its part to be performed or observed and such failure continues for thirty (30) days after the earlier of the date on which (i) such failure occurred and (ii) written notice thereof shall have been given to the Borrower by the Administrative Agent or any Lender; or

(d) Representations and Warranties. Any representation, warranty, certification or statement of fact made or deemed made by or on behalf of the Borrower or any other Loan Party herein, in any other Loan Document, or in any document delivered in connection herewith or therewith shall be incorrect or misleading in any material respect when made or deemed made; or

(e) Cross-Default. (i) Any Loan Party or any Subsidiary (A) fails to make any payment when due (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise) in respect of any Indebtedness or Guarantee (other than Indebtedness hereunder and Indebtedness under Swap Contracts) having an aggregate principal amount (including undrawn committed or available amounts and including amounts owing to all creditors under any combined or syndicated credit arrangement) of more than the Threshold Amount, or (B) fails to observe or perform any other agreement or condition relating to any such Indebtedness or Guarantee or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event occurs, the effect of which default or other event is to cause, or to permit the holder or holders of such Indebtedness or the beneficiary or beneficiaries of such Guarantee (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause, with the giving of notice if required, such Indebtedness to be demanded or to become due or to be repurchased, prepaid, defeased or redeemed (automatically or otherwise), or an offer to repurchase, prepay, defease or redeem such Indebtedness to be made, prior to its stated maturity, or such Guarantee to become payable or cash collateral in respect thereof to be demanded; or (ii) there occurs under any Swap Contract an Early Termination Date (as defined in such Swap Contract) resulting from (A) any event of default under such Swap Contract as to which RedHill Parent or any Subsidiary is the Defaulting Party (as defined in such Swap Contract) or (B) any Termination Event (as so defined) under such Swap Contract as to which RedHill Parent or any Subsidiary is an Affected Party (as so defined) and, in either event, the Swap Termination Value owed by RedHill Parent or such Subsidiary as a result thereof is greater than the Threshold Amount; or

(f) Insolvency Proceedings, Etc. Any Loan Party or any of its Subsidiaries institutes or consents to the institution of any proceeding under any Debtor Relief Law (including, without limitation (i) the commencement of protected negotiations ("*masa u-matan mugan*"), (ii) an application for or the grant of a commencement of proceedings order ("*tsav le-ptichat halichim*") pursuant to the Israeli Insolvency and Rehabilitation Law), or makes an assignment for the benefit of creditors; or applies for or consents to the appointment of any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer for it or for all or any material part of its property; or any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer is appointed without the application or consent of such Person and the appointment continues undischarged or unstayed for thirty (30) calendar days; or any proceeding under any Debtor Relief Law relating to any such Person or to all or any material part of its property is instituted without the consent of such Person and continues undismissed or unstayed for sixty (60) calendar days, or an order for relief is entered in any such proceeding; or

(g) Inability to Pay Debts; Attachment. (i) Any Loan Party or any of its Subsidiaries becomes unable or admits in writing its inability or fails generally to pay its debts as they become due, or (ii) any writ or warrant of attachment or execution or similar process is issued or levied against all or any material part of the property of any such Person and is not released, vacated or fully bonded within thirty (30) days after its issue or levy; or

(h) Judgments. There is entered against any Loan Party or any Subsidiary one or more final judgments or orders for the payment of money in an aggregate amount exceeding the Threshold Amount (to the extent not covered by independent third-party insurance as to which the insurer does not dispute coverage) or any one or more non-monetary final judgments that have, or could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect and, in either case, (i) enforcement proceedings are commenced by any creditor upon such judgment or order or (ii) there is a period of thirty (30) consecutive days during which a stay of enforcement of such judgment, by reason of a pending appeal or otherwise, is not in effect; or

(i) ERISA. (i) An ERISA Event occurs with respect to a Pension Plan or Multiemployer Plan which has resulted or could reasonably be expected to result in liability of any Loan Party under Title IV of ERISA to the Pension Plan, Multiemployer Plan or the PBGC in an aggregate amount in excess of the Threshold Amount, or (ii) the Borrower or any ERISA Affiliate fails to pay when due, after the expiration of any applicable grace period, any installment payment with respect to its withdrawal liability under Section 4201 of ERISA under a Multiemployer Plan in an aggregate amount in excess of the Threshold Amount; or

(j) Invalidity of Loan Documents. Any Loan Document, at any time after its execution and delivery and for any reason other than as expressly permitted hereunder or thereunder or satisfaction in full of all Obligations, ceases to be in full force and effect; or any Loan Party or any other Person contests in any manner the validity or enforceability of any Loan Document; or any Loan Party denies that it has any or further liability or obligation under any Loan Document, or purports to revoke, terminate or rescind any Loan Document; or

(k) Material Adverse Effect. There occurs any circumstance or circumstances that could reasonably be expected, either individually or in the aggregate, to have a Material Adverse Effect; or

(l) Change of Control. There occurs any Change of Control;

(m) Invalidity of Subordination Provisions. Any subordination provision in any document or instrument governing Indebtedness that is purported to be subordinated to the Obligations or any subordination provision in any subordination agreement that relates to any Indebtedness that is to be subordinated to the Obligations, or any subordination provision in any guaranty by any Loan Party of any such Indebtedness, shall cease to be in full force and effect, or RedHill Parent or any of its Subsidiaries shall contest in any manner the validity, binding nature or enforceability of any such provision;

(n) Injunction. Any court order enjoins, restrains, or prevents any Loan Party from conducting any material part of its business;

(o) Material Contracts. There occurs an “event of default” or “default” or any comparable term under any Material Contract that permits the counterparty under such Material Contract to terminate such Material Contract; or

(p) Products. (i) The FDA shall revoke, withdraw, suspend, cancel, materially limit, terminate or materially modify any Regulatory Approval related to any Product marketed in the United States; or (ii) any Governmental Authority (other than the FDA) shall revoke, withdraw, suspend, cancel, materially limit, terminate or materially modify any Regulatory Approval related to any Product marketed in the United States; or (iii) any Loan Party or any Subsidiary shall initiate any recall of any Product marketed in the United States or any Safety Notice is issued or initiated in connection therewith.

9.02 Remedies Upon Event of Default.

If any Event of Default occurs and is continuing, the Administrative Agent shall, at the request of, or may, with the consent of, the Required Lenders, take any or all of the following actions:

(a) declare the commitment of each Lender to make Loans to be terminated, whereupon such commitments and obligation shall be terminated;

(b) declare the unpaid principal amount of all outstanding Loans, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder or under any other Loan Document to be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Borrower; and

(c) exercise on behalf of itself and the Lenders all rights and remedies available to it and the Lenders under the Loan Documents;

provided, however, that upon the occurrence of an actual or deemed entry of an order for relief with respect to the Borrower under the Bankruptcy Code of the United States or under any other Debtor Relief Law, the obligation of each Lender to make Loans shall automatically terminate, the unpaid Outstanding Amount of all outstanding Loans and all interest and other amounts as aforesaid shall automatically become due and payable, in each case without further act of the Administrative Agent or any Lender.

If the Obligations are accelerated for any reason, the prepayment premium and fees payable pursuant to the Fee Letter will also be due and payable as though such Obligations were voluntarily prepaid and any discount on the Term Loan shall be deemed earned in full and, in each case, shall constitute part of the Obligations, in view of the impracticability and extreme difficulty of ascertaining actual damages and by mutual agreement of the parties as to a reasonable calculation of each Lender's lost profits as a result thereof. Any prepayment premium and fees payable to the preceding sentence shall be presumed to be the liquidated damages sustained by each Lender as the result of the early termination and the Borrower agrees that it is reasonable under the circumstances currently existing. The prepayment premium and fees payable pursuant to the Fee Letter shall also be payable and any discount on the Term Loan shall be deemed earned in full, in each case, in the event that the Obligations (and/or this Agreement) are satisfied or released by foreclosure (whether by power of judicial proceeding), deed in lieu of foreclosure or by any other means. TO THE EXTENT PERMITTED BY APPLICABLE LAW, THE BORROWER EXPRESSLY WAIVES THE PROVISIONS OF ANY PRESENT OR FUTURE STATUTE OR LAW THAT PROHIBITS OR MAY PROHIBIT THE COLLECTION OF THE FOREGOING PREPAYMENT PREMIUM, FEE AND ANY DISCOUNT ON THE TERM LOAN IN CONNECTION WITH ANY SUCH ACCELERATION. The Borrower expressly agrees that (i) the prepayment premium and fees payable pursuant to the Fee Letter and any discount on the Term Loan provided for herein is reasonable and is the product of an arm's length transaction between sophisticated business people, ably represented by counsel, (ii) the prepayment premium and fees payable pursuant to the Fee Letter and any discount on the Term Loan shall be payable notwithstanding the then prevailing market rates at the time payment is made, (iii) there has been a course of conduct between the Lenders and the Borrower giving specific consideration in this transaction for such

agreement to pay the prepayment premium and fees payable pursuant to the Fee Letter and any discount on the Term Loan, and (iv) the Borrower shall be estopped hereafter from claiming differently than as agreed to in this paragraph. The Borrower expressly acknowledges that its agreement to pay the prepayment premium and fees payable pursuant to the Fee Letter and any discount on the Term Loan to the Lenders as herein described is a material inducement to the Lenders to make the Term Loan hereunder.

9.03 Application of Funds.

After the exercise of remedies provided for in Section 9.02 (or after the Loans have automatically become immediately due and payable as set forth in the proviso to Section 9.02), any amounts received by any Lender or the Administrative Agent on account of the Obligations shall be applied by the Administrative Agent in the following order:

First, to payment of that portion of the Obligations constituting fees, indemnities, expenses and other amounts (including fees, charges and disbursements of counsel to the Administrative Agent and amounts payable under Article III) payable to the Administrative Agent in its capacity as such;

Second, to payment of that portion of the Obligations constituting fees, indemnities and other amounts (other than principal, interest, prepayment premium and fees) payable to the Lenders (including fees, charges and disbursements of counsel to the respective Lenders) arising under the Loan Documents and amounts payable under Article III, ratably among them in proportion to the respective amounts described in this clause Second payable to them;

Third, to payment of that portion of the Obligations constituting accrued and unpaid interest on and prepayment premium and fees with respect to the Loans, ratably among the Lenders in proportion to the respective amounts described in this clause Third held by them;

Fourth, to payment of that portion of the Obligations constituting accrued and unpaid principal of the Loans, ratably among the Lenders in proportion to the respective amounts described in this clause Fourth held by them; and

Last, the balance, if any, after all of the Obligations have been paid in full in cash, to the Borrower or as otherwise required by Law.

ARTICLE X

ADMINISTRATIVE AGENT

10.01 Appointment and Authority.

(a) Each of the Lenders hereby irrevocably appoints HCR Collateral Management, LLC to act on its behalf as the Administrative Agent hereunder and under the other Loan Documents and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof or thereof, together with such actions and powers as are incidental thereto. Except for the Borrower's specific rights contained in Section 10.06, the provisions of this Article X are solely for the benefit of the Administrative Agent and the Lenders, and neither the Borrower nor any other Loan Party shall have rights as a third party beneficiary of any of such provisions. It is understood and agreed that the use of the term "agent" herein or in any other Loan Documents (or any other similar term) with reference to the Administrative Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable Law. Instead such term is used

as a matter of market custom, and is intended to create or reflect only an administrative relationship between contracting parties.

(b) The Administrative Agent shall also act as the "collateral agent" under the Loan Documents, and each of the Lenders hereby irrevocably appoints and authorizes the Administrative Agent to act as the agent of such Lender for purposes of acquiring, holding and enforcing any and all Liens on Collateral granted by any of the Loan Parties to secure any of the Obligations, together with such powers and discretion as are incidental thereto. In this connection, the Administrative Agent, as "collateral agent" and any co-agents, sub-agents and attorneys-in-fact appointed by the Administrative Agent pursuant to Section 10.05 for purposes of holding or enforcing any Lien on the Collateral (or any portion thereof) granted under the Collateral Documents, or for exercising any rights and remedies thereunder at the direction of the Administrative Agent, shall be entitled to the benefits of all provisions of this Article X and Article XI (including Section 11.04(c), as though such co-agents, sub-agents and attorneys-in-fact were the "collateral agent" under the Loan Documents) as if set forth in full herein with respect thereto. It is understood and agreed that the Administrative Agent shall not be obligated to enforce any remedies against the Collateral to the extent that the Administrative Agent concludes that such enforcement would cause it personal liability. It is understood and agreed that the use of the term "agent" herein or in any other Loan Documents (or any other similar term) with reference to the Administrative Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable Law. Instead such term is used as a matter of market custom, and is intended to create or reflect only an administrative relationship between contracting parties. It is understood and agreed that the Required Lenders may, notwithstanding such failure to enforce by the Administrative Agent, enforce remedies against the Collateral.

10.02 Rights as a Lender.

The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated or unless the context otherwise requires, include the Person serving as the Administrative Agent hereunder in its individual capacity. Such Person and its Affiliates may accept deposits from, lend money to, own securities of, act as the financial advisor or in any other advisory capacity for and generally engage in any kind of business with any Loan Party or any Subsidiary or other Affiliate thereof as if such Person were not the Administrative Agent hereunder and without any duty to account therefor to the Lenders.

10.03 Exculpatory Provisions.

The Administrative Agent shall not have any duties or obligations except those expressly set forth herein and in the other Loan Documents, and its duties hereunder shall be administrative in nature. Without limiting the generality of the foregoing, the Administrative Agent:

(a) shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing;

(b) shall not have any duty to take any discretionary action or exercise any discretionary power, except discretionary rights and powers expressly contemplated hereby or by the other Loan Documents that the Administrative Agent is required to exercise as directed in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be expressly provided for herein or in the other Loan Documents), provided, that, the Administrative Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may

expose the Administrative Agent to liability or that is contrary to any Loan Document or applicable law, including for the avoidance of doubt any action that may be in violation of the automatic stay under any Debtor Relief Law or that may affect a forfeiture, modification or termination of property of a Defaulting Lender in violation of any Debtor Relief Law; and

(c) shall not, except as expressly set forth herein and in the other Loan Documents, have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to any Loan Party or any of its Affiliates that is communicated to or obtained by the Person serving as the Administrative Agent or any of its Affiliates in any capacity.

The Administrative Agent shall not be liable for any action taken or not taken by it (i) with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary, or as the Administrative Agent shall believe in good faith shall be necessary, under the circumstances as provided in Section 11.01 and Section 9.02) or (ii) in the absence of its own gross negligence or willful misconduct as determined by a court of competent jurisdiction by final and non-appealable judgment. If the Administrative Agent shall request direction from the Required Lenders (or such other number or percentage of the Lenders as shall be necessary, or as the Administrative Agent shall believe in good faith shall be necessary, under the circumstances as provided in Sections 11.01 and 9.02) with respect to any action or actions (including failure to act) in connection with this Agreement, the Administrative Agent shall be entitled to refrain from taking such action unless and until it shall have received instruction from such Lenders and the Administrative Agent shall not incur any liability to any Person by reason of so refraining. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until notice describing such Default is given in writing to the Administrative Agent by the Borrower, or a Lender.

The Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement or any other Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any Default or Event of Default, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Loan Document or any other agreement, instrument or document, (v) the satisfaction of any condition set forth in Article V or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent or (vi) the value or sufficiency of any Collateral.

10.04 Reliance by Administrative Agent.

The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message, Internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person, and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the making of a Loan, that by its terms must be fulfilled to the satisfaction of a Lender, the Administrative Agent may presume that such condition is satisfactory to such Lender unless the Administrative Agent shall have received notice to the contrary from such Lender prior to the making of such Loan. The Administrative Agent may consult with legal counsel (who may be counsel for the Loan Parties), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

10.05 Delegation of Duties.

The Administrative Agent may perform any and all of its duties and exercise its rights and powers hereunder or under any other Loan Document by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all of its duties and exercise its rights and powers by or through their respective Related Parties. The exculpatory provisions of this Article X shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent. The Administrative Agent shall not be responsible for the negligence or misconduct of any sub-agents except to the extent that a court of competent jurisdiction determines in a final and non-appealable judgment that the Administrative Agent acted with gross negligence or willful misconduct in the selection of such sub-agents.

10.06 Resignation of Administrative Agent.

(a) Notice. The Administrative Agent may at any time give written notice of its resignation to the Lenders and the Borrower. Upon receipt of any such notice of resignation, a successor Administrative Agent may be appointed in accordance with subsection (b) hereof. Such resignation shall be effective on the Resignation Effective Date. Whether or not a successor has been appointed and accepted such appointment by the Resignation Effective Date, such resignation shall nonetheless become effective in accordance with such notice on the Resignation Effective Date.

(b) Appointment of Successor Administrative Agent. Upon any such resignation, the Required Lenders shall have the right, subject to the approval of the Borrower (so long as no Event of Default has occurred and is continuing; such approval not to be unreasonably withheld), to appoint a successor Administrative Agent. If no successor Administrative Agent shall have been so appointed by the Required Lenders, been approved (so long as no Event of Default has occurred and is continuing) by the Borrower or have accepted such appointment within thirty (30) days after the Administrative Agent's giving of notice of resignation, then the Administrative Agent must, on behalf of the Lenders, appoint a successor Administrative Agent reasonably acceptable to the Borrower (so long as no Default or Event of Default has occurred and is continuing).

(c) Effect of Resignation. With effect from the Resignation Effective Date: (i) the retiring Administrative Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents (except as set forth in the next sentence and except that in the case of any collateral security held by the Administrative Agent on behalf of the Lenders under any of the Loan Documents, the retiring Administrative Agent shall continue to hold such collateral security until such time as a successor Administrative Agent is appointed) and (ii) except for any indemnity payments or other amounts then owed to the retiring Administrative Agent, all payments, communications and determinations provided to be made by, to or through the Administrative Agent shall instead be made by or to each Lender directly, until such time, if any, as the Required Lenders appoint a successor Administrative Agent as provided for above. Upon the acceptance of a successor's appointment as Administrative Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring Administrative Agent (other than any rights to indemnity payments or other amounts owed to the retiring Administrative Agent as of the Resignation Effective Date), and the retiring Administrative Agent shall be discharged from all of its duties and obligations hereunder or under the other Loan Documents (if not already discharged therefrom as provided above in this Section), other than any obligations under Section 11.07 hereof. The fees payable by the Borrower to a successor

Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the retiring Administrative Agent's resignation hereunder and under the other Loan Documents, the provisions of this Article and Section 11.04 shall continue in effect for the benefit of such retiring Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while the retiring Administrative Agent was acting as Administrative Agent.

10.07 Non-Reliance on Administrative Agent and Other Lenders.

Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender or any of their Related Parties and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender or any of their Related Parties and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or any related agreement or any document furnished hereunder or thereunder.

10.08 Administrative Agent May File Proofs of Claim.

In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to any Loan Party, the Administrative Agent (irrespective of whether the principal of any Loan shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Borrower) shall be entitled and empowered, by intervention in such proceeding or otherwise:

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders and the Administrative Agent and their respective agents and counsel and all other amounts due the Lenders and the Administrative Agent under Section 11.04) allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender to make such payments to the Administrative Agent and, in the event that the Administrative Agent shall consent to the making of such payments directly to the Lenders, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent under Sections 11.04.

Nothing contained herein shall be deemed to authorize the Administrative Agent to authorize or consent to or accept or adopt on behalf of any Lender any plan of reorganization, arrangement, adjustment or composition affecting the Obligations or the rights of any Lender or to authorize the Administrative Agent to vote in respect of the claim of any Lender in any such proceeding.

10.09 Collateral and Guaranty Matters.

The Lenders irrevocably authorize the Administrative Agent, at its option and in its discretion:

(a) to release any Lien on any Collateral granted to or held by the Administrative Agent under any Loan Document (i) upon the Discharge of Term Loan Obligations, (ii) that is sold or otherwise disposed of or to be sold or otherwise disposed of as part of or in connection with any sale or other Disposition permitted hereunder or under any other Loan Document or any Involuntary Disposition, or (iii) as approved in accordance with Section 11.01;

(b) to subordinate any Lien on any property granted to or held by the Administrative Agent under any Loan Document to the holder of any Lien on such property that is permitted by Section 8.01(i); and

(c) to release any Guarantor from its obligations under the Guaranty if such Person ceases to be a Subsidiary as a result of a transaction permitted under the Loan Documents.

Upon request by the Administrative Agent at any time, the Required Lenders will confirm in writing the Administrative Agent's authority to release or subordinate its interest in particular types or items of property, or to release any Guarantor from its obligations under the Guaranty, pursuant to this Section 10.09.

The Administrative Agent shall not be responsible for or have a duty to ascertain or inquire into any representation or warranty regarding the existence, value or collectability of the Collateral, the existence, priority or perfection of the Administrative Agent's Lien thereon, or any certificate prepared by any Loan Party in connection therewith, nor shall the Administrative Agent be responsible or liable to the Lenders for any failure to monitor or maintain any portion of the Collateral.

10.10 Withholding Taxes.

To the extent required by any applicable Law, the Administrative Agent may withhold from any payment to any Lender an amount equivalent to any applicable withholding Tax. If any taxing authority asserts a claim that the Administrative Agent did not properly withhold Tax from amounts paid to or for the account of any Lender for any reason (including, without limitation, because the appropriate documentation was not delivered or not properly executed, or because such Lender failed to notify the Administrative Agent of a change in circumstance that rendered the exemption from, or reduction of withholding Tax ineffective), such Lender shall, within ten (10) days after written demand therefor, indemnify and hold harmless the Administrative Agent (to the extent that the Administrative Agent has not already been reimbursed by the Borrower or any Guarantor pursuant to Section 3.01, without limiting or expanding the obligations of the Loan Parties to do so) for all amounts paid, directly or indirectly, by the Administrative Agent as Taxes or otherwise, together with all expenses incurred, including legal expenses and any other out-of-pocket expenses, in each case, whether or not such Tax was correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Lender by the Administrative Agent shall be conclusive absent manifest error. Each Lender hereby authorizes the Administrative Agent to set off and apply any amounts at any time owing to such Lender under this Agreement or any other Loan Document against any amount due the Administrative Agent under this Section 10.10. The agreements in this Section 10.10 shall survive the resignation and/or replacement of the Administrative Agent, any assignment of rights by, or the replacement of, a Lender and the repayment, satisfaction or discharge of all other Obligations.

ARTICLE XI

MISCELLANEOUS

11.01 Amendments, Etc.

No amendment or waiver of any provision of this Agreement or any other Loan Document, and no consent to any departure by the Borrower or any other Loan Party therefrom, shall be effective unless in writing signed by the Required Lenders and the Borrower or the applicable Loan Party, as the case may be, and acknowledged by the Administrative Agent, and each such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, that:

(a) no such amendment, waiver or consent shall:

(i) extend or increase the Term Loan Commitment of a Lender (or reinstate any Term Loan Commitment terminated pursuant to Section 9.02) without the written consent of such Lender whose Term Loan Commitment is being extended or increased (it being understood and agreed that a waiver of any condition precedent set forth in Section 5.03 or of any Default or a mandatory reduction in Term Loan Commitments is not considered an extension or increase in Term Loan Commitments of any Lender);

(ii) postpone any date fixed by this Agreement or any other Loan Document for any payment of principal (excluding mandatory prepayments), interest, prepayment premium, fees or other amounts due to the Lenders (or any of them) or any scheduled or mandatory reduction of the Term Loan Commitments hereunder or under any other Loan Document without the written consent of each Lender entitled to receive such payment or whose Term Loan Commitments are to be reduced;

(iii) reduce the principal of, the rate of interest specified herein on or the prepayment premium specified herein on any Loan, or any fees or other amounts payable hereunder or under any other Loan Document without the written consent of each Lender entitled to receive such payment of principal, interest, fees or other amounts; provided, however, that, only the consent of the Required Lenders shall be necessary to amend the definition of "Default Rate" or to waive any obligation of the Borrower to pay interest at the Default Rate;

(iv) change any provision of this Section 11.01(a) or the definition of "Required Lenders" without the written consent of each Lender directly affected thereby;

(v) except in connection with a Disposition permitted under Section 8.05, release all or substantially all of the Collateral without the written consent of each Lender directly affected thereby;

(vi) release the Borrower or, except in connection with a merger or consolidation permitted under Section 8.04 or a Disposition permitted under Section 8.05, all or substantially all of the Guarantors without the written consent of each Lender directly affected thereby, except to the extent the release of any Guarantor is permitted pursuant to Section 10.09 (in which case such release may be made by the Administrative Agent acting alone);

(vii) change any provision of Section 2.12 without the written consent of each Lender directly affected thereby; and

(b) unless also signed by the Administrative Agent, no amendment, waiver or consent shall affect the rights or duties of the Administrative Agent under this Agreement or any other Loan Document;

provided, further, that, notwithstanding anything to the contrary herein, (i) no Defaulting Lender shall have any right to approve or disapprove any amendment, waiver or consent hereunder (and any amendment, waiver or consent which by its terms requires the consent of all Lenders or each affected Lender may be effected with the consent of the applicable Lenders other than Defaulting Lenders), except (x) the Term Loan Commitment of any Defaulting Lender may not be increased or extended without the consent of such Lender and (y) any waiver, amendment or modification requiring the consent of all Lenders or each affected Lender that by its terms affects any Defaulting Lender more adversely than other affected Lenders shall require the consent of such Defaulting Lender, (ii) each Lender is entitled to vote as such Lender sees fit on any bankruptcy reorganization plan that affects the Loans, and each Lender acknowledges that the provisions of Section 1126(c) of the Bankruptcy Code of the United States supersedes the unanimous consent provisions set forth herein, and (iii) the Required Lenders shall determine whether or not to allow a Loan Party to use cash collateral in the context of a bankruptcy or insolvency proceeding and such determination shall be binding on all of the Lenders.

Notwithstanding anything herein to the contrary, as to any amendment, amendment and restatement or other modification otherwise approved in accordance with this Section 11.01, it shall not be necessary to obtain the consent or approval of any Lender that, upon giving effect to such amendment, amendment and restatement or other modification, would have no Term Loan Commitment or outstanding Loans so long as such Lender receives payment in full of the principal of and interest accrued on each Loan made by, and all other amounts owing to, such Lender or accrued for the account of such Lender under this Agreement and the other Loan Documents at the time such amendment, amendment and restatement or other modification becomes effective.

11.02 Notices and Other Communications; Facsimile Copies.

(a) Notices Generally. Except in the case of notices and other communications expressly permitted to be given by telephone (and except as provided in subsection (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by facsimile as follows, and all notices and other communications expressly permitted hereunder to be given by telephone shall be made to the applicable telephone number, as follows:

(i) if to the Borrower or any other Loan Party or the Administrative Agent, to the address, facsimile number, electronic mail address or telephone number specified for such Person on Schedule 11.02; and

(ii) if to any other Lender, to the address, facsimile number, electronic mail address or telephone number of its Lending Office (whether specified on Schedule 11.02 or separately specified to the Borrower and the Administrative Agent).

Notices and other communications sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices and other communications sent by facsimile shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the

opening of business on the next Business Day for the recipient). Notices and other communications delivered through electronic communications to the extent provided in subsection (b) below, shall be effective as provided in such subsection (b).

(b) Electronic Communications. Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communication (including e-mail and Internet or intranet websites) pursuant to procedures approved by the Administrative Agent, provided, that, the foregoing shall not apply to notices to any Lender pursuant to Article II if such Lender has notified the Administrative Agent that it is incapable of receiving notices under such Article by electronic communication. The Administrative Agent or the Borrower may each, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it, provided, that, approval of such procedures may be limited to particular notices or communications.

Unless the Administrative Agent otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor; provided, that, for both clauses (i) and (ii), if such notice, email or other communication is not sent during the normal business hours of the recipient, such notice, email or communication shall be deemed to have been sent at the opening of business on the next business day for the recipient.

(c) Change of Address, Etc. Each of the Borrower, the Lenders and the Administrative Agent may change its address, facsimile or telephone number for notices and other communications hereunder by notice to the other parties hereto. In addition, each Lender agrees to notify the Administrative Agent from time to time to ensure that the Administrative Agent has on record (i) an effective address, contact name, telephone number, facsimile number and electronic mail address to which notices and other communications may be sent and (ii) accurate wire instructions for such Lender.

(d) Reliance by Administrative Agent and Lenders. The Administrative Agent and the Lenders shall be entitled to rely and act upon any notices (including telephonic or electronic Loan Notices) purportedly given by or on behalf of any Loan Party even if (i) such notices were not made in a manner specified herein, were incomplete or were not preceded or followed by any other form of notice specified herein, or (ii) the terms thereof, as understood by the recipient, varied from any confirmation thereof. The Loan Parties shall indemnify the Administrative Agent, each Lender and the Related Parties of each of them from all losses, costs, expenses and liabilities resulting from the reliance by such Person on each notice purportedly given by or on behalf of a Loan Party. All telephonic notices to and other telephonic communications with the Administrative Agent may be recorded by the Administrative Agent, and each of the parties hereto hereby consents to such recording.

11.03 No Waiver; Cumulative Remedies; Enforcement.

No failure by any Lender or the Administrative Agent to exercise, and no delay by any such Person in exercising, any right, remedy, power or privilege hereunder or under any other Loan Document shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power

or privilege. The rights, remedies, powers and privileges herein provided, and provided under each other Loan Document, are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

Notwithstanding anything to the contrary contained herein or in any other Loan Document, the authority to enforce rights and remedies hereunder and under the other Loan Documents against the Loan Parties or any of them shall be vested exclusively in, and all actions and proceedings at law in connection with such enforcement shall be instituted and maintained exclusively by, the Administrative Agent in accordance with Section 10.01 for the benefit of all the Lenders; provided, however, that, the foregoing shall not prohibit (a) the Administrative Agent from exercising on its own behalf the rights and remedies that inure to its benefit (solely in its capacity as Administrative Agent) hereunder and under the other Loan Documents, (b) any Lender from exercising setoff rights in accordance with Section 11.08 (subject to the terms of Section 2.10), or (c) any Lender from filing proofs of claim or appearing and filing pleadings on its own behalf during the pendency of a proceeding relative to any Loan Party under any Debtor Relief Law; and provided, further, that, if at any time there is no Person acting as Administrative Agent hereunder and under the other Loan Documents, then (i) the Required Lenders shall have the rights otherwise ascribed to the Administrative Agent pursuant to Section 10.01 and (ii) in addition to the matters set forth in clauses (b) and (c) of the preceding proviso and subject to Section 2.10, any Lender may, with the consent of the Required Lenders, enforce any rights and remedies available to it and as authorized by the Required Lenders.

11.04 Expenses; Indemnity; and Damage Waiver.

(a) Costs and Expenses. The Loan Parties shall pay (i) all documented out-of-pocket expenses incurred by the Administrative Agent, HCR and their respective Affiliates (including the fees, charges and disbursements of counsel for the Administrative Agent, HCR and their respective Affiliates), in connection with (A) the preparation, negotiation, execution and delivery of this Agreement and the other Loan Documents, including any Loan Documents after the Closing Date, and (B) any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated) or the administration of this Agreement and the other Loan Documents and (ii) all documented out-of-pocket expenses incurred by the Administrative Agent or any Lender (including the fees, charges and disbursements of any counsel for the Administrative Agent or any Lender), and shall pay all reasonable fees and charges for attorneys who may be employees of the Administrative Agent, HCR, any Lender or their Affiliates, in connection with the enforcement or protection of its rights (A) in connection with this Agreement and the other Loan Documents, including its rights under this Section 11.04, or (B) in connection with the Loans made hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans.

(b) Indemnification by the Loan Parties. The Loan Parties shall indemnify each Indemnitee against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses (including the fees, charges and disbursements of any counsel for any Indemnitee), and shall indemnify and hold harmless each Indemnitee from all fees and time charges and disbursements for attorneys who may be employees of any Indemnitee), incurred by any Indemnitee or asserted against any Indemnitee by any Person (including the Borrower or any other Loan Party) arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto of their respective obligations hereunder or thereunder or the consummation of the transactions contemplated hereby or thereby, or, in the case of the Administrative Agent (and any sub-agent thereof) and its Related Parties only, the administration of this Agreement and the other Loan Documents, (ii) any Loan or the use or

proposed use of the proceeds therefrom, (iii) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by a Loan Party or any of its Subsidiaries, or any Environmental Liability related in any way to a Loan Party or any of its Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by the Borrower or any other Loan Party, and regardless of whether any Indemnitee is a party thereto, in all cases, whether or not caused by or arising, in whole or in part, out of the comparative, contributory or sole negligence of the Indemnitee; provided, that, such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee, if the Borrower or such Loan Party has obtained a final and nonappealable judgment in its favor on such claim as determined by a court of competent jurisdiction.

(c) Reimbursement by Lenders. To the extent that the Loan Parties for any reason fail to pay in full in cash any amount required under subsection (a) or (b) of this Section 11.04 to be paid by them to the Administrative Agent (or any sub-agent thereof) or any Related Party thereof, each Lender severally agrees to pay to the Administrative Agent (or any such sub-agent) or such Related Party, as the case may be, such Lender's pro rata share (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought based on each Lender's share of the Total Credit Exposure at such time) of such unpaid amount (including any such unpaid amount in respect of a claim asserted by such Lender), such payment to be made severally among them based on such Lenders' Applicable Percentages (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought), provided, further, that, the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent (or any such sub-agent), or against any Related Party thereof acting for the Administrative Agent (or any such sub-agent) in connection with such capacity. The obligations of the Lenders under this subsection (c) are subject to the provisions of Section 2.09(b).

(d) Waiver of Consequential Damages, Etc. To the fullest extent permitted by applicable law, no Loan Party shall assert, and each Loan Party hereby waives any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Loan or the use of the proceeds thereof. No Indemnitee referred to in subsection (b) above shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby.

(e) Payments. All amounts due under this Section 11.04 shall be payable not later than ten Business Days after demand therefor.

(f) Survival. The agreements in this Section 11.04 and the indemnity provisions of Section 11.02(d) shall survive the resignation of the Administrative Agent, the replacement of any Lender, the termination of the Term Loan Commitments and the repayment, satisfaction or discharge of all the other Obligations.

11.05 Payments Set Aside.

To the extent that any payment by or on behalf of any Loan Party is made to the Administrative Agent or any Lender, or the Administrative Agent or any Lender exercises its right of setoff, and such payment or the proceeds of such setoff or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by the Administrative Agent or such Lender in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any Debtor Relief Law or otherwise, then (a) to the extent of such recovery, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such setoff had not occurred, and (b) each Lender severally agrees to pay to the Administrative Agent upon demand its applicable share (without duplication) of any amount so recovered from or repaid by the Administrative Agent, plus interest thereon from the date of such demand to the date such payment is made at a rate per annum equal to the Federal Funds Rate from time to time in effect. The obligations of the Lenders under clause (b) of the preceding sentence shall survive the payment in full of the Obligations and the termination of this Agreement.

11.06 Successors and Assigns.

(a) Successors and Assigns Generally. The provisions of this Agreement and the other Loan Documents shall be binding upon and inure to the benefit of the parties hereto and thereto and their respective successors and assigns permitted hereby, except that the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder or thereunder without the prior written consent of the Administrative Agent and each Lender (other than any Defaulting Lender) and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an assignee in accordance with the provisions of subsection (b) of this Section 11.06, (ii) by way of participation in accordance with the provisions of subsection (d) of this Section 11.06 or (iii) by way of pledge or assignment of a security interest subject to the restrictions of subsection (e) of this Section 11.06 (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in subsection (e) of this Section 11.06 and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Assignments by Lenders. Any Lender may at any time assign to one or more assignees all or a portion of its rights and obligations under this Agreement and the other Loan Documents (including all or a portion of (a) the Loans and (b) Revenue Interests at the time owing to it); provided, that, (i) no such assignment shall be made (A) to the Borrower or any of the Borrower's Affiliates or Subsidiaries, (B) to any Defaulting Lender or any of its Subsidiaries or any Person who, upon becoming a Lender hereunder, would constitute any of the foregoing Persons described in this clause (B) or (C) to a natural Person, and (ii) no Lender may separate its rights and obligations with respect to the Loans owing to it from the Revenue Interests owing to it in any such assignment. Neither the Borrower nor any other Loan Party may assign any of its rights or obligations under this Agreement or any of the other Loan Documents.

From and after the effective date specified in each Assignment and Assumption, the assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party

hereto) but shall continue to be entitled to the benefits of Sections 3.01, 3.02 and 11.04 with respect to facts and circumstances occurring prior to the effective date of such assignment; provided, that, except to the extent otherwise expressly agreed by the affected parties, no assignment by a Defaulting Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender. Upon request, the Borrower (at its expense) shall execute and deliver a Note to the assignee Lender. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this subsection shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with subsection (d) of this Section 11.06.

(c) Register. The Administrative Agent, acting solely for this purpose as an agent of the Borrower (and such agency being solely for Tax purposes), shall maintain at the Administrative Agent's Office a copy of each Assignment and Assumption delivered to it (or the equivalent thereof in electronic form) and the Register. The entries in the Register shall be conclusive absent manifest error, and the Borrower, the Administrative Agent and the Lenders shall treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. In addition, the Administrative Agent shall maintain on the Register information regarding the designation, and revocation of designation, of any Lender as a Defaulting Lender. The Register shall be available for inspection by the Borrower and any Lender (with respect to such Lender's interest), at any reasonable time and from time to time upon reasonable prior notice.

(d) Participations. Any Lender may at any time, without the consent of, or notice to, the Borrower or the Administrative Agent, sell participations to a Participant in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Term Loan Commitment and/or the Loans owing to it); provided, that, (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) the Borrower, the Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. For the avoidance of doubt, each Lender shall be responsible for the indemnity under Section 11.04(c) without regard to the existence of any participation and (iv) no Lender may separate its rights and obligations with respect to the Loans owing to it from the Revenue Interests owing to it in any such participation.

Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided, that, such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, waiver or other modification described in clauses (i) through (vi) of Section 11.01(a) that affects such Participant. The Borrower agrees that each Participant shall be entitled to the benefits of Section 3.01 (subject to the requirements and limitations therein (it being understood that the documentation required under Section 3.01(e) shall be delivered solely to the participating Lender)) to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section 11.06, provided, that, such Participant (1) shall be subject to the provisions of Section 11.13 as if it were an assignee under paragraph (b) of this Section and (2) shall not be entitled to receive any greater payment under Section 3.01, with respect to any participation, than its participating Lender would be entitled to receive, except to the extent such entitlement to receive a greater payment results from a change in Law that occurs after the Participant acquired the applicable Participation. To the fullest extent permitted by law, each Participant also shall be entitled to the benefits of Section 11.08 as though it were a Lender;

provided, that, such Participant shall be subject to Section 2.10 as though it were a Lender. Each Lender that sells a participation shall, acting solely for this purpose as a non-fiduciary agent of the Borrower, maintain a Participant Register; provided, that, no Lender shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any Participant or any information relating to a Participant's interest in any commitments, loans, letters of credit or its other obligations under any Loan Document) to any Person except to the extent that such disclosure is necessary to establish that such commitment, loan, letter of credit or other obligation is in registered form under Treasury Regulations Section 5f.103-1(c). The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. For the avoidance of doubt, the Administrative Agent (in its capacity as Administrative Agent) shall have no responsibility for maintaining a Participant Register.

(e) Certain Pledges. Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement (including under its Note, if any) to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank; provided, that, no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

11.07 Treatment of Certain Information; Confidentiality.

Each of the Administrative Agent and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its Affiliates and to its Related Parties (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent required or requested by any regulatory authority purporting to have jurisdiction over such Person or its Related Parties (including any self-regulatory authority, such as the National Association of Insurance Commissioners), (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party hereto, (e) in connection with the exercise of any remedies hereunder or under any other Loan Document or any action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section 11.07, to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights and obligations under this Agreement or (ii) any actual or prospective party (or its Related Parties) to any swap, derivative or other transaction under which payments are to be made by reference to a Loan Party and its obligations, this Agreement or payments hereunder, (g) on a confidential basis to (i) any rating agency in connection with rating the Borrower or its Subsidiaries or the credit facilities provided hereunder or (ii) the CUSIP Service Bureau or any similar agency in connection with the issuance and monitoring of CUSIP numbers or other market identifiers with respect to the credit facilities provided hereunder, (h) with the consent of the Borrower, (i) to the members of its investment committee (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential) or (j) to the extent such Information (x) becomes publicly available other than as a result of a breach of this Section 11.07 or (y) becomes available to the Administrative Agent, any Lender or any of their respective Affiliates on a nonconfidential basis from a source other than the Borrower.

Any Person required to maintain the confidentiality of Information as provided in this Section 11.07 shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

11.08 Set-off.

If an Event of Default shall have occurred and be continuing, each Lender and each of their respective Affiliates is hereby authorized at any time and from time to time, after obtaining the prior written consent of the Administrative Agent, to the fullest extent permitted by applicable law, to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held and other obligations (in whatever currency) at any time owing by such Lender or any such Affiliate to or for the credit or the account of the Borrower or any other Loan Party against any and all of the obligations of the Borrower or such Loan Party now or hereafter existing under this Agreement or any other Loan Document to such Lender or its Affiliates, irrespective of whether or not such Lender or Affiliate shall have made any demand under this Agreement or any other Loan Document and although such obligations of the Borrower or such Loan Party may be contingent or unmatured or are owed to a branch office or Affiliate of such Lender different from the branch office or Affiliate holding such deposit or obligated on such indebtedness; provided, that, in the event that any Defaulting Lender shall exercise any such right of setoff, (x) all amounts so set off shall be paid over immediately to the Administrative Agent for further application in accordance with the provisions of Section 2.11 and, pending such payment, shall be segregated by such Defaulting Lender from its other funds and deemed held in trust for the benefit of the Administrative Agent and the Lenders and (y) the Defaulting Lender shall provide promptly to the Administrative Agent a statement describing in reasonable detail the Obligations owing to such Defaulting Lender as to which it exercised such right of setoff. The rights of each Lender and their respective Affiliates under this Section 11.08 are in addition to other rights and remedies (including other rights of setoff) that such Lender or their respective Affiliates may have. Each Lender agrees to notify the Borrower and the Administrative Agent promptly after any such setoff and application, provided, that, the failure to give such notice shall not affect the validity of such setoff and application.

11.09 Interest Rate Limitation.

Notwithstanding anything to the contrary contained in any Loan Document, the interest paid or agreed to be paid under the Loan Documents shall not exceed the Maximum Rate. If the Administrative Agent or any Lender shall receive interest in an amount that exceeds the Maximum Rate, the excess interest shall be applied to the principal of the Loans or, if it exceeds such unpaid principal, refunded to the Borrower. In determining whether the interest contracted for, charged, or received by the Administrative Agent or a Lender exceeds the Maximum Rate, such Person may, to the extent permitted by applicable Law, (a) characterize any payment that is not principal as an expense, fee, or premium rather than interest, (b) exclude voluntary prepayments and the effects thereof, and (c) amortize, prorate, allocate, and spread in equal or unequal parts the total amount of interest throughout the contemplated term of the Obligations hereunder.

11.10 Counterparts; Integration; Effectiveness.

This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement, the other Loan Documents, and any separate letter agreements with respect to fees payable to the Administrative Agent, constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 5.01, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof that, when taken together, bear the signatures of each of the other parties hereto. Delivery of an executed counterpart of a signature page of this Agreement by facsimile or other electronic imaging means (e.g. “pdf” or “tif”) shall be effective as delivery of a manually executed counterpart of this Agreement.

11.11 Survival of Representations and Warranties.

All representations and warranties made hereunder and in any other Loan Document or other document delivered pursuant hereto or thereto or in connection herewith or therewith shall survive the execution and delivery hereof and thereof and shall continue in full force and effect as long as any Loan or other Obligation hereunder shall remain unpaid or unsatisfied. Such representations and warranties have been or will be relied upon by the Administrative Agent and each Lender, regardless of any investigation made by the Administrative Agent or any Lender or on their behalf and notwithstanding that the Administrative Agent or any Lender may have had notice or knowledge of any Default at the time of any Borrowing, and shall continue in full force and effect as long as any Loan or any other Obligation hereunder shall remain unpaid or unsatisfied.

11.12 Severability.

If any provision of this Agreement or the other Loan Documents is held to be illegal, invalid or unenforceable, (a) the legality, validity and enforceability of the remaining provisions of this Agreement and the other Loan Documents shall not be affected or impaired thereby and (b) the parties shall endeavor in good faith negotiations to replace the illegal, invalid or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the illegal, invalid or unenforceable provisions. The invalidity of a provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. Without limiting the foregoing provisions of this Section 11.12, if and to the extent that the enforceability of any provisions in this Agreement relating to Defaulting Lenders shall be limited by Debtor Relief Laws, as determined in good faith by the Administrative Agent, then such provisions shall be deemed to be in effect only to the extent not so limited.

11.13 Replacement of Lenders.

If (A) any Lender is a Defaulting Lender or (B) the Borrower is required to pay any Indemnified Taxes to any Lender or to any Governmental Authority for the account of any Lender pursuant to Section 3.01, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in, and consents required by, Section 11.06), all of its interests, rights and obligations under this Agreement and the related Loan Documents to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment), provided, that:

(a) the Borrower shall have paid to the Administrative Agent the assignment fee set forth in Section 11.06;

(b) such Lender shall have received payment of an amount equal to one hundred percent (100%) of the outstanding principal of its Loans, accrued interest thereon and all other amounts payable to it hereunder and under the other Loan Documents (other than prepayment premium and fees) from the assignee (to the extent of such outstanding principal and accrued interest) or the Borrower (in the case of all other amounts);

(c) such assignment does not conflict with applicable Laws; and

(d) if such assignment or delegation is pursuant to clause (B) above, such assignment or delegation will result in a material reduction in the applicable payments of Indemnified Taxes; and

(e) a Lender shall not be required to make any such assignment or delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

11.14 Governing Law; Jurisdiction; Etc.

(a) GOVERNING LAW. THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS (EXCEPT, AS TO ANY OTHER LOAN DOCUMENT, AS EXPRESSLY SET FORTH THEREIN) AND ANY CLAIMS, CONTROVERSY, DISPUTE OR CAUSE OF ACTION (WHETHER IN CONTRACT OR TORT OR OTHERWISE) BASED UPON, ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT (EXCEPT, AS TO ANY OTHER LOAN DOCUMENT, AS EXPRESSLY SET FORTH THEREIN) AND THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

(b) SUBMISSION TO JURISDICTION. THE BORROWER AND EACH OTHER LOAN PARTY IRREVOCABLY AND UNCONDITIONALLY AGREES THAT IT WILL NOT COMMENCE ANY ACTION, LITIGATION OR PROCEEDING OF ANY KIND OR DESCRIPTION, WHETHER IN LAW OR EQUITY, WHETHER IN CONTRACT OR IN TORT OR OTHERWISE, AGAINST THE ADMINISTRATIVE AGENT, ANY LENDER OR ANY RELATED PARTY OF THE FOREGOING IN ANY WAY RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS RELATING HERETO OR THERETO, IN ANY OTHER FORUM OTHER THAN THE COURTS OF THE STATE OF NEW YORK AND ANY UNITED STATES DISTRICT COURT IN THE STATE OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF LOCATED IN NEW YORK COUNTY, NEW YORK, AND EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY SUBMITS TO THE JURISDICTION OF SUCH COURTS AND AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION, LITIGATION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE COURT OR, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AGREEMENT OR IN ANY OTHER LOAN DOCUMENT SHALL AFFECT ANY RIGHT THAT THE ADMINISTRATIVE AGENT OR ANY LENDER MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AGAINST THE BORROWER OR ANY OTHER LOAN PARTY OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION.

(c) WAIVER OF VENUE. THE BORROWER AND EACH OTHER LOAN PARTY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT IN ANY COURT REFERRED TO IN PARAGRAPH (B) OF THIS SECTION 11.14. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

(d) SERVICE OF PROCESS. EACH PARTY HERETO IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 11.02. NOTHING IN THIS AGREEMENT WILL AFFECT THE RIGHT OF ANY PARTY HERETO TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY APPLICABLE LAW.

11.15 Waiver of Right to Trial by Jury.

EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 11.15.

11.16 Electronic Execution of Assignments and Certain Other Documents.

The words “execute,” “execution,” “signed,” “signature” and words of like import in any Assignment and Assumption or in any amendment or other modification hereof (including waivers and consents) shall be deemed to include electronic signatures, the electronic matching of assignment terms and contract formations on electronic platforms approved by the Administrative Agent, or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

11.17 USA PATRIOT Act.

Each Lender that is subject to the Act and the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies the Borrower and the other Loan Parties that pursuant to the requirements of the Act, it is required to obtain, verify and record information that identifies each Loan Party, which information includes the name and address of each Loan Party and other information that will allow such Lender or the Administrative Agent, as applicable, to identify each Loan Party in accordance with the Act. The Borrower and the Loan Parties agree to, promptly following a request by the Administrative Agent or any Lender, provide all such other documentation and information that the Administrative Agent or such Lender requests in order to comply with its ongoing obligations under applicable “know your customer” and anti-money laundering rules and regulations, including the Act.

11.18 No Advisory or Fiduciary Relationship.

In connection with all aspects of each transaction contemplated hereby (including in connection with any amendment, waiver or other modification hereof or of any other Loan Document), the Borrower acknowledges and agrees, and acknowledges its Affiliates’ understanding, that: (a)(i) the arranging and other services regarding this Agreement provided by the Administrative Agent, HCR, the Lenders and their

respective Affiliates are arm's-length commercial transactions between the Borrower and its Affiliates, on the one hand, and the Administrative Agent, HCR, the Lenders and their respective Affiliates on the other hand, (ii) the Borrower has consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate, and (iii) the Borrower is capable of evaluating, and understands and accepts, the terms, risks and conditions of the transactions contemplated hereby and by the other Loan Documents; (b)(i) the Administrative Agent, HCR, each Lender and each of their respective Affiliates is and has been acting solely as a principal and, except as expressly agreed in writing by the relevant parties, has not been, is not and will not be acting as an advisor, agent or fiduciary, for the Borrower or any of Affiliates or any other Person and (ii) neither the Administrative Agent nor any Lender has any obligation to the Borrower or any of its Affiliates with respect to the transactions contemplated hereby except those obligations expressly set forth herein and in the other Loan Documents; and (c) the Administrative Agent, HCR and the Lenders and their respective Affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Borrower and its Affiliates, and neither the Administrative Agent, HCR nor any Lender has any obligation to disclose any of such interests to the Borrower or its Affiliates. To the fullest extent permitted by law, the Borrower hereby waives and releases, any claims that it may have against the Administrative Agent, HCR, any Lender or their respective Affiliates with respect to any breach or alleged breach of agency or fiduciary duty in connection with any aspect of any transaction contemplated hereby.

11.19 Acknowledgement and Consent to Bail-In of EEA Financial Institutions.

Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any Lender that is an EEA Financial Institution arising under any Loan Document, to the extent such liability is unsecured, may be subject to the write-down and conversion powers of an EEA Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by (a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder which may be payable to it by any Lender that is an EEA Financial Institution; and (b) the effects of any Bail-In Action on any such liability, including, if applicable: (i) a reduction in full or in part or cancellation of any such liability; (ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or (iii) the variation of the terms of such liability in connection with the exercise of the write-down and conversion powers of any EEA Resolution Authority.

11.20 Acknowledgement Regarding Any Supported QFCs.

To the extent that the Loan Documents provide support, through a guarantee or otherwise, for Swap Contracts or any other agreement or instrument that is a QFC (such support, "QFC Credit Support" and each such QFC a "Supported QFC"), the parties acknowledge and agree as follows with respect to the resolution power of the Federal Deposit Insurance Corporation under the Federal Deposit Insurance Act and Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act (together with the regulations promulgated thereunder, the "U.S. Special Resolution Regimes") in respect of such Supported QFC and QFC Credit Support (with the provisions below applicable notwithstanding that the Loan Documents and any Supported QFC may in fact be stated to be governed by the laws of the State of New York and/or of the United States or any other state of the United States):

(a) In the event a Covered Entity that is party to a Supported QFC (each, a "Covered Party") becomes subject to a proceeding under a U.S. Special Resolution Regime, the transfer of such Supported QFC and the benefit of such QFC Credit Support (and any interest and obligation

in or under such Supported QFC and such QFC Credit Support, and any rights in property securing such Supported QFC or such QFC Credit Support) from such Covered Party will be effective to the same extent as the transfer would be effective under the U.S. Special Resolution Regime if the Supported QFC and such QFC Credit Support (and any such interest, obligation and rights in property) were governed by the laws of the United States or a state of the United States. In the event a Covered Party or a BHC Act Affiliate of a Covered Party becomes subject to a proceeding under a U.S. Special Resolution Regime, Default Rights under the Loan Documents that might otherwise apply to such Supported QFC or any QFC Credit Support that may be exercised against such Covered Party are permitted to be exercised to no greater extent than such Default Rights could be exercised under the U.S. Special Resolution Regime if the Supported QFC and the Loan Documents were governed by the laws of the United States or a state of the United States. Without limitation of the foregoing, it is understood and agreed that rights and remedies of the parties with respect to a Defaulting Lender shall in no event affect the rights of any Covered Party with respect to a Supported QFC or any QFC Credit Support.

(b) As used in this Section 11.20, the following terms have the following meanings:

"BHC Act Affiliate" of a party means an "affiliate" (as such term is defined under, and interpreted in accordance with, 12 U.S.C. 1841(k)) of such party.

"Covered Entity" means any of the following: (i) a "covered entity" as that term is defined in, and interpreted in accordance with, 12 C.F.R. §252.82(b); (ii) a "covered bank" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 47.3(b); or (iii) a "covered FSI" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 382.2(b).

"Default Right" has the meaning assigned to that term in, and shall be interpreted in accordance with, 12 C.F.R. §§ 252.81, 47.2 or 382.1, as applicable.

"QFC" has the meaning assigned to the term "qualified financial contract" in, and shall be interpreted in accordance with, 12 U.S.C. 5390(c)(8)(D).

11.21 Release; Effectiveness of Covenants.

Following the Discharge of the Term Loan Obligations, (a) the Administrative Agent's security interest in the Collateral (other than the Deposit Accounts) shall be automatically released and terminated, and the Administrative Agent shall, at the Borrower's cost and expense, take all action reasonably requested by the Borrower to evidence such release and termination, (b) the Guarantee of each Guarantor (other than RedHill Parent) in favor of the Administrative Agent, the Lenders and the other holders of the Obligations pursuant to Article IV shall be automatically released and terminated, and the Administrative Agent shall, at the Borrower's cost and expense, take all action reasonably requested by the Borrower to evidence such release and termination, and (c) the covenants set forth in Article VII (other than Sections 7.01, 7.02(a)(i), (iii), (viii), (ix), 7.02(b), 7.03(a)-(d) and (g), 7.04(a), 7.05, 7.06, 7.07, 7.08, 7.09, 7.10, 7.16, 7.17, 7.19, 7.20, and 7.21) and Article VIII (other than Sections 8.05(e), 8.07, 8.12, and 8.15) shall cease to apply to RedHill Parent and its Subsidiaries; provided, however, that, notwithstanding the foregoing, all covenants in Article VII and Article VIII shall cease to apply on the earlier of (i) the Revenue Interest Maturity Date and (ii) the date on which the Borrower pays, or causes to be paid, to the Administrative Agent an amount equal to the Revenue Interest Payment Amount for each Calendar Quarter for the period from such date to the Revenue Interest Maturity Date, assuming the maximum Applicable Royalty Rate for each such Calendar Quarter during such period.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

BORROWER:

REDHILL BIOPHARMA INC.,
a Delaware corporation

By: /s/ Dror Ben-Asher
Name: Dror Ben-Asher
Title: CEO

GUARANTOR:

REDHILL BIOPHARMA LTD.,
a company incorporated under the laws of the State of Israel

By: /s/ Micha Ben Chorin
Name: Micha Ben Chorin
Title: CFO

By: /s/ Dror Ben-Asher
Name: Dror Ben-Asher
Title: CEO

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

BORROWER:

REDHILL BIOPHARMA INC.,
a Delaware corporation

By: /s/ Rick Scruggs
Name: Rick Scruggs
Title: CCO

GUARANTOR:

REDHILL BIOPHARMA LTD.,
a company incorporated under the laws of the State of Israel

By:
Name:
Title:

ADMINISTRATIVE AGENT:

HCR COLLATERAL MANAGEMENT, LLC

By: /s/ Clarke B. Futch
Name: Clarke B. Futch
Title: Managing Partner

LENDERS:

HCR Stafford Fund, L.P.
by HCR Stafford Fund GP, LLC, its general partner

By: /s/ Clarke B. Futch
Name: Clarke B. Futch
Title: Managing Partner

LENDERS:

HCR Molag Fund, L.P.
by HCR Molag Fund GP, LLC, its general partner

By: /s/ Clarke B. Futch
Name: Clarke B. Futch
Title: Managing Partner

LENDERS:

HCR Potomac Fund, L.P.
by HCR Potomac Fund GP, LLC, its general partner

By: /s/ Clarke B. Futch
Name: Clarke B. Futch
Title: Managing Partner

LENDERS:

HCR Overflow Fund, L.P.
by HCR Overflow Fund GP, LLC, its general partner

By: /s/ Clarke B. Futch
Name: Clarke B. Futch
Title: Managing Partner

LENDERS:

HealthCare Royalty Partners IV, L.P.
by HealthCare Royalty GP IV, LLC, its general partner

By: /s/ Clarke B. Futch
Name: Clarke B. Futch
Title: Managing Partner

Exhibit 4.15

SECURITY AGREEMENT

THIS SECURITY AGREEMENT dated as of February 23, 2020 (as amended, modified, restated or supplemented from time to time, this "Security Agreement") is by and among the parties identified as "Grantors" on the signature pages hereto and such other parties as may become Grantors hereunder after the date hereof (individually a "Grantor", and collectively the "Grantors") and HCR Collateral Management, LLC, as administrative agent (in such capacity, the "Administrative Agent") for the Secured Parties (defined below).

W I T N E S S E T H

WHEREAS, a credit facility has been established in favor of RedHill Biopharma Inc., a Delaware corporation (the "Borrower"), pursuant to the terms of that certain Credit Agreement dated as of the date hereof (as amended, modified, restated, supplemented or extended from time to time, the "Credit Agreement") by and among the Borrower, RedHill Biopharma Ltd., a company incorporated under the laws of the State of Israel ("Parent Guarantor"), the Lenders from time to time party thereto, the Administrative Agent and those additional entities that hereafter become party thereto in accordance with the terms thereof by executing a Joinder Agreement;

WHEREAS, it is required under the terms of the Credit Agreement that the Grantors shall have granted the security interests and undertaken the obligations contemplated by this Security Agreement; and

WHEREAS, this Security Agreement is required under the terms of the Credit Agreement.

NOW, THEREFORE, in consideration of these premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Definitions.

(a) Capitalized terms used and not otherwise defined herein shall have the meanings provided in the Credit Agreement.

(b) The following terms shall have the meanings assigned thereto in the UCC (defined below): Accession, Account, As-Extracted Collateral, Chattel Paper, Commercial Tort Claim, Consumer Goods, Deposit Account, Document, Electronic Chattel Paper, Equipment, Farm Products, Fixtures, General Intangible, Goods, Instrument, Inventory, Investment Property, Letter-of-Credit Right, Manufactured Home, Money, Payment Intangibles, Proceeds, Securities Account, Securities Entitlement, Securities Intermediary, Software, Standing Timber, Supporting Obligation and Tangible Chattel Paper.

(c) As used herein, the following terms shall have the meanings set forth below:

"Administrative Agent" has the meaning provided in the introductory paragraph hereof.

"Borrower" has the meaning provided in the recitals hereof.

"Capital Note" means the Amended and Restated Capital Note, dated as of the date hereof, by and between the Borrower and Parent Guarantor, as amended, modified, restated or supplemented from time to time.

"Collateral" has the meaning provided in Section 2 hereof.

"Credit Agreement" has the meaning provided in the recitals hereof.

"Excluded Parent Property" means, with respect to Parent Guarantor, all assets or properties of Parent Guarantor other than (a) the Talicia Assets (b) the Global Intercompany Note, (c) the Capital Note, and (d) the Equity Interests of each Loan Party directly owned by Parent Guarantor, and all options and other rights, contractual or otherwise, with respect thereto, in each case, whether now owned or existing or owned, acquired, or arising hereafter.

"Excluded Property" means, with respect to each Grantor, (a) motor vehicles and other equipment subject to a certificate of title statute, (b) any property which, subject to the terms of Section 8.09 of the Credit Agreement, is subject to a Lien of the type described in Section 8.01(i) of the Credit Agreement pursuant to documents which prohibit such Grantor from granting any other Liens in such property, (c) any United States intent-to-use trademark applications to the extent that, and solely during the period in which, the grant of a security interest therein would impair the validity or enforceability of such intent-to-use trademark applications under applicable federal law; provided, that, upon submission and acceptance by the United States Patent and Trademark Office of an amendment to allege use pursuant to 15 U.S.C. Section 1060(a) (or any successor provision), such intent-to-use trademark application shall no longer constitute "Excluded Property" and shall be considered Collateral, (d) any general intangible, permit, lease, license, contract or other instrument of a Grantor if the grant of a security interest in such general intangible, permit, lease, license, contract or other instrument in the manner contemplated in any Collateral Document, under the terms thereof or under applicable Law, is prohibited and would result in the termination thereof or give the other parties thereto the right to terminate, accelerate or otherwise alter such Grantor's rights, titles and interests thereunder (including upon the giving of notice or lapse of time or both); provided, that, (x) any such limitation described in this clause (d) shall only apply to the extent that any such prohibition would not be rendered ineffective pursuant to the UCC or any other applicable Law or principles of equity and (y) in the event of the termination or elimination of any such prohibition or the requirement for any consent contained in any applicable Law, general intangible, permit, lease, license, contract or other instrument, to the extent sufficient to permit any such item to become Collateral, a security interest in such general intangible, permit, lease, license, contract or other instrument shall be automatically and simultaneously granted and such general intangible, permit, lease, license, contract or other instrument shall no longer constitute "Excluded Property" and shall be considered Collateral, (e) any leasehold interest of any Grantor in real property, (f) Equity Interests of any Royalty/Revenue Subsidiary in connection with a Permitted Royalty/Revenue Financing, (g) the Excluded Parent Property, and (h) any fee owned real property that is not Material Real Property.

"Global Intercompany Note" means the Global Intercompany Note, dated as of the date hereof, by and between the Borrower and Parent Guarantor, as amended, modified, restated or supplemented from time to time.

"Grantor" has the meaning provided in the introductory paragraph hereof.

"Israeli Grantor" means Parent Guarantor and any other Grantor organized in the State of Israel.

"Parent Guarantor" has the meaning provided in the recitals hereof.

"Patents" means all letters patent and patent applications in the United States and all other countries (and all letters patent that issue therefrom or from an application claiming priority therefrom) and all reissues, reexaminations, extensions, renewals, divisions and continuations (including continuations-in-part and continuing prosecution applications) thereof, for the full term thereof, together with any and all (i) rights and privileges arising under Applicable Law with respect to such Person's use of any patents, (ii) inventions and improvements described and claimed therein, (iii) income, fees, royalties, damages, claims and payments now or hereafter due and/or payable thereunder and with respect thereto including damages and payments for past, present or future infringements thereof, (iv) rights corresponding thereto throughout the world and (v) rights to sue for past, present or future infringements thereof.

"Secured Parties" means, collectively, the Administrative Agent, the Lenders and any holder of the Obligations, and "Secured Party" means any one of them.

"Security Agreement" has the meaning provided in the introductory paragraph hereof.

"UCC" means the Uniform Commercial Code as in effect from time to time in the State of New York except as such term may be used in connection with the perfection of the Collateral, in which case the applicable jurisdiction with respect to such affected Collateral shall apply.

2. Grant of Security Interest in the Collateral. To secure the prompt payment and performance in full when due, whether by lapse of time, acceleration, mandatory prepayment or otherwise, of the Obligations, each Grantor hereby grants to the Administrative Agent, for the benefit of the Secured Parties, a continuing security interest in any and all right, title and interest of such Grantor in and to all of the following, whether now owned or existing or owned, acquired, or arising hereafter (collectively, the "Collateral"):

(a) all Accounts;

(b) all Chattel Paper;

(c) all Commercial Tort Claims now or hereafter identified on Schedule 2(c) attached hereto;

(d) all Confidential Information;

(e) all Copyrights;

(f) all Copyright Licenses;

(g) all Deposit Accounts;

(h) all Documents;

(i) all Domain Names;

(j) all Drug Applications;

(k) all Equipment;

(l) all Fixtures;

(m) all General Intangibles;

(n) all Goods;

(o) all Governmental Licenses;

(p) all Instruments;

(q) all Inventory;

(r) all Investment Property;

(s) all IP Rights;

(t) all Letter-of-Credit Rights;

(u) all Money;

(v) all Other Intellectual Property;

(w) all Other IP Agreements;

(x) all Patents;

(y) all Patent Licenses;

(z) all Payment Intangibles;

(aa) all Proprietary Databases;

(bb) all Proprietary Software;

(cc) all Software;

(dd) all Supporting Obligations;

(ee) all Trademarks;

(ff) all Trademark Licenses;

(gg) all Trade Secrets;

(hh) all Websites;

(ii) all Website Agreements; and

(jj) all Accessions and all Proceeds of any and all of the foregoing.

Notwithstanding anything to the contrary contained herein, the security interests granted under this Security Agreement shall not extend to any Excluded Property and the term "Collateral" (and each component definition thereof) shall, for the avoidance of doubt, be deemed to exclude any Excluded Property; provided, however, that, Excluded Property shall not include any Proceeds, products, substitutions or replacements of any Excluded Property (unless such Proceeds, products, substitutions or replacements would themselves constitute Excluded Property).

The Grantors and the Administrative Agent, on behalf of the Secured Parties, hereby acknowledge and agree that the security interest created hereby in the Collateral (i) constitutes continuing collateral security for all of the Obligations, whether now existing or hereafter arising and (ii) is not and shall not be construed as an assignment of any Copyrights, Copyright Licenses, Patents, Patent Licenses, Trademarks, Trademark Licenses, IP Rights, Other Intellectual Property or Other IP Agreements.

Each Grantor may have entered into other Collateral Documents governed under laws other than that of the State of New York. Nothing herein is intended to replace, amend or modify any security granted under such Collateral Documents or the terms of such Collateral Documents and the security granted herein and the terms herein shall in all respects be read to supplement the security grant and the terms presented under such Collateral Documents. For the avoidance of doubt, if there is a contradiction in any provision herein and any provision in such other Collateral Documents, (a) Administrative Agent shall make a determination in its reasonable judgment with respect to what jurisdiction the Collateral covered by such provisions is situated or deemed to be situated and (b) the provisions in the Collateral Documents of that jurisdiction shall control.

Without limiting the immediately preceding paragraph, but notwithstanding any other provision herein, to the extent there is a conflict between this Security Agreement and any Collateral Document to which a Grantor not organized in the United States is a party, the representations and covenants given by any such Grantor herein, including in respect of any of its Collateral (whether by reference to a specific class, category or otherwise thereof), shall only apply to and in respect of its Collateral that is situated or deemed to be situated in the United States.

3. Provisions Relating to Accounts.

(a) Anything herein to the contrary notwithstanding, each of the Grantors shall remain liable under each of the Accounts to observe and perform all the conditions and obligations to be observed and performed by it thereunder, all in accordance with the terms of any agreement giving rise to each such Account. Neither the Administrative Agent nor any Secured Party shall have any obligation or liability under any Account (or any agreement giving rise thereto) by reason of or arising out of this Security Agreement or the receipt by the Administrative Agent or any Secured Party of any payment relating to such Account pursuant hereto, nor shall the Administrative Agent or any Secured Party be obligated in any manner to perform any of the obligations of a Grantor under or pursuant to any Account (or any agreement giving rise thereto), to make any payment, to make any inquiry as to the nature or the sufficiency of any payment received by it or as to the sufficiency of any performance by any party under any Account (or any agreement giving rise thereto), to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts that may have been assigned to it or to which it may be entitled at any time or times.

(b) At any time upon the occurrence of an Event of Default and during the continuation thereof, (i) the Administrative Agent shall have the right, but not the obligation, to make test verifications of the Accounts in any manner and through any medium that it reasonably considers advisable, and the Grantors shall furnish all such assistance and information as the Administrative

Agent may reasonably require in connection with such test verifications, (ii) upon the Administrative Agent's written request and at the expense of the Grantors, the Grantors shall cause independent public accountants or others satisfactory to the Administrative Agent to furnish to the Administrative Agent reports showing reconciliations, aging and test verifications of, and trial balances for, the Accounts and (it being understood that any Approved Independent Certified Public Accountant is hereby acknowledged by the Administrative Agent as being satisfactory pursuant to this clause (ii)), (iii) the Administrative Agent in its own name or in the name of others may communicate with account debtors on the Accounts to verify with them to the Administrative Agent's reasonable satisfaction the existence, amount and terms of any Accounts.

4. Representations and Warranties. Each Grantor hereby represents and warrants to the Administrative Agent, for the benefit of the Secured Parties, that:

(a) Ownership. Each Grantor is the legal and beneficial owner of, or has rights to use, its Collateral and has the right to pledge, sell, assign or transfer the same.

(b) Security Interest/Priority. This Security Agreement creates a valid security interest in favor of the Administrative Agent, for the benefit of the Secured Parties, in the Collateral of each Grantor and, when properly perfected by the filing of a UCC financing statement, such security interests shall constitute a valid, perfected, first priority security interest in such Collateral, to the extent such security interest can be perfected by filing a financing statement under the UCC, free and clear of all Liens except for Permitted Liens. With respect to any Collateral consisting of a Deposit Account, Securities Entitlement or held in a Securities Account, upon execution and delivery by the applicable Grantor, the applicable depository bank or Securities Intermediary and the Administrative Agent of an agreement granting control to the Administrative Agent over such Collateral, the Administrative Agent shall have a valid and perfected, first priority security interest in such Collateral.

(c) Types of Collateral. None of the Collateral consists of, or is the Accessions or the Proceeds of, As-Extracted Collateral, Consumer Goods, Farm Products, Manufactured Homes, or Standing Timber.

(d) Accounts. (i) Each Account of the Grantors and the papers and documents relating thereto are genuine and in all material respects accurate and what they purport to be; (ii) each Account arises out of (A) a bona fide sale of goods sold and delivered by such Grantor (or is in the process of being delivered) or (B) services theretofore actually rendered by such Grantor to, the account debtor named therein; (iii) no Account of a Grantor in excess of $150,000 is evidenced by any Instrument or Chattel Paper unless such Instrument or Chattel Paper is either in the possession of such Grantor or, if requested by the Administrative Agent to perfect its security interest in such Collateral, has been delivered to the Administrative Agent, duly endorsed in a manner satisfactory to the Administrative Agent; (iv) no surety bond was required or given in connection with any Account of a Grantor or the contracts or purchase orders out of which they arose; and (v) the right to receive payment under each Account is assignable.

(e) Equipment and Inventory. With respect to any Equipment and/or Inventory of a Grantor, each such Grantor has exclusive possession and control of such Equipment and Inventory of such Grantor except for (i) Equipment leased by such Grantor as a lessee, (ii) Equipment or Inventory in transit with common carriers or (iii) Equipment or Inventory in the possession of a bailee or warehouseman as listed on Schedule 4(e). No Inventory of a Grantor is held by a Person other than a Grantor pursuant to consignment, sale on approval or similar arrangement.

(f) No Other Instruments, Etc. As of the Closing Date, no Grantor holds any Instruments, Documents or Tangible Chattel Paper required to be pledged and delivered to the Administrative Agent pursuant to Section 5(b) of this Security Agreement other than as set forth on Schedule 4(f) hereto. All such Instruments, Documents and Tangible Chattel Paper have been delivered to the Administrative Agent.

(g) Contracts; Agreements; Licenses. The Grantors have no material contracts, agreements or licenses which are non-assignable by their terms (without giving effect to Sections 9-406, 9-407, 9-408 and 9-409 of the UCC) (other than those certain licenses set forth in Schedule 4(g) attached hereto), or as a matter of law, or which prevent the granting of a security interest therein.

(h) Consents; Etc. Except for (i) the filing or recording of UCC financing statements, (ii) the filing of appropriate notices with the United States Patent and Trademark Office and the United States Copyright Office, (iii) obtaining control to perfect the Liens created by this Security Agreement (to the extent required under Section 5(b) and Section 5(d) hereof) and (iv) consents, authorizations, filings or other actions which have been obtained or made, no consent or authorization of, filing with, or other act by or in respect of, any arbitrator or Governmental Authority and no consent of any other Person (including, without limitation, any stockholder, member or creditor of such Grantor), is required for (A) the grant by such Grantor of the security interest in the Collateral granted hereby or for the execution, delivery or performance of this Security Agreement by such Grantor, (B) the perfection of such security interest (to the extent such security interest can be perfected by filing under the UCC, the granting of control (to the extent required under Section 5(b) and Section 5(d) hereof) or by filing an appropriate notice with the United States Patent and Trademark Office or the United States Copyright Office) or (C) other than with respect to the licenses set forth on Schedule 4(g) attached hereto, the exercise by the Administrative Agent or the Secured Parties of the rights and remedies provided for in this Security Agreement.

(i) Commercial Tort Claims. Such Grantor has no Commercial Tort Claims with a value in excess of $150,000 other than those listed on Schedule 2(c).

5. Covenants. Each Grantor covenants that, so long as any of the Obligations (other than inchoate indemnification obligations) remains outstanding and until all of the commitments relating thereto have been terminated, such Grantor shall:

(a) Other Liens. Defend the Collateral against Liens other than Permitted Liens.

(b) Instruments/Tangible Chattel Paper/Documents. If any amount in excess of $150,000 payable under or in connection with any of the Collateral shall be or become evidenced by any Instrument or Tangible Chattel Paper, or if any property constituting Collateral shall be stored or shipped subject to a Document, ensure that such Instrument, Tangible Chattel Paper or Document is either in the possession of such Grantor at all times or, if requested by the Administrative Agent to perfect its security interest in such Collateral, is delivered to the Administrative Agent, duly endorsed in a manner satisfactory to the Administrative Agent. Such Grantor shall ensure that any Collateral consisting of Tangible Chattel Paper is marked with a legend acceptable to the Administrative Agent indicating the Administrative Agent's security interest in such Tangible Chattel Paper.

(c) Perfection of Security Interest. Execute and deliver to the Administrative Agent such agreements, assignments or instruments (including affidavits, notices, reaffirmations and amendments and restatements of existing documents, as the Administrative Agent shall reasonably request) and do all such other things as the Administrative Agent may reasonably deem necessary, appropriate or convenient (i) to assure to the Administrative Agent the effectiveness, perfection and priority of its

security interests in the Collateral hereunder, including (A) such instruments as the Administrative Agent may from time to time reasonably request in order to perfect and maintain the security interests granted hereunder in accordance with the UCC, (B) with regard to Copyrights, a Notice of Grant of Security Interest in Copyrights for filing with the United States Copyright Office in the form of Exhibit 5(c)(i) attached hereto, (C) with regard to Patents, a Notice of Grant of Security Interest in Patents for filing with the United States Patent and Trademark Office in the form of Exhibit 5(c)(ii) attached hereto and (D) with regard to Trademarks registered with the United States Patent and Trademark Office and all applications for Trademarks filed with the United States Patent and Trademark Office, a Notice of Grant of Security Interest in Trademarks for filing with the United States Patent and Trademark Office in the form of Exhibit 5(c)(iii) attached hereto, (ii) to consummate the transactions contemplated hereby and (iii) to otherwise protect and assure the Administrative Agent of its rights and interests hereunder. To that end, each Grantor authorizes the Administrative Agent to file one or more financing statements (with broad collateral descriptions, including without limitation "all assets" and/or "all personal property" or words of similar import) disclosing the Administrative Agent's security interest in any or all of the Collateral of such Grantor without such Grantor's signature thereon, and further each Grantor also hereby irrevocably makes, constitutes and appoints the Administrative Agent, its nominee or any other Person whom the Administrative Agent may designate, as such Grantor's attorney-in-fact with full power and for the limited purpose to sign in the name of such Grantor any such financing statements (including renewal statements), amendments and supplements, notices or any similar documents that in the Administrative Agent's reasonable discretion would be necessary, appropriate or convenient in order to perfect and maintain perfection of the security interests granted hereunder, such power, being coupled with an interest, being and remaining irrevocable so long as the Obligations (other than inchoate indemnification obligations) remain unpaid and until the commitments relating thereto shall have been terminated. Each Grantor hereby agrees that a carbon, photographic or other reproduction of this Security Agreement or any such financing statement is sufficient for filing as a financing statement by the Administrative Agent without notice thereof to such Grantor wherever the Administrative Agent may in its sole discretion desire to file the same. In the event for any reason the law of any jurisdiction other than New York becomes or is applicable to the Collateral of any Grantor or any part thereof, or to any of the Obligations, such Grantor agrees to execute and deliver all such instruments and to do all such other things as the Administrative Agent in its sole discretion reasonably deems necessary, appropriate or convenient to preserve, protect and enforce the security interests of the Administrative Agent under the law of such other jurisdiction (and, if a Grantor shall fail to do so promptly upon the request of the Administrative Agent, then the Administrative Agent may execute any and all such requested documents on behalf of such Grantor pursuant to the power of attorney granted hereinabove). If any Collateral is in the possession or control of a Grantor's agents and the Administrative Agent so requests, such Grantor agrees to notify such agents in writing of the Administrative Agent's security interest therein and, upon the Administrative Agent's request, instruct them to hold all such Collateral for the account of the Secured Parties, subject to the Administrative Agent's instructions. Each Grantor agrees to mark its books and records to reflect the security interest of the Administrative Agent in the Collateral.

(d) Control. Execute and deliver (and cause to be executed and delivered) all agreements, assignments, instruments or other documents as the Administrative Agent shall reasonably request for the purpose of obtaining and maintaining control within the meaning of the UCC with respect to any Collateral consisting of Deposit Accounts, Investment Property, Letter-of-Credit Rights and Electronic Chattel Paper.

(e) Collateral held by Warehouseman, Bailee, etc. If (i) any Collateral with an aggregate value greater than $1,000,000 is at any time in the possession or control of a single warehouseman, processor or other bailee of such Grantor or (ii) any Collateral with an aggregate value greater than $1,500,000 is at any time in the possession or control of a warehouseman, processor or other bailee of

such Grantor, and, in each case, is expected to remain in possession and control of such third party, notify the Administrative Agent of such possession or control and upon the Administrative Agent's written request, (i) notify such Person of the Administrative Agent's security interest in such Collateral, (ii) instruct such Person to hold all such Collateral for the Administrative Agent's account and subject to the Administrative Agent's instructions and (iii) obtain an acknowledgment from such Person that it is holding such Collateral for the benefit of the Administrative Agent.

(f) Treatment of Accounts. Not grant or extend the time for payment of any Account, or compromise or settle any Account for less than the full amount thereof, or release any Person or property, in whole or in part, from payment thereof, or allow any credit or discount thereon, in each case other than as normal and customary in the ordinary course of a Grantor's business or as required by law.

(g) Insurance. Insure, repair and replace the Collateral of such Grantor as set forth in the Credit Agreement. All insurance proceeds shall be subject to the security interest of the Administrative Agent hereunder.

(h) Commercial Tort Claims.

(i) Promptly notify the Administrative Agent in writing of the initiation of any Commercial Tort Claim with a value in excess of $150,000 before any Governmental Authority by or in favor of such Grantor.

(ii) (A) Promptly execute and deliver a supplement to Schedule 2(c) listing such after-acquired Commercial Tort Claim and (B) execute and deliver such other statements, documents and notices and do and cause to be done all such things as the Administrative Agent may reasonably deem necessary, appropriate or convenient, or as are required by law, to create, preserve, perfect and maintain the Administrative Agent's security interest in any such Commercial Tort Claim.

(i) Nature of Collateral. At all times maintain the Collateral as personal property and not affix any of the Collateral to any real property in a manner which would change its nature from personal property to real property or a Fixture to real property, unless the Administrative Agent shall have a perfected Lien on such Fixture or real property.

(j) Real Property. Notify the Administrative Agent in writing within fifteen (15) days after the acquisition of any Material Real Property owned in fee by any Grantor that is not subject to an existing Collateral Document (as such time period may be extended by the Administrative Agent in its sole discretion), and promptly thereafter (and in any event, within sixty (60) days of such acquisition (as such time period may be extended by the Administrative Agent, in its sole discretion)) deliver such Mortgages and all agreements, documents or instruments reasonably requested by the Administrative Agent in connection with granting and perfecting a Lien on such real property in favor of the Administrative Agent, for the ratable benefit of the Secured Parties, all in form and substance reasonably acceptable to the Administrative Agent.

(k) Israel Filing and Registration. Without derogating from (c) above, deliver to the Administrative Agent (i) on the Closing Date, original copies duly executed of notice of charges (Form 10) in relation to this Security Agreement; (ii) by no later than three (3) Business Days from the Closing Date, evidence that this Security Agreement has been duly filed for registration and stamped 'nitkabel' by the Israeli Companies Registrar, together with all required notices and a Hebrew convenience translation thereof accompanied by a confirmation letter of the Israeli Grantor as to the adequacy of

the translation; and (iii) by no later than 21 days after the Closing Date, deliver to the Administrative Agent evidence that this Security Agreement has been duly registered with the Israeli Companies Registrar together with an original charge registration certificate. Within 14 days of it becoming aware, the Israeli Grantor shall provide the Administrative Agent with a written report of all new Patents and Trademarks that are registered or subject of pending applications for registrations with the Israeli Patent Authority. The Israeli Grantor shall execute and deliver to the Administrative Agent such agreements or instruments (including notices and amendments) and do all such other things as the Administrative Agent may reasonably deem necessary, appropriate or convenient (including any necessary filings and registrations) to assure to the Administrative Agent the effectiveness, perfection and priority of its security interests in the Collateral hereunder, including with respect to any such new Patents or new Trademarks.

6. Covenants Relating to IP Collateral. Each Grantor covenants that, so long as any of the Obligations (other than inchoate indemnification obligations) remain outstanding and until all of the commitments relating thereto have been terminated, such Grantor shall:

(a) Covenants Relating to Copyrights.

(i) (A) Not do any act or knowingly omit to do any act whereby any Copyright owned by it (each, an "Owned Copyright") may become invalidated, (B) not do any act, or knowingly omit to do any act, whereby any Owned Copyright may become dedicated to the public domain, (C) notify the Administrative Agent immediately if it knows that any Owned Copyright may become dedicated to the public domain or of any adverse determination or development (including, without limitation, the institution of, or any such determination or development in, any court or tribunal in the United States or any other country) regarding a Grantor's ownership of any *such* Owned Copyright or its validity or enforceability, (D) take all necessary steps as it shall deem appropriate under the circumstances, to maintain and pursue each application (and to obtain the relevant registration) of each Owned Copyright and to maintain each registration of each Owned Copyright, including, without limitation, filing of applications for renewal where necessary, and (E) promptly notify the Administrative Agent of any infringement of any Owned Copyright, of which it becomes aware and take such actions as it shall reasonably deem appropriate under the circumstances to protect such Owned Copyright, including, where appropriate, the bringing of suit for infringement, seeking injunctive relief and seeking to recover any and all damages for such infringement.

(ii) Not make any assignment or agreement in conflict with the security interest in the Copyrights of each Grantor hereunder (other than as permitted by the Credit Agreement).

(b) Covenants Relating to Patents and Trademarks.

(i) (A) Maintain as in the past the quality of products and services offered under each Trademark owned by such Grantor (each, an "Owned Trademark"), (B) employ each Owned Trademark with the appropriate notice of registration, if applicable, (C) not adopt or use any mark that is confusingly similar to or a colorable imitation of such Owned Trademark unless the Administrative Agent, for the benefit of the Secured Parties, shall obtain a perfected security interest in such Trademark pursuant to this Security Agreement, and (D) not (and not permit any licensee or sublicensee thereof to) do any act or knowingly omit to do any act whereby any such Owned Trademark may become abandoned, invalidated or rendered unenforceable.

(ii) Not do any act, or omit to do any act, whereby any Patent owned by a Grantor (each, an "Owned Patent") may become abandoned, invalidated, rendered unenforceable or dedicated to the public.

(iii) Notify the Administrative Agent promptly if it knows that any Owned Trademark, or any application or registration relating to any Owned Patent or Owned Trademark may become abandoned, invalidated, rendered unenforceable or dedicated to the public, or of any adverse determination or development (including, without limitation, the institution of, or any such determination or development in, any proceeding in the United States Patent and Trademark Office, or any similar office or agency in any other country or any political subdivision thereof or any court or tribunal in any country) regarding a Grantor's ownership of any such Patent or Trademark or its right to register the same or to keep and maintain the same.

(iv) Upon request of the Administrative Agent, a Grantor shall execute and deliver any agreements, instruments, documents and papers as the Administrative Agent may reasonably request to evidence and perfect the security interest of the Administrative Agent and the Secured Parties in any Patent or Trademark in the Collateral and the goodwill and general intangibles of a Grantor relating thereto or represented thereby.

(v) Take all reasonable and necessary steps, including, without limitation, in any proceeding before the United States Patent and Trademark Office, or any similar office or agency in any other country or any political subdivision thereof, to maintain and pursue each application (and to obtain the relevant registration) and to maintain each registration of each Owned Patent and Owned Trademark, including, without limitation, filing of applications for renewal, affidavits of use and affidavits of incontestability.

(vi) Promptly notify the Administrative Agent after it learns that any Patent or Trademark included in the Collateral is infringed, violated, misappropriated or diluted by another Person and take such actions as it shall reasonably deem appropriate under the circumstances to protect such Patent or Trademark.

(vii) Not make any assignment or agreement in conflict with the security interest in the Patents or Trademarks of each Grantor hereunder (other than as permitted by the Credit Agreement).

7. Advances. On failure of any Grantor to perform any of the covenants and agreements contained herein or in any other Loan Document, the Administrative Agent may, at its sole option and in its sole discretion, perform the same and in so doing may expend such sums as the Administrative Agent may reasonably deem advisable in the performance thereof, including, without limitation, the payment of any insurance premiums, the payment of any taxes, a payment to obtain a release of a Lien or potential Lien, expenditures made in defending against any adverse claim and all other expenditures that the Administrative Agent may make for the protection of the security hereof or that may be compelled to make by operation of law. All such sums and amounts so expended shall be repayable by the Grantors, on demand, on a joint and several basis (subject to Section 22 hereof) promptly upon timely notice thereof and demand therefor, shall constitute additional Obligations and shall bear interest from the date said amounts are expended at the Default Rate. No such performance of any covenant or agreement by the Administrative Agent on behalf of any Grantor, and no such advance or expenditure therefor, shall relieve the Grantors of any Default or Event of Default. The Administrative Agent may make any payment hereby authorized in accordance with any bill, statement or estimate procured from the appropriate public office or holder of the claim to be discharged, without inquiry into the accuracy of such bill, statement or estimate or into the validity of any tax assessment,

sale, forfeiture, tax lien, title or claim except to the extent such payment is being contested in good faith by a Grantor in appropriate proceedings and against which adequate reserves are being maintained in accordance with IFRS.

8. Remedies.

(a) General Remedies. Upon the occurrence of an Event of Default and during the continuation thereof, the Administrative Agent shall have, in addition to the rights and remedies provided herein, in the Loan Documents, in any other documents relating to the Obligations, or by law (including, without limitation, levy of attachment, garnishment and the rights and remedies set forth in the UCC of the jurisdiction applicable to the affected Collateral), the rights and remedies of a secured party under the UCC of the jurisdiction applicable to the affected Collateral and, further, the Administrative Agent may, with or without judicial process or the aid and assistance of others to the extent permitted by applicable law, (i) enter on any premises on which any of the Collateral may be located and, without resistance or interference by the Grantors, take possession of the Collateral, (ii) dispose of any Collateral on any such premises, (iii) require the Grantors to assemble and make available to the Administrative Agent at the expense of the Grantors any Collateral at any place and time designated by the Administrative Agent that is reasonably convenient to both parties, (iv) remove any Collateral from any such premises for the purpose of effecting the sale or other disposition thereof, and/or (v) without demand and without advertisement, notice, hearing or process of law, all of which each of the Grantors hereby waives to the fullest extent permitted by law, at any place and time or times, sell and deliver any or all Collateral held by or for it at public or private sale, by one or more contracts, in one or more parcels, for cash, upon credit or otherwise, at such prices and upon such terms as the Administrative Agent deems advisable, in its sole discretion (subject to any and all mandatory legal requirements). Each of the Grantors acknowledges that any private sale referenced above may be at prices and on terms less favorable to the seller than the prices and terms that might have been obtained at a public sale. In addition to all other sums due the Administrative Agent and the Secured Parties with respect to the Obligations, the Grantors shall pay the Administrative Agent and each of the Secured Parties all reasonable costs and expenses incurred by the Administrative Agent or any such Secured Party, in enforcing its remedies hereunder including, but not limited to, reasonable attorneys' fees and court costs, in obtaining or liquidating the Collateral, in enforcing payment of the Obligations, or in the prosecution or defense of any action or proceeding by or against the Administrative Agent or the Secured Parties or the Grantors concerning any matter arising out of or connected with this Security Agreement, any Collateral or the Obligations, including, without limitation, any of the foregoing arising in, arising under or related to a case under Debtor Relief Laws. To the extent the rights of notice cannot be legally waived hereunder, each Grantor agrees that any requirement of reasonable notice shall be met if such notice, specifying the place of any public sale or the time after which any private sale is to be made, is personally served on or mailed, postage prepaid, to the Borrower in accordance with the notice provisions of Section 11.02 of the Credit Agreement at least ten (10) Business Days before the time of sale or other event giving rise to the requirement of such notice. The Administrative Agent may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned. The Administrative Agent shall not be obligated to make any sale or other disposition of the Collateral regardless of notice having been given. To the extent permitted by law, any Secured Party may be a purchaser at any such sale. To the extent permitted by applicable law, each of the Grantors hereby waives all of its rights of redemption with respect to any such sale. Subject to the provisions of applicable law, the Administrative Agent and the Secured Parties may postpone or cause the postponement of the sale of all or any portion of the Collateral by announcement at the time and place of such sale, and such sale may, without further notice, to the extent permitted by law, be made at the time and place to which the sale was postponed, or the Administrative Agent may further postpone such sale by announcement made at such time and place.

(b) Remedies Relating to Accounts. Upon the occurrence of an Event of Default and during the continuation thereof, whether or not the Administrative Agent has exercised any or all of its rights and remedies hereunder, (i) each Grantor will promptly upon request of the Administrative Agent instruct all account debtors to remit all payments in respect of Accounts to a mailing location selected by the Administrative Agent and (ii) the Administrative Agent shall have the right to enforce any Grantor's rights against its customers and account debtors, and the Administrative Agent or its designee may notify (or require such Grantor to notify) any Grantor's customers and account debtors that the Accounts of such Grantor have been assigned to the Administrative Agent or of the Administrative Agent's security interest therein, and may (either in its own name or in the name of a Grantor or both) demand, collect (including without limitation by way of a lockbox arrangement), receive, take receipt for, sell, sue for, compound, settle, compromise and give acquittance for any and all amounts due or to become due on any Account, and, in the Administrative Agent's discretion, file any claim or take any other action or proceeding to protect and realize upon the security interest of the Secured Parties in the Accounts. Each Grantor acknowledges and agrees that the Proceeds of its Accounts remitted to or on behalf of the Administrative Agent in accordance with the provisions hereof shall be solely for the Administrative Agent's own convenience and that such Grantor shall not have any right, title or interest in such Accounts or in any such other amounts except as expressly provided herein. The Administrative Agent and the other Secured Parties shall have no liability or responsibility to any Grantor for acceptance of a check, draft or other order for payment of money bearing the legend "payment in full" or words of similar import or any other restrictive legend or endorsement or be responsible for determining the correctness of any remittance. Furthermore, upon the occurrence of an Event of Default and during the continuation thereof, (i) the Administrative Agent shall have the right, but not the obligation, to make test verifications of the Accounts in any manner and through any medium that it reasonably considers advisable, and the Grantors shall furnish all such assistance and information as the Administrative Agent may require in connection with such test verifications, (ii) upon the Administrative Agent's request and at the expense of the Grantors, the Grantors shall cause independent public accountants or others satisfactory to the Administrative Agent to furnish to the Administrative Agent reports showing reconciliations, aging and test verifications of, and trial balances for, the Accounts (it being understood that any Approved Independent Certified Public Accountant is hereby acknowledged by the Administrative Agent as being satisfactory pursuant to this clause (ii) and (iii) the Administrative Agent in its own name or in the name of others may communicate with account debtors on the Accounts to verify with them to the Administrative Agent's satisfaction the existence, amount and terms of any Accounts.

(c) Deposit Accounts. Upon the occurrence of an Event of Default and during the continuation thereof, the Administrative Agent may prevent withdrawals or other dispositions of funds in Deposit Accounts.

(d) Access. In addition to the rights and remedies hereunder, upon the occurrence of an Event of Default and during the continuation thereof, the Administrative Agent shall have the right to enter and remain upon the various premises of the Grantors without cost or charge to the Administrative Agent, and use the same, together with materials, supplies, books and records of the Grantors for the purpose of collecting and liquidating the Collateral, or for preparing for sale and conducting the sale of the Collateral, whether by foreclosure, auction or otherwise. In addition, the Administrative Agent may remove Collateral, or any part thereof, from such premises and/or any records with respect thereto, in order to effectively collect or liquidate such Collateral.

(e) Nonexclusive Nature of Remedies. Failure by the Administrative Agent or the Secured Parties to exercise any right, remedy or option under this Security Agreement, any other Loan Document, any other documents relating to the Obligations, or as provided by law, or any delay by the

Administrative Agent or the Secured Parties in exercising the same, shall not operate as a waiver of any such right, remedy or option. No waiver hereunder shall be effective unless it is in writing, signed by the party against whom such waiver is sought to be enforced and then only to the extent specifically stated, which in the case of the Administrative Agent or the Secured Parties shall only be granted as provided herein. To the extent permitted by law, neither the Administrative Agent, the Secured Parties, nor any party acting as attorney for the Administrative Agent or the Secured Parties, shall be liable hereunder for any acts or omissions or for any error of judgment or mistake of fact or law other than their gross negligence or willful misconduct hereunder. The rights and remedies of the Administrative Agent and the Secured Parties under this Security Agreement shall be cumulative and not exclusive of any other right or remedy that the Administrative Agent or the Secured Parties may have.

(f) Retention of Collateral. To the extent permitted by applicable law, in addition to the rights and remedies hereunder, upon the occurrence of an Event of Default and during the continuation thereof, the Administrative Agent may, in compliance with Sections 9-620 and 9-621 of the UCC (or any successor section) or otherwise complying with the requirements of applicable law of the relevant jurisdiction, accept or retain all or any portion of the Collateral in satisfaction of the Obligations. Unless and until the Administrative Agent shall have provided such notices, however, the Administrative Agent shall not be deemed to have accepted or retained any Collateral in satisfaction of any Obligations for any reason.

(g) Deficiency. In the event that the proceeds of any sale, collection or realization are insufficient to pay all amounts to which the Administrative Agent or the Secured Parties are legally entitled, the Grantors shall be jointly and severally liable for the deficiency (subject to Section 22 hereof), together with interest thereon at the Default Rate, together with the costs of collection and the reasonable fees, charges and disbursements of counsel. Any surplus remaining after the full payment and satisfaction of the Obligations shall be returned to the Grantors or to whomsoever a court of competent jurisdiction shall determine to be entitled thereto.

9. Rights of the Administrative Agent.

(a) Power of Attorney. In addition to other powers of attorney contained herein, each Grantor hereby designates and appoints the Administrative Agent, on behalf of the Secured Parties, and each of its designees or agents, as attorney-in-fact of such Grantor, irrevocably and with power of substitution, with authority to take any or all of the following actions upon the occurrence and during the continuation of an Event of Default:

(i) to demand, collect, settle, compromise and adjust, and give discharges and releases concerning the Collateral, all as the Administrative Agent may reasonably deem appropriate;

(ii) to commence and prosecute any actions at any court for the purposes of collecting any of the Collateral and enforcing any other right in respect thereof;

(iii) to defend, settle or compromise any action, suit or proceeding brought in respect of the Collateral and, in connection therewith, give such discharge or release as the Administrative Agent may reasonably deem appropriate;

(iv) to receive, open and dispose of mail addressed to a Grantor and endorse checks, notes, drafts, acceptances, money orders, bills of lading, warehouse receipts or other instruments or documents evidencing payment, shipment or storage of the goods giving rise

to the Collateral on behalf of and in the name of such Grantor, or securing, or relating to such Collateral;

(v) to pay or discharge taxes, liens, security interests or other encumbrances levied or placed on or threatened against the Collateral;

(vi) to direct any parties liable for any payment in connection with any of the Collateral to make payment of any and all monies due and to become due thereunder directly to the Administrative Agent or as the Administrative Agent shall direct;

(vii) to receive payment of and receipt for any and all monies, claims, and other amounts due and to become due at any time in respect of or arising out of any Collateral;

(viii) to sell, assign, transfer, make any agreement in respect of, or otherwise deal with or exercise rights in respect of, any Collateral or the goods or services that have given rise thereto, as fully and completely as though the Administrative Agent were the absolute owner thereof for all purposes;

(ix) to adjust and settle claims under any insurance policy relating thereto;

(x) to execute and deliver all assignments, conveyances, statements, financing statements, renewal financing statements, security and pledge agreements, affidavits, notices and other agreements, instruments and documents that the Administrative Agent may reasonably deem appropriate in order to perfect and maintain the security interests and liens granted in this Security Agreement and in order to fully consummate all of the transactions contemplated therein;

(xi) to institute any foreclosure proceedings that the Administrative Agent may reasonably deem appropriate; and

(xii) to do and perform all such other acts and things as the Administrative Agent may deem appropriate or convenient in connection with the Collateral.

This power of attorney is a power coupled with an interest and shall be irrevocable for so long as any of the Obligations (other than inchoate indemnification obligations) shall remain outstanding and until all of the commitments relating thereto shall have been terminated. The Administrative Agent shall be under no duty to exercise or withhold the exercise of any of the rights, powers, privileges and options expressly or implicitly granted to the Administrative Agent in this Security Agreement, and shall not be liable for any failure to do so or any delay in doing so. The Administrative Agent shall not be liable for any act or omission or for any error of judgment or any mistake of fact or law in its individual capacity or its capacity as attorney-in-fact except acts or omissions resulting from its gross negligence or willful misconduct. This power of attorney is conferred on the Administrative Agent solely to protect, preserve and realize upon its security interest in the Collateral.

(b) Assignment by the Administrative Agent. The Administrative Agent may from time to time assign the Obligations to a successor Administrative Agent appointed in accordance with the Credit Agreement, and such successor shall be entitled to all of the rights and remedies of the Administrative Agent under this Security Agreement in relation thereto.

(c) Releases of Collateral. If any Collateral shall be sold, transferred or otherwise disposed of by any Grantor in a transaction permitted by the Credit Agreement, or, if at the request of

any Grantor the release of any Collateral shall be approved by the Required Lenders in accordance with Section 11.01 of the Credit Agreement, then, in each case, the Administrative Agent, at the request and sole expense of such Grantor, shall promptly execute and deliver to such Grantor all releases and other documents, and take such other action, reasonably necessary for the release of the Liens created hereby or by any other Collateral Document on such Collateral.

(d) The Administrative Agent's Duty of Care. Other than the exercise of reasonable care to assure the safe custody of the Collateral while being held by the Administrative Agent hereunder and to account for all proceeds thereof, the Administrative Agent shall have no duty or liability to preserve rights pertaining thereto, it being understood and agreed that the Grantors shall be responsible for preservation of all rights in the Collateral, and the Administrative Agent shall be relieved of all responsibility for the Collateral upon surrendering it or tendering the surrender of it to the Grantors. The Administrative Agent shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral in its possession if such Collateral is accorded treatment substantially equal to that which the Administrative Agent accords its own property, which shall be no less than the treatment employed by a reasonable and prudent agent in the industry, it being understood that the Administrative Agent shall not have responsibility for taking any necessary steps to preserve rights against any parties with respect to any of the Collateral. In the event of a public or private sale of Collateral pursuant to Section 8 hereof, the Administrative Agent shall have no responsibility for (i) ascertaining or taking action with respect to any matters relating to any Collateral, whether or not the Administrative Agent has or is deemed to have knowledge of such matters, or (ii) taking any steps to clean, repair or otherwise prepare the Collateral for sale.

10. Application of Proceeds. Upon the acceleration of the Obligations pursuant to Section 9.02 of the Credit Agreement, any payments in respect of the Obligations and any proceeds of the Collateral, when received by the Administrative Agent or any of the Secured Parties in cash or its equivalent, will be applied in reduction of the Obligations in the order set forth in Section 9.03 of the Credit Agreement, and each Grantor irrevocably waives the right to direct the application of such payments and proceeds and acknowledges and agrees that the Administrative Agent shall have the continuing and exclusive right to apply and reapply any and all such payments and proceeds in the Administrative Agent's sole discretion, notwithstanding any entry to the contrary upon any of its books and records.

11. Continuing Agreement.

(a) This Security Agreement shall be a continuing agreement in every respect and shall remain in full force and effect so long as any of the Obligations (other than inchoate indemnification obligations) remain outstanding and until all of the commitments relating thereto have been terminated; provided, that, following the Discharge of the Term Loan Obligations, the Administrative Agent shall, at the Borrower's cost and expense, take all actions reasonably requested by the Borrower to evidence the release and termination of the Administrative Agent's security interest in the Collateral (other than the Deposit Accounts). Upon payment or other satisfaction of all Obligations (other than inchoate indemnification obligations) and termination of the commitments related thereto, this Security Agreement and the liens and security interests of the Administrative Agent hereunder shall be automatically terminated and the Administrative Agent shall, upon the request and at the expense of the Grantors, execute and deliver all UCC termination statements and/or other documents reasonably requested by the Grantors evidencing such termination and return to Grantors all Collateral in its possession. Notwithstanding the foregoing, all releases and indemnities provided hereunder shall survive termination of this Security Agreement.

(b) This Security Agreement shall continue to be effective or be automatically reinstated, as the case may be, if at any time payment, in whole or in part, of any of the Obligations is rescinded

or must otherwise be restored or returned by the Administrative Agent or any Secured Party as a preference, fraudulent conveyance or otherwise under any Debtor Relief Law, all as though such payment had not been made; provided, that, in the event payment of all or any part of the Obligations is rescinded or must be restored or returned, all costs and expenses (including, without limitation, reasonable attorneys' fees and disbursements) incurred by the Administrative Agent or any Secured Party in defending and enforcing such reinstatement shall be deemed to be included as a part of the Obligations.

12. Amendments and Waivers. This Security Agreement and the provisions hereof may not be amended, waived, modified, changed, discharged or terminated except as set forth in Section 11.01 of the Credit Agreement.

13. Successors in Interest. This Security Agreement shall create a continuing security interest in the Collateral and shall be binding upon each Grantor, its successors and assigns, and shall inure, together with the rights and remedies of the Administrative Agent and the Secured Parties hereunder, to the benefit of the Administrative Agent and the Secured Parties and their successors and permitted assigns; provided, however, none of the Grantors may assign its rights or delegate its duties hereunder without the prior written consent of the requisite Lenders under the Credit Agreement.

14. Notices. All notices required or permitted to be given under this Security Agreement shall be given as provided in Section 11.02 of the Credit Agreement.

15. Counterparts. This Security Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page of this Security Agreement by facsimile or other electronic imaging means (e.g. "pdf" or "tif") shall be effective as delivery of a manually executed counterpart of this Security Agreement.

16. Headings. Section headings herein are included for convenience of reference only and shall not affect the interpretation of this Security Agreement.

17. Governing Law; Submission to Jurisdiction; Waiver of Venue, Service of Process, Waiver of Right to Jury Trial. The terms of Section 11.14 of the Credit Agreement and Section 11.15 of the Credit Agreement with respect to governing law, submission to jurisdiction, waiver of venue, service of process and waiver of the right to a jury trial are each incorporated herein by reference, *mutatis mutandis*, and the parties hereto agree to such terms.

18. Severability. If any provision of this Security Agreement is held to be illegal, invalid or unenforceable, (a) the legality, validity and enforceability of the remaining provisions of this Security Agreement shall not be affected or impaired thereby and (b) the parties shall endeavor in good faith negotiations to replace the illegal, invalid or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the illegal, invalid or unenforceable provisions. The invalidity of a provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

19. Entirety. This Security Agreement, the other Loan Documents and the other documents relating to the Obligations represent the entire agreement of the parties hereto and thereto, and supersede all prior agreements and understandings, oral or written, if any, including any proposal letters or correspondence relating to the Loan Documents, any other documents relating to the Obligations, or the transactions contemplated herein and therein.

20. Survival. All representations and warranties of the Grantors hereunder shall survive the execution and delivery of this Security Agreement, the other Loan Documents and the other documents relating to the Obligations, the delivery of the Notes and the extension of credit thereunder or in connection therewith.

21. Other Security. To the extent that any of the Obligations are now or hereafter secured by property other than the Collateral (including, without limitation, real and other personal property and securities owned by a Grantor), or by a guarantee, endorsement or property of any other Person, then to the extent permitted by applicable law the Administrative Agent shall have the right to proceed against such other property, guarantee or endorsement upon the occurrence and during the continuation of any Event of Default, and the Administrative Agent shall have the right, in its sole discretion, to determine which rights, security, liens, security interests or remedies the Administrative Agent shall at any time pursue, relinquish, subordinate, modify or take with respect thereto, without in any way modifying or affecting any of them or the Obligations or any of the rights of the Administrative Agent or the Secured Parties under this Security Agreement, under any of the other Loan Documents or under any other document relating to the Obligations.

22. Joint and Several Obligations of Grantors.

(a) Subject to subsection (c) of this Section 22, each of the Grantors is accepting joint and several liability hereunder in consideration of the financial accommodation to be provided by the Secured Parties, for the mutual benefit, directly and indirectly, of each of the Grantors and in consideration of the undertakings of each of the Grantors to accept joint and several liability for the obligations of each of them.

(b) Subject to subsection (c) of this Section 22, each of the Grantors jointly and severally hereby irrevocably and unconditionally accepts, not merely as a surety but also as a co-debtor, joint and several liability with the other Grantors with respect to the payment and performance of all of the Obligations arising under this Security Agreement, the other Loan Documents and any other documents relating to the Obligations, it being the intention of the parties hereto that all the Obligations shall be the joint and several obligations of each of the Grantors without preferences or distinction among them.

(c) Notwithstanding any provision to the contrary contained herein, in any other of the Loan Documents or in any other documents relating to the Obligations, the obligations of each Guarantor under the Credit Agreement, the other Loan Documents and the other documents relating to the Obligations shall be limited to an aggregate amount equal to the largest amount that would not render such obligations subject to avoidance under Section 548 of the United States Bankruptcy Code or any comparable provisions of any applicable state law.

23. Joinder. At any time after the date of this Security Agreement, one or more additional Persons may become party hereto by executing and delivering to the Administrative Agent a Joinder Agreement. Immediately upon such execution and delivery of such Joinder Agreement (and without any further action), each such additional Person will become a party to this Security Agreement as a "Grantor" and have all the rights and obligations of a Grantor hereunder and this Security Agreement and the schedules hereto shall be deemed amended by such Joinder Agreement.

24. Rights of Required Lenders. All rights of the Administrative Agent hereunder, if not exercised by the Administrative Agent, may be exercised by the Required Lenders.

[Signature Pages Follow]

Each of the parties hereto has caused a counterpart of this Security Agreement to be duly executed and delivered as of the date first above written.

GRANTORS:

REDHILL BIOPHARMA INC.

By: /s/ Dror Ben-Asher
Name: Dror Ben-Asher
Title: CEO

REDHILL BIOPHARMA LTD.

By: /s/ Micha Ben Chorin
Name: Micha Ben Chorin
Title: CFO

By: /s/ Dror Ben-Asher
Name: Dror Ben-Asher
Title: CEO

Each of the parties hereto has caused a counterpart of this Security Agreement to be duly executed and delivered as of the date first above written.

GRANTORS:

REDHILL BIOPHARMA INC.

By: /s/ Rick Scruggs
Name: Rick Scruggs
Title: CCO

REDHILL BIOPHARMA LTD.

By: _____
Name:
Title:

By: _____
Name:
Title:

Accepted and agreed to as of the date first above written.
HCR COLLATERAL MANAGEMENT, LLC,
as Administrative Agent
By: /s/ Clarke B. Futch
Name: Clarke B. Futch
Title: Managing Partner

Exhibit 4.16

Execution Version

PLEDGE AGREEMENT

THIS PLEDGE AGREEMENT dated as of February 23, 2020 (as amended, modified, restated or supplemented from time to time, this "Pledge Agreement") is by and among the parties identified as "Pledgors" on the signature pages hereto and such other parties as may become Pledgors hereunder after the date hereof (individually a "Pledgor", and collectively, the "Pledgors") and HCR Collateral Management, LLC, as administrative agent (in such capacity, the "Administrative Agent") for the Secured Parties (defined below).

W I T N E S S E T H

WHEREAS, a credit facility has been established in favor of RedHill Biopharma Inc., a Delaware corporation (the "Borrower"), pursuant to the terms of that certain Credit Agreement dated as of the date hereof (as amended, modified, restated, supplemented or extended from time to time, the "Credit Agreement") by and among the Borrower, RedHill Biopharma Ltd., a company incorporated under the laws of the State of Israel ("Parent Guarantor") the other parties from time to time party thereto, the Lenders from time to time party thereto and the Administrative Agent;

WHEREAS, it is required under the terms of the Credit Agreement that the Pledgors shall have granted, pledged and assigned the security interests and undertaken the obligations contemplated by this Pledge Agreement; and

WHEREAS, this Pledge Agreement is required under the terms of the Credit Agreement.

NOW, THEREFORE, in consideration of these premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Definitions.

(a) Capitalized terms used and not otherwise defined herein shall have the meanings provided in the Credit Agreement.

(b) As used herein, the following terms shall have the meanings assigned thereto in the UCC (defined below): Accession, Financial Asset, Investment Company Security, Proceeds and Security.

(c) As used herein, the following terms shall have the meanings set forth below:

"Administrative Agent" has the meaning provided in the introductory paragraph hereof.

"Borrower" has the meaning provided in the recitals hereof.

"Capital Note" means the Amended and Restated Capital Note, dated as of the date hereof, by and between the Borrower and Parent Guarantor, as amended, modified, restated or supplemented from time to time.

"Credit Agreement" has the meaning provided in the introductory paragraph hereof.

"Global Intercompany Note" means the Global Intercompany Note, dated as of the date hereof, by and between the Borrower and Parent Guarantor, as amended, modified, restated or supplemented from time to time.

"Israeli Pledgor" means Parent Guarantor and any other Pledgor organized in the State of Israel.

"Parent Guarantor" has the meaning provided in the recitals hereof.

"Pledge Agreement" has the meaning provided in the introductory paragraph hereof.

"Pledged Collateral" has the meaning provided in Section 2 hereof.

"Pledged Shares" has the meaning provided in Section 2 hereof.

"Pledgors" has the meaning provided in the introductory paragraph hereof.

"Secured Parties" means, collectively, the Administrative Agent, the Lenders and any holder of the Obligations and "Secured Party" means any one of them.

"Security Agreement" means that certain Security Agreement dated as of the date hereof (as amended, modified or supplemented from time to time) by and among the Grantors (as defined therein) and the Administrative Agent.

"UCC" means the Uniform Commercial Code as in effect from time to time in the State of New York, except as such term may be used in connection with the perfection of the Pledged Collateral, in which case the applicable jurisdiction with respect to such affected Pledged Collateral shall apply.

2. Pledge and Grant of Security Interest. To secure the prompt payment and performance in full when due, whether by lapse of time, acceleration, mandatory prepayment or otherwise, of the Obligations, each Pledgor hereby grants and pledges to the Administrative Agent, for the benefit of the Secured Parties, a continuing security interest in any and all right, title and interest of such Pledgor in and to the following, whether now owned or existing or owned, acquired, or arising hereafter (collectively, the "Pledged Collateral"):

(a) Pledged Shares. One hundred percent (100%) (or, if less, the full amount owned by such Pledgor) of the issued and outstanding Equity Interests of each Subsidiary directly owned by such Pledgor set forth on Schedule 2(a) attached hereto, in each case together with the certificates (or other agreements or instruments), if any, representing such Equity Interests, and all options and other rights, contractual or otherwise, with respect thereto (collectively, together with the Equity Interests described in Sections 2(b) and 2(c) below, the "Pledged Shares"), including, but not limited to, the following:

(A) all shares, securities, membership interests and other Equity Interests or other property representing a dividend or other distribution on or in respect of any of the Pledged Shares, or representing a distribution or return of capital upon or in respect of the Pledged Shares, or resulting from a stock split, revision, reclassification or other exchange therefor, and any other dividends, distributions, subscriptions, warrants, cash, securities, instruments, rights, options or other property issued to or received or receivable by the holder of, or otherwise in respect of, the Pledged Shares; and

(B) without affecting the obligations of the Pledgors under any provision prohibiting such action hereunder or under the Credit Agreement, in the event of any consolidation or merger involving the issuer of any Pledged Shares and in which such issuer is not the surviving Person, all Equity Interests of the successor Person formed by or resulting from such consolidation or merger.

(b) Additional Shares. One hundred percent (100%) (or, if less, the full amount owned by such Pledgor) of the issued and outstanding Equity Interests of any Person that hereafter becomes a Subsidiary directly owned by such Pledgor (provided, that, in the case of Parent Guarantor, Parent Guarantor shall not be required to pledge any Equity Interests directly owned by Parent Guarantor constituting Excluded Parent Property (as defined in the Security Agreement)), including, without limitation, the certificates (or other agreements or instruments) representing such Equity Interests, and all options and other rights, contractual or otherwise, with respect thereto.

(c) Global Intercompany Note. With respect to the Parent Guarantor, the Global Intercompany Note.

(d) Capital Note. With respect to the Parent Guarantor, the Capital Note.

(e) Accessions and Proceeds. All Accessions and all Proceeds of any and all of the foregoing.

Without limiting the generality of the foregoing, it is hereby specifically understood and agreed that a Pledgor may from time to time hereafter deliver additional Equity Interests to the Administrative Agent as collateral security for the Obligations. Upon delivery to the Administrative Agent, such additional Equity Interests shall be deemed to be part of the Pledged Collateral of such Pledgor and shall be subject to the terms of this Pledge Agreement whether or not Schedule 2(a) is amended to refer to such additional Equity Interests.

Notwithstanding anything to the contrary contained herein, the security interests granted under this Pledge Agreement shall not extend to any Excluded Property and the term "Pledged Collateral" (and each component definition thereof) shall, for the avoidance of doubt, be deemed to exclude any Excluded Property; provided, however, that, Excluded Property shall not include any Proceeds, substitutions or replacements of any Excluded Property (unless such Proceeds, substitutions or replacements would themselves constitute Excluded Property).

Each Pledgor may have entered into other Collateral Documents governed under laws other than that of the State of New York. Nothing herein is intended to replace, amend or modify any security granted under such Collateral Documents or the terms of such Collateral Documents and the security granted herein and the terms herein shall in all respects be read to supplement the security grant and the terms presented under such Collateral Documents.

Without limiting the immediately preceding paragraph, but notwithstanding any other provision herein, to the extent there is a conflict between this Pledge Agreement and any Collateral Document to which a Pledgor not organized in the United States is a party, the representations and covenants given by any such Pledgor herein, including in respect of any of its Pledged Collateral (whether by reference to a specific class, category or otherwise thereof), shall only apply to and in respect of its Collateral that is situated or deemed to be situated in the United States.

3. Security for Obligations. The security interest created hereby in the Pledged Collateral of each Pledgor constitutes continuing collateral security for all of the Obligations, whether now existing or hereinafter arising.

4. Delivery of the Pledged Collateral. Each Pledgor hereby agrees that:

(a) Delivery of Certificates. Each Pledgor shall deliver to the Administrative Agent (i) simultaneously with or promptly following the execution and delivery of this Pledge Agreement, all certificates (if any) representing the Pledged Shares of such Pledgor and (ii) promptly upon the receipt thereof by or on behalf of such Pledgor, all other certificates and instruments constituting Pledged Collateral of such Pledgor. Prior to delivery to the Administrative Agent, all such certificates and instruments constituting Pledged Collateral of such Pledgor shall be held in trust by such Pledgor for the benefit of the Administrative Agent pursuant hereto. All such certificates and instruments shall be delivered in suitable form for transfer by delivery or shall be accompanied by duly executed instruments of transfer or assignment in blank by the applicable Pledgor, substantially in the form provided in Exhibit 4(a) attached hereto.

(b) Additional Securities. If such Pledgor shall receive (or become entitled to receive) by virtue of its being or having been the owner of any Pledged Collateral, any (i) certificate or instrument, including without limitation, any certificate representing a dividend or distribution in connection with any increase or reduction of capital, reclassification, merger, consolidation, sale of assets, combination of shares or membership or other Equity Interests, stock splits, spin-off or split-off, promissory notes or other instruments, (ii) option or right, whether as an addition to, substitution for, conversion of, or an exchange for, any Pledged Collateral or otherwise in respect thereof, (iii) dividends payable in securities, or (iv) distributions of securities or other Equity Interests, cash or other property in connection with a partial or total liquidation, dissolution or reduction of capital, capital surplus or paid-in surplus, then such Pledgor shall accept and receive each such certificate, instrument, option, right, dividend or distribution in trust for the benefit of the Administrative Agent, shall segregate it from such Pledgor's other property and shall deliver it forthwith to the Administrative Agent in the exact form received together with any necessary endorsement and/or appropriate stock power duly executed in blank, substantially in the form provided in Exhibit 4(a), to be held by the Administrative Agent as Pledged Collateral and as further collateral security for the Obligations.

(c) Financing Statements. Each Pledgor authorizes the Administrative Agent to file one or more financing statements (with the description of the Pledged Collateral contained herein, including without limitation "all assets" and/or "all personal property" collateral descriptions) disclosing the Administrative Agent's security interest in the Pledged Collateral. Each Pledgor agrees to execute and deliver to the Administrative Agent such financing statements and other filings as may be reasonably requested by the Administrative Agent in order to perfect and protect the security interest created hereby in the Pledged Collateral of such Pledgor.

(d) Israel Filing and Registration. Each Israeli Pledgor shall deliver to the Administrative Agent: (i) on the Closing Date, original copies duly executed of notice of charges (Form 10) in relation to this Pledge Agreement; (ii) by no later than three (3) Business Days from the Closing Date, evidence that this Pledge Agreement has been duly filed for registration and stamped *'nitkabel'* by the Israeli Companies Registrar, together with all required notices and a Hebrew convenience translation thereof accompanied by a confirmation letter of the Israeli Pledgor as to the adequacy of the translation; and (iii) by no later than 21 days after the Closing Date, deliver to the Administrative Agent evidence that this Pledge Agreement has been duly registered with the Israeli Companies Registrar together with an original charge registration certificate. Without

derogating from Section 6(b), the Israeli Pledgor shall execute and deliver to the Administrative Agent such agreements or instruments (including notices and amendments) and do all such other things as the Administrative Agent may reasonably deem necessary, appropriate or convenient (including any necessary filings and registrations) to assure to the Administrative Agent the effectiveness, perfection and priority of its security interests in the Pledged Collateral hereunder. Without derogating from the foregoing and subject to Section 2(b), the Parent Guarantor shall notify the Administrative Agent immediately upon becoming a direct holder of one hundred percent (100%) of the issued and outstanding Equity Interests of any Subsidiary organized in the state of Israel and shall execute any document and file any notice with the Israeli Companies Registrar or otherwise assure to the Administrative Agent the effectiveness, perfection and priority of its security interests in the Pledged Collateral hereunder including with respect to such new Subsidiary.

5. Representations and Warranties. Each Pledgor hereby represents and warrants to the Administrative Agent, for the benefit of the Secured Parties, that:

(a) Authorization of Pledged Shares. The Pledged Shares are duly authorized and validly issued, are fully paid and nonassessable and are not subject to the preemptive rights of any Person.

(b) Title. Each Pledgor has good and indefeasible title to the Pledged Collateral of such Pledgor and is the legal and beneficial owner of such Pledged Collateral free and clear of any Lien, other than Permitted Liens. There exists no "adverse claim" within the meaning of Section 8-102 of the UCC with respect to the Pledged Shares of such Pledgor.

(c) Exercising of Rights. The exercise by the Administrative Agent of its rights and remedies hereunder will not violate any Law or governmental regulation applicable to such Pledgor or any material contractual restriction binding on or affecting a Pledgor or any of its property. There are no restrictions in any Organization Document governing any Pledged Collateral which would limit or restrict the grant of a Lien pursuant to this Pledge Agreement on such Pledged Collateral, the perfection of such Lien or the exercise of remedies in respect of such perfected Lien in the Pledged Collateral as contemplated by this Pledge Agreement.

(d) Pledgor's Authority. No authorization, approval or action by, and no notice or filing with any Governmental Authority or with the issuer of any Pledged Shares or any other Person is required either (i) for the pledge made by a Pledgor or for the granting of the security interest by such Pledgor pursuant to this Pledge Agreement (except as have been already obtained or as may be required by applicable foreign laws) or (ii) for the exercise by the Administrative Agent or the Secured Parties of their rights and remedies hereunder (except as may be required by the UCC or applicable foreign laws or laws affecting the offering and sale of securities).

(e) Security Interest/Priority. This Pledge Agreement creates a valid security interest in favor of the Administrative Agent for the benefit of the Secured Parties, in the Pledged Collateral. The taking of possession by the Administrative Agent of the certificates representing the Pledged Shares and all other certificates and instruments constituting Pledged Collateral will perfect and establish the first priority of the Administrative Agent's security interest in the Pledged Shares and, when properly perfected by filing a UCC financing statement, in all other Pledged Collateral represented by such Pledged Shares and instruments securing the Obligations. Except as set forth in this Section 5(e), and in Section 4(d), no action is necessary to perfect or otherwise protect such security interest.

(f) Partnership and Membership Interests. None of the Pledged Shares consisting of partnership or limited liability company interests (i) is dealt in or traded on a securities exchange or in a securities market, (ii) by its terms expressly provides that it is a security governed by Article 8 of the UCC, (iii) is an Investment Company Security, (iv) is held in a securities account or (v) constitutes a Security or a Financial Asset.

(g) No Other Interests. As of the date hereof, no Pledgor owns any Equity Interests in any Subsidiary other than as set forth on Schedule 2(a) attached hereto.

6. Covenants. Each Pledgor hereby covenants, that so long as any of the Obligations (other than inchoate indemnification obligations) remain outstanding and until all of the commitments relating thereto have been terminated, such Pledgor shall:

(a) Defense of Title. Warrant and defend title to and ownership of the Pledged Collateral of such Pledgor at its own expense against the claims and demands of all other parties claiming an interest therein, keep the Pledged Collateral free from all Liens, except for Permitted Liens, and not sell, exchange, transfer, assign, lease or otherwise dispose of Pledged Collateral of such Pledgor or any interest therein, except as permitted under the Credit Agreement and the other Loan Documents.

(b) Further Assurances. Promptly execute and deliver at its reasonable expense all further instruments and documents and take all further action that may be necessary and desirable or that the Administrative Agent may reasonably request in order to (i) perfect and protect the security interest created hereby in the Pledged Collateral of such Pledgor (including, without limitation, any and all other action reasonably necessary to satisfy the Administrative Agent that the Administrative Agent has obtained a first priority perfected security interest in all Pledged Collateral), (ii) enable the Administrative Agent to exercise and enforce its rights and remedies hereunder in respect of the Pledged Collateral of such Pledgor, and (iii) otherwise effect the purposes of this Pledge Agreement, including, without limitation and if requested by the Administrative Agent, delivering to the Administrative Agent upon its written request following the occurrence and continuation of an Event of Default, irrevocable proxies in respect of the Pledged Collateral of such Pledgor.

(c) Amendments. Not make or consent to any amendment or other modification or waiver with respect to any of the Pledged Collateral of such Pledgor or enter into any agreement or allow to exist any restriction with respect to any of the Pledged Collateral of such Pledgor other than as may be permitted under the Credit Agreement.

(d) Compliance with Securities Laws. File all reports and other information now or hereafter required to be filed by such Pledgor with the SEC and any other state, federal or foreign agency in connection with the ownership of the Pledged Collateral of such Pledgor.

(e) Books and Records. Mark its books and records (and shall cause the issuer of the Pledged Shares of such Pledgor to mark its books and records) to reflect the security interest granted pursuant to this Pledge Agreement.

(f) Issuance or Acquisition of Equity Interests. Not, without promptly executing and delivering, or causing to be executed and delivered, to the Administrative Agent such agreements, documents and instruments as the Administrative Agent may reasonably request for the purpose of perfecting its security interest therein, issue or acquire any Equity Interests constituting Pledged Collateral consisting of an interest in a partnership or a limited liability company that (i) is dealt in

or traded on a securities exchange or in a securities market, (ii) by its terms expressly provides that it is a security governed by Article 8 of the UCC, (iii) is an Investment Company Security, (iv) is held in a securities account or (v) constitutes a Security or a Financial Asset.

7. Advances. On failure of any Pledgor to perform any of the covenants and agreements contained herein or in any other Loan Document, the Administrative Agent may, at its sole option and in its sole discretion, perform the same and in so doing may expend such sums as the Administrative Agent may reasonably deem advisable in the performance thereof, including, without limitation, the payment of any insurance premiums, the payment of any taxes, a payment to obtain a release of a Lien or potential Lien, expenditures made in defending against any adverse claim and all other expenditures that the Administrative Agent may make for the protection of the security hereof or that may be compelled to make by operation of law. All such sums and amounts so expended shall be repayable by the Pledgors on a joint and several basis (subject to Section 22 hereof) promptly upon timely notice thereof and demand therefor, shall constitute additional Obligations and shall bear interest from the date said amounts are expended at the Default Rate. No such performance of any covenant or agreement by the Administrative Agent on behalf of any Pledgor, and no such advance or expenditure therefor, shall relieve the Pledgors of any Default or Event of Default. The Administrative Agent may make any payment hereby authorized in accordance with any bill, statement or estimate procured from the appropriate public office or holder of the claim to be discharged without inquiry into the accuracy of such bill, statement or estimate or into the validity of any tax assessment, sale, forfeiture, tax lien, title or claim except to the extent such payment is being contested in good faith by a Pledgor in appropriate proceedings and against which adequate reserves are being maintained in accordance with IFRS.

8. Remedies.

(a) General Remedies. Upon the occurrence of an Event of Default and during the continuation thereof, the Administrative Agent shall have, in addition to the rights and remedies provided herein, in the Loan Documents or by law (including, without limitation, levy of attachment and garnishment), the rights and remedies of a secured party under the UCC of the jurisdiction applicable to the affected Pledged Collateral.

(b) Sale of Pledged Collateral. Upon the occurrence of an Event of Default and during the continuation thereof, without limiting the generality of this Section 8 and without notice, the Administrative Agent may, in its sole discretion, sell or otherwise dispose of or realize upon the Pledged Collateral, or any part thereof, in one or more parcels, at public or private sale, at any exchange or broker's board or elsewhere, at such price or prices and on such other terms as the Administrative Agent may deem commercially reasonable, for cash, credit or for future delivery or otherwise in accordance with applicable law. To the extent permitted by law, any Secured Party may in such event, bid for the purchase of such securities. Each Pledgor agrees that, to the extent notice of sale shall be required by law and has not been waived by such Pledgor, any requirement of reasonable notice shall be met if notice, specifying the place of any public sale or the time after which any private sale is to be made, is personally served on or mailed, postage prepaid, to such Pledgor, in accordance with the notice provisions of Section 11.02 of the Credit Agreement at least ten (10) Business Days before the time of such sale. The Administrative Agent shall not be obligated to make any sale of Pledged Collateral of such Pledgor regardless of any notice of sale having been given. The Administrative Agent may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned.

(c) Private Sale. Upon the occurrence of an Event of Default and during the continuation thereof, the Pledgors recognize that the Administrative Agent may be unable or deem it impracticable to effect a public sale of all or any part of the Pledged Shares or any of the securities

constituting Pledged Collateral and that the Administrative Agent may, therefore, determine to make one or more private sales of any such Pledged Collateral to a restricted group of purchasers who will be obligated to agree, among other things, to acquire such Pledged Collateral for their own account, for investment and not with a view to the distribution or resale thereof. Each Pledgor acknowledges and agrees that any such private sale may be at prices and on other terms less favorable than the prices and other terms that might have been obtained at a public sale and, notwithstanding the foregoing, agrees that such private sale shall be deemed to have been made in a commercially reasonable manner and that the Administrative Agent shall have no obligation to delay sale of any such Pledged Collateral for the period of time necessary to permit the issuer of such Pledged Collateral to register such Pledged Collateral for public sale under the Securities Act or under applicable state securities laws. Each Pledgor further acknowledges and agrees that any offer to sell such Pledged Collateral that has been publicly advertised on a bona fide basis in a newspaper or other publication of general circulation in the financial community of New York, New York (to the extent that such offer may be advertised without prior registration under the Securities Act) shall be deemed to involve a "public sale" under the UCC, notwithstanding that such sale may not constitute a "public offering" under the Securities Act, and the Administrative Agent may, in such event, bid for the purchase of such Pledged Collateral.

(d) Retention of Pledged Collateral. To the extent permitted by applicable law, in addition to the rights and remedies hereunder, upon the occurrence of an Event of Default and during the continuation thereof, the Administrative Agent may, after providing the notices required by Sections 9-620 and 9-621 of the UCC (or any successor section) or otherwise complying with the requirements of applicable law of the relevant jurisdiction, retain all or any portion of the Pledged Collateral in satisfaction of the Obligations. Unless and until the Administrative Agent shall have provided such notices, however, the Administrative Agent shall not be deemed to have retained any Pledged Collateral in satisfaction of any Obligations for any reason.

(e) Deficiency. In the event that the proceeds of any sale, collection or realization are insufficient to pay all amounts to which the Administrative Agent or the Secured Parties are legally entitled, the Pledgors shall be jointly and severally liable (subject to Section 22 hereof) for the deficiency, together with interest thereon at the Default Rate, together with the costs of collection and the reasonable fees, charges and disbursements of counsel. Any surplus remaining after the full payment and satisfaction of the Obligations shall be returned to the Pledgors or to whomsoever a court of competent jurisdiction shall determine to be entitled thereto.

9. Rights of the Administrative Agent.

(a) Power of Attorney. Each Pledgor hereby designates and appoints the Administrative Agent, on behalf of the Secured Parties, and each of its designees or agents, as attorney-in-fact of such Pledgor, irrevocably and with power of substitution, with authority to take any or all of the following actions upon the occurrence and during the continuation of an Event of Default:

(i) to demand, collect, settle, compromise and adjust, and give discharges and releases concerning the Pledged Collateral, all as the Administrative Agent may deem reasonably appropriate;

(ii) to commence and prosecute any actions at any court for the purposes of collecting any of the Pledged Collateral and enforcing any other right in respect thereof;

(iii) to defend, settle or compromise any action brought in respect of the Pledged Collateral and, in connection therewith, give such discharge or release as the Administrative Agent may deem reasonably appropriate;

(iv) to pay or discharge taxes, liens, security interests or other encumbrances levied or placed on or threatened against the Pledged Collateral;

(v) to direct any parties liable for any payment in connection with any of the Pledged Collateral to make payment of any and all monies due and to become due thereunder directly to the Administrative Agent or as the Administrative Agent shall direct;

(vi) to receive payment of and receipt for any and all monies, claims, and other amounts due and to become due at any time in respect of or arising out of any Pledged Collateral;

(vii) to sign and endorse any drafts, assignments, proxies, stock powers, verifications, notices and other documents relating to the Pledged Collateral;

(viii) to execute and deliver all assignments, conveyances, statements, financing statements, renewal financing statements, security and pledge agreements, affidavits, notices and other agreements, instruments and documents that the Administrative Agent may deem reasonably appropriate in order to perfect and maintain the security interests and liens granted in this Pledge Agreement and in order to fully consummate all of the transactions contemplated therein;

(ix) to institute any foreclosure proceedings that the Administrative Agent may deem appropriate;

(x) to exchange any of the Pledged Collateral or other property upon any merger, consolidation, reorganization, recapitalization or other readjustment of the issuer thereof and, in connection therewith, deposit any of the Pledged Collateral with any committee, depository, transfer agent, registrar or other designated agency upon such terms as the Administrative Agent may deem reasonably appropriate;

(xi) to vote for a shareholder or member resolution, or to sign an instrument in writing, sanctioning the transfer of any or all of the Pledged Collateral into the name of the Administrative Agent or one or more of the Secured Parties or into the name of any transferee to whom the Pledged Collateral or any part thereof may be sold pursuant to Section 8 hereof; and

(xii) to do and perform all such other acts and things as the Administrative Agent may deem reasonably necessary or appropriate in connection with the Pledged Collateral.

This power of attorney is a power coupled with an interest and shall be irrevocable for so long as any of the Obligations (other than inchoate indemnification obligations) shall remain outstanding and until all of the commitments relating thereto shall have been terminated. The Administrative Agent shall be under no duty to exercise or withhold the exercise of any of the rights, powers, privileges and options expressly or implicitly granted to the Administrative Agent in this Pledge Agreement, and shall not be liable for any failure to do so or any delay in doing so. The Administrative Agent shall not be liable for any act or omission or for any error of judgment

or any mistake of fact or law in its individual capacity or its capacity as attorney-in-fact except acts or omissions resulting from its gross negligence or willful misconduct. This power of attorney is conferred on the Administrative Agent solely to protect, preserve and realize upon its security interest in the Pledged Collateral.

(b) Assignment by the Administrative Agent. The Administrative Agent may from time to time assign the Obligations to a successor Administrative Agent appointed in accordance with the Credit Agreement, and such successor shall be entitled to all of the rights and remedies of the Administrative Agent under this Pledge Agreement in relation thereto.

(c) The Administrative Agent's Duty of Care. Other than the exercise of reasonable care to assure the safe custody of the Pledged Collateral while being held by the Administrative Agent hereunder and to account for all proceeds thereof, the Administrative Agent shall have no duty or liability to preserve rights pertaining thereto, it being understood and agreed that the Pledgors shall be responsible for preservation of all rights in the Pledged Collateral, and the Administrative Agent shall be relieved of all responsibility for the Pledged Collateral upon surrendering it or tendering the surrender of it to the Pledgors. The Administrative Agent shall be deemed to have exercised reasonable care in the custody and preservation of the Pledged Collateral in its possession if such Pledged Collateral is accorded treatment substantially equal to that which the Administrative Agent accords its own property, which shall be no less than the treatment employed by a reasonable and prudent agent in the industry, it being understood that the Administrative Agent shall not have responsibility for taking any necessary steps to preserve rights against any parties with respect to any of the Pledged Collateral. In the event of a public or private sale of the Pledged Collateral pursuant to Section 8 hereof, the Administrative Agent shall have no responsibility for ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders or other matters relating to any Pledged Collateral, whether or not the Administrative Agent has or is deemed to have knowledge of such matters.

(d) Voting Rights in Respect of the Pledged Collateral.

(i) So long as no Event of Default shall have occurred and be continuing, each Pledgor may exercise any and all voting and other consensual rights pertaining to the Pledged Collateral of such Pledgor or any part thereof for any purpose not inconsistent with the terms of this Pledge Agreement or the Credit Agreement; and

(ii) Upon the occurrence and during the continuance of an Event of Default, all rights of a Pledgor to exercise the voting and other consensual rights that it would otherwise be entitled to exercise pursuant to paragraph (i) of this subsection shall cease and all such rights shall thereupon become vested in the Administrative Agent, which shall then have the sole right to exercise such voting and other consensual rights.

(e) Dividend Rights in Respect of the Pledged Collateral.

(i) So long as no Event of Default shall have occurred and be continuing, each Pledgor may receive and retain any and all dividends and distributions (other than stock dividends and other dividends and distributions constituting Pledged Collateral addressed hereinabove) or interest paid in respect of the Pledged Collateral to the extent permitted under the Credit Agreement.

(ii) Upon the occurrence and during the continuance of an Event of Default:

(A) all rights of a Pledgor to receive the dividends, distributions and interest payments that it would otherwise be authorized to receive and retain pursuant to paragraph (i) of this subsection shall cease and all such rights shall thereupon be vested in the Administrative Agent, which shall then have the sole right to receive and hold as Pledged Collateral such dividends, distributions and interest payments; and

(B) all dividends and interest payments that are received by a Pledgor contrary to the provisions of paragraph (A) of this subsection shall be received in trust for the benefit of the Administrative Agent, shall be segregated from other property or funds of such Pledgor, and shall be promptly paid over to the Administrative Agent as Pledged Collateral in the exact form received, to be held by the Administrative Agent as Pledged Collateral and as further collateral security for the Obligations.

(f) Release of Pledged Collateral. The Administrative Agent may release any of the Pledged Collateral from this Pledge Agreement or may substitute any of the Pledged Collateral for other Pledged Collateral without altering, varying or diminishing in any way the force, effect, lien, pledge or security interest of this Pledge Agreement as to any Pledged Collateral not expressly released or substituted, and this Pledge Agreement shall continue as a first priority lien on all Pledged Collateral not expressly released or substituted. If any of the Pledged Collateral shall be sold, transferred or otherwise disposed of by any Pledgor in a transaction permitted by the Credit Agreement or, if at the request of any Pledgor the release of any Pledged Collateral shall be approved by the Required Lenders in accordance with Section 11.01 of the Credit Agreement, then, in each case, the liens and security interests of the Administrative Agent hereunder in such Pledged Collateral shall be automatically released and the Administrative Agent, at the request and sole expense of such Pledgor, shall execute and deliver to such Pledgor all releases or other documents reasonably necessary for the release of the Liens created hereby on such Pledged Collateral and return to such Pledgor all such Pledged Collateral in its possession.

10. Application of Proceeds. Upon the acceleration of the Obligations pursuant to Section 9.02 of the Credit Agreement, any payments in respect of the Obligations and any proceeds of the Pledged Collateral, when received by the Administrative Agent or any of the Secured Parties in cash or its equivalent, will be applied in reduction of the Obligations in the order set forth in Section 9.03 of the Credit Agreement, and each Pledgor irrevocably waives the right to direct the application of such payments and proceeds and acknowledges and agrees that the Administrative Agent shall have the continuing and exclusive right to apply and reapply any and all such payments and proceeds in the Administrative Agent's sole discretion, notwithstanding any entry to the contrary upon any of its books and records.

11. Continuing Agreement.

(a) This Pledge Agreement shall be a continuing agreement in every respect and shall remain in full force and effect so long as any of the Obligations (other than inchoate indemnification obligations) remain outstanding and until all of the commitments relating thereto have been terminated. Upon payment or other satisfaction of all Obligations (other than inchoate indemnification obligations) and termination of the commitments related thereto, this Pledge Agreement and the liens and security interests of the Administrative Agent hereunder shall be automatically terminated and the Administrative Agent shall, upon the request and at the expense of the Pledgors, execute and deliver all UCC termination statements and/or other documents reasonably requested by the Pledgors

evidencing such termination and return to Pledgors all Pledged Collateral in its possession. Notwithstanding the foregoing, all releases and indemnities provided hereunder shall survive termination of this Pledge Agreement.

(b) This Pledge Agreement shall continue to be effective or be automatically reinstated, as the case may be, if at any time payment, in whole or in part, of any of the Obligations is rescinded or must otherwise be restored or returned by the Administrative Agent or any Secured Party as a preference, fraudulent conveyance or otherwise under any Debtor Relief Law, all as though such payment had not been made; provided that in the event payment of all or any part of the Obligations is rescinded or must be restored or returned, all reasonable costs and expenses (including, without limitation, reasonable attorneys' fees and disbursements) incurred by the Administrative Agent or any Secured Party in defending and enforcing such reinstatement shall be deemed to be included as a part of the Obligations.

12. Amendments and Waivers. This Pledge Agreement and the provisions hereof may not be amended, waived, modified, changed, discharged or terminated except as set forth in Section 11.01 of the Credit Agreement.

13. Successors in Interest. This Pledge Agreement shall create a continuing security interest in the Pledged Collateral and shall be binding upon each Pledgor, its successors and assigns, and shall inure, together with the rights and remedies of the Administrative Agent and the Secured Parties hereunder, to the benefit of the Administrative Agent and the Secured Parties and their successors and permitted assigns; provided, however, none of the Pledgors may assign its rights or delegate its duties hereunder without the prior written consent of the requisite Lenders under the Credit Agreement.

14. Notices. All notices required or permitted to be given under this Pledge Agreement shall be given as provided in Section 11.02 of the Credit Agreement.

15. Counterparts. This Pledge Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page of this Pledge Agreement by facsimile or other electronic imaging means (e.g. "pdf" or "tif") shall be effective as delivery of a manually executed counterpart of this Pledge Agreement.

16. Headings. Section headings herein are included for convenience of reference only and shall not affect the interpretation of this Pledge Agreement.

17. Governing Law; Submission to Jurisdiction; Waiver of Venue, Service of Process, Waiver of Right to Jury Trial. The terms of Section 11.14 of the Credit Agreement and Section 11.15 of the Credit Agreement with respect to governing law, submission to jurisdiction, waiver of venue, service of process and waiver of the right to a jury trial are each incorporated herein by reference, *mutatis mutandis*, and the parties hereto agree to such terms.

18. Severability. If any provision of this Pledge Agreement is held to be illegal, invalid or unenforceable, (a) the legality, validity and enforceability of the remaining provisions of this Pledge Agreement shall not be affected or impaired thereby and (b) the parties shall endeavor in good faith negotiations to replace the illegal, invalid or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the illegal, invalid or unenforceable provisions. The invalidity of a provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

19. Entirety. This Pledge Agreement, the other Loan Documents and the other documents relating to the Obligations represent the entire agreement of the parties hereto and thereto, and supersede all prior agreements and understandings, oral or written, if any, including any proposal letters or correspondence relating to the Loan Documents, any other documents relating to the Obligations, or the transactions contemplated herein and therein.

20. Survival. All representations and warranties of the Pledgors hereunder shall survive the execution and delivery of this Pledge Agreement, the other Loan Documents and the other documents relating to the Obligations, the delivery of the Notes and the extension of credit thereunder or in connection therewith.

21. Other Security. To the extent that any of the Obligations are now or hereafter secured by property other than the Pledged Collateral (including, without limitation, real and other personal property and securities owned by a Pledgor), or by a guarantee, endorsement or property of any other Person, then to the extent permitted by applicable law the Administrative Agent shall have the right to proceed against such other property, guarantee or endorsement upon the occurrence and during the continuation of any Event of Default, and the Administrative Agent shall have the right, in its sole discretion, to determine which rights, security, liens, security interests or remedies the Administrative Agent shall at any time pursue, relinquish, subordinate, modify or take with respect thereto, without in any way modifying or affecting any of them or the Obligations or any of the rights of the Administrative Agent or the Secured Parties under this Pledge Agreement or under any of the other Loan Documents.

22. Joint and Several Obligations of Pledgors.

(a) Subject to subsection (c) of this Section 22, each of the Pledgors is accepting joint and several liability hereunder in consideration of the financial accommodation to be provided by the Secured Parties, for the mutual benefit, directly and indirectly, of each of the Pledgors and in consideration of the undertakings of each of the Pledgors to accept joint and several liability for the obligations of each of them.

(b) Subject to subsection (c) of this Section 22, each of the Pledgors jointly and severally hereby irrevocably and unconditionally accepts, not merely as a surety but also as a co-debtor, joint and several liability with the other Pledgors with respect to the payment and performance of all of the Obligations arising under this Pledge Agreement, the other Loan Documents and any other documents relating to the Obligations, it being the intention of the parties hereto that all the Obligations shall be the joint and several obligations of each of the Pledgors without preferences or distinction among them.

(c) Notwithstanding any provision to the contrary contained herein, in any other of the Loan Documents or in any other documents relating to the Obligations, the obligations of each Guarantor under the Credit Agreement, the other Loan Documents and the other documents relating to the Obligations shall be limited to an aggregate amount equal to the largest amount that would not render such obligations subject to avoidance under Section 548 of the United States Bankruptcy Code or any comparable provisions of any applicable state law.

23. Joinder. At any time after the date of this Pledge Agreement, one or more additional Persons may become party hereto by executing and delivering to the Administrative Agent a Joinder Agreement. Immediately upon such execution and delivery of such Joinder Agreement (and without any further action), each such additional Person will become a party to this Pledge Agreement as a “Pledgor” and have all the rights and obligations of a Pledgor hereunder and this Pledge Agreement and the schedules hereto shall be deemed amended by such Joinder Agreement.

24. Consent of Issuers of Pledged Shares. Each issuer of Pledged Shares party to this Pledge Agreement hereby acknowledges, consents and agrees to the grant of the security interest in such Pledged Shares by the applicable Pledgors pursuant to this Pledge Agreement, together with all rights accompanying such security interest as provided by this Pledge Agreement and applicable law, notwithstanding any anti-assignment provisions in any operating agreement, limited partnership agreement or similar organizational or governance documents of such issuer.

25. Rights of Required Lenders. All rights of the Administrative Agent hereunder, if not exercised by the Administrative Agent, may be exercised by the Required Lenders.

[Signature Pages Follow]

Each of the parties hereto has caused a counterpart of this Pledge Agreement to be duly executed and delivered as of the date first above written.

PLEDGORS:

REDHILL BIOPHARMA LTD.

By: /s/ Micha Ben Chorin
Name: Micha Ben Chorin
Title: CFO

By: /s/ Dror Ben-Asher
Name: Dror Ben-Asher
Title: CEO

REDHILL BIOPHARMA INC.

By: /s/ Dror Ben-Asher
Name: Dror Ben-Asher
Title: CEO

Each of the parties hereto has caused a counterpart of this Pledge Agreement to be duly executed and delivered as of the date first above written.

PLEDGORS:

REDHILL BIOPHARMA LTD.

By: _____
Name:
Title:

REDHILL BIOPHARMA INC.

By: /s/ Rick Scruggs
Name: Rick Scruggs
Title: CCO

Accepted and agreed to as of the date first above written.

HCR COLLATERAL MANAGEMENT, LLC

By: /s/ Clarke B. Futch
Name: Clarke B. Futch
Title: Managing Partner

Exhibit 4.17

Executed Version

CONFIDENTIAL
ATTORNEY WORK PRODUCT

CERTAIN IDENTIFIED INFORMATION MARKED [***] HAS BEEN EXCLUDED FROM THE EXHIBIT BECAUSE IT IS BOTH (I) NOT MATERIAL AND (II) WOULD LIKELY CAUSE COMPETITIVE HARM TO THE COMPANY IF PUBLICLY DISCLOSED.

DATED FEBRUARY 23, 2020

ASTRAZENECA AB

-AND-

REDHILL BIOPHARMA INC.

LICENSE AGREEMENT

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LICENSE AGREEMENT

THIS LICENSE AGREEMENT (this **"Agreement**") is made and entered into as of February 23, 2020 (the "**Execution Date**")

BETWEEN:

1. **ASTRAZENECA AB**, a company incorporated in Sweden under no. 556011-7482 with its registered office at SE-151 85 Södertälje, Sweden ("**AstraZeneca**"); and

2. **REDHILL BIOPHARMA INC.**, a company incorporated in Delaware with its registered office at 176 Mine Lake Court, Suite 100, Raleigh, NC 27615 ("**Licensee**").

AstraZeneca and Licensee are sometimes referred to herein individually as a "**Party**" and collectively as the "**Parties**".

RECITALS

A. **WHEREAS**, AstraZeneca owns or controls certain intellectual property rights with respect to Licensed Products (as defined herein) in the Licensed Territory (as defined herein); and

B. **WHEREAS**, AstraZeneca wishes to grant a license to Licensee, and Licensee wishes to take, a license under such intellectual property rights to Commercialize the Licensed Products in the Licensed Territory in accordance with the terms and conditions (including terms and conditions relating to Development) set forth below.

NOW, THEREFORE, in consideration of the premises and the mutual promises and conditions set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, do hereby agree as follows:

1. **DEFINITIONS**

Unless otherwise specifically provided herein, the following terms shall have the following meanings:

"**Adverse Event**" shall have the meaning set forth in the International Conference on Harmonisation Guidelines as may be updated from time to time as required by Applicable Law.

"**Affiliate**" means, with respect to a particular Person, any other Person that, directly or indirectly, through one (1) or more intermediaries, controls, is controlled by or is under common control with such first Person. "Control" as used in this definition and, with correlative meanings, the terms "controlled by" and "under common control with", means: the power to direct and control the management or policies of the applicable person, whether through ownership of voting securities or by contract relating to voting rights or corporate governance, resolution, regulation or otherwise; *provided, however,* that with respect to any direct or indirect minority securityholder of RedHill Biopharma Ltd, such minority securityholder shall not be deemed to "Control" RedHill Biopharma Ltd or any of its

subsidiaries solely as a result of (a) holding a board seat or (b) owning securities of RedHill Biopharma Ltd (provided in the case of the clause (b) such securities represent not more than fifty (50%) percent of the total voting power of the capital stock of RedHill Biopharma Ltd normally entitled to vote in the election of directors).

"**Agreement**" has the meaning set forth in the preamble hereto.

"**Alliance Manager**" has the meaning set forth in Section 4.1.

"**Ancillary Agreements**" means, collectively, the Supply Agreement, the Quality Agreement, the Pharmacovigilance Agreement and the Transitional Services Agreement and that certain side letter entered into by the Parties in connection with the execution of this Agreement.

"**Anti-Corruption Laws**" means the U.S. Foreign Corrupt Practices Act, as amended, the UK Bribery Act 2010, as amended, and any other applicable anti-corruption laws and laws for the prevention of fraud, racketeering, money laundering or terrorism that may be in effect from time to time.

"**Applicable Law**" means the applicable laws, rules and regulations that may be in effect from time to time, including any rules, regulations, guidelines or other requirements of the Health Authorities, and the Anti-Corruption Laws.

"**Approval Date**" means the date of expiration or earlier termination of the waiting period (or any extension thereof) under the HSR Act in the United States.

"**Arbitrators**" has the meaning set forth in Section 18.5.2.

"**AstraZeneca**" has the meaning set forth in the preamble hereto.

"**AstraZeneca Activities**" means any activities undertaken by or on behalf of AstraZeneca or its Affiliates in connection with regulatory activities, transition services or other activities performed by AstraZeneca pursuant to this Agreement, the Ancillary Agreements, the Nektar Agreement and the Nektar Ancillary Agreements.

"**AstraZeneca Code of Ethics**" means the AstraZeneca Code of Ethics available at https://www.astrazeneca.com/content/dam/az/PDF/Sustainability/code-of-ethics-2018/AZ%20Code%20of%20Ethics%20-%20English.pdf as of the Execution Date, and any updates posted from time to time as required by Applicable Law of which AstraZeneca informs Licensee in writing.

"**AstraZeneca Copyrights**" means all copyrights (a) that are owned or Controlled (with respect to the applicable country in the Licensed Territory) by AstraZeneca or any of its Affiliates as of the Effective Date, (b) that are contained in the AstraZeneca US Marketing and Training Materials or that are otherwise used by AstraZeneca or any of its Affiliates as of the Effective Date in the Exploitation of the Licensed Products in the Licensed Territory and (c) that are necessary or useful for the Exploitation of the Licensed Products in the Licensed Territory. For clarity, AstraZeneca Copyrights shall not include (x) any copyrights in (i) any of the Product Trademarks, (ii) AstraZeneca Corporate Marks, (iii) any other Trademarks contained in (A) the AstraZeneca US Marketing and Training Materials or (B) any other materials, records or documents used by AstraZeneca or any of its Affiliates in the Exploitation of the Licensed Products or (y) any software associated with any products or

services of AstraZeneca or any of its Affiliates (e.g., software for the AZ&ME program) referenced in any (i) of the AstraZeneca US Marketing and Training Materials or (ii) other materials, records or documents used by AstraZeneca or any of its Affiliates in the Exploitation of the Licensed Products, including in the foregoing (y)(i) and (y)(ii) any such software in any computer systems, hardware, networks or infrastructure of AstraZeneca or any of its Affiliates (e.g., the infrastructure for the AZ&ME program).

"**AstraZeneca Corporate Marks**" means the Trademarks and names "AstraZeneca", "AZ", the AstraZeneca corporate logo or any other name or Trademark including or comprising "AstraZeneca".

"**AstraZeneca Development Data**" means any and all clinical data or other Information generated by or on behalf of AstraZeneca or its Affiliates or (sub)licensees outside of this Agreement after the Execution Date that is Controlled by AstraZeneca, and is necessary or useful for the purpose of Commercializing Licensed Products under this Agreement, and is provided to Licensee pursuant to either (a) the Pharmacovigilance Agreement or otherwise in connection with the exchange of safety data or (b) Section 5.7.

"**AstraZeneca Know-How**" means, other than the Excluded Information, (a) all Information, including Information in the AstraZeneca Regulatory Documentation and any applicable Improvements, that is Controlled by AstraZeneca or any of its Affiliates (i) as of the Execution Date, (ii) during the term of this Agreement, as a result of a license granted to it by any Partner under the Partner Agreements, or (iii) solely to the extent arising from AstraZeneca Activities, at any time during the Term; and (b) the AstraZeneca Development Data; in each case (a) and (b), to the extent that it is not generally known and (x) was developed by AstraZeneca and is necessary or reasonably useful for the Exploitation of the Compound or the Licensed Product in the Licensed Territory or (y) was not developed by AstraZeneca and is necessary or useful for the Exploitation of the Compound or the Licensed Product in the Licensed Territory, but, in each case (x) and (y) excluding any Joint Know-How (as defined in this Agreement), and excluding any Information to the extent disclosed by published AstraZeneca Patents or Joint Patents. The AstraZeneca Know-How includes Nektar Know-How and AstraZeneca's interest in any Joint Know-How (as defined in the Nektar Agreement).

"**AstraZeneca Patents**" means (a) the Nektar Patents and (b) all Patents that both (i) are Controlled by AstraZeneca or any of its Affiliates (x) as of the Execution Date; (y) during the Term, as a result of a license granted to it by any Partner under the Partner Agreements; or (z) solely to the extent arising from AstraZeneca Activities, at any time during the Term and (ii) claim or cover one or more Compound or Licensed Product in the Licensed Territory, but excluding any Joint Patents; in each case (a) and (b) to include any such Patents covering Improvements. The AstraZeneca Patents include the Existing Patents.

"**AstraZeneca Prosecuted Nektar Patents**" has the meaning set forth in Section 11.2.1.

"**AstraZeneca Regulatory Documentation**" means all of the Regulatory Documentation that is Controlled by AstraZeneca or any of its Affiliates as of the Execution Date or generated under the TSA and relates solely to Licensed Products in the Licensed Territory, other than Excluded Information.

"**AstraZeneca Territory**" means Canada, Israel (including the Palestinian Authority), Iceland, Norway, Switzerland, Liechtenstein, Austria, Belgium, Bulgaria, Croatia, Cyprus,

Czechia, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom and each Terminated Country.

"**AstraZeneca US Marketing and Training Materials**" has the meaning set forth in Section 6.8.1.

"**Business Day**" means a day other than a Saturday or Sunday or a day on which banking institutions in New York, New York, Stockholm, Sweden or Tel Aviv, Israel are permitted or required to remain closed.

"**Calendar Quarter**" means each successive period of three (3) calendar months commencing on January 1, April 1, July 1 and October 1, except that the first Calendar Quarter of the Term shall commence on the Execution Date and end on the day immediately prior to the first to occur of January 1, April 1, July 1 or October 1 after the Execution Date and the last Calendar Quarter shall end on the last day of the Term.

"**Calendar Year**" means each successive period of twelve (12) calendar months commencing on January 1 and ending on December 31, except that the first Calendar Year of the Term shall commence on the Execution Date and end on December 31 of the year in which the Execution Date occurs and the last Calendar Year of the Term shall commence on January 1 of the year in which the Term ends and end on the last day of the Term.

"**Change of Control**" with respect to a Party, shall be deemed to have occurred if any of the following occurs after the Execution Date:

(a) any Person not being at such time an existing Affiliate of such Party (including other Persons acting in concert with such Person) (i) is or becomes the beneficial owner (a Person shall be deemed to have beneficial ownership of all shares of stock or other securities if such Person has the right to acquire such shares or securities, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of stock or other securities of such Party then outstanding and normally entitled (without regard to the occurrence of any contingency) to vote in the election of the directors, managers or similar supervisory positions ("**Voting Stock**") representing fifty percent (50%) or more of the total voting power of all outstanding classes of Voting Stock of such Party or (ii) has the power, directly or indirectly, to elect a majority of the members of the Party's board of directors ("**Board of Directors**") or otherwise to direct the management of such Party;

(b) such Party enters into a merger, consolidation or similar transaction with another Person not being at such time an existing Affiliate of such Party (whether or not such Party is the surviving entity) and as a result of such merger, consolidation or similar transaction (i) the members of the Board of Directors of such Party immediately prior to such transaction constitute less than a majority of the members of the Board of Directors of such surviving Person immediately following such transaction or (ii) the Persons that beneficially owned, directly or indirectly, the shares of Voting Stock of such Party immediately prior to such transaction cease to beneficially own, directly or indirectly, shares of Voting Stock of such surviving Person representing at least a majority of the total voting power of all outstanding classes of Voting Stock of such surviving Person in substantially the same

proportions as their ownership of Voting Stock of such Party immediately prior to such transaction; or

(c) such Party sells or transfers to any Third Party, in one or more related transactions, properties or assets representing all or substantially all of such Party's consolidated total assets of its pharmaceutical or life-science businesses or division.

"**Clinical Study**" means any study or trial of a Compound or a Licensed Product in humans, including observational clinical research.

"**Combination Product**" means a product in form suitable for human, veterinary or agricultural applications that (a) contains a Compound as an active ingredient together with one or more other active ingredients [***] and (b) is sold as a fixed dose combination, including any Opioid Combination Product (but excluding for clarity any Packaged Naloxegol Opioid Products).

"**Commercialization**" means any and all activities (other than Manufacturing) directed to the preparation for sale of, offering for sale of, or sale of a product, including activities related to obtaining pricing or reimbursement approvals, Medical Affairs Activities, marketing, promoting, distributing and importing such product and interacting with Health Authorities regarding any of the foregoing. To "Commercialize", "Commercializing" and "Commercialized" have corresponding meanings.

"**Commercially Reasonable Efforts**" means, with respect to the development, Manufacture or commercialization of a Licensed Product, conducting such tasks using such efforts and resources that are typically used by a company in the research-based pharmaceutical industry in conducting the same tasks on its own compounds or products with similar commercial and scientific potential at a similar stage in their lifecycle and in a similar therapeutic area, taking into consideration their safety and efficacy, their cost to develop, the competitiveness of alternative compounds and products and the nature and extent of their market exclusivity (including Patent coverage and regulatory exclusivity), the likelihood of Health Registration Approval, their expected profitability, including the amounts of marketing and promotional expenditures with respect to the Licensed Products, and all other factors that are typically taken into consideration by companies in the research-based pharmaceutical industry when determining the level of efforts and resources to apply to such tasks with respect to its own similar compounds or products (as described above). Commercially Reasonable Efforts shall be determined with respect to a specific market or groups of markets (taking account of effects outside of such markets, if any). For the avoidance of doubt, the commitment to use "Commercially Reasonable Efforts" shall not preclude (a) the suspension or discontinuance of specific efforts by Licensee with respect to any particular Licensed Product, if such suspension or discontinuance is appropriate and would typically be effected by a comparable company with respect to its own similar compounds or products, based on all of the foregoing considerations and (b) the delay of or decision not to launch commercial sales of the Licensed Product in a given country, if such delay or decision not to launch is appropriate and is consistent with a comparable company's usual actions with respect to a similar product of its own in such circumstances, in each case ((a) and (b)), given all the relevant circumstances and based on all of the foregoing considerations at the time.

"**Compound**" means (a) Naloxegol or (b) [***], or (c) [***] or (d) [***].

"**Confidential Information**" of a Party means, subject to Section 12.3, any and all data, results, know-how (including, with respect to AstraZeneca, the AstraZeneca Know-How), plans, business information and other Information, whether oral or in writing or in any other form, disclosed before, on or after the date of this Agreement by or on behalf of such Party (or any of its Affiliates) to the other Party (or any of its Affiliates) in connection with this Agreement or any Ancillary Agreement.

"**Control**" means, with respect to any item of Information, Regulatory Documentation, material, Patent or other intellectual property right, and subject to Section 18.3.2, possession of the right, whether directly or indirectly and whether by ownership, license or otherwise (other than by operation of the license and other grants in Section 2.1 or 2.6), to grant a license, sublicense or other right (including the right to reference Regulatory Documentation) to or under such Information, Regulatory Documentation, material, Patent or other intellectual property right as provided for herein without violating the terms of any agreement with any Third Party.

"**CPP**" has the meaning set forth in Section 2.6.2.

"**Current Good Manufacturing Practices**" means the principles and guidelines of Good Manufacturing Practice for medicinal products for human use as promulgated under Applicable Law, including in the United States (in the current Good Manufacturing Practice Regulations of the U.S. Code of Federal Regulations, including 21 C.F.R. Sections 210 and 211, as may be amended from time to time) and the European Union.

"**Current Inventory**" has the meaning set forth in Section 6.10.4.

"**Current Product**" means the pharmaceutical product that is comprised of or contains Naloxegol as the sole active ingredient in the form approved by the FDA as of the Execution Date.

"**Defending Party**" means the Party defending against a Third Party Patent Infringement Claim pursuant to Section 11.4 or a Third Party Product Trademark Claim pursuant to Section 11.6.8.

"**Delivery System**" means any delivery system comprising equipment, instrumentation, one or more devices, or other components designed to assist in the administration of the Compound.

"**Development**" means all activities (other than Manufacturing) related to the research, development, preparation and submission of applications for a Health Registration Approval, regulatory affairs with respect to the foregoing and all other activities (other than Manufacturing) necessary or useful or otherwise requested or required by a Health Authority as a condition or in support of obtaining or maintaining a Health Registration Approval, including toxicology, formulation, clinical studies and packaging development. When used as a verb, "Develop" means to engage in Development and "Development Data" means the data associated with such Development.

"**Disclosed**" means disclosed to Licensee or its advisors in the Disclosure Materials.

"**Disclosure Materials**" means (a) the entirety of Schedule 10 and (b) the materials and information made available for inspection by Licensee and its advisors in the electronic data

room organized by Sterling Technology Ltd. as of February 16, 2020, including answers to requests for additional information contained in the data room.

"**Dispute**" has the meaning set forth in Section 18.5.1.

"**Distributor**" has the meaning set forth in (a) Section 2.3.1, in respect of the Licensee and (b) Section 4.3 of the Nektar Agreement, in the case of AstraZeneca.

"**Dollars**" or "**USD**" or "**$**" means United States Dollars.

"**Effective Date**" has the meaning set forth in Section 17.2.

"**Embodiments of Intellectual Property**" has the meaning set forth in Section 17.16.2.

"**Enforcing Party**" means the Party prosecuting any Patent Infringement pursuant to Section 11.3 or Product Trademark Infringement pursuant to Section 11.6.7.

"**European Data Protection Laws**" means the General Data Protection Regulation (EU) 2016/679, and any relevant law, statute, declaration, decree, directive, legislative enactment, order, ordinance, regulation, rule or other binding instrument that implements the foregoing, or the e-Privacy Directive 2002/58/EC, in each case as amended, consolidated, re-enacted or replaced from time to time.

"**Excluded Information**" means (a) all books, documents, records and files prepared in connection with AstraZeneca's entry into the transactions contemplated under this Agreement or any other Ancillary Agreement, and all bids received from Third Parties and strategic, financial or Tax analyses relating to the licensing of the Licensed Product and the Existing Agreements; (b) trade secrets of Third Parties (excluding AstraZeneca Know-How); (c) any attorney work product, attorney-client communications and other items protected by established legal privilege; (d) human resources and any other employee books and records; (e) any financial, Tax and accounting records to the extent not exclusively related to the Licensed Product in the Licensed Territory, which exclusion includes any record to the extent such record constitutes an aggregation of such information with respect to the Licensed Territory and any or all of the AstraZeneca Territory; (f) source documentation associated with individual case safety reports and (g) any items to the extent that Applicable Law prohibits disclosure to Licensee.

"**Exclusivity Period**" means, with respect to each separate Licensed Product in each country in the Licensed Territory, the period beginning on the Effective Date and ending on the [***] (a) [***] of the First Commercial Sale of such Licensed Product in such country in the Licensed Territory and (b) the expiration date in such country of the last to expire of any issued AstraZeneca Patent (including any Joint Patents, as defined the Nektar Agreement) or Joint Patent that includes at least [***] covering the sale or use of such separate Licensed Product in such country; provided that the Exclusivity Period with respect to each separate Licensed Product in such country shall in no event end before the expiry of any obligation of AstraZeneca to pay royalties with respect to such Licensed Product in such country pursuant to Section 7.9 of the Nektar Agreement.

"**Execution Date**" has the meaning set forth in the preamble hereto.

"**Executive Representative**" has the meaning set forth in Section 4.2.

"**Existing Agreements**" means the agreements listed in Schedule 3.

"**Existing Applications**" means the applications for Health Registration Approvals listed on Schedule 2.

"**Existing Approvals**" means the Health Registration Approvals listed on Schedule 2.

"**Existing AZ Sublicense**" means each of (a) that certain License Agreement between AstraZeneca and Knight Therapeutics Inc. dated December 14, 2016 and (b) that certain License Agreement between AstraZeneca and Kyowa Kirin Services Ltd, dated February 29, 2016, as amended on March 21, 2018.

"**Existing Partner Agreements**" means the Nektar Agreement, each Existing AZ Sublicense, that certain Co-Commercialization Agreement between AstraZeneca UK Limited and Daiichi Sankyo, Inc. dated March 18, 2015, as amended on June 24, 2016, November 29, 2016, January 1, 2017, October 1, 2018 and January 1, 2019 and the letter agreement between AstraZeneca UK Limited and Daiichi Sankyo Inc. dated March 18, 2015.

"**Existing Patents**" means the Patents listed on Schedule 4.

"**Existing Post-Approval Commitments**" means the Post-Approval Commitments listed in Schedule 5.

"**Existing Product Trademarks**" means the Trademarks listed in Schedule 6; together with any registrations thereof and pending applications relating thereto, if any, in the Licensed Territory.

"**Exploit**" means to make, have made, import, use, sell, or offer for sale, including to research, develop, register, modify, enhance, improve, Manufacture, have Manufactured, hold/keep (whether for disposal or otherwise), formulate, optimize, have used, export, transport, distribute, promote, market or have sold or otherwise dispose or offer to dispose of, a product or process. "**Exploitation**" means the act of Exploiting a product or process.

"**FDA**" means the U.S. Food and Drug Administration, and any successor agency thereto.

"**FFDCA**" means the United States Federal Food, Drug, and Cosmetic Act, 21 U.S.C. §301, et. seq., as it may be amended from time to time, and the rules, regulations, guidances, guidelines, and requirements promulgated or issued thereunder.

"**Financing Document**" means any engagement letter, credit agreement, loan agreement, joinder, indenture, intercreditor agreement, stock or note purchase agreement, promissory note, royalty interest purchase agreement or security agreement relating to any Licensee Financing.

"**Financing Parties**" means the providers of Licensee Financing, including any successors or assigns via joinder agreements or credit agreements related thereto.

"**First Commercial Sale**" means, with respect to a Licensed Product in a country in the Licensed Territory, the first sale for monetary value for use or consumption by the general public of such Licensed Product in such country in the Licensed Territory after Health Registration Approval for such Licensed Product has been obtained in such country. For the avoidance of doubt, sales prior to receipt of all Health Registration Approvals necessary to

commence regular commercial sales, such as so-called "treatment IND sales", "named patient sales" and "compassionate use sales", shall not be construed as a First Commercial Sale.

"**Force Majeure**" means an event which is beyond a non-performing Party's reasonable control, including an act of God, act of the other Party, strike, lock-out or other industrial/labour disputes (whether involving the workforce of the Party so prevented or of any other Person), war, riot, civil commotion, terrorist act, malicious damage, epidemic, quarantine, fire, flood, storm, natural disaster or compliance with any law or governmental order, rule, regulation or direction (including changes in the requirements of the Health Authorities), whether or not it is later held to be invalid.

"**Future Partner Agreements**" means any agreements between AstraZeneca or any of its Affiliates and any Sublicensee or Distributor (each as defined under the Nektar Agreement) entered into after the Execution Date, excluding this Agreement and any Ancillary Agreements.

"**Generic Product**" means, with respect to a Licensed Product, a product sold by a Third Party that (a) contains a Compound as an active ingredient and (b) has been approved for sales introduction into commerce by reference to such Licensed Product pursuant to (i) Section 505(b)(2) or Section 505(j) of the FFDCA (21 U.S.C. 355(b)(2) and 21 U.S.C. 355(j), respectively), (ii) Article 10(1), 10(2), 10(3), 10(4) or 10a of Directive 2001/83/EC of the European Parliament and of the Council of 6 November 2001 on the Community code relating to medicinal products for human use, each as amended or (iii) any similar approval in any country, which similar approval is based on reference to the Health Registration Approval for such Licensed Product in such country and a demonstration of bio-equivalence or similarity to such Licensed Product, *but excluding* for clarity all Licensed Products, including Combination Products, sold by or on behalf of Licensee, its Affiliates, and Sublicensees.

"**Good Distribution Practices**" means the then-current standards for good distribution practice as promulgated under Applicable Law, including 21 C.F.R. Parts 210 and 211.

"**Government Official**" means (a) any Person employed by or acting on behalf of a government, government-controlled agency or entity or public international organization, (b) any political party, party official or candidate, (c) any Person who holds or performs the duties of an appointment, office or position created by custom or convention or (d) any Person who holds himself out to be the authorized intermediary of any of the foregoing.

"**Health Authority**" means any applicable supra-national, federal, national, regional, state, provincial or local regulatory agency, department, bureau, commission, council or other government entity regulating or otherwise having legal authority with respect to the Exploitation of products in the Licensed Territory, including the FDA.

"**Health Registration Approval**" means, with respect to a country, any and all approvals, licenses, registrations or authorizations of any Health Authority necessary to commercially distribute, sell and market a Licensed Product in such country, including, where applicable, (a) pricing or reimbursement approval in such country; (b) pre- and post-approval marketing authorizations (including any prerequisite Manufacturing approval or authorization related thereto); (c) labelling approval and (d) technical, medical and scientific licenses.

"**HSR Act**" means the Hart-Scott-Rodino Antitrust Improvements Act or 1976, as amended.

"**HSR Filing**" has the meaning set forth in Section 17.1.

"**IFRS**" means, at any time, the International Financial Reporting Standards promulgated by the International Accounting Standards Board, as amended, supplemented or replaced from time to time.

"**Improvement**" means any invention, discovery, development or modification with respect to a Compound or Licensed Product or directly relating to the Exploitation thereof, whether or not patented or patentable, that is conceived, reduced to practice, discovered, developed or otherwise made at any time during the Term, including any enhancement in the efficiency, operation, Manufacture, ingredients, preparation, presentation, formulation, means of delivery or dosage of such Compound or Licensed Product, any discovery or development of any new or expanded indications for such Compound or Licensed Product, any discovery or development that improves the stability, safety or efficacy of such Compound or Licensed Product, or any discovery or development of new Compounds.

"**IND**" means an Investigational New Drug Application submitted in accordance with 21 C.F.R. Part 312 or any application filed with the applicable Health Authority for authorization to commence a Clinical Study in the Licensed Territory outside the United States.

"**Indemnification Claim Notice**" has the meaning set forth in Section 16.3.1.

"**Indemnified Party**" means a Party, its Affiliates, its or their licensors and (sub)licensees, and its and their respective directors, officers, employees and agents seeking to recover a Loss under Section 16.1 or 16.2.

"**Indemnifying Party**" means a Party from whom recovery of a Loss is sought under Section 16.1 or 16.2.

"**Information**" means all technical, scientific, business and other know-how and information, trade secrets, knowledge, technology, means, methods, processes, practices, formulae, instructions, skills, techniques, procedures, experiences, ideas, technical assistance, designs, drawings, assembly procedures, computer programs, apparatuses, specifications, data, results, laboratory notes and notebooks, and other material, including: high-throughput screening, gene expression, genomics, proteomics and other drug discovery and development technology; formulation; biological, chemical, pharmacological, toxicological, pharmaceutical, physical and analytical, pre-clinical, clinical, safety, manufacturing and quality control data and information, including study designs and protocols; assays and biological methodology; Manufacturing and quality control procedures and data, including test procedures; and synthesis, purification and isolation techniques, (whether or not confidential, proprietary, patented or patentable) in written, electronic or any other form now known or hereafter developed, and any products, apparatuses, cultures, biological materials and other materials and compositions.

"**Intellectual Property Rights**" means trademarks, service marks, trade secrets, trade names, registered designs, design rights, copyrights (including rights in computer software), domain names, database rights and any rights or property similar to any of the foregoing (other than Patents) in any part of the world, whether registered or not, together with the right to apply for the registration of any such rights.

"**Investigator Sponsored Study**" means a Clinical Study initiated and conducted, alone or with others, by an investigator who is not an employee of the Parties, or by a company, institution or organization other than the Parties.

"**IP**" has the meaning set forth in Section 17.16.2.

"**Joint Intellectual Property Rights**" has the meaning set forth in Section 11.1.2.

"**Joint Know-How**" has the meaning set forth in Section 11.1.2.

"**Joint Patents**" has the meaning set forth in Section 11.1.2.

"**Knowledge**" means [***].

"**Licensed Product**" means (a) any product that is comprised of or contains (i) Naloxegol as the sole active ingredient, including the Current Product or (ii) [***] other than [***], (b) any Opioid Combination Product, (c) any Packaged Naloxegol Opioid Product and (d) any [***] that is not an Opioid Combination Product [***]; in each case ((a), (b), (c) and (d)) in any and all forms, presentations, dosages and formulations, which, for clarity, shall include any Delivery Systems that are sold with, or for the administration of, such Compound. When the phrase "each Licensed Product" is used herein, Licensed Products that (x) [***], (y) have the same [***] and (z) have the same [***] shall be considered to be the same Licensed Product. Licensee acknowledges and agrees that use of the Licensed Products for [***] purposes shall be subject to [***].

"**Licensed Territory**" means the entire world excluding the AstraZeneca Territory.

"**Licensee**" has the meaning set forth in the preamble hereto.

"**Licensee Designated Representative**" has the meaning set forth in Section 4.3.3.

"**Licensee Development Data**" means any and all data and other Information generated by or on behalf of, or controlled by, Licensee in connection with any development activities relating to the Compound or the Licensed Product undertaken by Licensee.

"**Licensee Domain Names**" has the meaning set forth in Section 11.7.2.

"**Licensee Financing**" means any financing (whether in the form of debt, equity or otherwise, and including pursuant to any Financing Document) for the purpose of financing or refinancing Licensee's payment obligations under this Agreement or any Ancillary Agreement.

"**Licensee Know-How**" means all Information, including any applicable Improvement, that (a) is Controlled by Licensee or any of its Affiliates or its or their Sublicensees as of the Execution Date or at any time until the end of the Term (b) is not generally known and (c) is necessary or useful for, or is otherwise directly related to, the Exploitation of the Compound or the Licensed Product, but excluding AstraZeneca Know-How and any Joint Know-How, as defined in both this Agreement and the Nektar Agreement, or any other Information that is related exclusively to Licensee's proprietary compounds other than the Compounds.

"**Licensee Marketing and Training Materials**" has the meaning set forth in Section 6.8.2.

"**Licensee Patents**" means all of the Patents, including any applicable Improvements, that (a) are Controlled by Licensee or any of its Affiliates or its or their Sublicensees as of the Execution Date or at any time until the end of the Term and (b) claim or cover one or more Compounds or Licensed Products in the Licensed Territory, but excluding any AstraZeneca Patents or Joint Patents, as defined in both this Agreement and the Nektar Agreement.

"**Licensee Regulatory Documentation**" means Regulatory Documentation Controlled by Licensee or any of its Affiliates or its or their Sublicensees at any time during the Term relating to any Licensed Product in the Licensed Territory.

"**Losses**" means any and all direct or indirect liabilities, damages, losses or expenses, including interest, penalties, and reasonable lawyers' fees and disbursements.

"**Manufacture**" and "**Manufacturing**" means all activities related to the production, manufacture, processing, filling, finishing, packaging, labelling, inspection, shipping and holding of a product or any intermediate thereof, including process development, process qualification and validation, scale-up, pre-clinical, clinical and commercial manufacture and analytic development, product characterisation, stability testing, quality assurance and quality control.

"**Marketing Authorization**" means an authorization from the applicable Health Authority to place a medicinal product on the market in a country in the Licensed Territory, including an NDA.

"Material Adverse Effect" means any effect, change, event, development or circumstance that either alone, or in combination with any other effect, change, event, development or circumstance, that is or would reasonably be expected to be materially adverse to (i) the Exploitation of the Compounds and the Licensed Products [***], taken as a whole or (ii) the ability of Licensee to perform its obligations under this Agreement or any Ancillary Document, as applicable; *provided* that none of the following effects, changes, events, developments or circumstances will be taken into account in determining whether there has been or would reasonably be expected to be, a Material Adverse Effect referred to in the foregoing clause "(i)": (A) those arising from general economic, political or market conditions, (B) those relating to or affecting the domestic or any foreign securities, equity, credit, commodities or financial markets or interest or exchange rates, (C) any acts of God (including hurricanes, earthquakes, floods or other natural or man-made disasters), calamities, acts of war or terrorism, or national or international political or social conditions, or any escalation thereof, (D) any failure in and of itself (as distinguished from any change or effect giving rise to or contributing to such failure) by Licensee to meet any projections or forecasts for any period related to the Exploitation of the Compounds and the Licensed Products in the Licensed Territory, (E) any changes or conditions generally affecting the research-based pharmaceutical industry, (F) any changes or proposed changes in Applicable Laws or accounting principles or the interpretation thereof, (G) any action or omitting to take any action required under this Agreement or at the express written request or consent of Licensee, (H) any breach by Licensee of this Agreement, (I) the announcement or pendency of this Agreement or the identity of Licensee, (J) any recommendations, statements or other pronouncements made, published or proposed by professional medical organizations or private payors, or any representative thereof, or any panel or advisory body empowered or appointed by any of the foregoing, relating to any of the Licensed Products or products or

product candidates of any competitors thereof, (K) those arising out of any Patent Infringement action listed on Schedule 9 or any other substantially similar Proceeding, (L) those arising out of any matter which has been Disclosed or (M) any acts or omissions of the Licensee or any of its Affiliates, Representatives or Financing Parties, except, solely with respect to the exclusions under clause (A), (B), (C), (D), (E) or (F), in each case to the extent that such effects, changes, events, developments or circumstances materially and disproportionately affect the Exploitation of the Compounds and the Licensed Products in the Licensed Territory relative to the Exploitation of other compounds of the same development stage in the research-based pharmaceutical industry (in which case only the incremental disproportionate effect or effects may be taken into account in determining whether there has been or would reasonably be expected to be a Material Adverse Effect).

"Medical Affairs" means medical personnel, including medical science liaisons, medical field staff and office based medical staff.

"Medical Affairs Activities" means medical grants, medical education programs, activities of medical science liaisons, and Medical Affairs departmental activities with respect to the Licensed Product.

"**Naloxegol**" means the pharmaceutical compound Naloxegol (also known as Naloxegol oxalate) set forth in Schedule 1.

"**NDA**" means a New Drug Application as defined in the FFDCA or other authorization from the FDA to place a medicinal product on the market in the United States.

"**Nektar**" means Nektar Therapeutics, a Delaware corporation, or any assignee or successor of Nektar Therapeutics under the Nektar Agreement.

"**Nektar Agreement**" means the License Agreement by and between AstraZeneca and Nektar, dated September 20, 2009, amended as of August 8, 2013, and as may be further amended from time to time in accordance with Section 8.1.

"**Nektar Agreement Committee**" means any Committee as defined in the Nektar Agreement.

"**Nektar Agreement Termination Notice**" means (a) any Termination Notice as defined in the Nektar Agreement and (b) any notice delivered by Nektar pursuant to Section 18.5(b) of the Nektar Agreement.

"**Nektar Ancillary Agreements**" means the Ancillary Agreements as defined in the Nektar Agreement.

"**Nektar Development Plan**" means the Development Plan as defined in the Nektar Agreement.

"**Nektar JPT**" means the JPT as defined in the Nektar Agreement.

"**Nektar JSC**" means the JSC as defined in the Nektar Agreement.

"**Nektar Know-How**" means Licensed Know-How and Joint Know-How, each as defined in the Nektar Agreement, to the extent such know-how are Controlled by AstraZeneca at the Execution Date or during the Term and are necessary or useful for, or are otherwise directly

related to, the Exploitation of the Compound or the Licensed Product in the Licensed Territory.

"**Nektar Patent Working Group**" means the Patent Working Group as defined in the Nektar Agreement.

"**Nektar Patents**" means the Licensed Patents and the Joint Patents, each as defined in the Nektar Agreement, to the extent such Patents are Controlled by AstraZeneca at the Execution Date or during the Term and are necessary or useful for, or are otherwise directly related to, the Exploitation of the Compound or the Licensed Product in the Licensed Territory. The Nektar Patents known to AstraZeneca as of the Execution Date are Existing Patents and are listed on Schedule 4.

"**Nektar Technology**" has the meaning set forth in the Nektar Agreement.

"**Net Sales**" means [***].

"**New Post-Approval Commitments**" means any Post-Approval Commitments other than the Existing Post-Approval Commitments.

"**New Product Trademark**" has the meaning set forth in Section 11.6.2, and shall include any registrations thereof and pending applications related to the Licensed Products in the Licensed Territory.

"**Non-Breaching Party**" has the meaning set forth in Section 17.3.1.

"**Notice Period**" has the meaning set forth in Section 17.3.1.

"**Opioid Combination Product**" means a product that contains as the sole active ingredients (a) one or more opiates or opioids (but excluding any such [***], which [***], in a [***] with (b) Naloxegol, but excluding for clarity all Packaged Naloxegol Opioid Products.

"**Packaged Naloxegol Opioid Product**" means a product that contains (a) one or more opiates or opioids (*but excluding* any [***] that is combined in a [***] with (b) a Stand-Alone Product containing Naloxegol in a [***], in the aggregate as the [***], and where such product is sold at a single invoiced price (that is, there is not [***] for the components in (a) and (b) above of the product). Each Packaged Naloxegol Opioid Product shall be a Licensed Product and shall be treated as a Stand-Alone Product that contains Naloxegol for all purposes under this Agreement.

"**Partner**" means each counterparty to any Partner Agreement.

"**Partner Agreement**" means the Existing Partner Agreements and any Future Partner Agreement.

"**Party**" and "**Parties**" have the meaning set forth in the preamble hereto.

"**Patent Infringement**" has the meaning set forth in Section 11.3.1.

"**Patents**" means (a) all national, regional and international patents and patent applications, including provisional patent applications, (b) all patent applications filed either from such patents, patent applications or provisional applications or from an application claiming priority from any of these, including divisionals, continuations, continuations-in-part,

provisionals, converted provisionals, and continued prosecution applications, (c) any and all patents that have issued or in the future issue from the foregoing patent applications ((a) and (b)), including utility models, petty patents and design patents and certificates of invention, (d) any and all extensions or restorations by existing or future extension or restoration mechanisms, including revalidations, reissues, re-examinations and extensions (including any supplementary protection certificates and the like) of the foregoing patents or patent applications ((a), (b) and (c)), and (e) any similar rights, including so-called pipeline protection, or any importation, revalidation, confirmation or introduction patent or registration patent or patent of additions to any such foregoing patent applications and patents.

"**Payment**" has the meaning set forth in Section 9.5.1.

"**Person**" means an individual, sole proprietorship, partnership, limited partnership, limited liability partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture or other similar entity or organization, including a government or political subdivision, department or agency of a government.

"**Personal Data**" means any information relating to an identified or identifiable natural person; for purposes of this definition an "identifiable natural person" is one who can be identified, directly or indirectly, in particular by reference to an identifier such as a name, an identification number, location data, an online identifier or to one or more factors specific to the physical, physiological, genetic, mental, economic, cultural or social identity of that natural person.

"**Pharmacovigilance Agreement**" has the meaning set forth in Section 7.5.

"**Post-Approval Commitments**" means any clinical or other trials, post-authorization safety or efficacy studies required by any Health Authority as a condition for the grant or maintenance of a Health Registration Approval for a Licensed Product in any country in the Licensed Territory.

"**Proceeding**" means any lawsuit, claim, counterclaim, action, arbitration or proceeding.

"**Product**" means any Licensed Product or any other product comprising or containing any Compound whether as a sole active ingredient or in combination with one or more other active ingredients.

"**Product Domain Names**" has the meaning set forth in Section 11.7.1.

"**Product Labelling**" means, with respect to a Licensed Product in a country in the Licensed Territory, (a) the Health Authority approved summary of product characteristics or other full prescribing information for such Licensed Product for such country, including any required patient information and (b) all labels and other written, printed or graphic matter upon a container, wrapper or any package insert utilised with or for such Licensed Product in such country.

"**Product Trademark Infringement**" has the meaning set forth in Section 11.6.6.

"**Product Trademarks**" means the Existing Product Trademarks and the New Product Trademarks (if any).

"**Prosecute**" means to prepare, file, prosecute (including the responsibility to conduct and manage any interferences, reissue proceedings, oppositions and re-examinations), and maintain Patents, and "Prosecution" shall have a corresponding meaning.

"**Quality Agreement**" has the meaning set forth in Section 6.10.3.

"**Quality Standards**" has the meaning set forth in Section 6.9.

"**Reasonable Best Efforts**" means [***].

"**Regulatory Documentation**" means all applications, registrations, licenses, authorizations and approvals, all correspondence submitted to or received from Health Authorities (including minutes and official contact reports relating to any communications with any Health Authority) and all supporting documents and all clinical studies and tests, relating to any Licensed Products in the Licensed Territory, and all data contained in any of the foregoing, including all INDs, Health Registration Approvals, regulatory drug lists, advertising and promotion documents, adverse event files and complaint files, but excluding the source documentation associated with individual case safety reports.

"**Regulatory Exclusivity**" means, with respect to any country, an additional market protection, other than Patent protection, granted by a Health Authority or other regulatory authority in such country which confers an exclusive Commercialization period during which AstraZeneca or its Affiliates or Sublicensees (as defined under the Nektar Agreement) have the exclusive right to market, price, and sell a Licensed Product in such country through a regulatory exclusivity right, such as new chemical entity exclusivity, new use or indication exclusivity, new formulation exclusivity, orphan drug exclusivity, pediatric exclusivity, or any applicable data exclusivity.

"**Representatives**" means, with respect to a Party, its Affiliates, and its and their respective directors, officers, employees, agents, contractors, consultants, advisors, attorneys, and accountants.

"**Retained Rights**" means the rights of AstraZeneca, its Affiliates and its and their licensors, (sub)licensees and contractors to:

(a) with respect to any compound or product that is not a Licensed Product at the applicable time, research, Develop, obtain and maintain regulatory approvals for, Manufacture, Commercialize and otherwise Exploit such compound or product in any field anywhere (including in the Licensed Territory); and

(b) with respect to any Licensed Product, (i) perform its and their obligations under this Agreement or any Ancillary Agreement; (ii) research, Develop, obtain and maintain regulatory approvals for, Manufacture, Commercialize and otherwise Exploit such Licensed Product solely in the AstraZeneca Territory and (iii) Manufacture and Develop such Licensed Product anywhere solely for Exploitation in the AstraZeneca Territory.

"**Reversion Transition Agreement**" has the meaning set forth in Section 17.11.1.

"**Senior Executive**" means (a) with respect to AstraZeneca, [***] of AstraZeneca and (b) with respect to Licensee, [***] of Licensee.

"**Sensitive Third Party Claims**" has the meaning set forth in Section 16.3.8.

"**Stand-Alone Product**" means any product in a form suitable for human, veterinary or agricultural applications that contains a Compound as the sole active ingredient.

"**Sublicensee**" means in respect of Licensee, a Person, other than an Affiliate, that is granted a sublicense by Licensee or its Affiliate under the grants in Section 2.1, as provided in Section 2.2.

"**Supply Agreement**" means the Supply Agreement entered into by the Parties simultaneously with the execution and delivery of this Agreement.

"**Tax**" means all taxes of any kind, and all charges, fees, customs, tariffs, levies, duties, imposts, required deposits or other assessments, including all federal, state, local or non-U.S. net income, capital gains, gross income, gross receipt, property (real or personal), franchise, value added, sales, use, excise, good and services, stamp, environmental, withholding, payroll, employment, social security, worker's compensation, unemployment, occupation, franchise, capital stock, transfer, gains, escheat, windfall profits, net worth, asset, transaction and other taxes, and any interest, penalties or additions to tax with respect thereto, imposed upon any Person by any transnational, national, federal, state, provincial, municipal, local or foreign governmental, judicial, quasi-judicial, legislative, executive, regulatory (including stock exchange) or administrative authority, department, agency, organization, body, court, arbitration tribunal, instrumentality or official, including any political subdivision thereof, under Applicable Law.

"**Term**" has the meaning set forth in Section 17.2.

"**Terminated Country**" has the meaning set forth in Section 17.8.2.

"**Termination Notice**" has the meaning set forth in Section 17.3.1.

"**Territory Breach**" has the meaning set forth in Section 8.2.3.

"**Third Party**" means any Person other than the Parties and their respective Affiliates.

"**Third Party Claims**" has the meaning set forth in Section 16.1.

"**Third Party Patent Infringement Claim**" has the meaning set forth in Section 11.4.1.

"**Third Party Patent Right**" has the meaning set forth in Section 11.5.1.

"**Third Party Product Trademark Claim**" has the meaning set forth in Section 11.6.7.

"**Trademark**" means any word, name, symbol, color, shape, designation or any combination thereof, including any trademark, service mark, trade name, brand name, sub-brand name, trade dress, product configuration rights, program name, delivery form name, certification mark, collective mark, logo, tagline, slogan, design or business symbol, that functions as an identifier of source, origin or quality, whether or not registered, and all statutory and common law rights therein and all registrations and applications therefor, together with all goodwill associated with, or symbolised by, any of the foregoing.

"**Transfer Date**" has the meaning set forth in Section 7.1.1.

"**Transitional Services Agreement**" or "**TSA**" means the Transitional Services Agreement entered into by the Parties simultaneously with the execution and delivery of this Agreement.

"**United States**" or "**U.S.**" means the United States of America, its territories, possessions and Puerto Rico.

"**Valid Claim**" means, with respect to a Licensed Product in a country in the Licensed Territory, any claim of an AstraZeneca Patent or Joint Patent in each case in such country, that specifically or generically claims (a) the Compound included in such Licensed Product as a composition of matter, or (b) a method of treatment or other use of the Compound for one or more indications for which Health Registration Approval has been received for such Licensed Product in such country, and either:

(a) with respect to a granted and unexpired AstraZeneca Patent or Joint Patent that (i) has not been held permanently revoked, unenforceable or invalid by a final decision of a court or other governmental agency of competent jurisdiction, which decision is unappealable or unappealed within the time allowed for appeal and (ii) has not been abandoned, disclaimed, denied or admitted to be invalid or unenforceable through reissue or disclaimer or otherwise; or

(b) with respect to a pending AstraZeneca Patent application or Joint Patent application, that was filed and is being prosecuted in good faith and has not been [***] without the possibility of [***] of the application; provided, that such claim [***] for more than [***] years.

"**VAT**" means:

(a) any Tax imposed in compliance with council directive of 28 November 2006 on the common system of value added Tax (EC Directive 2006/112); and

(b) any other tax of a similar nature (including any value added Tax, turnover tax, sales tax, use tax, goods and services tax and consumption tax), whether imposed in a member state of the European Union in substitution for or in addition to the Tax referred to in (a) or elsewhere.

2. GRANT OF RIGHTS

2.1 Grants to Licensee

Subject to the terms and conditions of this Agreement, including Sections 2.5 and 2.8, AstraZeneca hereby grants to Licensee and Licensee hereby accepts:

(a) an exclusive (including with regard to AstraZeneca and its Affiliates) right and license (or sublicense), with the right to grant sublicenses in accordance with Section 2.2, under the AstraZeneca Patents, the AstraZeneca Know-How and AstraZeneca's rights and interests in the Joint Patents and the Joint Know-How, and including any interest of AstraZeneca and its Affiliates in and to any [***] (as defined in the Netkar Agreement) to Exploit the Compounds and the Licensed Products for all purposes in the Licensed Territory;

(b) an exclusive (including with regard to AstraZeneca and its Affiliates) right and license, with the right to grant sublicenses in accordance with Section 2.2, under AstraZeneca's and its Affiliates' rights, titles, and interests in and to the AstraZeneca Regulatory Documentation and, to the extent not previously transferred to Licensee, the Health Registration Approvals, in each case to Exploit the Compounds and the Licensed Products for all purposes in the Licensed Territory;

(c) an exclusive (including with regard to AstraZeneca and its Affiliates) right and license, with the right to grant sublicenses in accordance with Section 2.2, under AstraZeneca's and its Affiliates' rights, titles, and interests in and to the Product Trademarks solely to Exploit the Compounds and the Licensed Products in the Licensed Territory;

(d) a non-exclusive, non-transferable (except to Licensee's Affiliates), non-sublicensable, royalty-free, fully paid-up, license to use the AstraZeneca Corporate Marks solely on Product Labelling, in the Licensee Marketing and Training Materials or as otherwise required by Applicable Law, in each case solely to Exploit the Compounds and the Licensed Products in the Licensed Territory, in each case, subject to the terms of, and solely in the form set forth in, Section 6.7.2; and

(e) a non-exclusive, sublicensable (solely in accordance with Section 2.2), perpetual, irrevocable, fully paid-up, royalty-free license under the AstraZeneca Copyrights, including the right to reproduce, modify, copy, translate, distribute, create derivative works covered by the AstraZeneca Copyrights, publicly perform, publicly display and otherwise use or Exploit any documents or other works covered by such AstraZeneca Copyrights, in all forms and media now known and hereinafter invented solely to the extent necessary or useful for the Exploitation of, and solely to Exploit the Compounds and the Licensed Products in the Licensed Territory.

(f) For the avoidance of doubt, the rights and licenses (or sublicenses) granted to Licensee in Sections 2.1(a) to (e) shall include the right for Licensee to Manufacture the Licensed Products in the AstraZeneca Territory solely for Exploitation in the Licensed Territory.

2.2 **Sublicenses**

Licensee shall have the right to grant sublicenses, through multiple tiers of sublicensees, under the licenses granted in Sections 2.1(a), (b), (c) and (e), to its Affiliates and other Persons; *provided* that any such sublicense shall (a) be consistent with, and expressly made subject to, the terms and conditions of this Agreement and the Nektar Agreement (including, for the avoidance of doubt, the scope of the licenses granted in Sections 2.1(a), (b), (c) and (e)), (b) without limiting clause (a), contain terms requiring any Information and intellectual property rights arising therein to be owned by Licensee (or AstraZeneca or Nektar, as applicable), or if owned by the Sublicensee to be licensed to Licensee with rights for Licensee to disclose such Information to AstraZeneca and for AstraZeneca to use, disclose and grant further rights under such Information and intellectual property rights as contemplated by this Agreement, (c) bind such Sublicensee with non-disclosure and non-use provisions substantially similar to those set forth in this Agreement and (d) limit the purpose for which any confidential information under any such sublicense may be used to the activities conducted by such Sublicensee in connection

with the Exploitation of the Licensed Products hereunder. Licensee shall ensure each Sublicensee complies with the applicable terms and conditions of this Agreement and the Nektar Agreement, as if such Sublicensee were a party to this Agreement, and Licensee shall be responsible for any failure of any such sublicensee to comply with such terms or conditions, with the further understanding that any action or omission by any such sublicensee that, if committed by Licensee would be a breach of this Agreement, will be deemed a breach by Licensee of this Agreement for which Licensee is responsible. To the extent that Applicable Law would require that AstraZeneca exhaust any right, power or remedy, or proceed against any Affiliate or Sublicensee of Licensee for any obligation or performance under this Agreement by Licensee prior to proceeding directly against Licensee, then Licensee hereby waives any such requirement to the extent waivable. A copy of any sublicense agreement executed by Licensee shall be provided to AstraZeneca within [***] after its execution.

2.3 **Distributorships and Subcontracting**

2.3.1 **Distributorships.** Licensee and its Affiliates shall have the right, in their sole discretion, to appoint any other Persons, in any country in the Licensed Territory, to distribute, market and sell the Licensed Products (with or without packaging rights, but excluding in any case any rights to make Licensed Product), solely in circumstances where the Person purchases its entire requirements of Licensed Products from Licensee or its Affiliates, but does not otherwise make any royalty or other payment to Licensee with respect to its intellectual property rights; provided that any such arrangement shall be consistent with the terms and conditions of this Agreement Where Licensee or its Affiliates appoints such a Person in compliance with the foregoing and such Person is not an Affiliate of Licensee, that Person shall be a "**Distributor**" for purposes of this Agreement. For clarity, Licensee and any of its Affiliates shall have the right, in its sole discretion, to appoint one of its Affiliates to distribute, market and sell the Licensed Products in any country in the Licensed Territory, but any Affiliates so appointed shall not be included in the term "**Distributor**" for purposes of this Agreement. The term "packaging rights" in this Section 2.3.1 means the right for the Distributor to package Licensed Products supplied in unpackaged bulk form into individual ready-for-sale packs. For clarity, any and all amounts paid by any Distributor to Licensee or its Affiliate for such distribution appointment with respect to the Licensed Products and the sale of the Licensed Products to the Distributor shall be deemed to be included in the calculation of Net Sales.

2.3.2 **Subcontracting**. Subject to Section 2.2, Licensee may subcontract with a Third Party to perform any or all of its obligations hereunder; *provided* that (a) no such subcontracting shall relieve Licensee of any obligation hereunder (except to the extent satisfactorily performed by such subcontractor) or any liability and Licensee shall be and remain fully responsible and liable for such Third Party's performance of such obligation and (b) such subcontractor shall be bound (i) by non-disclosure and non-use provisions substantially similar to those set forth in this Agreement and (ii) by terms limiting the purpose for which any confidential information under any such subcontract may be used to the activities conducted by such subcontractor in connection with the Exploitation of the Licensed Products hereunder. To the extent that Applicable Law would require that AstraZeneca exhaust any right, power or remedy, or proceed against any subcontractor of Licensee for any obligation or performance

under this Agreement by Licensee prior to proceeding directly against Licensee, then Licensee hereby waives any such requirement to the extent waivable.

2.4 **Co-Promotion Rights**

For the avoidance of doubt, Licensee and its Affiliates shall have the right under this Agreement, in their sole discretion, whether under or in connection with any Existing Agreement or otherwise, to co-promote the Licensed Products with any other Persons, or to appoint one or more Third Parties to promote the Licensed Products without Licensee in all or any part of the Licensed Territory. Nothing in this Section 2.4 shall be construed to modify the definition of Distributor or Sublicensee, and it is understood and agreed that any such Third Party that promotes or co-promotes Licensed Products may also be a Distributor or Sublicensee, as the case may be, if such definition is satisfied. Licensee shall not be permitted to use the AstraZeneca Corporate Marks in any such co-promotion materials.

2.5 **Retention of Rights by AstraZeneca; Limitations Applicable to License Grants**

2.5.1 **Retained Rights of AstraZeneca.** Notwithstanding anything to the contrary in this Agreement and without limitation of any rights granted or reserved to AstraZeneca pursuant to any other term or condition of this Agreement, AstraZeneca hereby expressly retains, on behalf of itself and its Affiliates (and on behalf of its licensors, (sub)licensees and contractors) all right, title and interest in and to the AstraZeneca Patents, the AstraZeneca Know-How, AstraZeneca's interests in and to Joint Patents and Joint Know-How, the Product Trademarks and the AstraZeneca Corporate Marks, in each case, for purposes of performing or exercising the Retained Rights; *provided, however,* that neither AstraZeneca nor any of its Affiliates, Distributors, Partners or contractors may Exploit any Reserved Products (as defined in the Nektar Agreement) in the Licensed Territory without the prior written consent of Licensee.

2.5.2 **Nektar Agreement**. The Parties acknowledge and agree that the licenses granted by AstraZeneca in Section 2.1 include sublicenses under the applicable license rights granted to AstraZeneca by Nektar under the Nektar Agreement and any such sublicenses (and further rights to sublicense) shall be (a) effective solely to the extent permitted under the terms of the Nektar Agreement; (b) limited to the scope of the rights granted to AstraZeneca under the Nektar Agreement; and (c) subject and subordinate to the terms and conditions of the Nektar Agreement. The Parties further acknowledge and agree that Licensee is a "**Sublicensee**" (as defined in Section 4.2 of the Nektar Agreement) and [***] for the purpose of the Nektar Agreement and that as such AstraZeneca is obliged to Nektar to ensure that Licensee complies with all applicable terms and conditions of the Nektar Agreement. In the event and to the extent that the Nektar Agreement requires that particular terms or conditions of the Nektar Agreement be contained or incorporated in any agreement granting a sublicense thereunder, such terms and conditions are hereby deemed to be incorporated herein by reference and made applicable to the sublicense granted herein.

2.5.3 **No Other Rights Granted by AstraZeneca; No Misappropriation**. Except as expressly provided herein and without limiting the foregoing, AstraZeneca grants under this Agreement no other right or license, including any rights or licenses to the AstraZeneca Patents, the AstraZeneca Know-How, AstraZeneca's interest in the Joint Patents and the Joint Know-How, the Existing Product Trademarks, the AstraZeneca Corporate Marks or any other Patent,

Trademark or other intellectual property rights not otherwise expressly granted herein. Without limitation of the foregoing, Licensee and its Affiliates and Sublicensees shall not intentionally use or practice any Information, Patents or other intellectual property or proprietary rights of AstraZeneca or any of its Affiliates or Nektar under the Nektar Agreement (a) in a manner that would constitute misappropriation or infringement thereof, except to the extent permitted under the license rights expressly granted under Section 2.1 or (b) to discover, research, develop, make, use or sell any pegylated or other polymer conjugated compound other than a Licensed Product as provided in Section 2.1.

2.6 **Grants to AstraZeneca**

2.6.1 Licensee hereby grants to AstraZeneca a non-exclusive, fully paid-up, royalty-free license (with such license becoming irrevocable and perpetual) with the right to grant sublicenses through multiple tiers, including Nektar, under the Licensee Patents and the Licensee Know-How, and Licensee's interests in the Joint Patents and the Joint Know-How, to Exploit Licensed Products anywhere in the world for purposes of performing or exercising the Retained Rights; provided that any such sublicenses shall (a) be consistent with, and expressly made subject to, the terms and conditions of this Agreement and the Nektar Agreement, (b) contain terms requiring any Information and intellectual property rights arising therein to be owned by AstraZeneca (or Licensee or Nektar, as applicable), or if owned by the sublicensee to be licensed to AstraZeneca with rights for AstraZeneca to disclose such Information to Licensee and for Licensee to use, disclose and grant further rights under such Information and intellectual property rights as contemplated by this Agreement and (c) such sublicensee shall be bound (i) by non-disclosure and non-use provisions substantially similar to those set forth in this Agreement and (ii) by terms limiting the purpose for which any confidential information under any such sublicense may be used to the activities conducted by such sublicensee in connection with the Exploitation of the Licensed Products hereunder. AstraZeneca shall ensure each sublicensee complies with the applicable terms and conditions of this Agreement and the Nektar Agreement, as if such sublicensee were a party to this Agreement, and AstraZeneca shall be responsible for any failure of any such sublicensee to comply with such terms or conditions, with the further understanding that any action or omission by any such sublicensee that, if committed by AstraZeneca would be a breach of this Agreement, will be deemed a breach by AstraZeneca of this Agreement for which AstraZeneca is responsible. A copy of any sublicense agreement executed by AstraZeneca shall be provided to Licensee within [***] after its execution.

2.6.2 Licensee hereby grants to AstraZeneca an exclusive (including with regard to Licensee) license and right of reference, with the right to grant sublicenses and further rights of reference through multiple tiers, under the Existing Approvals and any other Licensee Regulatory Documentation as necessary for purposes of Exploiting Licensed Products in the AstraZeneca Territory. Licensee shall, at AstraZeneca's request and cost, use reasonable efforts to obtain any certificates of pharmaceutical products for such Licensed Products ("**CPP**") and provide any appropriate authorizations to the applicable Health Authority to permit AstraZeneca (or its Affiliates and designees) such rights of reference in the AstraZeneca Territory. Except as required by a Health Authority or by Applicable Law, Licensee shall not withdraw or permit to be withdrawn, any Existing Approval, any CPP or any other Licensee Regulatory Documentation without the prior written consent of AstraZeneca, and on request of

AstraZeneca, in lieu of such a withdrawal, shall transfer any such Existing Approval or other Licensee Regulatory Documentation to AstraZeneca solely for purposes of Exploiting Licensed Products in the AstraZeneca Territory. Licensee shall use reasonable efforts to give AstraZeneca at least [***] prior written notice of any planned variations or other amendments to the Existing Approvals or such other Licensee Regulatory Documentation that would require a new CPP to be issued.

2.6.3 Without limitation of Section 2.6.1 or 2.6.2, Licensee hereby grants to AstraZeneca [***] license throughout the world under Licensee's and its Affiliates' right, title and interest in and to Information made, created, discovered, developed, conceived or reduced to practice pursuant to work under this Agreement that comprise, claim or cover [***] disclosed or made known to Licensee (or its Affiliate) in connection with this Agreement, and any Patents filed based on any such Information for the purpose of licensing Nektar to use and practice such [***] solely to the extent that any of the foregoing Information constitutes [***] (as defined under the Nektar Agreement) and solely to the extent that AstraZeneca is obligated to grant Nektar a license to such [***] pursuant to Section 9.1(b) of the Nektar Agreement.

2.7 **No Other Rights Granted by Licensee**

Except as expressly provided herein, Licensee grants no other right or license to AstraZeneca, including any rights or licenses to the Licensee Patents, the Licensee Know-How or any other Patent, Trademark or other intellectual property rights not otherwise expressly granted herein; *provided, however*, that AstraZeneca shall retain, subject to Article 11, the non-exclusive right solely to perform its responsibilities under this Agreement or any Ancillary Agreement.

2.8 **Licensee Covenants**

2.8.1 **Activities Limited to [***]**. If Licensee desires [***], the Parties shall discuss and in the event any consent of [***] is required, AstraZeneca will [***].

2.8.2 **Nektar Agreement Requirements**. Each Party acknowledges and agrees that Section 2.8.1 is included to ensure compliance with the Nektar Agreement and the other Party would not have entered into this Agreement without the protection afforded it by Section 2.8.1. If, notwithstanding the foregoing, a court of competent jurisdiction determines that the restrictions set forth in Section 2.8.1 are too broad or otherwise unreasonable under Applicable Law, the Parties shall amend Section 2.8.1 to include the maximum restrictions allowable under Applicable Law with the intent of complying with the terms of this Agreement and the Nektar Agreement to the maximum extent permitted by Applicable Law.

2.8.3 **Territorial Restriction.** Each Party acknowledges that the other Party has the right to distribute, market, promote, offer for sale or sell Licensed Products in the case of Licensee, in the Licensed Territory, and in the case of AstraZeneca, in the AstraZeneca Territory. Unless required under Applicable Law, during the Term, each Party shall not, and shall not permit any of its respective Affiliates, Sublicensees, Partners or distributors to, distribute, market, promote, offer for sale or sell Licensed Products actively or passively to any Person in the other Party's territory. Each Party shall cause its respective Affiliates and its and their respective Sublicensees, Partners and distributors to notify the other Party of any receipt of any orders for any Licensed Product for use in the other Party's territory. To the extent

permitted by Applicable Law, each Party shall include a similar provision in its contracts with customers.

2.8.4 **No Conflicting Grant of Rights**. AstraZeneca shall not, and shall cause its Affiliates not to, assign or transfer any of its rights, title or interests in or to the AstraZeneca Patents, AstraZeneca Know-How, Joint Patents, Joint Know-How or Health Registration Approvals to any Third Party in each case that would conflict with the licenses granted to Licensee hereunder, except to a Person that is an assignee of Licensee of this Agreement pursuant to an assignment permitted under this Agreement (including Section 18.3). AstraZeneca shall not, and shall cause its Affiliates not to, grant any license or other rights or interests in the AstraZeneca Patents, AstraZeneca Know-How, Joint Patents, Joint Know-How or Health Registration Approvals to any Person that would conflict with the scope of the licenses granted to Licensee under Section 2.1 of this Agreement.

2.8.5 **Generic Matters**. If at any time a Party becomes aware of any (a) pending or threatened Proceeding with respect to Regulatory Exclusivity with respect to a Licensed Product in any country, (b) any application by a Third Party for a Marketing Authorization with respect to a Generic Product in any country or (c) sale of any Generic Product in any country (each, a "**Generic Matter**"), such Party will promptly notify the other Party in writing, such notification to include reasonable details of the Generic Matter. Each Party, acting reasonably and in good faith, shall cooperate with the other Party and provide such information and other assistance as such other Party reasonably requests in connection with such other Party's response to any such Generic Matter; provided that any such cooperation by the cooperating Party shall be at the requesting Party's expense.

2.9 **Exclusivity Period**

With respect to each Licensed Product, on expiration of the Exclusivity Period for such Licensed Product in a country (provided that at such time AstraZeneca's license rights with respect to such Licensed Product in such country under the Nektar Agreement are non-exclusive, fully paid-up, perpetual and irrevocable), the grants to Licensee with respect to such Licensed Product in such country in Section 2.1 shall also become non-exclusive, fully-paid, perpetual and irrevocable with respect to such Licensed Product in such country; provided that at AstraZeneca's discretion instead of such license under any Product Trademark used solely in connection with such Licensed Product in such country, AstraZeneca may assign such Product Trademark to Licensee (or an Affiliate or assignee of this Agreement, as Licensee may designate in writing) and if AstraZeneca assigns such Product Trademark to Licensee, Licensee shall accept the assignment of such Product Trademark.

2.10 **Acknowledgment Regarding Licensee's Other Business Activities.** AstraZeneca acknowledges that Licensee is in the business of researching, developing, manufacturing and selling various pharmaceutical products, including in the gastrointestinal, cancer and respiratory fields, and nothing in this Agreement shall be construed as restricting such business or imposing on Licensee a duty to market or sell and exploit the Licensed Products to the exclusion of, or in preference to, any other product or process, or in any way other than in accordance with its normal commercial practices and that of its Affiliates; *provided* that Licensee in doing so complies with its obligations to use Commercially Reasonable Efforts to

Develop and Commercialize Licensed Products as provided in Sections 5.1 and 6.1 (as applicable).

3. CONFIRMATORY PATENT LICENSES

3.1 AstraZeneca shall if reasonably requested to do so by Licensee promptly enter into confirmatory license agreements in the form agreed to between the Parties for purposes of recording the licenses granted under this Agreement with such patent offices in the Licensed Territory as Licensee considers reasonably necessary, including to avoid disclosure of this Agreement. As between the Parties, regardless of whether any required confirmatory licenses are executed, the Parties' respective rights and obligations in respect of the AstraZeneca Patents, the Licensee Patents and the Joint Patents shall be as set forth under this Agreement.

4. COORDINATION MANAGEMENT

4.1 Alliance Managers

Within [***] after the Effective Date, each Party shall appoint a person (an "**Alliance Manager**") who shall manage and facilitate communications between the Parties under this Agreement and, if applicable, the Ancillary Agreements. The Alliance Managers shall work together to facilitate the timely delivery of the reports, notices and other communications to be provided under this Agreement, to coordinate the activities of the Parties under this Agreement and the Ancillary Agreements, to resolve quickly any issues between the Parties that may arise in connection with this Agreement and the Ancillary Agreements, to ensure compliance with the Nektar Agreement and to fulfill any other tasks assigned to them under this Agreement and, if applicable, the Ancillary Agreements. Without limitation to the foregoing, each Party shall ensure that its Alliance Manager responds reasonably promptly to any communications received from time to time by such Alliance Manager from the other Party's Alliance Manager. Each Party may replace its Alliance Manager at any time by notice in writing to the other Party.

4.2 Executive Representative Meetings

Within [***] after the Effective Date, the Parties shall each appoint an executive representative (an "**Executive Representative**") to meet the other Party's Executive Representative periodically as necessary or appropriate during the Term to discuss and exchange information or issues relating to the development, Manufacture, or commercialization of the Licensed Products in the Licensed Territory, the terms and conditions of the Nektar Agreement and the compliance by the Parties therewith. The Executive Representatives shall meet at least [***] or more frequently as reasonably requested by the other Party. In addition, the Executive Representatives shall meet as requested by AstraZeneca to facilitate AstraZeneca in satisfying its reporting obligations to Nektar.

4.3 Cooperation with Other AstraZeneca Licensees

4.3.1 **Licensee Cooperation**. Licensee shall cooperate with AstraZeneca's (sub)licensee(s) with regard to any Product outside the Licensed Territory, as reasonably requested by AstraZeneca.

Without limiting the foregoing, Licensee shall be responsible for providing AstraZeneca's (sub)licensee(s) outside the Licensed Territory with any data obtained related to the Post-Approval Commitments or that (i) would be useful to minimize such (sub)licensee(s) post-approval commitments costs and expenses or (ii) are necessary or reasonably useful for fulfilling such (sub)licensee(s) post-approval commitments.

4.3.2 **AstraZeneca Sublicensee Cooperation**. AstraZeneca shall [***] to ensure that its (sub)licensee(s) and Partners cooperate with Licensee with regard to the Licensed Products, as reasonably requested by Licensee, at Licensee's expense. Without limiting the foregoing, AstraZeneca shall make available to Licensee any data provided to AstraZeneca under the Partner Agreements, to the extent in AstraZeneca's possession and control or reasonably obtainable by AstraZeneca and related to the Post-Approval Commitments or that would be useful to minimize Licensee's Post-Approval Commitments costs and expenses or are necessary or useful for fulfilling such Licensee's Post-Approval Commitments.

4.3.3 **Committee Representation**. After the Effective Date, Licensee shall have the right, but not the obligation, to require AstraZeneca to [***] to obtain consent from Nektar for Licensee's employees or other representatives as designated by Licensee in its sole discretion (each, a "**Licensee Designated Representative**") to serve as members or attendees of Nektar Agreement Committees pursuant to the Nektar Agreement as follows:

(a) [***] of Licensee, to serve as [***] of the Nektar JSC; *provided* that [***] shall have the requisite experience and seniority to make decisions with respect to issues falling within the jurisdiction of the Nektar JSC;

(b) [***] of Licensee, to serve as [***] of the Nektar JPT;

(c) [***] of Licensee, to be [***] of the Nektar Patent Working Group, *provided* that [***] shall have appropriate expertise and authority as reasonably required for the Nektar Patent Working Group to conduct its role and exercise its authority efficiently and effectively; and

(d) [***] of Licensee per working group, to be [***] of all other working groups in existence as of the Effective Date or established by the Nektar JSC or Nektar JPT from time to time thereafter.

Solely to the extent AstraZeneca obtains Nektar's consent under this Section 4.3.3, Licensee may at any time by giving written notice to AstraZeneca nominate an individual as a Licensee Designated Representative or substitute (on a permanent or temporary basis) individuals for any Licensee Designated Representative previously so nominated and subject to this Section 4.3.3, Licensee shall procure that any Licensee Designated Representative complies with the applicable provisions governing the conduct of the relevant Nektar Agreement Committee set forth in Article 3 of the Nektar Agreement. Licensee Designated Representatives may attend the applicable Nektar Committee Meetings but shall not have the right to convene a meeting without the prior written consent of AstraZeneca.

4.3.4 **Nektar Agreement Governance.** In the event that there are meetings of any Nektar Agreement Committee during the Term, to the extent relating to the Exploitation of a Compound or Licensed Product in the Licensed Territory, the Parties shall communicate with each other to determine whether there are any matters relating to this Agreement or any

Ancillary Agreement specified on the agenda for, or otherwise reasonably likely to arise for discussion at, such meeting ("**Licensed Territory Matters**"). If there are any Licensed Territory Matters, the Parties shall discuss in good faith and use reasonable efforts to determine a mutually agreeable position that is permissible under the Nektar Agreement, such determination to be recorded in writing. AstraZeneca shall not, and shall cause its representatives not to, exercise its final decision-making authority under Section 3.4(b)(ii) of the Nektar Agreement that has the effect of materially increasing the obligations of Licensee or of reducing Licensee's rights under this Agreement or any Ancillary Agreement without the consent of Licensee. In connection with any such final decision, time permitting, AstraZeneca will discuss with Licensee and give good faith consideration of any comments from Licensee. Without limiting the foregoing, with respect to the Licensed Territory, AstraZeneca shall use reasonable efforts to procure that neither the Nektar JSC nor the Nektar JPT make any decision regarding the adoption of any Development Plan or any updates or amendments thereto without the prior written consent of Licensee. Even if Licensee has a Licensee Designated Representative on a Nektar Agreement Committee, in no event shall a Licensee Designated Representative serve as the chair of any Nektar Agreement Committee.

4.4 **Notices.** With respect to Licensed Territory Matters and other matters relating to the Licensed Territory, subject to any required consents under the Existing Partner Agreements as they exist as of the Execution Date, AstraZeneca shall provide to Licensee copies of any agenda, final approved, minutes, notice, formal reports or other documentation in its custody or control, delivered to or from Nektar during the Term (a) to it or any of its employees or other representatives by Nektar or any of its employees or other representatives in connection with the Nektar Agreement, promptly after receipt by AstraZeneca or any of its employees or other representatives of any such documentation or (b) by it or any of its employees or other representatives to Nektar or any of its employees or other representatives in connection with the Nektar Agreement, simultaneously with such delivery or circulation. In the event Licensee reasonably requests from AstraZeneca a copy of any documentation described herein delivered to or from Nektar before the Term, AstraZeneca shall use Commercially Reasonable Efforts to provide such documentation that is in AstraZeneca's possession or reasonably obtainable by AstraZeneca.

4.5 **Prosecution of the Nektar Patents.** To the extent Article 15 of the Nektar Agreement requires Nektar to obtain the consent of AstraZeneca to take a specific act in the Prosecution of the Nektar Patents, AstraZeneca shall [***].

5. DEVELOPMENT ACTIVITIES

5.1 Development Diligence

5.1.1 Subject to Section 5.1.3, to the extent AstraZeneca is required to use such Commercially Reasonable Efforts under the Nektar Agreement, Licensee shall use Commercially Reasonable Efforts at its own cost and expense to Develop, and obtain and maintain Health Registration Approvals for, a Stand-Alone Product containing Naloxegol for use in humans in the Licensed Territory for the prevention or treatment of opioid-induced or opiate-induced constipation, including by completing the Existing Post-Approval Commitments in accordance with Section 5.2 and any New Post-Approval Commitments in accordance with

the timelines and other requirements imposed by or agreed with a Health Authority in the Licensed Territory.

5.1.2 Subject to Section 5.1.3, Licensee shall use Commercially Reasonable Efforts at its own cost and expense to Develop an Opioid Combination Product as necessary to obtain, and to seek to obtain, Health Registration Approvals therefor for use in humans in the Licensed Territory for the prevention or treatment of opioid-induced or opiate-induced constipation, in each case to the extent AstraZeneca is required to use such Commercially Reasonable Efforts under the Nektar Agreement.

5.1.3 AstraZeneca acknowledges and agrees that:

(a) to the extent that failure by (i) Nektar (or, if applicable, its Affiliate) to perform its respective obligations under the Nektar Agreement or any Nektar Ancillary Agreement or (ii) AstraZeneca (or, if applicable, its Affiliate) to perform its respective obligations under this Agreement or any Ancillary Agreement, impedes or prevents Licensee's ability to conduct specific development activities with respect to the applicable Licensed Product, then to such extent, Licensee shall not be deemed in breach of its obligations under this Section 5.1, so long as Licensee otherwise continues to use Commercially Reasonable Efforts to proceed with Development of the applicable Licensed Products to the extent it is able to do so (notwithstanding such failure by Nektar (or its Affiliate) or AstraZeneca, as applicable);

(b) without limitation to clause (a), Licensee shall not be deemed in breach of its obligations under this Section 5.1 to the extent that [***]; and

(c) in no event shall Licensee be liable to AstraZeneca for any breach of Section 5.1.1 or 5.1.2 except to the extent that any such breach directly results in a breach by AstraZeneca of Section 6.4(a) of the Nektar Agreement that is asserted by Nektar and duly notified by AstraZeneca to Licensee, and not remedied by Licensee, in each case in accordance with Section 8.2.

5.2 **Post-Approval Commitments**

5.2.1 **Responsibility**. Subject to the terms of this Agreement and any Ancillary Agreement, as between the Parties:

(a) AstraZeneca shall conduct the Existing Post-Approval Commitments in accordance with the TSA until such activities are transferred to Licensee in accordance with the TSA, after which time Licensee shall be responsible for conducting such Existing Post-Approval Commitments;

(b) Licensee shall be responsible for conducting all New Post-Approval Commitments; and

(c) Licensee shall be responsible for sharing any data with other AstraZeneca (sub)licensee(s) to the extent required by Section 4.3.

As between the Parties, except as set forth in the TSA, Licensee shall conduct and be solely responsible for conducting the Post-Approval Commitments and shall keep AstraZeneca

reasonably informed upon reasonable request by AstraZeneca of all such activities through the Alliance Managers.

5.2.2 **Transition**. The Parties shall cooperate to transition any activities in relation to the Existing Post-Approval Commitments being undertaken by AstraZeneca at the Execution Date to Licensee as specified in the TSA. Unless otherwise agreed by the Parties, such transfer shall include the transfer of sponsorship of such Existing Post-Approval Commitments to Licensee and the assignment to Licensee of certain applicable clinical research organization or other vendor services agreements relating to such Existing Post-Approval Commitments, including the Existing Agreements, in each case, subject to any necessary Third Party consents. For the avoidance of doubt, the Parties acknowledge and agree that AstraZeneca shall, and shall cause AstraZeneca UK Limited to, assign its rights, interests and obligations under that certain Co-Commercialization Agreement between AstraZeneca UK Limited and Daiichi Sankyo, Inc. dated March 18, 2015, as amended on June 24, 2016, November 29, 2016, January 1, 2017, October 1, 2018 and January 1, 2019 (as may be further amended in accordance with Schedule 10 to this Agreement) and the letter agreement between AstraZeneca UK Limited and Daiichi Sankyo Inc. dated March 18, 2015, to Licensee effective as of the Effective Date pursuant to a mutually agreeable assignment and assumption agreement.

5.2.3 **Costs**. Licensee shall be responsible for all costs and expenses relating to the Existing Post-Approval Commitments commencing on and after the Effective Date and all costs and expenses relating to New Post-Approval Commitments (if any).

5.3 **Other Licensee Development**

Licensee shall not conduct any Clinical Study or other Development of Compound or Licensed Product except with the prior consent of AstraZeneca, which shall be withheld only if it requires [***]; *provided* that AstraZeneca shall, at Licensee's expense, [***]. If Licensee proposes to conduct Joint Development Activities (as such term is defined under certain Partner Agreements) with an AstraZeneca Partner, and the relevant Partner and AstraZeneca both agree to such proposal, then the costs of any such Joint Development Activities shall be borne in accordance with the applicable cost-sharing provisions under the applicable Partner Agreement; provided that Licensee shall reimburse AstraZeneca for any costs required to be paid by AstraZeneca in connection with such Joint Development Activities under such Partner Agreement.

5.4 **Standard of Conduct**

Each Party shall perform, or cause to be performed, activities by it or its Affiliates or on its or its Affiliates' behalf, under this Agreement in good scientific manner and in compliance with all Applicable Law.

5.5 **Licensee Development Data**

To the extent required by AstraZeneca to comply with the Partner Agreements, Licensee shall transfer to AstraZeneca in electronic format any Licensee Development Data generated by or on behalf of Licensee or its Affiliates or Sublicensees pursuant to this Agreement. If requested by AstraZeneca, and at AstraZeneca's cost if not required to be disclosed by Licensee under

any safety data exchange or pharmacovigilance agreement, Licensee will provide physical copies of such Licensee Development Data.

5.6 **Obtaining Consents.** To the extent required under the Nektar Agreement, or any Existing Partner Agreement as it exists as of the Execution Date, Licensee shall, and shall ensure that its Affiliates and Sublicensees shall, obtain and maintain all consents from study subjects participating in any Clinical Study conducted in connection with this Agreement and all approvals, licenses and permissions (statutory, regulatory, contractual or otherwise) as necessary to use and transfer Information (including clinical data) and biological samples, including blood, urine and tissue, to AstraZeneca and to its research partners, (sub)licensees and licensors, including Nektar.

5.7 **Licensee Use of AstraZeneca Development Data.** In the event that, (a) at any point within [***] of the Effective Date, it becomes necessary or desirable for Licensee, for the purpose of Commercializing Licensed Products under this Agreement or (b) it, at any time, becomes necessary for Licensee, for purposes of Licensee's obligations under Articles 5 and 6 of this Agreement or any Applicable Law requirement from any Health Authority or other regulatory authority, to have access to any AstraZeneca Development Data in the AstraZeneca Know-How or the Joint Know-How not previously provided by AstraZeneca and it is not contained in the Regulatory Documentation submitted to Health Authorities in the Licensed Territory as of the Transfer Date, Licensee may request access to such Information and, at Licensee's cost, AstraZeneca shall use reasonable efforts, and shall cause its Affiliates to use reasonable efforts, to disclose and make available to Licensee, copies of such AstraZeneca Development Data in a reasonable electronic format. Notwithstanding anything to the contrary in this Section 5.7, AstraZeneca shall not be required to respond to more than one request submitted by Licensee [***] under clause (b) of this Section 5.7.

5.8 **[***] Products**

5.8.1 With respect to the Licensed Territory, no Compound that is not [***], or Combination Product that is not an [***], may be deemed to be [***] Product (as defined in the Nektar Agreement) for purposes of the Nektar Agreement without the prior written consent of Licensee (to be granted or denied at Licensee's sole discretion).

5.8.2 If at any time during the Term, a Compound that is not [***] is deemed to be [***] Product (as defined in the Nektar Agreement) and as such is [***].

5.8.3 If at any time during the Term, a Combination Product that is not an [***] is deemed to be [***] Product (as defined in the Nektar Agreement) and as such is [***].

5.9 **Development Records**

5.9.1 **Licensee Record-Keeping**. Licensee shall maintain, and shall cause its Affiliates and Sublicensees to, maintain, in good scientific manner, complete and accurate books and records of all Development activities in respect of Licensed Products under this Agreement, in such detail as is typically recorded by Licensee or other Person for its own similar products and, in any event, in sufficient detail to allow AstraZeneca to verify compliance with Licensee's obligations under this Agreement. Such books and records shall (a) be appropriate for patent

and regulatory purposes, (b) be in compliance with Applicable Law, (c) properly reflect all work done and results achieved in the performance of its activities hereunder, (d) record only such activities and shall not include or be commingled with records of activities outside the scope of this Agreement and (e) be retained by Licensee, its Affiliates and Sublicensees for at least [***] after the expiration or termination of this Agreement, or for such longer period as may be required by Applicable Law.

5.9.2 **AstraZeneca Record-Keeping**. AstraZeneca shall maintain, or cause to be maintained, in good scientific manner, complete and accurate books and records of all development activities in respect of Licensed Products under this Agreement, any Ancillary Agreement, the Nektar Agreement, any Nektar Ancillary Agreement and any Partner Agreements. Such books and records shall (a) be appropriate for patent and regulatory purposes, (b) be in compliance with Applicable Law, (c) properly reflect all work done and results achieved in the performance of its activities hereunder, (d) record only such activities and shall not include or be commingled with records of activities outside the scope of this Agreement and (e) be retained by AstraZeneca, its Affiliates and Partners for at least [***] after the expiration or termination of this Agreement or such Partner Agreement (whichever is earlier), or for such longer period as may be required by Applicable Law.

5.10 **Development and Related Reports**

5.10.1 **[***] Reports.**

(a) Once per [***] during which Licensee (or its Affiliates or Sublicensees) is conducting any Post-Approval Commitments or other Development activities under this Agreement, Licensee shall provide to AstraZeneca a reasonable summary, which report is not required to be in writing, in reasonable detail, of Licensee's (or its Affiliates' or Sublicensees') Development activities in the previous [***], in sufficient detail to enable AstraZeneca to meet its obligations of regular JPT (as defined under the Nektar Agreement) reporting to Nektar under Section 6.8(a) of the Nektar Agreement in respect of the Development of Licensed Products in the Licensed Territory.

(b) Once per [***] during which AstraZeneca (or any of its Affiliates or Sublicensees or Partners) is conducting any Post-Approval Commitments or other development activities under this Agreement or the Nektar Agreement, AstraZeneca shall provide to Licensee a reasonable summary, which report is not required to be in writing, of AstraZeneca's (or its Affiliates' or Sublicensees' or Partners') development activities in the previous [***].

(c) Each Party acknowledges and agrees that the other Party's obligations under this Section 5.10.1 in a given [***] may be satisfied by the attendance and participation of a Licensee Designated Representative (in the case of Licensee) and, subject to such attendance by a Licensee Designated Representative, a representative of AstraZeneca (in the case of AstraZeneca) in the relevant Nektar JPT meeting in such [***] (if any).

5.10.2 **[***] Reports by Licensee.** Licensee shall provide an [***] written report to AstraZeneca of development activities in respect of the Licensed Products that (a) it (or its Affiliates or

Sublicensees) has performed, or caused to be performed, since the preceding [***] report and (b) are future activities it (or its Affiliates or Sublicensees) wishes to initiate during the following [***] period. Each such report shall contain sufficient detail to enable AstraZeneca to (i) assess compliance with Licensee's diligence obligations set forth in Section 5.1 and (ii) meet its obligations of [***] reporting to Nektar under the Nektar Agreement in respect of the development of Licensed Products in the Licensed Territory.

5.10.3 **Nektar Agreement Reports**. Without limitation to Section 4.4, AstraZeneca shall promptly provide to Licensee a copy of any written report provided by AstraZeneca to Nektar after the Effective Date pursuant to Section 6.8(a) or (b) of the Nektar Agreement, to the extent that such report relates to the Licensed Territory or is reasonably likely to materially affect the Licensed Territory. In the event Licensee requests from AstraZeneca a copy of any written report described herein delivered to Nektar before the Effective Date, AstraZeneca shall use Commercially Reasonable Efforts to provide such written report, if in AstraZeneca's possession or reasonably obtainable by AstraZeneca, to Licensee.

5.10.4 [***].

(a) Licensee shall provide AstraZeneca with [***].

(b) Without limitation to Section 4.3.4, AstraZeneca may not modify the [***] without the prior written consent of Licensee.

5.11 **Development by Nektar.** If Licensee desires Nektar to perform any development activities with respect to the Licensed Products, Licensee shall notify AstraZeneca in writing of the specific activities requested, and the Parties shall discuss in good faith and agree upon a mutually acceptable approach to engaging Nektar regarding the foregoing.

6. COMMERCIALIZATION ACTIVITIES

6.1 Commercialization Diligence

6.1.1 Licensee shall use Commercially Reasonable Efforts to promote, market, sell or otherwise Commercialize the Licensed Products throughout the Licensed Territory for use in the Licensed Territory for the indications for which Health Registration Approval for such Licensed Products has been obtained in the Licensed Territory.

6.1.2 AstraZeneca acknowledges and agrees that, to the extent that failure by (a) Nektar (or, if applicable, its Affiliate) to perform its respective obligations under the Nektar Agreement or any Nektar Ancillary Agreement or (b) AstraZeneca (or, if applicable, its Affiliate) to perform its respective obligations under this Agreement or any Ancillary Agreement, impedes or prevents Licensee's ability to conduct specific Commercialization activities with respect to the applicable Licensed Product, then to such extent Licensee shall not be deemed in breach of its obligations under this Section 6.1, so long as Licensee otherwise continues to use Commercially Reasonable Efforts to proceed with Commercialization of the applicable Licensed Products to the extent it is able to do so (notwithstanding such failure by Nektar (or its Affiliate) or AstraZeneca, as applicable).

6.2 **Booking of Sales; Distribution**

Except as otherwise provided in this Agreement, the Transitional Services Agreement or the Supply Agreement, (a) Licensee shall have the sole right and responsibility to invoice and book sales, establish all terms of sale (including pricing and discounts), and warehouse and distribute the Licensed Products in the Licensed Territory and perform or cause to be performed all related services and (b) subject to Section 7.4, Licensee shall handle all returns, recalls and withdrawals, order processing, invoicing, collection, distribution and inventory management with respect to the Licensed Products in the Licensed Territory. Licensee shall undertake these activities in accordance with Good Distribution Practices and other Applicable Law.

6.3 **Commercialization Costs**.

Subject to the TSA and the Supply Agreement, Licensee shall be responsible for all of its costs and expenses in connection with the Commercialization of the Licensed Products.

6.4 **Commercialization Records**

Without limiting Section 9.7, (a) AstraZeneca shall and (b) Licensee shall, and shall cause its Affiliates, and Sublicensees and its and their Distributors to, maintain complete and accurate books and records pertaining to Commercialization of Licensed Products hereunder, which shall be in compliance with Applicable Law. Such records shall be retained by AstraZeneca, Licensee, its Affiliates, and Sublicensees and its and their Distributors for at least [***] after the expiration or termination of this Agreement or for such longer period as may be required by Applicable Law.

6.5 **Commercialization Updates and Reports**

6.5.1 **[***] Reports.**

(a) Within [***] following the end of each [***], Licensee shall provide to AstraZeneca a summary of Commercialization efforts relating to the Licensed Products in the Licensed Territory for such [***], to the extent such Information is in Licensee's Control and custody. The summary shall generally describe Licensee's level of commercial efforts (such as prescription, sales and promotion data), marketing strategy and plans for future Commercialization efforts, but such summary shall not require Licensee to include information deemed to constitute highly proprietary or competitively sensitive marketing strategy or related information and is not required to be in writing.

(b) Each Party acknowledges and agrees that Licensee's obligations under Section 6.5.1(a) in a given [***] may be satisfied by the attendance and participation of a Licensee Designated Representative in the relevant Nektar JPT meeting in such [***] (if any).

6.5.2 **[***] Commercialization Reports**. Within [***] following the end of each [***], Licensee shall provide to AstraZeneca a written report of the Commercialization activities it (and its Affiliates and Sublicensees, and its and their Distributors) has performed relating to the

Licensed Products in the Licensed Territory, during such [***]. Each such report shall contain (a) a general summary of the commercialization activities planned to be conducted in the next [***] in [***] and (b) a high-level report of its commercialization efforts relating to the Licensed Products in the Licensed Territory.

6.5.3 **Nektar Agreement Reports.** Without limitation to Section 4.4, AstraZeneca shall promptly provide to Licensee a copy of any written report provided by AstraZeneca to Nektar pursuant to Section 6.8(c) of the Nektar Agreement.

6.6 **Commercialization Plan.** Commencing on [***], Licensee shall provide AstraZeneca with an [***] commercialization plan and Licensee shall commercialize the Licensed Products in the Licensed Territory in accordance with the commercialization plan not later than [***] of each [***] during the Term. From time to time, Licensee may propose to AstraZeneca for review any proposed amendments to each [***] commercialization plan. AstraZeneca shall have the right and opportunity to review and comment upon each [***] commercialization plan and all proposed updates or amendments thereto. Licensee shall assist and enable AstraZeneca to keep Nektar reasonably apprised of anticipated commercialization activities, and the commercialization plan shall contain sufficient detail to enable AstraZeneca to meet its obligations of reporting to Nektar under the Nektar Agreement. The Parties acknowledge and agree the Disclosure Materials contain the [***] commercialization plan for the [***] beginning [***].

6.7 **Use of Product Trademarks and Corporate Marks**

6.7.1 **Trademarks.** Subject to Article 11 and Applicable Law, Licensee shall Commercialize the Licensed Products only under the Product Trademarks and shall comply with all requirements of this Agreement with respect to the use of the Product Trademarks. To the extent Licensee uses any AstraZeneca Corporate Marks, Licensee shall comply with all requirements of this Agreement with respect to the use of the AstraZeneca Corporate Marks, including Section 6.7.2 and Article 11.

6.7.2 **AstraZeneca Corporate Marks**. Licensee shall use the AstraZeneca Corporate Marks (a) on Product Labelling solely for the purpose of identifying AstraZeneca as the manufacturer of the Licensed Product where applicable and only to the extent such use is required by the FDA or Applicable Law and (b) in marketing, training and promotional materials used in connection with the marketing and sale of Licensed Products in the Licensed Territory solely in legends indicating that the Product Trademarks are the registered Trademarks of AstraZeneca or its Affiliate (as applicable) (or, if not registered, the Trademarks of AstraZeneca or its Affiliate, as applicable) and that the Licensed Products are licensed from AstraZeneca, if the use of such a legend is requested by AstraZeneca or required by Applicable Law; *provided* that, in each instance, the inclusion of, and all uses of, the AstraZeneca Corporate Marks shall be subject at all times to the approval procedures and other restrictions in Article 11. The Parties acknowledge and agree that nothing in this Agreement, including in particular, this Section 6.7.2 is intended to restrict Licensee, its Affiliates or its Sublicensees from using the AstraZeneca Corporate Marks (x) in a non-trademark sense to describe the factual history of the Licensed Product, (y) as required by Applicable Law or (z) to the extent Licensee would have rights under a “fair use” concept under Applicable Law in the applicable country in the Licensed Territory.

6.7.3 **Nektar Corporate Names.** If requested by AstraZeneca on behalf of Nektar, Licensee shall consult reasonably with AstraZeneca and Nektar if Nektar wishes Licensee to include Nektar's names or Trademarks in connection with the marketing and sale of Licensed Products by Licensee, its Affiliates or Sublicensees (including if applicable, the location and size of such names or Trademark); provided that inclusion of such names or Trademarks shall be subject to Applicable Law, at Licensee's discretion and the location and size of such names or Trademarks shall be subject to agreement among the Parties and Nektar. If any Nektar names or Trademarks are used, Licensee agrees that any such inclusion shall comply with Nektar's reasonable use guidelines and requirements.

6.8 **Marketing, Training and Medical Affairs Materials**

6.8.1 **AstraZeneca Marketing and Training Materials.** Licensee acknowledges that, prior to the Execution Date, AstraZeneca and its Affiliates have prepared marketing, training and promotional materials (including web and social media content), including materials used in Medical Affairs Activities, for use in Commercializing Licensed Products in the United States (the "**AstraZeneca US Marketing and Training Materials**"). AstraZeneca acknowledges and agrees that Licensee may use the AstraZeneca US Marketing and Training Materials for the benefit of Licensee in accordance with the license granted in Section 2.1(e).

6.8.2 **Licensee Marketing and Training Materials**. Following the Effective Date, Licensee shall develop its own marketing, training and promotional materials (including web and social media content), including materials used in Medical Affairs Activities, for the Commercialization of the Licensed Products in the Licensed Territory (collectively, the "**Licensee Marketing and Training Materials**"). The Licensee Marketing and Training Materials and any other marketing, training and promotional materials (including web and social media content) used by Licensee in connection with the Commercialization of the Licensed Products in the Licensed Territory shall be consistent with the Product Labelling in all material respects and shall be of the same quality as the AstraZeneca US Marketing and Training Materials.

6.9 **Quality Standards**

Licensee shall, and shall cause its Affiliates, Sublicensees and other sublicensees to, comply with all Applicable Law with respect to the Exploitation of the Licensed Products. Licensee shall avoid, and shall cause its Affiliates and Sublicensees, and its and their employees, representatives, agents, and contractors to avoid, taking or failing to take any actions that Licensee knows or reasonably should know would jeopardize the goodwill or reputation of AstraZeneca or its Affiliates, licensors or (sub)licensees or the Licensed Products or any AstraZeneca Corporate Marks, any Nektar name or Trademark, any Product Trademark, any Product Domain Name or any other Trademark associated therewith. Without limitation to the foregoing, for the AstraZeneca Corporate Marks, the Product Trademarks and the Nektar name or Trademarks, Licensee shall in all material respects adhere to all guidelines and requirements as AstraZeneca may reasonably set and furnish to Licensee in writing within [***] of the Effective Date, including any modifications made by AstraZeneca and notified to Licensee in writing, which modifications may be made either (a) in connection with and as a result of modifications to AstraZeneca's overall company branding or (b) as otherwise

required by Applicable Law, and Licensee shall conform its practices and procedures relating to the Commercialization of the Licensed Products and educating the medical community in the Licensed Territory with respect to the Licensed Products to any applicable industry association regulations, policies and guidelines, as the same may be amended from time to time, to such quality standards as the Parties may mutually agree with respect thereto, and to all Applicable Law (collectively, together with the standards and approval procedures set forth in Article 11 and the restrictions set forth in Section 6.7, collectively the "**Quality Standards**").

6.10 **Supply of Products**

6.10.1 **Responsibility for Manufacture.** Subject to the terms of the Supply Agreement, Licensee shall have the sole responsibility for Manufacturing Licensed Products for Licensee's (and its Affiliates', Sublicensees' and Distributors', if applicable) Development and Commercialization activities under this Agreement.

6.10.2 **Returns**. Following the Effective Date, subject to the TSA, Licensee shall be solely responsible for processing and handling all returns of Licensed Products sold after the Effective Date in the Licensed Territory.

6.10.3 **Quality Agreement**. On or promptly after the Effective Date, and no later than [***], the Parties (or their designated Affiliates) will enter into a quality agreement (the "**Quality Agreement**") related thereto, in accordance with AstraZeneca's standard form.

6.10.4 **Current Inventory**. The Current Inventory shall be either used in manufacturing activities during the SOTC Period (as defined in the TSA) or pursuant to the Supply Agreement or transferred by AstraZeneca to Licensee or its designated Affiliate, in either case, on the terms and conditions set forth in the Supply Agreement. "**Current Inventory**" means all quantities of packaged, serialized and labeled Current Product owned by AstraZeneca as of a given time.

7. **REGULATORY MATTERS**

7.1 **Health Registration Approvals**

7.1.1 **Existing Approval**. Effective as of the date specified in the TSA, AstraZeneca or its Affiliate shall assign and transfer the Existing Approvals and the Existing Applications to Licensee or its Affiliate (the "**Transfer Date**").

7.1.2 **Responsibility**. Subject to the Retained Rights and except as otherwise set forth in Section 2.6.2, this Article 7, or the Transitional Services Agreement, (a) Licensee shall have the sole responsibility for obtaining and maintaining the Existing Approvals and the Existing Applications and for other submissions, and for conducting communications with the Health Authorities for Licensed Products, in each case in the Licensed Territory in its name and (b) AstraZeneca shall have the sole responsibility for obtaining and maintaining any Health Registration Approvals or applications for Health Registration Approvals and for other submissions, and for conducting communications with the Health Authorities, in each case in the AstraZeneca Territory in its name. Each Party shall keep the other Party reasonably informed about such activities through the [***] Development reports provided pursuant to Section 5.10.

7.1.3 **Transfer of Regulatory Documentation**. Within the time period set forth in the Transitional Services Agreement, AstraZeneca shall provide Licensee with an electronic copy of the AstraZeneca Regulatory Documentation existing as of the Execution Date. For the avoidance of doubt, all Information contained in the AstraZeneca Regulatory Documentation constitutes AstraZeneca Know-How and AstraZeneca's Confidential Information and shall remain as such notwithstanding the transfer of the Existing Approvals to Licensee.

7.2 **Changes to Livery and Labelling**

Licensee shall file any necessary variations to such transferred Existing Approvals and Existing Applications to replace the AstraZeneca livery on Product Labelling of the Licensed Products with the livery of Licensee; provided that Licensee shall continue to use AstraZeneca Corporate Marks as required pursuant to Section 6.7.2.

7.3 **Communications and Filings with Health Authorities**

7.3.1 **Generally.** Licensee shall keep AstraZeneca reasonably informed of submissions for Health Registration Approvals in the Licensed Territory and the status and progress of such submissions.

7.3.2 **Meetings with FDA.** Beginning on the Transfer Date through the end of the Term, to the extent practicable, Licensee shall provide [***] with prior written or email notice of all meetings, conferences and discussions that are scheduled with the FDA regarding any Licensed Product [***] after Licensee or its Affiliate first receives notice of the scheduling of such meeting, conference or discussion (or within such shorter period as may be practicable and necessary in order to give AstraZeneca and Nektar a [***] to attend such meetings, conferences and discussions). For clarity, after the Transfer Date, Licensee shall not have any obligation to give Nektar or AstraZeneca the opportunity to attend meetings, conferences and discussions with the FDA that are [***], but shall use reasonable efforts to give Nektar and AstraZeneca notice as soon as practicable (whether prior to or after such meetings, conferences or discussions) of such meetings, conferences and discussions, if material. Subject to the confidentiality provisions set forth in this Agreement in Article 12, and to the extent permitted by the FDA and Applicable Laws, after the Transfer Date, Nektar and AstraZeneca shall each be entitled to have [***]. The number of representatives and the identities of such representatives to be present at any such meeting, conference or discussion shall be determined by Licensee in its good faith judgment, based solely upon considerations relating to conducting an effective interaction with the FDA. After the Transfer Date, Licensee shall not be required to account for the schedules of the Nektar or AstraZeneca representatives in scheduling such meetings, conferences or discussions except to the extent that Licensee is requiring the attendance of certain Nektar or AstraZeneca representatives, in which case Licensee shall conduct such scheduling reasonably and in good faith. AstraZeneca acknowledges that Licensee shall be the lead party and ultimately responsible for the direction of any and all regulatory interactions in the Licensed Territory except for the period prior to the Transfer Date. Licensee shall promptly forward to AstraZeneca and Nektar copies of all meeting minutes and summaries of all such meetings, conferences and discussions with any Health Authority.

7.3.3 **Copies of FDA Materials**. Except as otherwise provided in this Agreement, Licensee shall promptly provide AstraZeneca with copies of all written or electronic communications (other than communications that are purely administrative in nature) forwarded or submitted by it or its Affiliates to the FDA with respect to any Licensed Product (provided that Licensee may redact any portions relating to aspects of any Combination Product that are proprietary to Licensee, its Affiliates or any Third Party, including any proprietary compounds or any other proprietary technology of Licensee, its Affiliates or any Third Party). Such communications shall be provided by Licensee to AstraZeneca as promptly as practicable and in any event within [***] of such forwarding or submission. Licensee shall promptly provide AstraZeneca with copies of all written or electronic communications received by it or its Affiliates from the FDA (other than communications that are purely administrative in nature) with respect to any Licensed Product in the same form provided to Licensee or its Affiliate (provided that Licensee may redact any portions relating to aspects of any Combination Product that are proprietary to Licensee, its Affiliates or any Third Party including any proprietary compounds or any other proprietary technology of Licensee, its Affiliates or any Third Party). Such communications shall be provided by Licensee to AstraZeneca as promptly as practicable and in any event within [***] of such receipt from the FDA.

7.4 **Recalls, Suspensions or Withdrawals**

7.4.1 **Notifications**. Each Party shall notify the other Party promptly (but in no event later than [***]) following its determination that any event, incident or circumstance has occurred that may result in the need for a recall, market suspension or market withdrawal of a Licensed Product in the Licensed Territory (in the case of a notification by Licensee) or the AstraZeneca Territory (in the case of a notification by AstraZeneca) and shall include in such notice the reasoning behind such determination and any supporting facts. In the case of any such notification by AstraZeneca, such notification must be sent by email to the Licensee at the following email addresses: [***].

7.4.2 **Recall Decisions.** As between the Parties (a) prior to the Transfer Date, AstraZeneca shall have the right to make the final determination whether to voluntarily implement any recall, market suspension or market withdrawal in the Licensed Territory; provided that prior to any implementation of such a recall, market suspension or market withdrawal, AstraZeneca shall consult with Licensee and shall consider Licensee's comments in good faith; and (b) subject to the Transitional Services Agreement, after the Transfer Date, Licensee shall have the right to make the final determination whether to voluntarily implement any such recall, market suspension or market withdrawal in the Licensed Territory; provided that prior to any implementation of such a recall, market suspension or market withdrawal, Licensee shall consult with AstraZeneca and shall consider AstraZeneca's comments in good faith; provided further, that if such recall, market suspension or market withdrawal in the Licensed Territory may be related to Manufacturing of the applicable Licensed Product supplied by AstraZeneca pursuant to the Supply Agreement, then the final determination and conduct of such recall, market suspension or market withdrawal shall be governed by the terms of the Supply Agreement.

7.4.3 **Responsibility**. If a recall, market suspension or market withdrawal is mandated by a Health Authority, as between the Parties (a) if such recall, market suspension or market withdrawal is initiated after the Transfer Date, Licensee shall initiate such a recall, market suspension or

market withdrawal in compliance with Applicable Law, and (b) if such recall, market suspension or market withdrawal is initiated prior to the Transfer Date, AstraZeneca shall initiate such a recall, market suspension or market withdrawal in compliance with Applicable Law. For all recalls, market suspensions or market withdrawals undertaken (i) after the Transfer Date pursuant to this Section 7.4, as between the Parties, subject to the Transitional Services Agreement and the Supply Agreement, Licensee shall be solely responsible for the execution thereof, including communications with the applicable Health Authority, and (ii) prior to the Transfer Date, as between the Parties, AstraZeneca shall be solely responsible for the execution thereof, including communications with the applicable Health Authority; *provided* that, in each case, the Parties shall consult with each other in good faith with respect to the execution thereof.

7.4.4 **Costs**. Subject to Article 16 and the Supply Agreement, as between the Parties (a) Licensee shall be responsible for the reasonable costs of any such recall, market suspension or market withdrawal in the Licensed Territory; *provided* that AstraZeneca shall reimburse Licensee for all costs of such recall, market suspension or market withdrawal in relation to any Licensed Product sold by AstraZeneca or its Affiliates in the Licensed Territory on or before the Effective Date and (b) AstraZeneca shall be responsible for all costs of any recall, market suspension or market withdrawal in the AstraZeneca Territory.

7.4.5 **Dispute Resolution.** Any disputes regarding the interpretation or an alleged breach of this Section 7.4 shall be resolved pursuant to expedited arbitration pursuant to Section 18.5.3.

7.5 **Pharmacovigilance**

No later than [***] after the Effective Date, the Parties shall enter into a transitional pharmacovigilance agreement governing the Parties' respective responsibilities with respect to Adverse Events, complaints and other safety-related matters related to Licensed Products (the "**Pharmacovigilance Agreement**") as required by, and to enable the Parties to comply with, Applicable Law, as soon as reasonably possible, and in any event no later than [***] after the Effective Date. Notwithstanding this, and in accordance with timeframes set forth in the Transitional Services Agreement, each Party agrees that:

7.5.1 With respect to the local and global safety database, and responsibility for core safety information/core data sheet and local safety information/local packet insert:

(a) AstraZeneca shall transfer a copy of the local safety database for Licensed Products in the Licensed Territory and the global safety database for Licensed Products worldwide, and its responsibility for maintaining the local safety database for the Licensed Territory and global safety database worldwide, to Licensee following the Effective Date, on the timeline set forth in the TSA; and

(b) At the time set forth in TSA, following the Effective Date, Licensee shall (i) lead global pharmacovigilance with respect to the Licensed Products and shall assume responsibility [***] for the Licensed Products. Following transfer of the global safety database, and in accordance with Section 4.3, Licensee shall provide AstraZeneca and any of its designees (including (sub)licensees) with access to the global safety database such that AstraZeneca and its designees (including (sub)licensees) have all information reasonably necessary for AstraZeneca or such

designee (including a (sub)licensee) to make regulatory filings and take such other actions in the AstraZeneca Territory.

7.5.2 At the time set forth in TSA, following the Effective Date, Licensee shall lead local pharmacovigilance with respect to the Licensed Product in the Licensed Territory and shall assume responsibility [***] for the Licensed Product in the Licensed Territory. From the Effective Date and pending the Parties entering into a transitional Pharmacovigilance Agreement:

(a) Licensee shall notify AstraZeneca of any Adverse Events or special situations (including reports of exposure during pregnancy or breastfeeding; overdose, abuse and misuse; off-label use, medication errors; lack of therapeutic effect; occupational exposure; unexpected therapeutic or clinical benefit; and infectious agents) associated with the Licensed Products in the Licensed Territory within [***] after the first receipt of such information;

(b) such notice shall be provided by email to [***], unless another method of notice is agreed in writing by Licensee and AstraZeneca, in the form of the original source document (unprocessed);

(c) if a case is received during a period of [***], the case shall be forwarded on [***];

(d) in the event the Parties are aware that a case may be received during a period of [***], the Parties must put in place procedures to ensure that they continue to forward notifications of all Adverse Events in accordance with the provisions of this Agreement in order to ensure the safety of patients;

(e) the Parties shall cooperate to investigate and follow up any reports of Adverse Events or other safety-relevant information associated with the Licensed Products. The Parties must put in place procedure(s) to perform reconciliation as deemed necessary; and

(f) to use reasonable endeavors to remove from any of the information exchanged in accordance with Sections 7.5.2(a)-(e) above, any Personal Data that is not legally required to be recorded for drug safety purposes.

7.5.3 AstraZeneca shall assign, and Licensee shall accept assignment of, those certain pharmacovigilance agreements relating to the Licensed Products directly with Nektar and each of AstraZeneca's (sub)licensee(s) that has been or is granted rights to any Product outside the Licensed Territory (currently Kyowa Kirin Services Ltd and Knight Therapeutics Inc.), including in each case assuming the existing pharmacovigilance obligations of AstraZeneca to Nektar or such (sub)licensee(s), including holding and maintaining the global safety database for Licensed Products (each such agreement, a "**Partner Pharmacovigilance Agreement**") on the timelines set forth the TSA. In addition, if requested by AstraZeneca with respect to the period prior to assignment of the applicable pharmacovigilance agreement, as soon as possible and in any event within [***] of such request, and pending assignment of the applicable Partner Pharmacovigilance Agreement, upon the request of AstraZeneca, Licensee shall use Commercially Reasonable Efforts to enter into a pharmacovigilance side letter with Nektar or such (sub)licensee(s) within [***] of receiving such request. Notwithstanding the foregoing, if Licensee reasonably believes any Partner

Pharmacovigilance Agreement is not consistent with industry standards, then Licensee may notify AstraZeneca no later than [***] after the Effective Date that it is declining the assignment of such Partner Pharmacovigilance Agreement, in which case such assignment shall not be made, provided that Licensee is actively negotiating a substitute Partner Pharmacovigilance Agreement with the applicable counterparty and enters into such substitute agreement as promptly as practicable. The contents of any such substitute agreement under this Section 7.5.3 shall include the parties' respective responsibilities with respect to the exchange of safety information and the performance of pharmacovigilance activities for each Licensed Product covered by such agreement, including the notification of Adverse Events or special situations associated with the Licensed Products in the parties' respective licensed territories. On no less than a [***] basis, or unless otherwise agreed in writing, Licensee shall provide evidence satisfactory to AstraZeneca, such as a reconciliation report, demonstrating that Licensee has complied with the terms of the Partner Pharmacovigilance Agreements (or such substitute agreements). Notwithstanding anything else in this Section 7.5.3, Licensee shall not be required to pay any amount or provide consideration or otherwise take on additional obligations outside the terms of any Partner Pharmacovigilance Agreement in connection with the assignment of the Partner Pharmacovigilance Agreements.

7.6 **Complaints**

Without limitation of Section 7.4 or 7.5, each Party shall maintain a record of any and all complaints it receives with respect to the Licensed Products and shall notify the other Party in reasonable detail of any complaint received by it within [***] after receipt of such complaint by the first-mentioned Party. If Licensed Product is being Manufactured by AstraZeneca or on its behalf for supply to Licensee hereunder, Licensee shall maintain a record of any and all complaints it or its Affiliates receives with respect to Licensed Products, and shall notify AstraZeneca in reasonable detail of any complaint received by it or its Affiliates promptly or, following execution of the Supply Agreement, within the time lines set forth therein.

7.7 **Standard Response Letters**

AstraZeneca shall provide to Licensee a copy of a standard response letter that Licensee may use in connection with the Licensed Product.

8. **NEKTAR AGREEMENT**

8.1 **Maintenance of Nektar Agreement and Nektar Ancillary Agreements**

8.1.1 **Maintenance.** AstraZeneca shall not amend, modify, terminate, take any action that would be reasonably likely to cause the termination of or fail to take any action required under the Nektar Agreement or any Nektar Ancillary Agreement to the extent such amendment, modification, termination, action or omission would affect in a material respect the rights sublicensed to Licensee under this Agreement, without Licensee's prior written consent, which consent shall [***]. AstraZeneca shall promptly notify Licensee if Nektar alleges in

writing that AstraZeneca has materially breached the Nektar Agreement or any Nektar Ancillary Agreement.

8.1.2 **Dispute Resolution.** Any disputes regarding the interpretation or an alleged breach of this Section 8.1 shall be resolved pursuant to expedited arbitration pursuant to Section 18.5.3.

8.2 **Action Under the Nektar Agreement**

8.2.1 **Notice of Default.** AstraZeneca shall, and shall procure that its Affiliates shall, promptly (and in the case of a Nektar Agreement Termination Notice, no later than [***] after receipt thereof) deliver to Licensee written notice of any actual or alleged breach or default (whether by AstraZeneca or Nektar), Dispute (as defined under the Nektar Agreement) or other dispute, and any Termination Notice (as defined under the Nektar Agreement) or other notice of termination (whether delivered by or on behalf of AstraZeneca or Nektar), under or pursuant to the Nektar Agreement or any Nektar Ancillary Agreement, promptly upon AstraZeneca or any of its Affiliates receiving or delivering any such notice or otherwise becoming aware of any such matter (such notice, a "**Nektar Agreement Notification**").

8.2.2 **Resolution of Defaults**. The Executive Representatives shall meet within [***] after delivery of any Nektar Agreement Notification to discuss such Nektar Agreement Notification. If requested by a Party, the other Party shall participate in meetings with Nektar to seek to resolve the issues relating to the Nektar Agreement Notification. Subject to Sections 8.2.3 and 16.1, if Nektar and AstraZeneca do not reach agreement and the matter which is the subject of the Nektar Agreement Notification is referred to arbitration in accordance with Article 19 of the Nektar Agreement, each Party shall provide the other Party with such assistance (at the requesting Party's expense) as such other Party reasonably requests in connection with such arbitration; *provided* that in the case of any such arbitration that does not relate to a Territory Breach, Licensee shall be entitled to participate in, but not control, such arbitration and to retain counsel of its choice for such purpose at its expense, subject to any valid objection from any counterparty to any Existing Partner Agreement.

8.2.3 **Territory Breaches.** If a Nektar Agreement Notification relates to an actual or alleged breach of or default under the Nektar Agreement or any Nektar Ancillary Agreement by Nektar relating to this Agreement or the Exploitation of Licensed Products in the Licensed Territory (a "**Territory Breach**"), as between the Parties, Licensee shall have the right, but not the obligation, to take such action as Licensee, after consultation with AstraZeneca, deems necessary with respect to such Territory Breach, including directing the exercise by AstraZeneca or any of its Affiliates of any rights and remedies given to any of them pursuant to the Nektar Agreement or the relevant Nektar Ancillary Agreement in respect of the Territory Breach; *provided* that, whether or not Licensee elects to take any such action, AstraZeneca shall not waive any such Territory Breach or settle, compromise or discharge any dispute, claim, arbitration or proceedings in respect of, arising out of or involving such Territory Breach without Licensee's prior written consent. Except as otherwise agreed by the Parties, any recovery realized as a result of any action taken by Licensee with respect to a Territory Breach pursuant to this Section 8.2.3 shall be allocated (a) first, to reimburse the Parties for their costs and expenses in making such recovery (which amounts shall be allocated pro rata if insufficient to cover the totality of such expenses), and (b) after such reimbursement is made shall be paid to and retained by Licensee.

8.2.4 **Cure Obligations.** If with respect to a Nektar Agreement Notification pursuant to Section 18.5(b) of the Nektar Agreement relating to this Agreement or the Development, Manufacture or Commercialization of Licensed Products in the Licensed Territory (a "**Licensee Matter**"), the arbitrators in any arbitration pursuant to the Nektar Agreement determine that AstraZeneca is in material breach of Section 6.3 or Section 6.4 of the Nektar Agreement, and such breach arises in whole or in part from a breach of Licensee's obligations under Section 5.1 or 6.1 of this Agreement, then Licensee shall promptly perform all such steps necessary to cure Licensee's breach of this Agreement at Licensee's cost and expense; *provided* that to the extent the arbitrators in any arbitration pursuant to the Nektar Agreement determine that there has been a material breach of Section 6.3 or Section 6.4 of the Nektar Agreement, to the extent such material breach is due in part to action or inaction by AstraZeneca, AstraZeneca shall promptly perform, at AstraZeneca's cost and expense, any additional tasks identified by such arbitrators as tasks to be performed by AstraZeneca to cure the material breach. With respect to any Nektar Agreement Notification that does not relate to a Licensee Matter, if the arbitrators in any arbitration pursuant to the Nektar Agreement determine that AstraZeneca is in material breach of the Nektar Agreement, AstraZeneca shall use commercially reasonable efforts to cure the breach that is the subject of the Nektar Agreement Notification by promptly performing all such steps necessary to cure the breach at AstraZeneca's cost and expense.

8.2.5 **Cure Rights.** In the case in which AstraZeneca does not anticipate being able to cure a material breach relating to the Licensed Territory, AstraZeneca shall notify Licensee promptly. Licensee and [***] shall then have the right, but not the obligation, to pay all sums due under the Nektar Agreement or any Nektar Ancillary Agreement and to perform any other act or duty within the Licensed Territory required of AstraZeneca or any of its Affiliates, Sublicensees, Distributors (each as defined under the Nektar Agreement) or other subcontractors or delegates thereunder or necessary and proper to prevent the termination of the Nektar Agreement or any Nektar Ancillary Agreement in the Licensed Territory. In the event (a) Licensee or any of [***] so elects to make such payment or perform such duties and (b) the underlying material breach was not caused by Licensee's failure to fulfil its obligations under this Agreement, none of Licensee or [***], nor any of their respective Affiliates, Sublicensees, Distributors (each as defined under the Nektar Agreement) or other subcontractors or delegates, shall have any liability to AstraZeneca or any of its Affiliates, Sublicensees, Distributors or other subcontractors or delegates for the payment or performance of the obligations of any such Person under the Nektar Agreement or any Nektar Ancillary Agreement.

8.2.6 **Dispute Resolution.** Any disputes regarding the interpretation or an alleged breach of this Section 8.2 shall be resolved pursuant to expedited arbitration pursuant to Section 18.5.3.

8.2.7 **No Substitution.** The Parties acknowledge and agree that all rights, powers and remedies provided to the Parties in this Section 8.2 are in addition to and not in substitution for any and all other rights, powers and remedies now or hereafter existing at law or in equity against the other Party or any of their respective Affiliates, Sublicensees, Distributors (each as defined under the Nektar Agreement) or contractors in connection with their breach of or default under this Agreement, any of the Ancillary Agreements, the Nektar Agreement, or any Existing Agreement.

8.2.8 **Nektar Change of Control.** Notwithstanding anything else in this Agreement, upon any Change of Corporate Control (as defined in the Nektar Agreement) that results in the termination of any of Nektar's rights to receive reports and information under the Nektar Agreement, then any corresponding rights of AstraZeneca hereunder (including reports and information required to be delivered pursuant to Section 5.10, 6.5 or 7.3) shall terminate (unless AstraZeneca is required under any Existing Partner Agreement to provide such reports and information in whole or in part to any Partner, in which case such rights shall not terminate with respect to any reports or information that are required by AstraZeneca solely for the purpose of complying with such Existing Partner Agreement(s)), and Licensee shall have the sole right to make all decisions previously in the jurisdiction of any disbanded Nektar Agreement Committee with respect to the Exploitation of the Licensed Products in the Licensed Territory.

9. PAYMENTS AND RECORDS

9.1 Upfront Payment

In consideration of the rights granted by AstraZeneca to Licensee hereunder and subject to Section 17.2, Licensee shall pay AstraZeneca (a) within the later of (i) [***] of the Approval Date and (ii) [***] after the Execution Date, a non-refundable and non-creditable upfront amount equal to Fifty-two million five hundred thousand Dollars (US$52,500,000) and (b) not later than eighteen (18) months after the Effective Date, a non-refundable and non-creditable upfront amount equal to Fifteen Million Dollars (US$15,000,000). In the event that Licensee believes that the conditions set forth in Section 17.2 shall not have been met by the payment date in clause (a) above, then Licensee shall notify AstraZeneca as promptly as possible and in no event later than such payment date. The Parties acknowledge and agree that, for clarity, the payments made under this Section 9.1 do not constitute royalties due under the Nektar Agreement.

9.2 Payments Under the Nektar Agreement

Unless otherwise agreed by AstraZeneca and Licensee, as between AstraZeneca and Licensee, AstraZeneca shall, subject to Sections 9.3 and 9.5 and the remainder of this Section 9.2, be responsible for any and all payments and reports under the Nektar Agreement arising from or relating to the Exploitation of Licensed Products in the Licensed Territory after the Effective Date and Licensee shall provide to AstraZeneca any amounts due to Nektar relating to the Exploitation after the Effective Date of Licensed Products in the Licensed Territory (and provide any associated report) not less than [***] prior to the due date for payment by AstraZeneca under the Nektar Agreement and otherwise in accordance with the Nektar Agreement; *provided* that AstraZeneca shall promptly forward any such payments to Nektar on or before the due date for payment under the Nektar Agreement and otherwise in accordance with the Nektar Agreement. Notwithstanding the foregoing, if Licensee has provided written notice to AstraZeneca and AstraZeneca has obtained Nektar's consent that it desires to pay such amounts directly to Nektar on or before the due date for payment under the Nektar Agreement and otherwise in accordance with the Nektar Agreement, Licensee shall be solely responsible for paying such amounts for so long as such amounts are due following receipt of such consent.

(a) For royalties due on Net Sales [***], Licensee shall be responsible for determining the applicable royalty rate and royalty amounts due under Section 7.2 of the Nektar Agreement in respect of the [***]; provided, that, for the [***] in which the Effective Date falls until the SOTC Period ends, AstraZeneca shall provide sufficient information regarding sales made by AstraZeneca prior to the Effective Date and during the Term (together with reasonable supporting detail) in accordance with the Nektar Agreement.

(b) For royalties due on Net Sales in [***], AstraZeneca shall notify Licensee if the applicable royalty tier has increased above the [***] set forth in Section 7.2(a) of the Nektar Agreement for the applicable product.

(c) In the case in which a sales-related payment under Sections 7.1(a)(v) through (ix) or 7.1(b)(v) through (ix) of the Nektar Agreement comes due, the amount payable by Licensee pursuant to this Section 9.2 shall be calculated in good faith by AstraZeneca and notified in writing to Licensee (together with reasonable supporting detail) in accordance with the Nektar Agreement.

(d) With regard to [***].

(e) The Parties shall confer regarding the amounts to be paid to Nektar relating to the Licensed Territory, regardless of which Party is the paying, and in the event that the Parties disagree regarding the amount owed to Nektar, the Parties shall cooperate in good faith to resolve the disagreement as promptly as practicable with the goal of resolving the matter prior to the date on which payment to Nektar is due.

9.3 **Royalty Stacking**

If, during the Term, Licensee enters into an agreement with a Third Party under which it obtains a license under a patent right of a Third Party in a particular country in the Licensed Territory that [***], then, upon entry into any such agreement and thereafter during the remainder of the period during which Licensee owes royalties to such Third Party under such agreement and to AstraZeneca under this Agreement based upon sales of any [***] Product containing [***] or [***] Product in the country, the amounts payable under Section 9.2 hereof based on sales of any [***] Product or [***] Product in the country shall be [***].

9.4 **Mode of Payment; Offsets**

9.4.1 **Payment Transfer**. All payments under this Agreement shall be made by deposit of Dollars in the requisite amount to the bank account of the receiving Party specified in Schedule 7 or such other account as the receiving Party may from time to time designate by notice to the other.

9.4.2 **Set Off**. Each Party shall have the right to offset, set off or deduct any amounts from or against the amounts due to the other Party hereunder or under any Ancillary Agreement. The payment obligations under this Agreement and each of the Ancillary Agreements remain independent obligations of each Party, irrespective of any amounts owed to the other Party under this Agreement or the respective Ancillary Agreements.

9.5 **Taxes**

9.5.1 **General**. The upfront payment and other amounts payable by Licensee to AstraZeneca pursuant to this Agreement (each, a "**Payment**") shall be paid free and clear of any and all Taxes (which, for clarity, shall be the responsibility of [***]), except for any withholding Taxes required by Applicable Law. Except as provided in this Section 9.5, AstraZeneca shall be solely responsible for paying any and all Taxes (other than withholding Taxes required by Applicable Law to be deducted from Payments and remitted by Licensee) levied on account of, or measured in whole or in part by reference to, any Payment it receives. Licensee shall deduct or withhold from any Payment any Taxes that it is required by Applicable Law to deduct or withhold. Notwithstanding the foregoing, if AstraZeneca is entitled under any applicable Tax treaty to a reduction of rate of, or the elimination of, applicable withholding Tax, it may deliver to Licensee or the appropriate governmental authority (with the assistance of Licensee to the extent that this is reasonably required and is requested in writing) the prescribed forms necessary to reduce the applicable rate of withholding or to relieve Licensee of its obligation to withhold such Tax and Licensee shall apply the reduced rate of withholding or dispense with withholding, as the case may be; provided that Licensee has received evidence of AstraZeneca's delivery of all applicable forms (and, if necessary, its receipt of appropriate governmental authorization) at least [***] prior to the time that the Payments are due (or in the case of the upfront payment in Section 9.1, prior to the Effective Date). If, in accordance with the foregoing, Licensee withholds any amount, it shall pay to AstraZeneca the balance when due, make timely payment to the proper Taxing authority of the withheld amount and send to AstraZeneca proof of such payment within [***] following such payment. Notwithstanding the foregoing, if Licensee is required by Applicable Law to withhold any additional Taxes from or in respect of any amount payable under this Agreement as a result of the assignment by Licensee of its rights or obligations (including to Affiliates) under this Agreement or any Tax residence of Licensee or any of its Affiliates, Licensee shall increase the sum it pays to AstraZeneca by the amount necessary to leave AstraZeneca with an amount equal to the sum it would have received if no deduction or withholding had been made; *provided*, however, that Licensee will have no obligation to pay any additional amount to the extent that the withholding Tax would not have been imposed but for (a) the failure by AstraZeneca to take advantage of an otherwise available exemption from or reduction in the rate of withholding Tax under any applicable income Tax convention between Sweden and any applicable jurisdiction or (b) the assignment by AstraZeneca of its rights or obligations (including to Affiliates) under this Agreement or any change of Tax residence of AstraZeneca or any of its Affiliates outside of Sweden.

9.5.2 **VAT.** Notwithstanding anything contained in Section 9.5.1, this Section 9.5.2 shall apply with respect to VAT. All Payments are exclusive of VAT, if applicable. If any VAT is chargeable in respect of any Payments, Licensee shall pay the VAT at the applicable rate in respect of any such Payments following the receipt of an invoice in the appropriate form issued by AstraZeneca in respect of those Payments, such VAT to be payable on the later of the due date of the payment of the Payments to which such VAT relates and [***] after the receipt by Licensee of the applicable invoice relating to that VAT payment.

9.5.3 **Anti-Tax Evasion.**

(a) In this Section 9.5.3:

(i) references to 'committing Tax evasion' shall include:

(1) fraudulently or dishonestly failing to pay any amount of Tax to the relevant Tax authority within any applicable time limit for the payment of such Tax without incurring interest and/or penalties; and

(2) fraudulently or dishonestly claiming any relief, allowance, credit, deduction, exemption or set off in respect of any Tax (or relevant to the computation of any income, profits or gains for the purposes of any Tax), or any right to or actual repayment of or saving of Tax.

(b) Licensee represents, warrants and undertakes that:

(i) neither it nor its Affiliates shall commit Tax evasion;

(ii) neither it nor its Affiliates shall undertake any activities which would facilitate or otherwise result in another person committing Tax evasion; and

(iii) it and its Affiliates shall maintain reasonable procedures designed to prevent any employees, agents or other persons who perform services for them or on their behalf from undertaking any activities which would facilitate or otherwise result in another person committing Tax evasion.

(c) Licensee shall promptly report any apparent breach of clause (b) to AstraZeneca.

(d) Licensee shall:

(i) answer, in reasonable detail, any written or oral inquiry from AstraZeneca related to the Licensee's compliance with this Section 9.5.3;

(ii) facilitate the interview of staff employed by the Licensee (or any agent of the Licensee) at any reasonable time specified by AstraZeneca related to the Licensee's compliance with this Section 9.5.3; and

(iii) co-operate with AstraZeneca and/or any regulator or public authorities in relation to any investigation relating to the matters referred to in this clause.

(e) Breach of this Section 9.5.3 shall be deemed a material breach under Section 17.3.1, and for that purpose a breach of clause (b) or (c) shall be regarded as incapable of remedy.

9.6 **Interest on Late Payments**

If any payment due to either Party under this Agreement is not paid when due, then such paying Party shall pay interest thereon (before and after any judgment) at [***] of [***], such interest to run from the date on which payment of such sum became due until payment thereof in full together with such interest.

9.7 **Financial Records**

Each Party shall, and shall cause its respective Affiliates and Sublicensees and Partners to, keep complete and accurate financial books and records containing sufficient detail to calculate and verify all amounts payable hereunder and, if applicable, pursuant to the Nektar Agreement. Each Party shall, and shall cause its respective Affiliates and Sublicensees and Partners to, retain such books and records until the latest of (a) [***] of the Calendar Year in which a Licensed Product is sold or a payment obligation of Licensee accrues, (b) the expiration of the applicable Tax statute of limitations (or any extensions thereof) and (c) for such period as may be required by Applicable Law or the Nektar Agreement.

10. **INSPECTION; AUDIT**

10.1 **Inspection.** No more than [***], each Party or its respective designee shall have the right during normal business hours and upon reasonable notice, itself or through a designee, to have no more than [***] of its representatives inspect and copy the books and records maintained by the other Party (or its respective Affiliates, Sublicensees or Partners) pursuant to:

(a) Section 5.9; and

(b) Section 6.5;

provided that the inspecting Party, or such designee, shall maintain such records and information disclosed therein in confidence in accordance with Article 12, such inspecting Party, or such designee, shall comply with the visitor policies of the inspected Party, and such inspection shall not last more than [***]. Notwithstanding the foregoing, if the initial inspection reveals errors, omissions, inconsistencies or similar issues in the inspected books and records that the inspecting Party or its designee reasonably believes have caused, would be reasonably likely to cause or lead to a breach of this Agreement, any of the Ancillary Agreements or the Nektar Agreement, then such inspection may extend beyond [***] as reasonably needed.

10.2 **Financial Audit.**

At the written request of a Party (the "**Auditing Party**"), the other Party shall, and shall cause its Affiliates, Sublicensees and Partners to, permit a qualified accountant or person possessing similar professional status and in each case associated with an independent accounting firm of nationally recognized standing designated by the Auditing Party and reasonably acceptable to the other Party, at reasonable times and upon reasonable notice (no less than [***]), to audit the books and records maintained by such other Party, its Affiliates, Sublicensees and Partners pursuant to Section 9.7 to ensure the accuracy of all payments made under Section 9.2. The accounting firm shall enter into an appropriate agreement with such other Party to treat all information it receives during its inspection in confidence, and shall only disclose to the Parties whether the payment amounts made are correct and details concerning any discrepancies, but no other information shall be disclosed to the Auditing Party. Such audit may not (i) be conducted for any [***] more than [***] after the end of such [***], (ii) be conducted more than [***] in any [***] period or (iii) be repeated for any [***]. Except as provided below, the cost of this audit shall be borne by the Auditing Party, unless the audit

[***], in which case the other Party shall bear the cost of the audit; *provided* that any such payment for the costs of an audit shall not exceed [***]. Unless disputed pursuant to Section 18.5, if such audit concludes that (a) additional amounts were owed by Licensee, then Licensee shall pay the additional amounts, with interest from the date originally due as provided in Section 9.6 or (b) excess payments were made by Licensee, AstraZeneca shall reimburse such excess payments, with interest from the date originally due as provided in Section 9.6, in either case ((a) or (b)), within [***] after the date on which such audit is completed by the independent accounting firm.

10.3 **Financial Audit Dispute**

In the event of a dispute with respect to any audit under Section 10.2, AstraZeneca and Licensee shall work in good faith to resolve the disagreement. If the Parties are unable to reach a mutually acceptable resolution of any such dispute within [***], the dispute shall be submitted for resolution to a certified public accounting firm jointly selected by each Party's certified public accountants or to such other Person as the Parties shall mutually agree (the "**Auditor**"). The decision of the Auditor shall be final and the costs of such dispute as well as the initial audit shall be borne between the Parties in such manner as the Auditor shall determine. Not later than [***] after such decision and in accordance with such decision, Licensee shall pay the additional amounts, with interest from the date originally due as provided in Section 9.6 or AstraZeneca shall reimburse the excess payments, with interest from the date originally due as provided in Section 9.6, as applicable.

10.4 **Anti-Bribery and Anti-Corruption Records; Audit**

During the Term and for [***] thereafter, each Party will keep and maintain accurate and reasonably detailed books and financial records in connection with the activities and its obligations to be performed under this Agreement. Each Party will (a) during the Term and (b) for [***] thereafter, permit the other Party, its Affiliates, any auditors of any of them and any governmental authority to have access to any premises of the other Party or its Representatives used in connection with this Agreement, together with a right to access personnel and records that relate to this Agreement solely for the purpose of auditing and monitoring the performance of its compliance with Article 15; *provided* that in the case of (b), any such audit shall be at the audited Party's consent, not to be unreasonably withheld, conditioned or delayed ("**Audit**").

(i) To the extent that any Audit requires access and review of any commercially or strategically sensitive information or agreements of the audited Party, such activity shall be carried out by a Third Party professional advisor appointed by the auditing Party and such professional advisor shall only report back to the auditing Party such information as is directly relevant to informing the auditing Party on the audited Party's compliance with the particular provisions of this Agreement.

(ii) Each Party shall, and shall cause its Representatives to, provide all cooperation and assistance during normal working hours as reasonably requested by the other Party for the purposes of an Audit. The auditing Party shall cause any such auditor to enter into a confidentiality agreement substantially consistent with the applicable requirements of Article 12 hereof, and to cause the minimum amount of disruption

to the business of the audited Party and its Representatives and to comply with relevant building and security regulations of the audited Party and its Representatives.

(iii) The Parties shall bear their own costs of an Audit or rendering assistance under Article 15.

11. INTELLECTUAL PROPERTY

11.1 Ownership of Intellectual Property

11.1.1 **Ownership of Technology.** As between the Parties, [***] all right, title and interest in and to any and all: (a) Information and inventions that are conceived, discovered, developed or otherwise made by or on behalf of [***] or its Affiliates or its or their (sub)licensees (or Sublicensee(s)), as applicable, under or in connection with this Agreement and the Ancillary Agreements, whether or not patented or patentable, and any and all Patents and other Intellectual Property Rights with respect thereto (excluding Product Trademarks), except to the extent that any such Information or invention or any Patent or Intellectual Property Rights with respect thereto is Joint Know-How or Joint Patents, and (b) other Information, Improvements or other inventions, Patents and other Intellectual Property Rights that are owned or otherwise Controlled (other than pursuant to the license grants set forth in Sections 2.1 and 2.6) [***] or its Affiliates or its or their (sub)licensees (or Sublicensees) (as applicable) outside of this Agreement.

11.1.2 **Ownership of Joint Patents and Joint Know-How**. Except as otherwise determined pursuant to the Nektar Agreement, as between the Parties, [***] shall own [***] any and all: (a) Information and inventions that are conceived, discovered, developed or otherwise made jointly by or on behalf of AstraZeneca or its Affiliates or its or their (sub)licensees, on the one hand, and Licensee or its Affiliates or its or their Sublicensees, on the other hand, in connection with the work conducted under or in connection with this Agreement and the Ancillary Agreements, whether or not patented or patentable (the [***]), and (b) Patents (the [***]) and other intellectual property rights with respect to the Information and other inventions described in clause (a) (together with **[***]** and **[***]**, the [***]). Each Party shall promptly disclose to the other Party in writing and shall cause its Affiliates and (sub)licensees (or Sublicensees) to so disclose, the development, making, conception or reduction to practice of any Joint Intellectual Property Rights. [***].

11.1.3 **United States Law**. The determination of whether Information and inventions are conceived, discovered, developed or otherwise made by a Party for the purpose of allocating proprietary rights (including Patent, copyright or other intellectual property rights) therein, shall, for purposes of this Agreement, be made in accordance with Applicable Law in the United States irrespective of where or when such conception, discovery, development or making occurs. Each Party shall, and does hereby, assign, and shall cause its Affiliates and its (sub)licensees and Sublicensees to so assign, to the other Party, without additional compensation, such right, title and interest in and to any Information and inventions as well as any intellectual property rights with respect thereto, as is necessary to fully effect, as applicable, the allocation of ownership provided for in Section 11.1.2 (including as determined pursuant to the Nektar Agreement).

11.1.4 **Assignment Obligation**. Each Party shall cause all Persons who perform any activities for or on behalf of such Party under this Agreement or any Ancillary Agreement or who conceive, discover, develop or otherwise make any Information or inventions by or on behalf of such Party or its Affiliates or Sublicensees or Partners under or in connection with this Agreement or any Ancillary Agreement to be under an obligation to assign their rights in any Information and inventions resulting therefrom to such Party, except where Applicable Law requires otherwise and except in the case of governmental, not-for-profit and public institutions that have standard policies against such an assignment (in which case, a suitable license or right to obtain such a license, shall be obtained).

11.1.5 **Ownership of AstraZeneca Corporate Marks, Product Trademarks, Product Domain Names, AstraZeneca Copyrights, Marketing and Training Materials.** As between the Parties, subject to the rights granted to [***] hereunder, [***] shall own and retain all right, title and interest in and to the [***]. As between the Parties, subject to the rights granted to [***] hereunder, [***] shall own and retain all right, title and interest in and to [***]. As between the Parties, [***] shall own all right, title and interest in and to the [***] or materials but, in each case, excluding any [***] contained or incorporated therein.

11.2 **Maintenance and Prosecution of Patents**

11.2.1 **Nektar Patents.** The Parties acknowledge and agree that Prosecution of the [***] is subject to Section 15.1 to 15.3 of the Nektar Agreement. Unless, within [***] after the Effective Date, [***] confirms that [***] wishes to assume responsibility for Prosecution of the [***] in the Licensed Territory Prosecuted by [***] prior to the Effective Date (the "[***]"), [***] shall have the first right, as between the Parties, but not the obligation, to continue to Prosecute the [***], in accordance with Section 15.1 to 15.3 of the Nektar Agreement, at [***] sole cost and expense.

11.2.2 **Other Patents**.

(a) As between the Parties, **[***]** shall have the right, but not the obligation, to Prosecute the **[***]** at **[***]** sole cost and expense and through counsel of its own choice.

(b) **[***]**, subject to the provisions of this Section 11.2, shall have the first right, but not the obligation, to Prosecute the **[***]** that are not Nektar Patents at **[***]** sole cost and expense.

11.2.3 **Patent Term Extension**. The Parties acknowledge that patent term extension has already been applied for with respect to the Current Product in [***]. As between the Parties, **[***]** shall have the first right to make decisions regarding, and to apply for, patent extensions that are now available, or become available in the future, in the Licensed Territory, for the **[***]**, at **[***]** sole cost and expense. **[***]** shall provide prompt and reasonable assistance, as requested by **[***]**, including by taking such action as patent holder as is required under any Applicable Law to obtain such extension.

11.2.4 **Step-in Rights**. If the Party given the first right to Prosecute pursuant to Section 11.2.1 or 11.2.2 (or, if applicable, **[***]**) does not take commercially reasonable steps to Prosecute, or elects not to Prosecute, then (a) such Party shall so notify the other Party and (b) subject to

any rights of Nektar under the Nektar Agreement, the other Party may Prosecute such patents at the sole cost and expense of **[***]**. If **[***]** does not take commercially reasonable steps in accordance with Section 11.2.3 to apply for patent extensions that are now available, or become available in the future, in the Licensed Territory, for the **[***]**, then **[***]** may apply for patent extensions with respect such applicable patents at the sole cost and expense of **[***]**.

11.3 **Enforcement of Patents**

11.3.1 Notice. Each Party shall promptly notify the other Party in writing (a) if it believes that a Third Party is infringing any of the **[***]** in the Licensed Territory or (b) it becomes aware of any allegation, opposition, certification, notice or filing claiming that any **[***]** are invalid or unenforceable or that any **[***]** would not be infringed by the making, use, offer for sale, sale or import of a product in the Licensed Territory, each ((a) and (b)) (a "**Patent Infringement**").

11.3.2 **Enforcement of AstraZeneca Patents**. As between the Parties, **[***]** shall have the first right, but not the obligation, to prosecute any Patent Infringement with respect to **[***]**, including as a defense or counterclaim in connection with any Third Party Patent Infringement Claim, at **[***]** sole cost and expense, using counsel of **[***]** choice, in the Licensed Territory. **[***]**, or if so designated by **[***]**, shall have the right, but not the obligation, to join as a party to such claim, suit or proceeding and participate with its own counsel at **[***]** sole cost and expense; *provided* that **[***]** shall retain control of the prosecution of such claim, suit or proceeding, including the response to any defense or defense of any counterclaim raised in connection therewith.

11.3.3 **Enforcement of Licensee Patents and Joint Patents**. As between the Parties, **[***]** shall have the sole right, but not the obligation, to prosecute a Patent Infringement with respect to the **[***]**, including as a defense or counterclaim in connection with any Third Party Patent Infringement Claim, at **[***]** sole cost and expense, using counsel of **[***]** choice. **[***]**, or if so designated by **[***]**, shall have the right to join as a party to such claim, suit or proceeding and participate with its own counsel at **[***]** sole cost and expense; *provided* that **[***]** shall retain control of the prosecution of such claim, suit or proceeding, including the response to any defense or defense of any counterclaim raised in connection therewith.

11.3.4 **Step-in Rights**.

(a) If the Party given the first right to prosecute pursuant to Section 11.3.2 or 11.3.3 (or its designee, including, if applicable, **[***]**) does not take commercially reasonable steps to prosecute a Patent Infringement within [***] following the first notice provided above with respect to such Patent Infringement (or, if such date occurs after the first such notice of such Patent Infringement is provided, [***] before the time limit, if any, set forth in applicable laws and regulations for filing of such actions), then such first Party (or **[***]**) shall so notify the other Party and the other Party may prosecute such Patent Infringement at **[***]** sole cost and expense, whereupon such other Party shall be deemed the Enforcing Party with respect to such Patent Infringement.

(b) The Parties acknowledge and agree that, as of the Effective Date, **[***]** will transfer control of the prosecution of the Patent Infringement actions listed on Schedule 9 to Licensee in accordance with the terms of the TSA.

11.3.5 **Cooperation**. The Parties agree to cooperate fully in any Patent Infringement action pursuant to this Section 11.3, including by making the inventors, applicable records and documents (including laboratory notebooks) with respect to the relevant Patents available to the Enforcing Party on the Enforcing Party's request. With respect to an action controlled by the applicable Enforcing Party, the non-Enforcing Party shall, and shall cause its Affiliates to, assist and cooperate with the Enforcing Party, as the Enforcing Party may reasonably request from time to time, in connection with its activities set forth in this Section 11.3, including, where necessary, furnishing a power of attorney solely for such purpose or joining in, or being named as a necessary party to, such action, providing access to relevant documents and other evidence and making its employees available at reasonable business hours; [***]. In connection with any activities with respect to a Patent Infringement action prosecuted by the applicable Enforcing Party pursuant to this Section 11.3, the Enforcing Party shall (i) consult with the non-Enforcing Party as to the strategy for the prosecution of such claim, suit or proceeding, (ii) consider in good faith any comments from the non-Enforcing Party with respect thereto and (iii) keep the non-Enforcing Party reasonably informed of any material steps taken and provide copies of all material documents filed, in connection with such action.

11.3.6 **Settlement**. Unless otherwise set forth herein, the Enforcing Party shall have the right to settle such claim; *provided* that neither Party shall have the right to settle any Patent Infringement litigation under this Section 11.3 in a manner that has a material adverse effect on the rights or interest of the other Party or in a manner that imposes any costs or liability on, or involves any admission by, the other Party, without the express written consent of such other Party (which consent shall not be unreasonably withheld, conditioned or delayed); *provided further* that in the event the consent of **[***]** is required to settle any such claim, neither Party shall have the right to settle such claim until such consent has been obtained.

11.3.7 **Recovery**. Except as otherwise agreed by the Parties in connection with a cost sharing arrangement, any recovery realized as a result of such litigation described above in this Section 11.3 (whether by way of settlement or otherwise) shall be allocated (a) [***], to the extent applicable, [***], (b) [***] for their [***] in making such [***] (which amounts shall be allocated [***] if insufficient to cover [***]) and (c) after such [***] is made shall [***] (i) [***], to the extent such enforcement relates to Patent Infringement described above in this Section 11.3 and (ii) [***], to the extent such enforcement relates to Patent Infringement outside of the Licensed Territory.

11.4 **Infringement Claims by Third Parties**

11.4.1 **Notice**. If the Exploitation of a Licensed Product in the Licensed Territory pursuant to this Agreement results in, or is reasonably expected to result in, any actual or threatened claim, suit or proceeding by a Third Party alleging infringement by Licensee or any of its Affiliates or its or their Sublicensees, Distributors or customers (a "**Third Party Patent Infringement Claim**"), including any defense or counterclaim in connection with a Patent Infringement action initiated pursuant to Section 11.3, the Party first becoming aware of such alleged infringement shall promptly notify the other Party thereof in writing.

11.4.2 **Responsibility**. As between the Parties and subject to Section 11.3, (a) **[***]** shall have the first right, but not the obligation, to defend against any such Third Party Patent Infringement Claim that primarily relates to the Licensed Territory at **[***]** sole cost and expense, using

counsel of **[***]** choice; *provided* that if such Third Party Patent Infringement Claim includes **[***]** as a defendant, and is not subject to **[***]** shall have the first right to defend such Third Party Patent Infringement Claim; *provided further* that **[***]** or at its election, **[***]**, shall have the first right to defend against any Third Party Patent Infringement Claim for which **[***]** has the obligation to **[***]** and (b) **[***]** or at its election, **[***]**, shall have the first right, but not the obligation, to defend against any such Third Party Patent Infringement Claim that primarily relates to any country in the **[***]** at **[***]** sole cost and expense, using counsel of **[***]** choice.

11.4.3 **Step-in Rights**. If the Party having the first right to defend pursuant to Section 11.4.2 (or its designee) does not take commercially reasonable steps to defend against a Third Party Patent Infringement Claim within [***] following the first notice provided above, then (a) such Party shall so notify the other Party and (b) subject to any rights of **[***]**, and upon such first Party's written consent (such consent not to be unreasonably withheld, conditioned or delayed), the other Party may defend against such Third Party Patent Infringement Claim at **[***]** sole cost and expense, whereupon such other Party shall be deemed the Defending Party with respect to such Third Party Patent Infringement Claim.

11.4.4 **Participation**. The non-Defending Party may participate in the defense of any Third Party Patent Infringement Claim with counsel of its choice at **[***]** sole cost and expense and, upon request, the Defending Party shall provide the non-Defending Party with **[***]**.

11.4.5 **Cooperation**. The non-Defending Party shall, and shall cause its Affiliates to, assist and cooperate with the Defending Party, as the Defending Party may reasonably request from time to time, in connection with its activities set forth in this Section 11.4, including, where necessary, furnishing a power of attorney solely for such purpose or joining in, or being named as a necessary party to, such action, providing access to relevant documents and other evidence and making its employees available at reasonable business hours; **[***]**. The Defending Party shall keep the non-Defending Party reasonably informed of all material developments in connection with the Third Party Patent Infringement Claim.

11.4.6 **Recovery**. Without prejudice to a Party's liability to the other pursuant to Article 16, any damages or awards, including royalties incurred or awarded in connection with any Third Party Patent Infringement Claim defended under this Section 11.4 shall be **[***]**, as applicable, **[***]** (a) **[***]**, to the extent applicable, **[***]**, (b) second, to **[***]** for their **[***]** in making **[***]** (which amounts shall be allocated **[***]** if insufficient to cover the **[***]**) and (c) after such **[***]** is made, shall **[***]** (i) **[***]**, to the extent such enforcement relates to any Third Party Patent Infringement Claim described above in this Section 11.4 and (ii) **[***]**, to the extent such enforcement relates to any Third Party Patent Infringement Claim outside of the Licensed Territory.

11.5 **Third Party Patent Rights**

11.5.1 **Responsibility.** If in the reasonable opinion of **[***]**, the **[***]** any Patent of a Third Party in the Licensed Territory (such right, a "**Third Party Patent Right**"), then Licensee may **[***]**.

11.6 **Product Trademarks**

11.6.1 **[***]** may use the **[***]** in the Commercialization of the Licensed Products in the Licensed Territory.

11.6.2 **[***]** shall have the right, but not the obligation, at **[***]** sole cost and expense, to select Trademarks other than **[***]**, for use in the Commercialization of the Licensed Products in the Licensed Territory (each, once approved, a "**New Product Trademark**") subject to the following conditions:

(a) **[***]** shall, at **[***]**, be responsible for all activities relating to the selection, clearance and use of such proposed **[***]** in connection with the Licensed Products in the Licensed Territory, including conducting any trademark clearance searches and market research and obtaining all required approvals from Health Authorities for such use;

(b) **[***]** shall not select or use a Trademark under this Agreement (and such a Trademark would not be deemed an approved New Product Trademark) if it is [***] to, [***] or [***] with respect to or [***] any of the [***], any of the [***] or any of the [***];

(c) Any proposed **[***]** must be approved by **[***]** in advance for use in connection with the Commercialization of the Licensed Product in the Licensed Territory; and

(d) **[***]** shall own any **[***]**, together with all goodwill associated therewith.

11.6.3 **Ownership of Trademarks**. As between the Parties, **[***]** (or its Affiliate, as applicable) is and shall remain the sole and exclusive owner of **[***]** and shall be the sole and exclusive owner of any **[***]**, and all the goodwill associated with each of the foregoing. Except for the licenses expressly granted to **[***]** under this Agreement during the Term, **[***]** shall not have and shall not acquire any right, title or interest in or to **[***]**. Any and all use of the **[***]** by **[***]** and all the goodwill associated therewith shall inure solely to the benefit of **[***]** (or its Affiliates, as applicable). To the extent that **[***]** for any reason obtains any right, title or interest in or to any of **[***]** (other than any rights or licenses granted to **[***]** hereunder), **[***]** shall assign and hereby assigns all such right, title or interest, and all the goodwill associated therewith, to **[***]** (or its Affiliate, as applicable). At **[***]** sole cost, **[***]** shall execute such documents or take such other steps as **[***]** may reasonably request to ensure that **[***]** are and remain fully vested in **[***]** (or its Affiliate, as applicable) and otherwise to give effect to the terms of this Section 11.6.3.

11.6.4 **Compliance With Quality Standards**. **[***]** shall, and shall cause its Affiliates, Sublicensees, Partners and Distributors to, comply with all Trademark usage guidelines, quality standards, business practices, methodology, policies and procedures and technical and operational specifications as may be reasonably specified by **[***]** in writing **[***]** and as may be imposed by Applicable Law with respect to the nature and quality of the Licensed Product, including all Product Labelling, Product packaging, and advertising, marketing, promotional or other materials (including all website and social media content) bearing any **[***]**.

11.6.5 **Registration, Prosecution and Maintenance of Product Trademarks**. As between the Parties, **[***]** shall have the sole right and shall use reasonable efforts to register, prosecute any registration application therefor and maintain any registration for the Product Trademarks in the Licensed Territory, at **[***]** sole cost, using counsel of **[***]** own choice. **[***]** shall keep **[***]** regularly apprised of the status of its activities under this Section 11.6.5 and will notify **[***]**, and shall consult with **[***]** in good faith, with respect to any material, substantive issue or any opposition, cancellation, invalidity or other proceeding that may be raised or asserted against any application or registration for any Product Trademark in the Licensed Territory prior to taking any material action in response thereto.

11.6.6 **Notices of Infringement**. Each Party shall provide to the other Party prompt written notice of (a) any alleged, threatened or actual infringement, misappropriation or other violation relating to a Product Trademark by a Third Party in the Licensed Territory of which such Party becomes aware (each, a "**Product Trademark Infringement**") or (b) any alleged, threatened or actual claim by a Third Party that the use or registration of a Product Trademark in the Licensed Territory infringes, misappropriates or otherwise violates any Trademark or other right of such Third Party or constitutes unfair trade practices or any other like offense or any other claims as may be brought by a Third Party against a Party in connection with the use or registration of the Product Trademarks with respect to a Licensed Product in the Licensed Territory (each, a "**Third Party Product Trademark Claim**").

11.6.7 **Enforcement of Product Trademarks**.

(a) **[***]** shall evaluate each identified Product Trademark Infringement initially to determine if such Product Trademark Infringement has potential implication outside the Licensed Territory. If **[***]** determines that a Product Trademark Infringement has potential implications outside the Licensed Territory, then **[***]** shall so notify **[***]** and shall consult with **[***]** and such other parties having an interest in the relevant Product Trademark outside the Licensed Territory as to possible actions to take with respect to such extraterritorial Product Trademark Infringement. After such consultation, **[***]** shall determine how to proceed, at its sole discretion.

(b) If **[***]** determines that an identified Product Trademark Infringement has no potential implications outside the Licensed Territory, **[***]** shall so notify **[***]**. Thereafter, as between the Parties, **[***]** (or its designee) shall have the first right, but not the obligation, to take such action as **[***]**, after good faith consultation with **[***]**, deems necessary with respect to a Product Trademark Infringement related to an Product Trademark, at **[***]** sole cost and expense and using counsel of its own choice. If **[***]** (or its designee) does not take commercially reasonable steps to take any such action [***] following the first notice provided hereunder of such Product Trademark Infringement, then **[***]** (or its designee) shall have the right, but not the obligation, to take such action as Licensee, after reasonable consultation with and subject to the prior written consent of AstraZeneca, deems necessary with respect to any such Product Trademark Infringement related to a Product Trademark at **[***]** sole cost and expense and using counsel of its own choice. **[***]** shall retain any damages or other amounts collected in connection with **[***]** enforcement of Product Trademarks.

11.6.8 **Defense of Third Party Product Trademark Claims**.

(a) **[***]** shall evaluate each identified Third Party Product Trademark Claim initially to determine if such Third Party Product Trademark Claim has potential implication outside the Licensed Territory. If **[***]** determines that a Third Party Product Trademark Claim has potential implications outside the Licensed Territory, then **[***]** shall so notify **[***]** and shall consult with **[***]** and such other parties having an interest in the relevant Third Party Product Trademark outside the Licensed Territory as to the possible defense and/or settlement of any such extraterritorial Third Party Product Trademark Claim. After such consultation, **[***]** shall determine how to proceed, at **[***]** sole discretion.

(b) If **[***]** determines that an identified Third Party Product Trademark Claim has no potential implications outside the Licensed Territory, **[***]** shall so notify **[***]**. Thereafter, as between the Parties, **[***]** (or its designee) shall have the first right, but not the obligation, to defend against and settle any such non-extraterritorial Third Party Product Trademark Claims related to the Product Trademarks. In the event that **[***]** (or its designee) does not use commercially reasonable efforts to take any such action within [***] following the first notice provided hereunder of such Third Party Product Trademark Claim, then **[***]** shall have the right, but not the obligation, to take such action as **[***]**, after reasonable consultation with and subject to the prior written consent of **[***]**, deems necessary with respect to any such Third Party Product Trademark Claim. The Defending Party shall defend against a Third Party Product Trademark Claim at **[***]** sole cost and expense and using counsel of its choice; provided that the non-Defending Party, at **[***]** costs and expense, shall have the right to **[***]**. Any damages, or awards, including royalties incurred or awarded in connection with any Third Party Product Trademark Claim defended under this Section 11.6.8 shall be borne by the **[***]**, after **[***]**.

11.6.9 **Cooperation**. Each Party shall, and shall cause its Affiliates to, assist and cooperate with the other Party as such other Party may reasonably request from time to time, in connection with the activities set forth in this Section 11.6, including, where necessary, furnishing a power of attorney solely for such purpose or joining in, or being named as a necessary party to, such action, providing access to relevant documents and other evidence and making its employees available at reasonable business hours; *provided* that the Enforcing Party shall reimburse the other Party for its reasonable and verifiable out-of-pocket costs and expenses incurred in connection therewith.

11.6.10 **Settlement**. Unless otherwise set forth herein, the Enforcing Party or Defending Party (as applicable) shall have the right to settle any Product Trademark Infringement or Third Party Product Trademark Claim; *provided*, that neither Party shall have the right to settle any Product Trademark Infringement or Third Party Product Trademark Claim under Section 11.6.7(b) or Section 11.6.8(b) in a manner that has a material adverse effect on the rights or interest of the other Party or in a manner that imposes any costs or liability on or involves any admission by, the other Party, without the express written consent of such other Party (which consent shall not be unreasonably withheld, conditioned or delayed).

11.6.11 **Oversight of Product Trademarks**.

(a) Licensee shall comply with all applicable Trademark marking requirements in all jurisdictions in the Licensed Territory. Subject to the requirements of Applicable

Law, each Licensed Product, package insert therefor, Product Labelling or marketing material that bears or displays a **[***]** shall indicate that **[***]** is the registered Trademark of **[***]** or its applicable Affiliate (or, if not registered, the Trademark of **[***]** or its applicable Affiliate), in a form and content approved by **[***]** in accordance with the written procedures provided by **[***]** for such purpose.

(b) **[***]** shall comply with the Quality Standards set forth in Section 6.9 and Article 11.

(c) **[***]** shall, **[***]**, furnish to **[***]** a reasonable number of representative samples of Licensed Products that are identified under **[***]** or that bear an **[***]** to permit **[***]** to inspect and test such representative samples in order that **[***]** may satisfy itself that **[***]** meet with the Quality Standards.

(d) From time to time, at **[***]** reasonable written request, **[***]** shall furnish to representatives of **[***]** representative samples of all Product Labelling, Product packaging and advertising, marketing, promotional, training or other materials (including web and social media content) bearing any **[***]** to allow **[***]** to evaluate **[***]** compliance with the Quality Standards and shall make any reasonable changes to the Product Labelling, Product packaging and advertising, marketing, promotional or other materials (including web and social media content) bearing any **[***]** as AstraZeneca may reasonably request for purposes of bringing such items and materials into compliance with such Quality Standards.

(e) **[***]** shall ensure that the quality of Licensed Product marketed, promoted, detailed, distributed, imported, sold or offered for sale by **[***]** using the **[***]** shall not fall below the quality of Licensed Product as supplied to **[***]** by **[***]** under the Supply Agreement and Quality Agreement.

(f) **[***]** shall not adopt or use any **[***]** or use any **[***]** except as expressly provided in this Agreement. **[***]** shall in no way represent that it has any right, title or interest in **[***]** other than those expressly granted under this Agreement. Licensee shall not combine any **[***]** with any other Trademark or otherwise associate any Trademark other than **[***]** or **[***]** corporate name or logo with any Licensed Product either on the Licensed Product or its packaging or in promotional materials unless the use of such Trademark (i) is permitted or stipulated under this Agreement or (ii) has been approved in advance in writing by **[***]**, which shall not be unreasonably withheld or delayed. **[***]** will not use any of **[***]** as part of any corporate, company, commercial or trade name for itself or for any Affiliate.

(g) Licensee shall not otherwise at any time use AstraZeneca's corporate name, or any variation or transliteration thereof, or other word, name, letter or combination confusingly similar thereto, or any other Trademark of AstraZeneca, except in accordance with written instructions received from AstraZeneca, as required by Applicable Law or as expressly provided under this Agreement.

(h) Subject to Section 16.2, the provisions of this Section 11.6.11 are for the **[***]** benefit of **[***]** and no act, omission or neglect by **[***]** with respect to any inspection or other activity described in this Section 11.6.11 shall give rise to any liability on the part of **[***]**. Nothing in this Section 11.6.11, including **[***]** rights

herein, shall be deemed to create any liability on **[***]** part for the compliance by **[***]** of **[***]** (or any other advertising, marketing, promotional, training or other materials (including web and social media content) used by **[***]** in the Exploitation of the Licensed Product) or Product Labelling with Applicable Law.

11.7 **Domain Names and Social Media.**

11.7.1 **Ownership of Product Domain Names and Right to Use**. **[***]** shall own and retain all right, title and interest in and to any and all domain names and URLs (including both gTLDs and ccTLDs) and any social media names, tags or handles or similar identifiers that incorporate, in whole or in part, any Product Trademark (collectively, "**Product Domain Names**"), and hereby grants to **[***]** (a) the right to administer, manage, and control at **[***]** sole cost and expense, and **[***]** assumes responsibility for, any website associated with those Product Domain Names which are country-code top level domains (ccTLDs) in the Licensed Territory (collectively, **"Licensed Product Domain Names**"), and (b) at **[***]** cost, the right to contribute to the content of any website associated with all other Product Domain Names (subject to the rights of Third Parties under any Existing AZ Sublicenses); *provided* **[***]**.

11.7.2 **Licensee-Specific Domain Names**. **[***]** may, in exercising its rights herein, register and use any and all domain names and URLs and any social media names, tags or handles or similar identifiers in connection with the Commercialization of Licensed Products in the Licensed Territory that is not a **[***]** (collectively, "**Licensee Domain Names**"). **[***]** shall not, and shall cause its Affiliates and its Sublicensees and its Partners not to, register or use any Licensee Domain Name that incorporates, in whole or in part, any Trademark that is [***] to, a [***] of, or [***] with respect to, or that [***] any [***] or [***] or any [***]. As between the Parties, subject to **[***]** rights under Section 17.11.4 of this Agreement, **[***]** shall be exclusively owned and operated by **[***]**, and **[***]** shall have the sole right to protect, maintain, enforce and defend the Licensee Domain Names.

11.7.3 **Linking and Redirecting Policies**. The Parties shall establish principles to govern the Parties' coordination with respect to the Product Domain Names, Licensee Domain Names and any other domain names, websites, social media names, tags or handles or similar identifiers owned or used by either Party with respect to the Licensed Products, including appropriate linking and redirecting policies related to any of the foregoing.

11.7.4 **Cooperation**. **[***]** shall, and shall cause its Affiliates, Sublicensees and Partners to, at **[***]** , assist and cooperate with **[***]**, as **[***]** may reasonably request from time to time, in connection with the registration, use, administration, management, control, protection, maintenance, enforcement and defense of the Product Domain Names, including, where necessary, furnishing a power of attorney solely for such purpose or joining in, or being named as a necessary party to, such action, providing access to relevant documents and other evidence and making its employees available at reasonable business hours.

11.8 **Nektar Agreement**

Notwithstanding anything to the contrary in this Article 11, each Party acknowledges that the Parties' rights and obligations set forth in this Article 11 are subject in all respects to the terms of the Nektar Agreement.

12. CONFIDENTIALITY AND NON-DISCLOSURE

12.1 Restricted Information

AstraZeneca recognizes that by reason of, inter alia, Licensee's status as an exclusive licensee in the Licensed Territory pursuant to the grants under Section 2.1, Licensee has an interest in AstraZeneca's and Nektar's retention in confidence of AstraZeneca Know-How and Joint Know-How that relates to the Compounds or the Licensed Products. Accordingly, until the expiration of the Exclusivity Period with respect to a Licensed Product under Section 2.9, subject to AstraZeneca's obligations to its Partners under the Existing Partner Agreements as they exist as of the Execution Date (*e.g.*, to share clinical data or other Information with such Partners), AstraZeneca shall, and shall cause (a) its Affiliates and its and their respective officers, directors, employees and agents and (b) Nektar and its Affiliates and its and their respective officers, directors, employees and agents, to, keep completely confidential, and not publish or otherwise disclose, and not use for any purpose (except as expressly contemplated by this Agreement or, in the case of Nektar, the Nektar Agreement) any such AstraZeneca Know-How and Joint Know-How that comprises or relates to any Licensed Product, including the Compound included therein, and any Regulatory Documentation, including the Health Registration Approvals, with respect thereto (the "**Restricted Information**"); provided that the "Restricted Information" shall not include any Information to the extent (i) such Information is in the public domain through no fault of AstraZeneca or its Affiliates, or Nektar or its Affiliates, or in each case any of their respective officers, directors, employees or agents, (ii) disclosure or use of the Information by AstraZeneca or Nektar would be expressly permitted under Section 12.4 (in the case of AstraZeneca) or Section 11.3 of the Nektar Agreement (in the case of Nektar), (iii) disclosure or use of the Information by AstraZeneca is otherwise expressly permitted by the terms of this Agreement or, in the case of Nektar, by the terms of the Nektar Agreement or (iv) such Information is, in the case of Nektar, generally related to and useful in [***] business, including the discovery, research and/or Development of compounds that are not [***]. For clarification, the disclosure by AstraZeneca to Licensee of Restricted Information shall not cause such information to cease to be subject to the provisions of this Section 12.1. In the event that this Agreement is [***] by either Party pursuant to [***] (other than this final sentence) shall terminate and have no continuing force or effect and the [***] (other than the [***] included therein) shall thereafter be deemed solely to be Confidential Information of AstraZeneca, for purposes of the surviving provisions of this Agreement.

12.2 Confidentiality Obligations

At all times during the Term and for a period of [***] following termination or expiration hereof in its entirety (or, if later, [***] following termination or expiration of the Nektar Agreement), each Party shall, and shall cause its officers, directors, employees, agents,

Affiliates, and (sub)licensees (including Sublicensees) to, keep confidential and not publish or otherwise disclose and not use, directly or indirectly, for any purpose, any Confidential Information provided to it by the other Party, except to the extent such disclosure or use is expressly permitted by the terms of this Agreement or is reasonably necessary for the performance of this Agreement. For the avoidance of doubt, the treatment of Confidential Information that is also Restricted Information is governed by the terms of Section 12.1 while the treatment of Confidential Information that is not also Restricted Information is governed by this Section 12.2.

12.3 **Exclusions**

12.3.1 Notwithstanding anything in this Agreement to the contrary, Confidential Information (but not Restricted Information) shall not include any information that:

(a) is or hereafter becomes part of the public domain by public use, publication, general knowledge or the like through no wrongful act, fault or negligence on the part of the receiving Party;

(b) can be demonstrated by documentation or other competent proof to have been in the receiving Party's or its Affiliates' possession prior to disclosure by the disclosing Party;

(c) is subsequently received by the receiving Party or its Affiliates from a Third Party who is not bound by any obligation of confidentiality with respect to said information;

(d) is generally made available to Third Parties by the disclosing Party without restriction on disclosure; or

(e) is independently developed by or for the receiving Party or its Affiliates, without reference to the disclosing Party's Confidential Information.

Specific aspects or details of Confidential Information shall not be deemed to be within the public domain or in the possession of the receiving Party merely because the Confidential Information or Restricted Information is embraced by more general information in the public domain or in the possession of the receiving Party. Further, any combination of Confidential Information or Restricted Information shall not be considered in the public domain or in the possession of the receiving Party merely because individual elements of such Confidential Information or Restricted Information are in the public domain or in the possession of the receiving Party unless the combination and its principles are in the public domain or in the possession of the receiving Party.

12.4 **Permitted Disclosures**

The receiving Party may disclose Confidential Information (other than, subject to clause (d), Restricted Information) to the extent that such disclosure is:

(a) made in response to a valid order of a court of competent jurisdiction or other competent authority; *provided* that the receiving Party shall first have given notice to the disclosing Party and given the disclosing Party a reasonable opportunity to

quash any such order or to obtain a protective order or confidential treatment requiring that the Confidential Information and documents that are the subject of such order be held in confidence by such court or authority or, if disclosed, be used only for the purposes for which the order was issued; *provided further*, that if such order is not quashed or a protective order is not obtained, the Confidential Information disclosed in response to such court or governmental order shall be limited to that information that is legally required to be disclosed in response to such court or governmental order;

(b) made by the receiving Party or its Affiliates, Sublicensees, Partners or Distributors in connection with the Proceedings and audit disputes called for in Section 10.3, Section 18.5 and Section 18.12.

(c) made by the receiving Party or its Affiliates, Sublicensees, Partners or Distributors to a Health Authority as may be necessary or useful in connection with any filing, application or request for a Health Registration Approval; provided that reasonable measures shall be taken to assure confidential treatment of such information, to the extent such protection is available;

(d) made by the receiving Party to a patent authority as may be necessary or useful for purposes of obtaining or enforcing a Patent (consistent with the terms and conditions of Article 11); provided that reasonable measures shall be taken to assure confidential treatment of such information, to the extent such protection is available;

(e) otherwise required by law (including as required in any HSR Filing); *provided, however*, that (other than in connection with an HSR Filing) if AstraZeneca or Nektar is required to disclose Restricted Information, or either Party is required to disclose Confidential Information of the other Party, AstraZeneca (in the case of Restricted Information) or the Party required to make the disclosure shall (i) provide to the other Party reasonable advance notice of and an opportunity to comment on any such required disclosure, (ii) if requested by the other Party, seek confidential treatment with respect to any such disclosure to the extent available, and (iii) use good faith efforts to incorporate the comments of the other Party in any such disclosure or request for confidential treatment;

(f) made by Licensee or its Affiliates, Distributors, Sublicensees, Partners or contractors to Third Parties (or any of their respective professional advisors) as may be reasonably necessary in connection with the Exploitation of the Compounds or Licensed Products as contemplated by this Agreement, including subcontracting or sublicensing transactions in connection therewith, unless prohibited by AstraZeneca's written agreements with disclosers of Confidential Information, in connection with any Licensee Financing, to any bona fide potential investors, merger partners or acquirers, or to any permitted assignee, transferee or successor under Section 18.3; or

(g) made by or on behalf of AstraZeneca or any of its Affiliates to (i) Nektar under the Nektar Agreement or (ii) any (sub)licensee, contractor or distributor of AstraZeneca or any of its Affiliates (as of the Effective Date or any time during the Term) in connection with the exercise or performance of the Retained Rights; relating to the

Compound or the Licensed Products; *provided* that such Persons shall be subject to obligations of confidentiality and non-use with respect to such Confidential Information substantially similar to the obligations of confidentiality and non-use of the receiving Party pursuant to this Article 12 (with a duration of confidentiality and non-use obligations as appropriate that is no less than [***] from the date of disclosure).

12.5 **Data Privacy**

12.5.1 To the extent that the Confidential Information includes Personal Data, the receiving Party shall, and shall obligate its Representatives to, comply with the applicable data privacy law(s), including by taking such actions as may be reasonably required by the other Party for it to comply with applicable data privacy laws with respect to any Personal Data included in the Confidential Information.

12.5.2 To the extent that the Confidential Information includes Personal Data, the receiving Party shall, and shall obligate its Representatives to, refrain from transferring (including providing access to) any such Personal Data outside the jurisdiction in which it exists, including to any Representative of the receiving Party located outside of such jurisdiction if doing so violates Applicable Law, unless, in the case of Personal Data that is subject to the European Data Protection Laws, such transfer is to a country that the European Commission has decided from time to time ensures an adequate level of protection in accordance with European Data Protection Laws or pursuant to an approved transfer mechanism under European Data Protection Laws. Prior to any such transfer, each Party shall do all things necessary to give effect to such lawful transfer.

12.6 **Confidentiality of Terms of Agreement**

The Parties both agree that the terms of the Agreement are the Confidential Information of each Party, and they each shall keep such terms confidential and not disclose this Agreement or any Ancillary Agreement, except as otherwise provided herein. Notwithstanding the foregoing, the Parties acknowledge and agree that either Party may be required by Applicable Law or the requirements of a national securities exchange or another similar regulatory body to disclose this Agreement, or the terms hereof, in whole or in part, and in such case, such Party shall notify the other Party in writing and shall provide the other Party with at least [***] to request redactions thereof prior to making such filing or disclosure. The disclosing Party shall use reasonable efforts to seek confidential treatment of any such proposed redactions timely made, to the extent consistent with law, and use reasonable efforts to procure confidential treatment of such proposed redactions pursuant to the U.S. Securities Act of 1933 or the Securities Exchange Act of 1934, in each case as amended, and the rules, regulations and guidelines promulgated thereunder, or any other applicable law or the rules, regulations or guidelines promulgated thereunder; *provided* that the foregoing shall not prevent the Party from making such public disclosures as it, on advice of counsel, must make to comply with Applicable Law. Either Party may disclose the terms of this Agreement in confidence to (a) its directors, Affiliates, Sublicensees and professional service providers, (b) in the case of [***], and (c) [***] and their respective [***], who are in each case subject to [***], which restrictions shall, in the case of the Persons described in this clause (c), limit the permitted use of the terms of this Agreement solely to [***] and [***] of the [***] and for no other purpose.

12.7 **Use of Name**

Except as expressly provided herein, neither Party shall disclose or otherwise commercially use the name, Trademark, insignia, symbol or logotype of the other Party or its Affiliates in any publication, press release, promotional material or other form of publicity without the prior written consent of the other Party (which shall not be unreasonably withheld or delayed), except for those disclosures for which consent has previously been obtained. The restrictions imposed by this Section 12.7 shall not prohibit either Party from making any disclosure identifying the other Party that is required by Applicable Law or the requirements of a national securities exchange or another similar regulatory body, *provided* that any such disclosure shall be governed by this Article 12. Further, the restrictions imposed on each Party under this Section 12.7 are not intended, and shall not be construed, to prohibit a Party from identifying the other Party in its internal business communications, *provided* that any Confidential Information in such communications remains subject to this Article 12.

12.8 **Public Announcements**

The Parties have agreed upon the content of one (1) or more press releases which shall be issued substantially in the form(s) attached hereto as Schedule 8, the release of which the Parties shall coordinate in order to accomplish such release promptly upon execution of this Agreement. Except to the extent already disclosed in a press release or other public communication, no public announcement concerning this Agreement, its subject matter or the transactions described herein shall be made, either directly or indirectly, by either Party or their respective Affiliates, except as may be legally required by Applicable Laws or judicial order, or required by stock exchange or quotation system rule, without first obtaining the approval of the other Party and agreement upon the nature, text and timing of such announcement, which approval and agreement shall not be unreasonably withheld or delayed. The Party desiring to make any such voluntary public announcement shall provide the other Party with a written copy of the proposed announcement in reasonably sufficient time prior to public release to allow such other Party to comment upon such announcement, prior to public release. In the case of press releases or other public communications legally required, or required by stock exchange or quotation system rule, to be made, the Party making such press release or public announcement shall provide to the other Party a copy of the proposed press release or public announcement in written or electronic form upon such advance notice as is practicable under the circumstances for the purpose of allowing the notified Party to review and comment upon such press release or public announcement. Under such circumstances, the releasing Party shall not be obligated to delay making any such press release or public communication beyond the time when the same is required to be made in order to facilitate review and comment by the receiving Party.

12.9 **Publications**

Without prejudice to any other publication rights of Licensee, Licensee may publish with respect to the development and other activities contemplated by this Agreement, *provided* that any such publication would not be a breach of AstraZeneca's obligations under the Nektar Agreement if published by AstraZeneca.

12.10 **Return of Confidential Information**

Upon the effective date of the expiration or termination of this Agreement for any reason, either Party may request in writing and the non-requesting Party shall, with respect to Confidential Information to which such non-requesting Party does not retain rights under the surviving provisions of this Agreement, at the requesting Party's election, (a) promptly destroy all copies of such Confidential Information in the possession or control of the non-requesting Party and confirm such destruction in writing to the requesting Party or (b) promptly deliver to the requesting Party, at the requesting Party's sole cost and expense, all copies of such Confidential Information in the possession or control of the non-requesting Party. Notwithstanding the foregoing, subject to the terms of the Nektar Agreement, the non-requesting Party shall be permitted to retain (i) such Confidential Information to the extent necessary or useful for purposes of performing any continuing obligations or exercising any ongoing rights hereunder and, in any event, a single copy of such Confidential Information for archival purposes or to comply with Applicable Law and (ii) any computer records or files containing such Confidential Information that have been created solely by such non-requesting Party's automatic archiving and back-up procedures, to the extent created and retained in a manner consistent with such non-requesting Party's standard archiving and back-up procedures, but not for any other uses or purposes. All Confidential Information shall continue to be subject to the terms of this Agreement for the period set forth in Section 12.2.

12.11 **Privileged Communications**

In furtherance of this Agreement, it is expected that the Parties may, from time to time, disclose to one another privileged communications with counsel, including opinions, memoranda, letters and other written, electronic and oral communications. Such disclosures are made with the understanding that they shall remain confidential in accordance with this Article 12, that they will not be deemed to waive any applicable attorney-client or attorney work product or other privilege and that they are made in connection with the shared community of legal interests existing between AstraZeneca and Licensee, including the community of legal interests in avoiding infringement of any valid, enforceable patents of Third Parties and maintaining the validity of the AstraZeneca Patents, Joint Patents and Licensee Patents. In the event of any litigation (or potential litigation) with a Third Party (other than Nektar) related to this Agreement or the subject matter hereof, the Parties shall, upon either Party's request, enter into a reasonable and customary joint defense agreement; provided that such agreement shall be consistent in all respects with the Nektar Agreement. In any event, each Party shall consult in a timely manner with the other Party before engaging in any conduct (e.g., producing information or documents) in connection with litigation or other proceedings that could conceivably implicate privileges maintained by the other Party. Notwithstanding anything contained in this Section 12.11, nothing in this Agreement shall prejudice a Party's ability to take discovery of the other Party in disputes between them relating to this Agreement and no information otherwise admissible or discoverable by a Party shall become inadmissible or immune from discovery solely by this Section 12.11.

12.12 **Communications with AstraZeneca's Licensors and Other Partners**

If Licensee or its Affiliates, Sublicensees or Distributors or contractors desire to make any communication regarding the subject matter of this Agreement to (a) Nektar or (b) any (sub)licensee of AstraZeneca, including Kyowa Kirin Services Ltd and Knight Therapeutics, Inc., or (c) any contractor or distributor of AstraZeneca or any of its Affiliates, (except as contemplated hereunder with respect to pharmacovigilance or as contemplated under the TSA), it shall first notify AstraZeneca of such desire, and AstraZeneca shall [***].

13. REPRESENTATIONS AND WARRANTIES

13.1 Representations and Warranties of Both Parties

AstraZeneca and Licensee each represents and warrants to the other, as of the Execution Date, that:

(a) it is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization and has all requisite power and authority, corporate or otherwise, to execute, deliver and perform this Agreement;

(b) the execution and delivery of this Agreement and the performance by it of the transactions contemplated hereby have been duly authorized by all necessary corporate action and do not violate: (i) such Party's charter documents, bylaws or other organizational documents; (ii) in any material respect, any agreement, instrument or contractual obligation to which such Party is bound; (iii) any requirement of any Applicable Law; or (iv) any order, writ, judgment, injunction, decree, determination or award of any court or governmental agency presently in effect applicable to such Party;

(c) this Agreement is a legal, valid and binding obligation of such Party, enforceable against it in accordance with its terms and conditions, subject to the effects of bankruptcy, insolvency or other laws of general application affecting the enforcement of creditor rights, judicial principles affecting the availability of specific performance and general principles of equity (whether enforceability is considered in a proceeding at law or equity);

(d) it is not under any obligation, contractual or otherwise, to any Person that conflicts with or is inconsistent in any material respect with the terms of this Agreement or that would impede the diligent and complete fulfilment of its obligations hereunder; and

(e) neither it nor any of its Affiliates has been debarred or is subject to debarment and neither it nor any of its Affiliates will use in any capacity, in connection with the activities to be performed under this Agreement, any Person who has been debarred pursuant to Section 306 of the FFDCA or who is the subject of a conviction described in such section. It will inform the other Party in writing promptly if it or any such Person who is performing activities hereunder is debarred or is the subject of a conviction described in Section 306 of the FFDCA or if any action, suit, claim, investigation or legal or administrative proceeding is pending or, [***], is threatened, relating to the debarment or conviction of it or any such Person performing activities hereunder.

13.2 **Additional Representations and Warranties of AstraZeneca**

AstraZeneca further represents and warrants to Licensee, as of the Execution Date, that, except as set forth on Schedule 10:

(a) AstraZeneca Controls the Existing Patents, in accordance with the terms of the Nektar Agreement, has the right to grant the licenses and sublicenses specified herein, has not subjected such rights to any encumbrances, liens, or claims of ownership, in each case that are inconsistent with the licenses granted in Section 2.1, and, [***], such rights are not subject to any encumbrances, liens or claims of ownership, in each case that are inconsistent with the licenses granted in Section 2.1, and [***], neither AstraZeneca nor, [***], Nektar has disposed of any AstraZeneca Patents or AstraZeneca Know-How or waived, released, granted, licensed or transferred any right, title or interest in or to any such AstraZeneca Patents or AstraZeneca Know-How in any manner that would[***] granted in, Section 2.1;

(b) AstraZeneca has not received any written claim or demand alleging that the Development or Commercialization of the Current Product in the Licensed Territory [***] any Patent owned by any Third Party and, [***], Licensee's Exploitation of the Licensed Product in the Licensed Territory, using the Regulatory Documentation, the Existing Patents and the AstraZeneca Know-How as contemplated under this Agreement and the Ancillary Agreements will not [***] any Patent or [***] any proprietary right of any Third Party;

(c) [***], no Person is [***] or [***] the Existing Patents in the Licensed Territory;

(d) AstraZeneca has prepared, maintained and retained the Existing Approvals and Existing Applications in the applicable countries in Licensed Territory in accordance with Applicable Law in all material respects and the Existing Approvals and Existing Applications do not contain any materially false or misleading statements (as of the submission thereof, and, [***], subsequently), and AstraZeneca has complied in all material respects with all Applicable Law and Health Registration Approvals with respect to the Exploitation of the Licensed Products in the Licensed Territory;

(e) the Existing Post-Approval Commitments listed on Schedule 5 are the only Post-Approval Commitments;

(f) [***], the Investigator Sponsored Studies listed on Schedule 5 are the only current Investigator Sponsored Studies related to the Licensed Products in the Licensed Territory;

(g) the Nektar Agreement constitutes a legal, valid and binding agreement of AstraZeneca and, [***], Nektar, enforceable against AstraZeneca and, [***], Nektar, in accordance with its terms, subject to the effects of bankruptcy, insolvency or other laws of general application affecting the enforcement of creditor rights and judicial principles affecting the availability of specific performance and general principles of equity (whether enforceability is considered in a proceeding at law or equity);

(h) each of the Existing Agreements constitutes a legal, valid and binding agreement of AstraZeneca and the counterparty, enforceable against AstraZeneca and such counterparty in accordance with its terms, subject to the effects of bankruptcy, insolvency or other laws of general application affecting the enforcement of creditor rights and judicial principles affecting the availability of specific performance and general principles of equity (whether enforceability is considered in a proceeding at law or equity);

(i) (A) AstraZeneca is not in material breach of or material default under the Nektar Agreement and there are no grounds (with or without the lapse of time or the giving of notice, or both) sufficient to enable Nektar to terminate the Nektar Agreement in its entirety or with respect to any country in the Licensed Territory, (B) [***], AstraZeneca has not received any claim, threat or other notice from Nektar alleging that AstraZeneca is in breach of the Nektar Agreement or threatening to terminate or repudiate the Nektar Agreement, (C) [***], there are not and have not at any time been any Disputes (as defined under the Nektar Agreement) between AstraZeneca and Nektar, whether or not the subject of arbitration under the Nektar Agreement, (D) AstraZeneca has taken all reasonable steps to ensure the continued performance of its obligations under and in accordance with the Nektar Agreement, and (E) no event or circumstance has occurred or is reasonably likely to occur that (with or without the lapse of time or the giving of notice, or both) would constitute a material breach of or material default under the Nektar Agreement or that otherwise results in, causes or permits the termination thereof;

(j) (A) AstraZeneca is not in material breach of or material default under any Existing Agreement to be transferred pursuant to the Transitional Services Agreement and there are no grounds (with or without the lapse of time or the giving of notice, or both) sufficient to enable the applicable counterparty to terminate any Existing Agreement to be transferred pursuant to the Transitional Services Agreement in its entirety or with respect to any country in the Licensed Territory, (B) [***], AstraZeneca has not received any claim, threat or other notice from the applicable counterparty alleging that AstraZeneca is in breach of any Existing Agreement to be transferred pursuant to the Transitional Services Agreement or threatening to terminate or repudiate any Existing Agreement to be transferred pursuant to the Transitional Services Agreement, (C) AstraZeneca has taken all reasonable steps to ensure the continued performance of its obligations under and in accordance with

any Existing Agreement to be transferred pursuant to the Transitional Services Agreement, and (D) no event or circumstance has occurred that (with or without the lapse of time or the giving of notice, or both) would constitute a material breach of or material default under any Existing Agreement to be transferred pursuant to the Transitional Services Agreement or that otherwise results in, causes or permits the termination thereof;

(k) [***], since [***], Nektar has not at any time been and is not currently (in each case with or without the lapse of time or the giving of notice, or both) in material breach of or material default under the Nektar Agreement and there are no grounds for AstraZeneca to terminate the Nektar Agreement or any Nektar Ancillary Agreement in its entirety or with respect to any country in the Licensed Territory;

(l) [***], since [***], the applicable counterparty has not at any time been and is not currently (in each case with or without the lapse of time or the giving of notice, or both) in material breach of or material default under any Existing Agreement to be transferred pursuant to the Transitional Services Agreement, and there are no grounds for AstraZeneca to terminate any Nektar Ancillary Agreement in its entirety or with respect to any country in the Licensed Territory;

(m) [***], there are no active discussions or negotiations between AstraZeneca or any of its Affiliates, on the one hand, and any counterparty to the Nektar Agreement, on the other hand, the purpose of which is to modify any such agreement;

(n) [***], there are no active discussions or negotiations between AstraZeneca or any of its Affiliates, on the one hand, and any counterparty to any Existing Agreement, on the other hand, the purpose of which is to modify any such agreement;

(o) AstraZeneca has elected that [***] for purposes of the Nektar Agreement and the territories of the Existing Partner Agreements cover the entirety of the AstraZeneca Territory;

(p) no Person has asserted in writing that any of the Patents listed in the Orange Book for the Current Product as of the Execution Date are [***]. [***], the Patents listed in the Orange Book as of the Execution Date for the Current Product are valid and enforceable;

(q) [***], the information contained in the approved product labeling for the Current Product and in the NDA for the Current Product represents, in all material respects, an accurate reflection of the safety and efficacy profile of the Current Product;

(r) [***], AstraZeneca has prepared, maintained and retained all material Regulatory Documentation for the Current Product in the Licensed Territory required to be maintained or retained pursuant to and in accordance with Applicable Law in all material respects and such Regulatory Documentation does not contain any materially false or misleading statements;

(s) all material information and documents in AstraZeneca's [***] relating to the Compound, the Licensed Products and the Exploitation thereof in the Licensed Territory have been Disclosed to Licensee, including (i) all clinical and pre-clinical

data relating to the Licensed Products that is relevant to the Regulatory Approval of the Licensed Product, (ii) all AstraZeneca Know-How existing as of [***] that is material to the Exploitation of the Licensed Products in the Licensed Territory (other than AstraZeneca Know-How that is to be transferred under the TSA or any technology transfer under the Supply Agreement), and (iii) [***], in each case other than information collected in the ordinary course of business for reporting to governmental authorities that has not yet been included in the applicable government report;

(t) true and correct redacted copies of the Existing Partner Agreements and any Existing Agreement to be transferred pursuant to the Transitional Services Agreement, as amended as of [***], have been provided to Licensee prior to [***];

(u) [***], (i) there are no material agreements, arrangements or understandings between AstraZeneca or any of its Affiliates and Nektar or any of its Affiliates relating to the Licensed Product, and (ii) AstraZeneca has not assigned or transferred to any of its Affiliates any of its rights or obligations under the Nektar Agreement or any Existing Agreement to be transferred pursuant to the Transitional Services Agreement;

(v) AstraZeneca has (i) Disclosed to Licensee and its advisors all payments due to Nektar under Article 7 of the Nektar Agreement for the calendar years ended [***] to [***] through the P&L statements provided in the data room; and (ii) has paid to Nektar all payments that have become due and payable in accordance with the Nektar Agreement;

(w) the Disclosure Materials have been compiled in good faith and, [***], no material document or information Disclosed by or on behalf of AstraZeneca to Licensee or its advisors during the due diligence process conducted by Licensee and its advisors during the period between [***] and [***] contains any untrue or misleading statement of material fact, and [***], the Disclosure Materials give a true and fair picture of the legal and financial position in relation to the Compound, the Licensed Products and the Exploitation thereof in each case in the Licensed Territory;

(x) the financial data set forth in the Disclosure Materials reflects actual bona fide transactions and has been prepared from the books and records of AstraZeneca, which were compiled in accordance with AstraZeneca's usual and customary practice for maintaining such books and records;

(y) AstraZeneca has not previously assigned, transferred, conveyed, or granted any license or other rights to its rights, title and interest in the Existing Patents, AstraZeneca Know-How or Regulatory Documentation that would in any way [***] granted to Licensee hereunder;

(z) [***], during the [***] period immediately preceding the Execution Date, neither AstraZeneca nor any of its Affiliates, Sublicensees, Distributors, Partners or contractors have had any liability arising out of (i) any injury to individuals or property as a result of ownership, possession or use of any Licensed Product manufactured, sold, developed or delivered by AstraZeneca or any of its Affiliates, Sublicensees, Distributors, Partners or contractors or (ii) the Exploitation of the

Licensed Products, other than pursuant to the Nektar Agreement and the Existing Agreements;

(aa) no Licensed Product has been recalled, suspended or withdrawn from the market in the [***] period prior to the Execution Date, and as of the Execution Date no Licensed Product is currently involved in any ongoing or, [***], threatened or potential, recall, withdrawal or suspension from the market, and [***] no Adverse Event information has come to the attention of AstraZeneca or any of its Affiliates, Sublicensees, Distributors, Partners or contractors, or been reported to any Health Authority, with respect to any Licensed Product;

(bb) to the extent related to the Licensed Product, AstraZeneca is in GCP, GMP and GLP compliance, as those terms are defined by the applicable Health Authorities, and practices the Current Good Manufacturing Practices;

(cc) [***], neither AstraZeneca nor any of its Representatives is the target of a formal investigation by a governmental authority for a material violation of Applicable Law;

(dd) the licenses and sublicenses granted herein, together with the Existing Agreements and the services provided under the TSA and Supply Agreement, constitute substantially all of the rights in, to and under Intellectual Property Rights and rights in, to and under Patents (i) utilized by AstraZeneca and its Affiliates for the Exploitation of the Licensed Products in the Licensed Territory in the [***] period prior to the date hereof, and (ii) required to permit Licensee to Exploit the Licensed Products and the API in the Licensed Territory as presently Exploited and as otherwise contemplated by this Agreement and the Ancillary Agreements;

(ee) [***], no Generic Product has been sold or authorized for sale by any Health Authority or other regulatory authority in any country in the Licensed Territory, and, [***], there are no pending or, [***], threatened (i) allegations, oppositions, certifications, notices or filings, including ANDA actions, claiming that [***] are invalid or unenforceable or (ii) other Proceedings with respect to AstraZeneca's Regulatory Exclusivity with respect to the Licensed Products in any country in the Licensed Territory, and no Third Party has sought any Marketing Authorization with respect to any Generic Product in any country in the Licensed Territory;

(ff) since [***] and until the [***], (i) AstraZeneca and its Affiliates, and [***], its Distributors, Partners and contractors have Exploited the Licensed Products in the Licensed Territory and otherwise performed their obligations under the Nektar Agreement and the Existing Agreements [***] in substantially the same manner as previously Exploited, (ii) there has been no material adverse change in the Exploitation of the Licensed Products in the Licensed Territory or the relationship between AstraZeneca and Nektar in connection with the Nektar Agreement and the Nektar Ancillary Agreements, (iii) AstraZeneca and its Affiliates have conducted, and, [***], Nektar and its Affiliates, Partners and contractors have conducted, their research and development (if any) with respect to the Licensed Products [***] and (iv) [***], AstraZeneca and its Affiliates, Sublicensees, Distributors, Partners and contractors (A) have sold Licensed Products in the Licensed Territory to wholesalers

or distributors only [***] in amounts that are generally consistent with past sales by AstraZeneca and its Affiliate to their wholesale and distributor customers during comparable periods (which, for the avoidance of doubt, shall take into account any seasonality, cyclicality and other market conditions), and as of the [***], the levels of inventory of Licensed Products in distributor or wholesaler channels in the Licensed Territory are generally consistent with past levels of such inventory such during comparable periods; (B) have donated Licensed Products to non-profit or charitable organizations in the Licensed Territory only in amounts (if any) that are generally consistent with past Licensed Product donations by AstraZeneca and its Affiliates to non-profit or charitable organizations in the Licensed Territory during comparable periods, or otherwise to avoid obsolescence of inventory of Licensed Products; and (C) have not engaged in any practice in the Licensed Territory with the intent of increasing the levels of inventory of the Licensed Products in the distributor or wholesaler channels [***] or in anticipation of entering into this Agreement or any similar transactions with respect to Licensed Products;

(gg) AstraZeneca has not received any notices, nor, [***], are any such notices threatened, from any Health Authorities regarding New Post-Approval Commitments related to the Licensed Products;

(hh) all lots of the Licensed Product will reflect the manufacturing order they were produced in (but could be released and shipped to market out of sequence);

(ii) [***];

(jj) [***];

(kk) no Person has asserted in writing to AstraZeneca that they intend to institute any inter partes review proceedings or post-grant review proceedings challenging [***];

(ll) AstraZeneca has been commercializing the Licensed Product in the United States for approximately [***] and has not received written communications asserting that the Licensed Product in the form currently sold [***] any Third Party Intellectual Property Rights other than Trademarks;

(mm) [***], the Existing Patents are all the Patents Controlled by AstraZeneca in the Licensed Territory that are necessary or used for the Exploitation of the Compound or the Licensed Product as currently Exploited by AstraZeneca;

(nn) the Existing Product Trademarks include all the Trademarks with respect to the Licensed Product that are necessary or used in connection with Commercialization of the Licensed Product [***];

(oo) AstraZeneca is not Exploiting any Reserved Products (as defined in the Nektar Agreement); and

(pp) AstraZeneca is eligible for benefits under the income Tax convention between Sweden and the United States.

13.3 **DISCLAIMER OF WARRANTIES**

EXCEPT FOR THE EXPRESS WARRANTIES SET FORTH HEREIN, NEITHER PARTY MAKES ANY REPRESENTATIONS OR GRANTS ANY WARRANTIES, EXPRESS OR IMPLIED, EITHER IN FACT OR BY OPERATION OF LAW, BY STATUTE OR OTHERWISE, AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, EACH PARTY SPECIFICALLY DISCLAIMS ANY OTHER WARRANTIES, WHETHER WRITTEN OR ORAL OR EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF QUALITY, MERCHANTABILITY OR FITNESS FOR A PARTICULAR USE OR PURPOSE OR ANY WARRANTY AS TO THE VALIDITY OF ANY PATENTS OR COPYRIGHTS OR THE USE, REGISTRABILITY, VALIDITY OR ENFORCEABILITY OF ANY TRADEMARKS OR DOMAIN NAME RIGHTS OR THE NON-INFRINGEMENT OF ANY INTELLECTUAL PROPERTY RIGHTS OF THIRD PARTIES.

13.4 **ADDITIONAL WAIVER**

LICENSEE AGREES THAT: (a) THE ASTRAZENECA PATENTS, PRODUCT TRADEMARKS, ASTRAZENECA CORPORATE MARKS, ASTRAZENECA COPYRIGHTS, NEKTAR NAME AND TRADEMARKS AND LICENSED PRODUCT DOMAIN NAMES ARE LICENSED “AS IS,” “WITH ALL FAULTS” AND “WITH ALL DEFECTS,” AND LICENSEE EXPRESSLY WAIVES ALL RIGHTS TO MAKE ANY CLAIM WHATSOEVER AGAINST ASTRAZENECA, GUARANTEE OR WARRANTY OF ANY KIND RELATING TO THE ASTRAZENECA PATENTS OR PRODUCT TRADEMARKS OR ASTRAZENECA CORPORATE MARKS OR ASTRAZENECA COPYRIGHTS OR NEKTAR NAME OR TRADEMARKS OR LICENSED PRODUCT DOMAIN NAMES; (b) LICENSEE AGREES THAT ASTRAZENECA WILL HAVE NO LIABILITY TO LICENSEE FOR ANY ACT OR OMISSION IN THE PREPARATION, FILING, PROSECUTION, MAINTENANCE, ENFORCEMENT, DEFENSE OR OTHER HANDLING OF THE ASTRAZENECA PATENTS OR PRODUCT TRADEMARKS OR ASTRAZENECA CORPORATE MARKS OR ASTRAZENECA COPYRIGHTS OR NEKTAR NAME OR TRADEMARKS OR LICENSED PRODUCT DOMAIN NAMES; AND (c) LICENSEE IS SOLELY RESPONSIBLE FOR DETERMINING WHETHER THE ASTRAZENECA PATENTS, PRODUCT TRADEMARKS, ASTRAZENECA CORPORATE MARKS, ASTRAZENECA COPYRIGHTS, NEKTAR NAME OR TRADEMARKS OR LICENSED PRODUCT DOMAIN NAMES HAVE APPLICABILITY OR UTILITY IN LICENSEE’S CONTEMPLATED EXPLOITATION OF THE LICENSED PRODUCTS AND LICENSEE ASSUMES ALL RISK AND LIABILITY IN CONNECTION WITH SUCH DETERMINATION.

13.5 **Sole Remedy**

The sole remedy of either Party for breach of the representations and warranties set forth in this Article 13 shall be damages, and each Party acknowledges and agrees that it shall have no right to rescind this Agreement in any circumstances and irrevocably waives all and any rights of rescission in respect of this Agreement however arising and irrevocably waives any

other remedies it may have, whether at law or in equity, in relation to a breach of such representations and warranties.

14. CONDUCT OF THE BUSINESS.

14.1 From the Execution Date to the Effective Date, except as consented to in writing in advance by Licensee, AstraZeneca shall, and shall cause its Affiliates to, (a) use commercially reasonable efforts to carry on its business related to the Licensed Products in the ordinary course of business and consistent with past practice in all material respects, including by not selling, transferring or otherwise disposing of or encumbering (i) AstraZeneca's rights in, to and under material Intellectual Property Rights (other than AstraZeneca Corporate Marks) and rights in, to and under Patents Controlled by AstraZeneca and utilized by AstraZeneca and its Affiliates as of the Execution Date for the Exploitation of the Licensed Products in the Licensed Territory and (ii) AstraZeneca's Existing API (as defined in the Supply Agreement), in each case (i) and (ii), other than in the ordinary course of business and consistent with past practice, (b) to the extent commercially reasonable, continue the ongoing Post-Approval Commitments in all material respects and preserve in all material respects its relationships with suppliers, licensors, licensees, distributors and others having business dealings with it, in each case in relation to the Compounds and the Licensed Products with the intention that its ongoing business and goodwill related to the Compounds and the Licensed Products will not be impaired as of the Effective Date in any material respect in the Licensed Territory and (c) not incur non-refundable costs exclusively related to registering for pain weekends/congresses; *provided* that the obligations of this Section 14.1 shall not restrict (A) the making of any changes which AstraZeneca or its Affiliates may make with respect to its business generally or its mature brands business, which is not specifically directed towards the Compounds or the Licensed Products, or (B) any activities contemplated by this Agreement and the Ancillary Agreements, including actions contemplated on Schedule 10 to this Agreement.

15. ANTI-BRIBERY AND ANTI-CORRUPTION COMPLIANCE.

15.1 Representatives

Each Party agrees, on behalf of itself and its respective Representatives, that for the performance of its obligations hereunder:

(a) Each Party and its respective Representatives shall not directly pay, offer or promise to pay or authorize the payment of any money or give, offer or promise to give or authorize the giving of anything else of value, to: (i) any Government Official in order to influence official action; (ii) any Person (whether or not a Government Official) (x) to influence such Person to act in breach of Applicable Law ("**Acting Improperly**"), (y) to reward such Person for Acting Improperly or (z) where, to the applicable Party's Knowledge, such Person would be Acting Improperly by receiving the money or other thing of value; (iii) any Person (whether or not a Government Official) while knowing that all or any portion of the money or other thing of value will be paid, offered, promised or given to or will otherwise benefit, a Government Official in order to influence official action for or against either Party

in connection with the matters that are the subject of this Agreement; or (iv) any Person (whether or not a Government Official) to reward that Person for Acting Improperly or to induce that Person to Act Improperly.

(b) Each Party and its respective Representatives shall not directly solicit, receive or agree to accept any payment of money or anything else of value in violation of the Anti-Corruption Laws.

15.2 **AstraZeneca Policies**

15.2.1 Each Party shall comply with (a) Anti-Corruption Laws, (b) the AstraZeneca Code of Ethics, and (c) in the case of Licensee, its own internal policies relating to anti-corruption to the extent materially consistent with the AstraZeneca Code of Ethics, failing which, with respect to any particular inconsistency, the AstraZeneca Code of Ethics shall prevail with respect to the inconsistency for the purposes of this Agreement.

15.2.2 Each Party shall not knowingly cause the other Party or its Affiliates to be in violation of the Anti-Corruption Laws or the AstraZeneca Code of Ethics. Licensee has read and received AstraZeneca's Code of Ethics.

15.3 **Investigations**

Each Party, on behalf of itself and its Representatives, (a) shall promptly inform the other Party upon receiving a formal notification that it or any of its Representatives is the target of a formal investigation by a governmental authority for a material Anti-Corruption Law violation, and (b) represents and warrants that, to the applicable Party's Knowledge, neither it nor any of its Representatives has made, solicited or received anything of value that would or has put it or them in material violation of the Anti-Corruption Laws during the [***] preceding the Execution Date.

15.4 **Disclosure of Agreement**

To the extent related to activities under this Agreement, each Party may disclose the terms of this Agreement or any action taken under this Article 15 to prevent a potential violation or continuing violation of applicable Anti-Corruption Laws, including the identity of the other Party and the payment terms, to any governmental authority if the disclosing Party determines, upon advice of counsel, that such disclosure is necessary.

16. **INDEMNITY**

16.1 **Indemnification of AstraZeneca**

Licensee shall indemnify AstraZeneca, its Affiliates, its and their licensors and (sub)licensees and its and their respective directors, officers, employees and agents, and defend and save each of them harmless, in full and on demand, from and against, and compensate and reimburse them for, any and all Losses suffered or incurred by them in connection with any and all suits, investigations, claims or demands of Third Parties (collectively, "**Third Party Claims**") arising from or occurring as a result of: (a) [***] by Licensee or any of its Affiliates

or Sublicensees or Distributors or contractors of this Agreement, including the enforcement of AstraZeneca's rights under this Section 16.1; (b) [***] on the part of Licensee or its Affiliates or Sublicensees or Distributors or contractors or its or their respective directors, officers, employees or agents in exercising its or their rights or performing its or their obligations under this Agreement; (c) the [***] of Licensee, or its Affiliates or Sublicensees or Distributors or contractors that causes AstraZeneca or any of its Affiliates to be [***] of the Nektar Agreement; (d) the [***] of Licensee, or its Affiliates or Sublicensees or Distributors or contractors that results in [***]; or (e) the Exploitation by Licensee or any of its Affiliates or Sublicensees or Distributors or contractors of Licensed Products, including any violation of Applicable Law in connection with such Exploitation and any Third Party Claims alleging that the claimant has [***], except, in each case ((a) through (e)), for those Losses for which AstraZeneca has an obligation to indemnify Licensee pursuant to Section 16.2 hereof (or would have if a Third Party Claim was made against Licensee), as to which Losses each Party shall indemnify the other to the extent of their respective liability for such Loss.

16.2 **Indemnification of Licensee**

AstraZeneca shall indemnify Licensee, its Affiliates and Sublicensees, and its and their respective directors, officers, employees and agents, and defend and save each of them harmless, in full and on demand, from and against, and compensate and reimburse them for, any and all Losses suffered or incurred by them in connection with any and all Third Party Claims, excluding Third Party Claims brought by any Financing Party or its Affiliates, arising from or occurring as a result of: (a) the [***] by AstraZeneca or any of its Affiliates or sublicensees or Distributors or Partners or contractors of this Agreement, including the enforcement of Licensee's rights under this Section 16.2; (b) the [***] by AstraZeneca or Nektar or any of their respective Affiliates or Sublicensees or Distributors or Partners or contractors of the Nektar Agreement or any Existing Agreement; (c) the [***] on the part of AstraZeneca or its Affiliates or sublicensees or Distributors or Partners or contractors or its or their respective directors, officers, employees or agents in performing its or their obligations under this Agreement; or (d) the Exploitation by AstraZeneca or any of its Affiliates or Sublicensees or Distributors or Partners or contractors of Licensed Products, including any violation of Applicable Law in connection with such Exploitation and any Third Party Claims alleging that the claimant has [***], except, in each case ((a) through (c)), for those Losses for which Licensee has an obligation to indemnify AstraZeneca pursuant to Section 16.1 hereof (or would have if a Third Party Claim was made against AstraZeneca), as to which Losses each Party shall indemnify the other to the extent of their respective liability for the Losses.

16.3 **Indemnification Procedures**

The obligations of an Indemnifying Party under this Article 16 shall be governed by and contingent upon the following:

16.3.1 **Notice of Claim**.

An Indemnified Party shall give the Indemnifying Party prompt written notice of any Loss or discovery of fact upon which such Indemnified Party intends to base a request for

indemnification under Section 16.1 or Section 16.2 (an "**Indemnification Claim Notice**"). In no event shall the Indemnifying Party be liable for any Loss that results from any delay in providing the Indemnification Claim Notice. Each Indemnification Claim Notice shall contain a description of the claim and the nature and amount of the Loss claimed (to the extent that the nature and amount of such Loss is known at such time). The Indemnified Party shall furnish promptly to the Indemnifying Party copies of all papers and official documents received in respect of any such Loss. For the avoidance of doubt, all indemnification claims in respect of a Party, its Affiliates, its or their licensors and (sub)licensees, or its or their respective directors, officers, employees and agents shall be made solely by such Party to this Agreement.

16.3.2 **Assumption of Defense**.

Except for any Third Party Claim relating to the use of the AstraZeneca Corporate Marks or Nektar name or Trademarks, which AstraZeneca shall retain all rights to assume and control the defense thereof, the Indemnifying Party shall have the option to assume the defense of any Third Party Claim by giving written notice to the Indemnified Party within [***] after the Indemnifying Party's receipt of an Indemnification Claim Notice. The assumption of the defense of a Third Party Claim by the Indemnifying Party shall not be construed as an acknowledgment that the Indemnifying Party is liable to indemnify any Indemnified Party in respect of the Third Party Claim, nor shall it constitute a waiver by the Indemnifying Party of any defenses it may assert against any Indemnified Party's claim for indemnification. If the Indemnifying Party does not assume the defense of a Third Party Claim, or fails to conduct such defense, then the Indemnified Party may control the defense of such Third Party Claim and shall have the rights under Sections 16.3.4 and 16.3.6 below, as well as any other applicable rights under this Agreement. Notwithstanding anything in this Agreement to the contrary, AstraZeneca shall retain control of any and all Third Party Claims relating to the AstraZeneca Corporate Marks.

16.3.3 **Control of Defense**.

Upon the assumption of the defense of a Third Party Claim by the Indemnifying Party:

(a) the Indemnifying Party may appoint as lead counsel in the defense of the Third Party Claim any legal counsel selected by the Indemnifying Party, which shall be reasonably acceptable to the Indemnified Party, and

(b) except as expressly provided in Section 16.3.4, the Indemnifying Party shall not be liable to the Indemnified Party for any legal expenses subsequently incurred by such Indemnified Party in connection with the analysis, defense or settlement of the Third Party Claim. In the event that it is ultimately determined that the Indemnifying Party is not obligated to indemnify, defend or hold harmless an Indemnified Party from and against the Third Party Claim, the Indemnified Party shall reimburse the Indemnifying Party for any and all costs and expenses (including lawyers' fees and costs of suit) and any Loss incurred by the Indemnifying Party in its defense of the Third Party Claim with respect to such Indemnified Party.

16.3.4 **Right to Participate in Defense**. Without limiting Section 16.3.1 or 16.3.2, any Indemnified Party shall be entitled to participate in, but not control, the defense of a Third Party Claim and to retain counsel of its choice for such purpose; provided, that such retention shall be at the

Indemnified Party's own expense unless (a) the Indemnifying Party has failed to assume the defense and retain counsel in accordance with Section 16.3.2 (in which case the Indemnified Party shall control the defense), (b) the interests of the Indemnified Party and the Indemnifying Party with respect to such Third Party Claim are sufficiently adverse to prohibit the representation by the same counsel of both parties under Applicable Law, ethical rules or equitable principles or (c) the Indemnifying Party and the Indemnified Party have different defenses available with respect to such claim that cause the Indemnified Party to hire its own separate counsel with respect to such proceeding.

16.3.5 **Settlement and Judgments**. With respect to all Losses resulting from or arising out of or in connection with Third Party Claims, where the Indemnifying Party has assumed the defense of a Third Party Claim in accordance with Section 16.3.2: (a) the Indemnifying Party shall have authority to consent to the entry of any judgment, enter into any settlement or otherwise dispose of such Losses; provided that it obtains the prior written consent of the Indemnified Party (which consent shall not be unreasonably withheld, conditioned or delayed); and (b) no Indemnified Party shall admit any liability with respect to, or settle, compromise or discharge, any such Third Party Claim without the prior written consent of the Indemnifying Party (which consent shall not be unreasonably withheld, conditioned or delayed). With respect to all Losses resulting from or arising out of or in connection with Third Party Claims, where the Indemnifying Party has not assumed the defense of a Third Party Claim in accordance with Section 16.3.2, the Indemnifying Party shall be responsible for all such Losses for which it has indemnity and hold harmless obligations under Section 16.1 or Section 16.2, as applicable, with respect to such Third Party Claim; provided that the Indemnified Party shall not consent to the entry of any judgment, enter into any settlement or otherwise dispose of such Losses, without first obtaining the prior written consent of the Indemnifying Party (which consent shall not be unreasonably withheld, conditioned or delayed). Notwithstanding anything in this Agreement to the contrary, AstraZeneca shall retain control of any and all Third Party Claims relating to the AstraZeneca Corporate Marks, including the authority to consent to the entry of any judgment or any settlement or any other disposition of any Losses.

16.3.6 **Cooperation**. To the extent that the Indemnifying Party defends against any Third Party Claim, the Indemnified Party that is a Party to this Agreement shall, and shall cause each of its Affiliates and each of their respective directors, officers, employees and agents to reasonably cooperate in the defense or prosecution thereof and shall furnish such records, information and testimony, provide such witnesses and attend such conferences, discovery proceedings, hearings, trials and appeals as may be reasonably requested in connection therewith. Such cooperation shall include access during normal business hours by the Indemnifying Party to, and reasonable retention by the Indemnified Party of, records and information that are reasonably relevant to such Third Party Claim (subject to typical confidentiality protections), and making the Indemnified Party, its Affiliates and its and their respective directors, officers, employees and agents available on a mutually convenient basis to provide additional information and explanation of any records or information provided, and the Indemnifying Party shall reimburse the Indemnified Party for all of its related reasonable out-of-pocket expenses.

16.3.7 **Expenses**. Except as expressly provided above, the reasonable verifiable costs and expenses, including fees and disbursements of counsel, incurred by the Indemnified Party in connection with any Third Party Claim for which it is indemnified under this Article 16, including all

such costs and expenses incurred by the Indemnified Party with respect to defending a Third Party Claim for which the Indemnifying Party did not assume the defense, shall be reimbursed on a Calendar Quarter basis by the Indemnifying Party, which reimbursement shall be without prejudice to the Indemnifying Party's right to contest the Indemnified Party's right to indemnification and subject to refund in the event the Indemnifying Party is ultimately held not to be obligated to indemnify the Indemnified Party under the terms of this Article 16.

16.3.8 **Sensitive Third Party Claims**. Notwithstanding anything to the contrary herein, if a Third Party Claim subject to indemnification pursuant to Section 16.1 relates to the Nektar Agreement or may, in AstraZeneca's reasonable opinion, materially adversely affect AstraZeneca's business, reputation or relationships with a Health Authority or a Third Party ("**Sensitive Third Party Claims**"), then AstraZeneca shall have the right to conduct such Sensitive Third Party Claim and to use its own professional advisors in connection therewith; *provided* that AstraZeneca shall not approve any settlement amount or make any public disclosure or public statement about any aspect of the Sensitive Third Party Claim, in either case, without the prior written consent of Licensee, such consent not to be unreasonably withheld, delayed or conditioned. Licensee shall be entitled to appoint (at its cost and expense) counsel, who shall (subject to privilege and confidentiality restrictions) be kept appraised of the Sensitive Third Party Claim, and AstraZeneca shall consider any reasonable suggestions and requests provided by such counsel in connection with the conduct of such Sensitive Third Party Claim.

16.4 **Special, Indirect and Other Losses**

EXCEPT IN CIRCUMSTANCES OF GROSS NEGLIGENCE OR INTENTIONAL MISCONDUCT BY A PARTY OR ITS AFFILIATES, OR WITH RESPECT TO INDEMNIFICATION OBLIGATIONS FOR THIRD PARTY CLAIMS UNDER SECTIONS 16.1 OR 16.2, NEITHER PARTY NOR ANY OF ITS AFFILIATES SHALL BE LIABLE TO THE OTHER (OR ANY OF ITS AFFILIATES) FOR SPECIAL, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES, OR FOR LOST PROFITS (WHETHER DIRECT OR INDIRECT), WHETHER IN CONTRACT, WARRANTY, NEGLIGENCE, TORT, STRICT LIABILITY OR OTHERWISE, ARISING OUT OF (I) THE DEVELOPMENT, MANUFACTURE, USE OR SALE OF ANY LICENSED PRODUCT DEVELOPED, MANUFACTURED OR MARKETED HEREUNDER OR UNDER ANY ANCILLARY AGREEMENT OR (II) ANY BREACH OF OR FAILURE TO PERFORM ANY OF THE PROVISIONS OF THIS AGREEMENT; PROVIDED, THAT THE FOREGOING LIMITATIONS SHALL NOT APPLY TO ANY LIABILITY OF EITHER PARTY FOR BREACH OF ARTICLES 8 OR 12.

16.5 **Insurance**

16.5.1 **Licensee Insurance.** Licensee shall, at a minimum, maintain during any period in which Licensee has indemnification obligations to AstraZeneca, which indemnification obligations shall be scheduled in the policies, (i) general liability insurance with a combined single limit for bodily injury and property damage of not less than [***], (ii) products liability/completed operations coverage with a minimum [***]. Such policies shall (x) be written on an occurrence or claims made basis, and (y) show AstraZeneca and Nektar as additional insureds for any liability imposed on AstraZeneca and Nektar for an act committed by Licensee, for

which Licensee is held liable, and provide that AstraZeneca will be given [***] advance written notice of the termination thereof. Such policies shall remain in effect throughout the Term and shall not be cancelled or subject to a reduction of coverage without prior written notice to AstraZeneca. Should such insurance be cancelled AstraZeneca shall have the right to procure the same and the cost and expense thereof shall be reimbursed to AstraZeneca by Licensee. All such insurance will be written with a company or companies licensed to do business in the State of New York having a financial rating of not less than A 'X' in the most current edition of Bests Key Rating Guide. Upon request by AstraZeneca, Licensee shall provide to AstraZeneca evidence of its insurance coverage, including copies of applicable insurance policies.

16.5.2 **Insurance**. AstraZeneca shall have and maintain in the name of AstraZeneca, and its Affiliates, at a minimum, during any period which AstraZeneca has indemnification obligations to Licensee, which indemnification obligations shall be scheduled in the policies, (i) commercial general liability insurance with a combined single limit for bodily injury and property damage of not less than [***] and (ii) products liability/completed operations coverage (including clinical trials) with a minimum [***]. Upon request by Licensee, AstraZeneca shall provide to Licensee evidence of its insurance coverage. AstraZeneca may use self-insurance to fulfill the obligations set forth in this Section 16.5.2.

17. TERM AND TERMINATION

17.1 **HSR and Other Governmental Filings.** The Parties shall each, as promptly as practicable after the Execution Date, file or cause to be filed with the U.S. Federal Trade Commission and the U.S. Department of Justice and any relevant foreign governmental authority any notifications required to be filed under the HSR Act (the "**HSR Filing**") or any similar applicable foreign law or regulation with respect to the transactions contemplated hereby; *provided* that the Parties shall each make the HSR Filing within [***] after the Execution Date and shall each file any notifications or filings required to be filed under similar applicable laws and regulations as promptly as reasonably practicable. The Parties shall use their [***] to respond promptly to any requests for additional information made by such agencies, and to cause the waiting period (and any extensions thereof) under the HSR Act or any similar applicable foreign law or regulation [***] after the date of filing. Each Party is responsible for its own filing fees and for the costs and expenses of its own legal and other advice in preparing and conducting the HSR Filing.

17.2 **Term and Expiration.** Notwithstanding anything in this Agreement to the contrary, this Agreement (other than Section 9.1(a), Article 12, Section 16.1 and this Section 17.2, which are binding and effective as of the Execution Date) shall not become effective until the payment by Licensee under Section 9.1(a) of fifty-two million five hundred thousand Dollars (US$52,500,000) to AstraZeneca (the date of such payment, the "**Effective Date**"), and upon the Effective Date the full Agreement and all its terms and provisions shall be automatically effective and binding on both Parties; *provided*, the obligations of Licensee to consummate the payment under Section 9.1(a) of fifty-two million five hundred thousand Dollars (US$52,500,000) to AstraZeneca will be subject to the satisfaction on the date such payment is required to be made under Section 9.1(a) of each of the following conditions, which to the

extent permitted by Applicable Law may be waived in a written agreement signed by Licensee:

(a) no Material Adverse Effect has occurred; and

(b) the covenants and obligations AstraZeneca is required to comply with or to perform on or prior to the Effective Date pursuant to Article 14 have been complied with and performed in all material respects.

If Licensee has not made the fifty-two million five hundred thousand Dollars (US$52,500,000) payment described in Section 9.1(a) on the date that is the later of (i) [***] following the Approval Date and (ii) [***] after the Execution Date, AstraZeneca shall have the right to terminate this Agreement immediately upon notice to Licensee and upon receipt of such notice by Licensee, this Agreement shall be null and void and have no further force and effect.

If, on [***] after the date of filing under the HSR Act the waiting period required thereunder has not expired, [***] shall have the right, on written notice to [***], and upon receipt of such notice by such other Party, this Agreement shall be null and void and have no further force and effect. The term of this Agreement shall become effective as of the Effective Date and, unless earlier terminated in accordance herewith, shall continue in force and effect until the earlier of (a) the termination of the Nektar Agreement or (b) the date of expiration of the last Exclusivity Period for the last Licensed Product (such period, the "**Term**").

17.3 **Termination for Material Breach**

17.3.1 **Termination for Material Breach other than Material Breach of Licensee's Diligence Obligations.** Subject to Section 17.6.2, in the event that either Party (the "**Breaching Party**") is in material breach of this Agreement (except for Licensee's diligence obligations under Section 5.1 or 6.1), in addition to any other right or remedy the other Party (the "**Non-Breaching Party**") may have, the Non-Breaching Party may terminate this Agreement by providing [***] (the "**Notice Period**") prior written notice (the "**Termination Notice**") to the Breaching Party and specifying the breach and its claim of right to terminate; provided that (a) the termination shall not become effective at the end of the Notice Period if the Breaching Party cures the breach specified in the Termination Notice during the Notice Period (or, if such breach cannot be cured within the Notice Period, if the Breaching Party commences actions to cure such breach within the Notice Period and thereafter diligently continues such actions to cure such breach as soon as possible, such longer period not to exceed an additional [***]; provided that such extended cure period shall not apply to any breach arising from any payment breach; and (b) the Notice Period for payment breaches shall be [***] from the date of notice (and shall not, for clarity, be subject to any extension of the Notice Period). If Licensee's material breach relates solely and exclusively to a particular country or countries in the Licensed Territory, AstraZeneca shall have the right to terminate this Agreement under this Section 17.3.1 solely with respect to such country or countries; *provided* that if Licensee's material breach relates to [***], AstraZeneca shall have the right to terminate [***].

17.3.2 **Termination for Breach of Diligence Obligations.** Subject to Section 17.6.2, if at any time AstraZeneca believes that Licensee is in material breach of its diligence obligations under Sections 5.1 or 6.1, then AstraZeneca shall so notify Licensee, specifying the basis for its belief, and the Parties shall meet within [***] after such notice to discuss [***]. If, after such [***] period, the Parties do not reach agreement as to whether Licensee is in material breach of such obligations and resolve the issue, then, subject to Sections 8.2 and 18.5.4, either Party may require that the issue be resolved by the matter being referred to expedited arbitration in accordance with Section 18.5.3 hereof (which arbitration shall determine whether Licensee is in material breach of such obligations and, if so, what steps must be taken to cure such material breach). If the Arbitrators in such arbitration determine that Licensee is in material breach of its obligations under Sections 5.1 or 6.1, then (a) the Arbitrators shall specify the [***] in order to cure such breach; (b) Licensee shall [***] of such arbitration (including [***] and other similar [***]); and (c) Licensee shall have the right to cure such breach by [***], within [***] frame. If Licensee does not [***], then AstraZeneca shall have the right to [***] on notice to Licensee solely with respect to [***] to which the material breach [***]; provided that if Licensee's material breach relates to [***], AstraZeneca shall have the right to terminate [***].

17.4 **Termination by AstraZeneca**

17.4.1 **[***].** In the event that Licensee or any of its Affiliates [***] that any AstraZeneca Patent is [***], or, [***] or [***], otherwise [***] of an AstraZeneca Patent, then AstraZeneca shall have the right to terminate this Agreement on [***] written notice to Licensee.

17.4.2 **Breach of Nektar Agreement.** In the event that any breach by Licensee or any of its Affiliates or Sublicensees of this Agreement or any Ancillary Agreement would be reasonably likely to cause or lead to the termination, in its entirety or in part, of the Nektar Agreement, including if Licensee notifies AstraZeneca that it does not intend to perform [***], or Licensee does not perform [***] within [***], AstraZeneca shall so notify Licensee, and the Parties shall meet within [***] after such notice to discuss in good faith [***]. If, after such [***] period, the Parties do not reach agreement as to whether Licensee is reasonably likely to cause or lead to the termination, in its entirety or in part, of the Nektar Agreement, then subject to Section 18.5.4, either Party may require that the issue be resolved by the matter being referred to expedited arbitration in accordance with Section 18.5.3 (which arbitration shall determine whether Licensee is reasonably likely to cause or lead to the termination, in its entirety or in part, of the Nektar Agreement and, if so, what steps must be taken to prevent such termination). If the Arbitrators in such arbitration determine that Licensee is reasonably likely to cause or lead to the termination, in its entirety or in part, of the Nektar Agreement, then (a) the Arbitrators shall specify the [***] in order to cure; (b) Licensee shall [***] of such arbitration (including [***] and other similar [***]); and (c) Licensee shall have the right to cure by [***], within [***]. If Licensee does not [***], AstraZeneca shall have the right to [***] on [***] written notice to Licensee, which right shall expire if Licensee cures such breach during the [***] notice period. Notwithstanding the foregoing, in the event of a dispute under arbitration that is also a dispute under the Nektar Agreement, then the Parties shall agree to a consolidated arbitration or if the Parties do not agree to a consolidated arbitration, then this arbitration proceeding shall be stayed pending resolution of the analogous dispute with Nektar.

17.5 **Termination by Licensee.**

17.5.1 **Termination for [***].** If, in the [***], the Exploitation of the Compounds and the Licensed Products by Licensee, its Affiliates or any of their Sublicensees [***] prior written notice to AstraZeneca, to terminate this agreement with respect to that portion of the Licensed Territory if at any time (i) Licensee is [***] or (ii) Licensee [***]; *provided*, however, that Licensee shall have (x) first notified AstraZeneca of [***] and afforded AstraZeneca a [***] period (or longer, if elected by Licensee) in which AstraZeneca shall have the opportunity to discuss such [***] with Licensee in good faith, and (y) if AstraZeneca provides any [***] to Licensee during such period regarding [***], Licensee shall consider such [***]. If Licensee has delivered a termination notice to AstraZeneca under this Section 17.5.1, Licensee shall have the right to cease conducting further activities under this Agreement [***] subject only to compliance with Applicable Laws and ethical obligations. If Licensee has the right to terminate this Agreement pursuant to this Section 17.5.1 with respect to [***], Licensee shall have the right to terminate [***].

17.5.2 **Termination for [***].** If [***] with respect to [***] or the [***] in any portion of the Licensed Territory, Licensee shall have the right upon delivery of notice to AstraZeneca after the Effective Date effective [***] after delivery of such notice to AstraZeneca to [***] if (i) within [***], and (ii) [***]. In such case, both Parties shall have the right to cease conducting the activities that [***] (subject only to compliance with Applicable Laws and ethical obligations). If Licensee has the right to terminate this Agreement pursuant to this Section 17.5.2 with respect to [***], Licensee shall have the right to terminate [***].

17.5.3 **Termination for [***].** Any time after the Effective Date, Licensee may terminate the Agreement in its entirety pursuant to this Section 17.5.3 [***] if there is a [***] (each as defined in the Nektar Agreement). If Licensee is entitled to terminate this Agreement pursuant to the immediately preceding sentence, Licensee shall have the right to do so effective (i) [***] upon written notice to AstraZeneca for a [***] or (ii) on [***] prior written notice for a [***].

17.6 **Termination for Insolvency**

17.6.1 Subject to Section 17.6.2, in the event that (i) either Party (a) files for protection under bankruptcy or insolvency laws, (b) makes an assignment for the benefit of creditors, (c) appoints or suffers appointment of a receiver or an administrative receiver of, or an encumbrancer taking possession of or selling, the whole of or any part of such Party's undertaking, assets, rights or revenue, (d) proposes a written agreement of composition or extension of its debts, (e) proposes or is a party to any dissolution or liquidation, (f) files a petition under any bankruptcy or insolvency act or has any such petition filed against that is not discharged within [***] of the filing thereof, (g) admits in writing its inability generally to meet its obligations as they fall due in the general course, or (h) suffers an event or is the subject of a proceeding in any jurisdiction to which it is subject that has an effect equivalent or similar to any of the above clauses mentioned in this Section 17.6, or (ii) the sum of either Party's debts is greater than all of such Party's property (in each case, at fair value), excluding any property transferred, concealed, or removed with intent to hinder, delay, or defraud such Party's creditors, then in each case (each of (i) and (ii), an **"Insolvency Event**") the other

Party may terminate this Agreement in its entirety effective [***] upon written notice to such Party.

17.6.2 If an Insolvency Event or an applicable breach occurs with respect to Licensee and AstraZeneca wishes to terminate this Agreement pursuant to Section 17.3.1, 17.3.2 or 17.6.1, AstraZeneca shall promptly notify [***] of such breach or Insolvency Event. Upon receiving such notice, [***] shall then have the [***], to, within [***] from the date of such notice, [***]. Any purported termination or cancellation under this Section 17.6.2 inconsistent with the foregoing shall be invalid and of no force or effect.

17.7 **Termination for Termination of Nektar Agreement**

Subject to Section 18.16(d) of the Nektar Agreement, in the event that the Nektar Agreement (a) terminates in its entirety for any reason, this Agreement shall automatically terminate in its entirety on the effective date of such termination, or (b) terminates with respect to any country in the Licensed Territory but not in its entirety, this Agreement shall automatically terminate with respect to such country on the effective date of such termination; provided that if such termination of the Nektar Agreement is with respect to [***], then this Agreement shall automatically terminate [***].

17.8 **Effects of Termination in Entirety or with Respect to [***]**

17.8.1 **Termination in Entirety.** If this Agreement is terminated in its entirety, all rights and licenses granted to Licensee under Sections 2.1(a), 2.1(b), 2.1(c) and 2.1(d) and Section 11.7.1 of this Agreement shall terminate and revert exclusively to AstraZeneca, except as otherwise expressly stated in this Article 17 or Article 2. Until the later of (a) [***] and (b) [***], other than as expressly permitted under this Agreement or the Reversion Transition Agreement, Licensee covenants that it and its Affiliates shall not [***] that is in [***] or is [***] immediately prior to such termination; provided that the foregoing shall not apply to any Licensed Product on or after the date on which there is first a [***] on the market in [***] with respect to such Licensed Product.

17.8.2 **Termination with Respect to a [***]**. If this Agreement is terminated with respect to [***] (but not in its entirety) (each such terminated country, a "**Terminated Country**"):

(a) the rights and licenses granted to Licensee in Section 2.1 in [***] shall automatically terminate and revert exclusively to AstraZeneca except that limited license rights shall remain in effect to (A) [***] of the Compounds and the Licensed Products in [***] in order to [***] in the Licensed Territory and (B) [***] the Licensed Products (including the Compound therein) in [***] for [***] thereof in the Licensed Territory;

(b) the rights and licenses granted to Licensee in Section 2.1 with respect to countries in the Licensed Territory other than [***] shall survive termination solely with respect to such countries, subject to [***];

provided that if either Party terminates this Agreement solely in [***], each Party shall have the right to terminate [***].

17.9 **Cure Period for Breach of Applicable Law.** A Party's violation of Applicable Law shall be deemed a breach of this Agreement, but the non-breaching Party may not terminate this Agreement unless the breaching Party fails to cure the violation within [***] of learning of such violation. To cure such violation, the applicable Party shall take such steps, additional measures, representations, warranties, undertakings and other provisions, in each case, as the other Party believes in good faith are reasonably necessary in order to avoid a potential violation or continuing violation of the Applicable Law.

17.10 **Other Termination Consequences**

17.10.1 **Generally.** The consequences set forth in this Section 17.10 shall apply solely on and after the effective date of the termination of this Agreement in its entirety or with respect to a Terminated Country, as applicable.

17.10.2 **Licensee Grant to AstraZeneca**. In the event of termination of this Agreement in its entirety or with respect to one or more Terminated Countries (except for termination by Licensee pursuant to Section 17.3.1), the license grant from Licensee to AstraZeneca set forth in Section 2.6 shall automatically extend to the Licensed Territory in its entirety or such Terminated Countries, as applicable.

17.10.3 **Access to Data; Right of Reference**. In the event of termination of this Agreement in its entirety or with respect to one or more Terminated Countries, in addition to each Party's rights elsewhere in this Agreement, each Party and its Affiliates shall, to the extent not previously transferred to the other Party, disclose and transfer to the other Party copies of all Licensee Know-How (in the case of Licensee) or AstraZeneca Know-How (in the case of AstraZeneca), and automatically grant to the other Party, effective as of the effective date of any such termination, a right to use (which right is fully sublicensable through multiple tiers and transferrable to other Persons) such Licensee Know-How or AstraZeneca Know-How, as applicable, for the Exploitation of Products (in the event of termination of this Agreement with respect to one or more Terminated Countries, solely in or for such Terminated Countries or other countries outside the Licensed Territory), and a right of reference (which right is fully transferable to other Persons, with the relevant Party agreeing to provide any needed letters acknowledging such right of reference as needed by any transferee) to all Licensee Regulatory Documentation (in the case of Licensee) or AstraZeneca Regulatory Documentation (in the case of AstraZeneca) to the extent [***] for such other Party (or any transferee) to Exploit Products (in the event of termination of this Agreement with respect to one or more Terminated Countries, solely in or for such Terminated Countries or other countries outside the Licensed Territory).

17.10.4 **Marketing Materials and Product Labelling**. In the event of termination of this Agreement in its entirety or with respect to one or more Terminated Countries, each Party shall grant to the other Party a perpetual, non-exclusive, sublicensable, transferable, right and license in and to all advertising, marketing, promotional, packaging, educational materials and Product-specific training materials and Product Labelling content and materials prepared or authored by such Party for the Commercialization of Licensed Product in the Licensed Territory in its entirety or such Terminated Countries, as applicable, including all Licensee Marketing and Training Materials or AstraZeneca Marketing and Training Materials, as applicable (including all web and social media content), and Product Labelling content and materials, which license

shall include the right to reproduce, copy, modify, distribute, create derivative works based thereon, publicly perform, publicly display and otherwise use or exploit such materials and all copyrights therein owned or Controlled by such Party or any of its Affiliates in the Licensed Territory in its entirety or such Terminated Countries, as applicable, in any and all forms and media now known or hereinafter invented.

17.10.5 **Safety Reporting**. In the event of termination of this Agreement with respect to a Terminated Country (but not in its entirety), then promptly following the effective date of termination the Parties shall enter into an agreement (or an amendment to the Pharmacovigilance Agreement) governing the Parties' respective rights and responsibilities with respect to the coordination of safety-related regulatory obligations, including the reporting of Adverse Events and other safety or quality data. Such agreement shall set forth terms and conditions with respect to such activities that are reasonable and customary in the industry for agreements of that nature.

17.11 **Reversion Transition Agreement and Other Arrangements**

17.11.1 **Reversion Transition Agreement.** In the event of termination of this Agreement in its entirety or with respect to one or more Terminated Countries, AstraZeneca and Licensee shall, as and if applicable, negotiate in good faith the terms and conditions of a written transition agreement (the "**Reversion Transition Agreement**") pursuant to which AstraZeneca and Licensee will effectuate and coordinate a smooth and efficient transition of the rights to the Licensed Product in the Licensed Territory granted to Licensee hereunder to AstraZeneca, or such other Person as AstraZeneca may designate as reasonably necessary for AstraZeneca or its Affiliates or its or their licensors, (sub)licensees or transferees to Exploit the Licensed Products following such termination in the Licensed Territory in its entirety or such Terminated Countries, as applicable. Such Reversion Transition Agreement shall provide that in the event AstraZeneca's or its Affiliates' or licensors', (sub)licensees' or transferees' practice of any [***] or use of any [***] would [***] to a Third Party based on such use or practice with respect to one or more Licensed Products, then AstraZeneca may [***] from the scope of the rights granted under the Reversion Transition Agreement. If AstraZeneca [***], then AstraZeneca shall be responsible for [***].

17.11.2 **Licensee Regulatory Documentation**. In the event of termination of this Agreement in its entirety or with respect to one or more Terminated Countries (except for termination caused by Licensee pursuant to Section 17.3.1), upon request of AstraZeneca, Licensee shall promptly transfer and assign to AstraZeneca any and all right, title, and interest in the Existing Approvals, Existing Applications and any and all Licensee Regulatory Documentation in the Licensed Territory in its entirety or such Terminated Countries, as applicable. With respect to such Licensee Regulatory Documentation, if elected by AstraZeneca, Licensee will submit to the applicable Health Authority, within [***] after the effective date of such termination, a letter (with a copy to AstraZeneca) notifying the applicable Health Authority of such transfer.

17.11.3 **Contracts**. In the event of termination of this Agreement in its entirety or with respect to one or more Terminated Countries resulting solely and exclusively from a material breach by Licensee of its obligations under this Agreement, at the election of AstraZeneca, Licensee shall assign (or cause its Affiliates or Sublicensees to assign) to AstraZeneca, if requested by AstraZeneca, and AstraZeneca will have the right, but not the obligation, to assume, all agreements with Third Parties with respect to the Exploitation of Licensed Products, including

the conduct of trials for any Licensed Product, including agreements with contract research organizations, clinical sites and investigators, that relate to trials in support of Health Registration Approvals, manufacturing agreements, distribution agreements, and the like, for the Licensed Territory in its entirety or such Terminated Countries, as applicable.

17.11.4 **Domain Names**. In the event of termination of this Agreement in its entirety or with respect to one or more Terminated Countries, if elected by AstraZeneca and at AstraZeneca's cost unless the Agreement has been terminated due to Licensee's material breach, (a) the rights granted to Licensee with respect to Licensed Product Domain Names in or for the Licensed Territory in its entirety or such Terminated Countries, as applicable, shall cease, and Licensee shall return or deliver to AstraZeneca all content, materials and other Information related to any such Licensed Product Domain Name, and (b) Licensee shall assign (or cause its Affiliates or Sublicensees to assign) to AstraZeneca (or its designee), if requested by AstraZeneca (by executing such instruments, delivering such documents and taking all such actions as AstraZeneca may reasonably require to transfer) all rights, title and interest in and control over all such Licensee Domain Names and all content, materials and other Information regarding to and associated with any such Licensee Domain Name, excluding the Licensee name or any Licensee Trademarks not primarily related to the Licensed Product, including all copyrights and other intellectual property and proprietary rights therein and thereto, and AstraZeneca will have the right, but not the obligation, to assume, control over and all rights, title and interest in and to all Licensee Domain Names (and all content, materials and other Information regarding to and associated with any such Licensee Domain Name, excluding the Licensee name or any Licensee Trademarks not primarily related to the Licensed Product) for the Licensed Territory in its entirety or such Terminated Countries, as applicable. Licensee shall execute and deliver or shall cause its Affiliates (as applicable) to execute and deliver to AstraZeneca all instruments and documents that are necessary to fulfill the obligations set forth in this Section 17.11.4 and to transfer all rights, title and interest in and to, and control over, all Licensee Domain Names and all content, materials and other Information regarding to and associated with any such Licensee Domain Name, excluding the Licensee name or any Licensee Trademarks not primarily related to the Licensed Product.

17.11.5 **Product Trademarks and AstraZeneca Corporate Marks.** In the event of termination of this Agreement in its entirety or with respect to one or more Terminated Countries, at AstraZeneca's cost unless the Agreement has been terminated due to Licensee's material breach, and to the extent Licensee may hold any rights in and to any Product Trademarks and AstraZeneca Corporate Marks, Licensee shall and hereby does assign and shall cause its Affiliates and sublicensees (as applicable) to assign to AstraZeneca, all of its (or its Affiliates' or its sublicensees') rights, title and interests (if any) in and to such Product Trademarks and the AstraZeneca Corporate Marks in the Licensed Territory in its entirety or such Terminated Countries, as applicable, together with all registrations and applications therefor and all copyrights and other rights therein and all goodwill with respect thereto. Licensee shall execute and deliver or shall cause its Affiliates and sublicensees (as applicable) to execute and deliver to AstraZeneca all instruments and documents that are necessary to fulfill the obligations set forth in this Section 16.10.5 and to record any such assignment with the applicable trademark office or other governmental authority.

17.11.6 **Supply**. In the event of termination of this Agreement in its entirety or with respect to one or more Terminated Countries, if Licensee or any of its Affiliates is then Manufacturing

Licensed Product in or for the Licensed Territory in its entirety or such Terminated Countries, as applicable, upon the request of AstraZeneca, any of its Affiliates or any of its or their licensors, (sub)licensees or transferees, if elected by AstraZeneca, Licensee shall continue to Manufacture Licensed Product for the Licensed Territory in its entirety or such Terminated Countries, as applicable, for a period of no more than [***], on reasonable terms and conditions, until AstraZeneca (or its Affiliates or its or their licensors, (sub)licensees or transferees) notifies Licensee that such Person has established an alternative source of supply. In addition, AstraZeneca (or its Affiliates or its or their licensors, (sub)licensees or transferees) shall have the right, but not the obligation, to purchase the then-current inventory of Licensed Product Manufactured or otherwise held for use in the Licensed Territory in its entirety or such Terminated Countries, as applicable, from Licensee or any of its Affiliates at cost + [***].

17.11.7 **Clinical Development**. In the event of termination of this Agreement in its entirety or with respect to one or more Terminated Countries, Licensee shall have sole responsibility for conducting or winding down any ongoing Clinical Studies in or for the Licensed Territory in its entirety or such Terminated Countries, as applicable, that it is conducting as of the date of termination, at its expense, and continuing to conduct any Post-Approval Commitments until responsibility for such Post Approval Commitments is transitioned back to AstraZeneca at AstraZeneca's cost and expense.

17.12 **Compliance with the Nektar Agreement**

In the event of termination of this Agreement (for any reason) or the Nektar Agreement (by Nektar pursuant to Section 18.5 of the Nektar Agreement) in its entirety or with respect to one or more Terminated Countries, without limitation of any other provision of this Agreement or any Ancillary Agreement, each Party shall cooperate with the other Party and its Affiliates, Sublicensees, Partners and transferees, and with Nektar, as may be required to comply with the Nektar Agreement, including any transition agreements contemplated thereby. If Licensee is not then in breach of its obligations under this Agreement and was not the cause of the termination of the Nektar Agreement, Licensee may, if it elects, reach out to Nektar to negotiate a separate stand-alone license agreement with Nektar.

17.13 **Remedies**

Except as otherwise expressly provided herein, expiration or termination of this Agreement in its entirety or with respect to one or more Terminated Countries in accordance with the provisions hereof shall not limit remedies that may otherwise be available in law or equity, including a Party's right to claim against the other Party for any damages arising out of a breach of this Agreement.

17.14 **Accrued Rights; Surviving Obligations**

17.14.1 Termination or expiration of this Agreement in its entirety or with respect to one or more Terminated Countries for any reason shall be without prejudice to any rights that shall have accrued to the benefit of a Party prior to such termination or expiration. Such termination or

expiration shall not relieve a Party from obligations that are expressly indicated to survive the termination or expiration of this Agreement.

17.14.2 Without limiting the foregoing, Sections 2.1(e), 2.2, 2.3, 2.6, 2.7, 2.9 (with respect to any rights accrued thereunder on expiration of the Exclusivity Period in a country), 5.9, 6.4, 7.4 (with respect to Licensed Product sold during the Term), 9.2 (with respect to amounts due on sales prior to termination), 9.4 (with respect to any payments due post-termination), 9.5 (with respect to any payments due during the Term or any post-termination payments), 9.6, 9.7, 10.2 and 10.3 (for purposes of a final audit after termination, if applicable), 10.4 for the term specified therein, 13.3. 13.4, 17.13, 17.8, 17.10, 17.11, 17.15, and this Section 17.14 and Articles 1, 12 (except for Sections 12.1 and 12.12), 16, and 18 of this Agreement shall survive the termination of this Agreement for any reason. If this Agreement is terminated with respect to a Terminated Country but not in its entirety, then following such termination the foregoing provisions of this Agreement shall remain in effect with respect to the Terminated Country (to the extent they would survive and apply in the event the Agreement terminated in its entirety or as otherwise necessary for any of AstraZeneca and its Affiliates and its and their (sub)licensees to exercise their rights in the Terminated Country) and all provisions not surviving in accordance with the foregoing shall terminate upon termination of this Agreement with respect to the Terminated Country and be of no further force and effect with respect to such Terminated Country (and, for the avoidance of doubt, all provisions of this Agreement shall remain in effect with respect to all countries in the Licensed Territory other than the Terminated Country).

17.14.3 Without limiting the foregoing, Sections 2.1, 2.2, 2.3, 2.4, 2.5, 2.6, 2.7, 2.8.3, 2.9, 5.9, 6.4, 7.4 (with respect to Licensed Product sold during the Term), 9.2 (with respect to amounts due on sales prior to expiration), 9.4 (with respect to any payments due post-expiration), 9.5 (with respect to any payments due during the Term or any post-expiration payments), 9.6, 9.7, 10.2 and 10.3 (for purposes of a final audit after expiration, if applicable), 10.4 for the term specified therein, 11.1.5, 13.3, 13.4 and this Section 17.14 and Articles 1, 12 (except for Section 12.1 and 12.12), 16, and 18 of this Agreement shall survive the expiration of this Agreement.

17.15 **Survival of Sublicenses**. In the case of a termination of this Agreement, all sublicenses granted by Licensee to Sublicensees with AstraZeneca's written approval prior to such termination shall survive termination of this Agreement (*provided* that such Sublicensee is in good standing under its sublicense agreement as of the effective date of such termination and [***]), and AstraZeneca shall assume all such sublicense agreements as the licensor thereunder in accordance with the terms of such sublicense agreement; *provided* that AstraZeneca shall not be required to assume any (a) sublicense with a counterparty for which AstraZeneca has not provided written approval before such termination or (b) obligations, economic or otherwise, in a sublicense agreement that are greater in scope than those set forth in this Agreement, unless AstraZeneca otherwise agrees in writing. In all other cases, all

sublicenses granted by Licensee to Sublicensees shall terminate upon termination of this Agreement, unless AstraZeneca otherwise agrees in writing.

17.16 **Bankruptcy**

17.16.1 The Parties agree that all rights, powers and remedies of a Party provided herein are in addition to and not in substitution for any and all other rights, powers and remedies now or hereafter existing at law or in equity (including the Bankruptcy Code) in the event of the commencement of a case under the Bankruptcy Code.

17.16.2 **Rights in Bankruptcy.** All rights and licenses granted under or pursuant to this Agreement by AstraZeneca, or by Licensee, including under Articles 2, 11 and 17, but only to the extent they constitute licenses of a right to "intellectual property" as defined in Section 101 of the U.S. Bankruptcy Code, are, and shall otherwise be deemed to be, for purposes of Section 365(n) of the U.S. Bankruptcy Code or analogous provisions of Applicable Law outside the United States, licenses of right to "intellectual property" or analogous provisions of Applicable Law outside the United States ("**IP**"). The Parties agree that a Party, as licensee of such rights under this Agreement, shall retain and may fully exercise all of its rights and elections under the U.S. Bankruptcy Code or any other provisions of Applicable Law outside the United States that provide similar protection for IP. In the event of the commencement of a bankruptcy proceeding by or against either Party under the U.S. Bankruptcy Code or any analogous provisions in any other country or jurisdiction, the Party that is not subject to such proceeding shall be entitled to a complete duplicate of (or complete access to, as appropriate) all such IP (including all embodiments of such IP, which includes all tangible, electronic or other embodiments of rights and licenses hereunder, including all Licensed Products, all Regulatory Documentation and rights of reference therein, and all Information related to Licensed Products, Compounds, Licensed Patents, AstraZeneca Know-How, Licensee Know-How, Joint Know-How or Intellectual Property Rights, but excluding AstraZeneca Corporate Marks ("**Embodiments of Intellectual Property**")), which, if not already in the non-subject Party's possession, shall be promptly delivered to it upon the non-subject Party's written request (a) upon commencement of a bankruptcy proceeding, unless the Party subject to such proceeding continues to perform all of its obligations under this Agreement, or (b) if not delivered pursuant to clause (a) above because the subject Party continues to perform, upon the rejection of this Agreement by or on behalf of the subject Party. The other Party (in any capacity, including debtor-in-possession) and its successors and assigns (including any trustee) shall not interfere with the exercise by such Party or its Affiliates of rights and licenses to IP and Embodiments of Intellectual Property Licensed hereunder in accordance with this Agreement and agrees to assist such Party and its Affiliates to obtain the IP and Embodiments of Intellectual Property in the possession or control of Third Parties as reasonably necessary or desirable for such Party or its Affiliates to exercise such rights and licenses in accordance with this Agreement. Whenever the other Party (in any capacity, including debtor-in-possession) and its successors and assigns (including any trustee) provides to such Party, pursuant to this Section 17.16.2, any of the IP or any Embodiments of Intellectual Property Licensed hereunder in accordance with this Agreement, such Party shall have the right to perform the obligations of the other Party hereunder with respect to such IP and Embodiments of Intellectual Property, but neither such provision nor such performance by such Party shall release the other Party (in any capacity, including debtor-in-possession) and its successors and

assigns (including any trustee) from liability resulting from any rejection of the license or the failure to perform such obligations. Unless and until the subject Party rejects this Agreement, the subject Party shall perform this Agreement or provide the IP (including all embodiments of such intellectual property) to the non-subject Party, and shall not interfere with the rights of the non-subject Party to such IP, including the right to obtain the IP from another entity.

17.16.3 **Additional Rights.** The Parties agree that they intend the following rights to extend to the maximum extent permitted by law, and to be enforceable under Bankruptcy Code Section 365(n): (a) the right of access to any IP and Embodiments of Intellectual Property of AstraZeneca, or any Third Party with whom AstraZeneca contracts to perform an obligation of AstraZeneca under this Agreement, and, in the case of the Third Party, which is necessary for the Development, Manufacture, Commercialization and use of Licensed Products or Compounds; and (b) the right to contract directly with any Third Party to complete the contracted work.

18. MISCELLANEOUS

18.1 Force Majeure

Neither Party shall be held liable or responsible to the other Party or be deemed to have defaulted under or breached this Agreement for failure or delay in fulfilling or performing any term of this Agreement (other than an obligation to make payments) when such failure or delay is caused by or results from a Force Majeure; provided that the non-performing Party shall notify the other Party of such Force Majeure within [***] of such occurrence by giving written notice to the other Party specifying the nature and extent of the event, its anticipated duration and any action being taken to avoid or minimize its effect. The suspension of performance shall be of no greater scope and no longer duration than is necessary and the non-performing Party shall use Commercially Reasonable Efforts to remedy its inability to perform.

18.2 Export Control

This Agreement is made subject to any restrictions concerning the export of products or technical information from the United States or other countries that may be imposed on the Parties from time to time. Each Party agrees that it will not export, directly or indirectly, any technical information acquired from the other Party under this Agreement or any products using such technical information to a location or in a manner that at the time of export requires an export license or other governmental approval, without first obtaining the written consent to do so from the appropriate agency or other governmental entity in accordance with Applicable Law.

18.3 Assignment

18.3.1 Rights to Assign. Neither Party may assign its rights or, except as provided in Article 2 to (sub)licensees (including Sublicensees) and subcontractors, delegate its obligations under this Agreement, in whole or in part without the prior written consent of the other Party, except that (i) AstraZeneca shall have the right, without such consent, (a) to perform any or all of its obligations and exercise any or all of its rights under this Agreement through any of its

Affiliates or its or their (sub)licensees, and (b) to assign any or all of its rights and delegate any or all of its obligations hereunder to Nektar or any of its Affiliates or its or their (sub)licensees or to any successor in interest (whether by merger, acquisition, asset purchase or otherwise) to all or substantially all of AstraZeneca's assets specifically relating to the Licensed Products in the Licensed Territory or to Nektar and (ii) (a) Licensee shall have the right, without such consent, to assign all of its rights and delegate all of its obligations hereunder to any successor in interest (whether by merger, acquisition, asset purchase or otherwise) to all or substantially all of Licensee's assets, (b) in the event that any [***], in connection with the exercise of its rights and remedies under any [***], shall seek to [***] may assign all the right, title and interest of Licensee and any of its Affiliates in this Agreement and any Ancillary Agreement (in whole, but not in part) without such consent; *provided* that the assigning Party shall provide written notice to the other Party within [***] after such assignment or delegation and (c) Licensee shall have the right, without such consent, to [***]. Any permitted successor of a Party or any permitted assignee of all of a Party's rights under this Agreement that has also assumed all of such Party's obligations hereunder in writing shall, upon any such succession or assignment and assumption, be deemed to be a party to this Agreement as though named herein in substitution for the assigning Party, whereupon the assigning Party shall cease to be a party to this Agreement and shall cease to have any rights or obligations under this Agreement. All validly assigned rights of a Party shall inure to the benefit of and be enforceable by, and all validly delegated obligations of such Party shall be binding on and be enforceable against, the permitted successors and assigns of such Party; provided that such Party, if it survives, shall remain jointly and severally liable for the performance of such delegated obligations under this Agreement. Any attempted assignment or delegation in violation of this Section 18.3.1 shall be void and of no effect. Notwithstanding any other provision of this Section 18.3.1, the terms of this Agreement may be varied, amended or modified or this Agreement may be suspended, cancelled or terminated without the consent of any assignee or delegate that is not deemed pursuant to the provisions of this Section 18.3.1 to have become a party to this Agreement. Nothing herein shall prohibit AstraZeneca or any of its Affiliates from assigning its or their rights in and to any of the intellectual property licensed by AstraZeneca hereunder; *provided* that any such assignment shall be subject to the licenses granted herein. For the avoidance of doubt, a Change of Control of or in respect of a Party shall not constitute an assignment for purposes of this Section 18.3.1.

18.3.2 **No Access to Additional Intellectual Property**. The rights to Information, materials and intellectual property: (a) controlled by a Third Party permitted assignee of a Party immediately prior to such assignment (other than as a result of a license or other grant of rights, covenant or assignment by such Party or its Affiliates to, or for the benefit of, such Third Party), or (b) controlled by an Affiliate of a Party that becomes an Affiliate through any Change of Control of such Party that were controlled by such Affiliate (and not such Party) immediately prior to such Change of Control (other than as a result of a license or other grant of rights, covenant or assignment by such Party or its other Affiliates to, or for the benefit of, such Affiliate), in each case ((a) and (b)), shall be automatically excluded from the rights licensed or granted to Licensee under this Agreement.

18.4 **Severability**

If any provision of this Agreement is held to be illegal, invalid or unenforceable under any present or future law and if the rights or obligations of either Party under this Agreement will not be materially and adversely affected thereby, (a) such provision shall be fully severable, (b) this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part hereof, (c) the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom and (d) in lieu of such illegal, invalid or unenforceable provision, there shall be added automatically as a part of this Agreement a legal, valid and enforceable provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible and reasonably acceptable to the Parties. To the fullest extent permitted by Applicable Law, each Party hereby waives any provision of law that would render any provision hereof illegal, invalid or unenforceable in any respect.

18.5 **Dispute Resolution**

18.5.1 **Escalation to Senior Executives.** Except as provided in Section 18.12, if there is a dispute between the Parties in connection with or relating to this Agreement or any of its provisions or any document or instrument delivered in connection herewith (including any question regarding the existence, validity or termination of this Agreement or the provisions of this Section 18.5 of the Agreement or any document or instrument delivered in connection herewith) (a "**Dispute**"), then either Party shall have the right to refer such matter in writing to the Senior Executives for attempted resolution by negotiations during a period of [***] following the referral of the Dispute to the Senior Executives. Any final decision mutually agreed to by the Senior Executives shall be conclusive and binding on the Parties.

18.5.2 **Arbitration**. If within [***] of a Dispute being referred to the Senior Executives for resolution, the Senior Executives are unable to resolve such Dispute, the Dispute shall be resolved by final and binding arbitration before a panel of [***] experts with relevant industry experience (the "**Arbitrators**") under the Rules of Arbitration of the International Chamber of Commerce which are hereby incorporated by reference herein (except as modified by this Section 18.5.2). The arbitration shall be held in the English language. The seat of arbitration shall be New York City, New York, USA. Without prejudice to the selection of New York City, New York, USA, as the seat of arbitration, the Parties agree that hearings may take place in any other venue that is mutually agreeable to the Parties. The Parties shall use reasonable efforts to expedite the arbitration if requested by either Party. Each of Licensee and AstraZeneca shall promptly select one (1) independent, conflict-free Arbitrator, which selections shall in no event be made later than [***] after the notice of initiation of arbitration. The third (3rd) Arbitrator shall be chosen promptly by mutual agreement of the Arbitrator chosen by Licensee and the Arbitrator chosen by AstraZeneca, but in no event later than [***] after the date that the last of such Arbitrators was appointed. The Arbitrators shall determine what document production will be permitted, consistent with the goal of reasonably controlling the cost and time that the Parties must expend for document production; provided that the Arbitrators shall permit such document production on the merits as they deem necessary to permit a resolution of the dispute. The Arbitrators shall, within [***] after the conclusion of the arbitration hearing on the merits, issue a written award and statement of

decision describing the essential findings and conclusions on which the award is based, including the calculation of any damages awarded. The award rendered by the Arbitrators shall be final and non-appealable, and judgment may be entered upon it in accordance with Applicable Law in any court of competent jurisdiction. The Arbitrators shall be authorized to award compensatory damages or injunctive or other equitable relief, but shall not be authorized to reform, modify or materially change this Agreement or any other agreements contemplated hereunder.

18.5.3 **Expedited Arbitration**. For any dispute under this Agreement that is expressly designated under this Agreement to be submitted for arbitration pursuant to this Section 18.5.3, the provisions of Section 18.5.2 shall apply, except as follows: Each Party shall prepare and submit a written summary of such Party's position and any relevant evidence in support thereof to the Arbitrators and to the other Party within [***] of the selection of the Arbitrators. Within [***] of the delivery of such summaries by the Parties, **each Party shall submit a written rebuttal to the other Party's summary. At a hearing lasting no more than [***] and to commence no later than [***] after delivery of the written rebuttals, each** Party shall have an opportunity to submit evidence and argue for its position before the Arbitrators, subject to reasonable time limitations to be determined by the Arbitrators. The Arbitrators shall issue a reasoned award with respect to the matter in dispute within [***] following conclusion of the hearing.

18.5.4 **Other Proceedings**. AstraZeneca hereby agrees, and Licensee hereby confirms, that if any arbitration or other proceeding commences between AstraZeneca and Nektar under the Nektar Agreement arising from, occurring as a result of, or relating to AstraZeneca's or Licensee's rights or obligations under this Agreement, subject to Nektar's consent, Licensee shall join such arbitration or other proceeding as a party thereto and be subject to the resolution thereof.

18.5.5 **Pendency of Arbitration**. During the period of time that any arbitration proceeding described in Sections 18.5.2, 18.5.3 or 18.5.4 is pending under this Agreement, the Parties shall continue to comply with all those terms and provisions of this Agreement that are not the subject of, and the performance of which are not otherwise implicated by, such pending arbitration proceeding.

18.5.6 **Temporary Injunctive Relief**. Nothing contained in this Agreement shall deny any Party the right to seek temporary injunctive or other equitable relief from a court of competent jurisdiction in the context of a bona fide emergency or prospective irreparable harm, or in the case of any dispute relating to Licensee's use of the AstraZeneca Corporate Marks, and such an action may be filed and maintained notwithstanding any ongoing arbitration proceeding. All arbitration proceedings and decisions of the Arbitrators under this Section 18.5 shall be deemed Confidential Information of both Parties under Article 12.

18.5.7 **Costs**. Each Party shall bear its own counsel fees, costs, and disbursements arising out of the dispute resolution procedures described in this Section 18.5, and shall pay an equal share of the fees and costs of the Arbitrators, and all other general fees related to any arbitration described in this Section 18.5, as applicable; provided that the Arbitrators shall be authorized to determine whether a Party is the prevailing Party, and if so, to award to that prevailing Party reimbursement for its reasonable counsel fees, costs and disbursements (including expert witness fees and expenses, photocopy charges, or travel expenses), and the fees and costs of the Arbitrators.

18.6 **Governing Law, Jurisdiction**

18.6.1 **Governing Law.** This Agreement, including its dispute resolution provisions, shall be governed by and construed in accordance with, and all Disputes hereunder shall be resolved in accordance with, the laws of the State of New York, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Agreement to the law of another jurisdiction.

18.7 **Submission to Jurisdiction.** Subject to Section 18.5, each Party agrees that any suit, action or proceeding against it, occurring, for the avoidance of doubt, at any time before or after the Execution Date and brought by the other Party, the directors, officers, employees and agents of such other Party, or by any person who controls such other Party, arising out of or based upon this Agreement or the transactions contemplated hereby may be instituted in any state or federal court in the Borough of Manhattan in the City of New York, New York, and waives any objection which it may now or hereafter have to the laying of venue of any such proceeding, and irrevocably submits to the non-exclusive jurisdiction of such courts in any suit, action or proceeding. AstraZeneca will have appointed The Corporation Trust Company with offices at 1209 Orange Street, New Castle County, Wilmington, DE 19801, United States as its authorized agent (an "**Authorized Agent**") upon whom process may be served in any suit, action or proceeding arising out of or based upon this Agreement or the transactions contemplated herein which may be instituted in any state or federal court in the Borough of Manhattan in the City of New York, New York, by the other Party, the directors, officers, employees and agents of the other Party, or by any person who controls such other Party, and expressly accepts the non-exclusive jurisdiction of any such court in respect of any such suit, action or proceeding. AstraZeneca represents and warrants that its Authorized Agent will have accepted, at or prior to the Execution Date, such appointment and will have agreed, at or prior to the Execution Date, to act as said agent for service of process, and AstraZeneca agrees to take any and all action, including the filing of any and all documents that may be necessary to continue such appointment in full force and effect as aforesaid. Service of process upon the Authorized Agent shall be deemed, in every respect, effective service of process upon AstraZeneca for suits, actions or proceedings in any state or federal court in the Borough of Manhattan in the City of New York, New York.

18.8 **Notices**

18.8.1 **Notice Requirements.** Any notice or other communication required or permitted to be given by either Party under this Agreement shall be in writing and shall be deemed given as of (a) the date delivered if delivered by hand, or reputable courier service, (b) the date sent if sent by email (with transmission confirmed), (c) the [***] (at the place of delivery) after deposit with an internationally recognized overnight delivery service, or (d) the [***] after mailing if mailed by registered or certified mail, postage prepaid and return receipt requested, addressed to the other Party at the addresses specified below, or to such other addresses of which notice shall have been given in accordance with this Section. This Section 18.8.1 is not intended to govern the day-to-day business communications necessary between the Parties in performing their obligations under the terms of this Agreement.

18.8.2 **Address for Notice**.

If to Licensee, to:

RedHill Biopharma Inc.
8045 Arco Corporate Drive, Suite 200
Raleigh, NC 27617
Attn.: [***]
E-mail: [***]

RedHill Biopharma Ltd
21 Ha'arba'a St.
Tel-Aviv 6473921, Israel
Attn.: [***]
E-mail: [***]

with a copy (which shall not constitute notice) to:

Cravath, Swaine & Moore LLP
Worldwide Plaza
825 Eighth Avenue
New York, NY 10019
Attn.: [***]
Email: [***]

Cravath, Swaine & Moore LLP
CityPoint, 1 Ropemaker Street
London EC2Y 9HR, United Kingdom
Attn.: [***]
Email: [***]

If to AstraZeneca, to:

AstraZeneca AB
SE-151 85 Södertälje, Sweden
Attention: [***]
Email: [***]

with a copy (which shall not constitute notice) to:

Covington & Burling LLP
Salesforce Tower, 415 Mission Street, Suite 5400
San Francisco, CA 94105-2533
Attention: [***]
Email: [***]

18.9 **Entire Agreement**

18.9.1 **Entire Agreement**. This Agreement, including the Schedules attached hereto and the Ancillary Agreements, sets forth and constitutes the entire agreement and understanding between the Parties with respect to the subject matter hereof and as of the Effective Date supersedes any previous agreement, arrangement or understanding, whether written or oral, between the Parties in relation to that subject matter. Accordingly, all other terms, conditions,

representations, warranties and other statements which would otherwise be implied (by law or otherwise) shall not form part of this Agreement to the extent permitted by Applicable Law. The Parties intend and agree that this Agreement and the Ancillary Agreements constitute a single integrated agreement and cannot be severed or divided into component agreements. The Parties intend and agree that the aggregate consideration provided in this Agreement and the Ancillary Agreements represents the consideration for the single integrated agreement, and cannot be divided, severed or allocated among parts of this single integrated agreement. The Parties agree that they would not have entered into any part of this Agreement or any of the Ancillary Agreements in the absence of the rest of this Agreement or the Ancillary Agreements. For clarity, that certain confidentiality agreement entered into between AstraZeneca UK Limited and RedHill Biopharma Ltd. dated as of March 11, 2019 shall terminate as of the Execution Date after which date the Confidential Information thereunder shall constitute Confidential Information hereunder (and the Parties shall cause such entities to comply with this Section 18.9.1).

18.9.2 **No Reliance**. The Parties acknowledge that this Agreement has not been entered into wholly or partly in reliance on, nor has either Party been given, any warranty, statement, assurance, promise, or representation (whether made innocently or negligently) by the other or on its behalf other than as expressly set out in this Agreement. Each Party agrees that it shall not have any claim for innocent or negligent misrepresentation based on any statement or warranty in this Agreement.

18.10 **Amendments**

No amendment, modification, release or discharge shall be binding on the Parties unless in writing and duly executed by authorized representatives of both Parties. Except where otherwise stated, including in connection with the Nektar Agreement, in the event of any inconsistencies between this Agreement and any Schedules or other attachments hereto, the terms of this Agreement shall control.

18.11 **English Language**

This Agreement shall be written and executed in, and all other communications under or in connection with this Agreement shall be in, the English language. Any translation into any other language shall not be an official version thereof and in the event of any conflict in interpretation between the English version and such translation, the English version shall control.

18.12 **Equitable Relief**

Each Party acknowledges and agrees that the restrictions set forth in Sections 2.8 and Articles 8 and 12 are reasonable and necessary to protect the legitimate interests of the other Party and that such other Party would not have entered into this Agreement in the absence of such restrictions and that any breach or threatened breach of any provision of such Section or Article may result in irreparable injury to such other Party for which there will be no adequate remedy at law. In the event of a breach or threatened breach of any provision of such Section or Article, the non-breaching Party shall be authorized and entitled to obtain from any court of competent jurisdiction injunctive relief, whether preliminary or permanent, specific

performance and an equitable accounting of all earnings, profits and other benefits arising from such breach, which rights shall be cumulative and in addition to any other rights or remedies to which such non-breaching Party may be entitled in law or equity. Both Parties agree to waive any requirement that the other (a) post a bond or other security as a condition for obtaining any such relief and (b) show irreparable harm, balancing of harms, consideration of the public interest or inadequacy of monetary damages as a remedy.

18.13 **Waiver and Non-Exclusion of Remedies**

Any term or condition of this Agreement may be waived at any time by the Party that is entitled to the benefit thereof, but no such waiver shall be effective unless set forth in a written instrument duly executed by or on behalf of the Party waiving such term or condition. The waiver by either Party hereto of any right hereunder or of the failure to perform or of a breach by the other Party shall not be deemed a waiver of any other right hereunder or of any other breach or failure by such other Party whether of a similar nature or otherwise. The rights and remedies provided herein are cumulative and do not exclude any other right or remedy provided by Applicable Law or otherwise available except as expressly set forth herein.

18.14 **No Benefit to Third Parties**

The covenants and agreements set forth in this Agreement are for the sole benefit of the Parties and their successors and permitted assigns, and, except for the rights of Indemnified Parties under Article 16 and the rights of Licensee's Financing Parties under Article [***] and Sections [***], 18.5 (Dispute Resolutions), 18.6 (Governing Law; Jurisdiction), 18.9 (Entire Agreement), 18.10 (Amendments), 18.12 (Equitable Relief), 18.13 (Waiver and Non-Exclusion of Remedies), 18.14 (No Benefit to Third Parties) and 18.20 (No Recourse), they shall not be construed as conferring any rights on any other Persons.

18.15 **Further Assurance**

Each Party shall duly execute and deliver, or cause to be duly executed and delivered, such further instruments and do and cause to be done such further acts and things, including the filing of such assignments, agreements, documents and instruments, as may be necessary or as the other Party may reasonably request in connection with this Agreement or to carry out more effectively the provisions and purposes hereof or to better assure and confirm unto such other Party its rights and remedies under this Agreement.

18.16 **Relationship of the Parties**

It is expressly agreed that AstraZeneca, on the one hand, and Licensee, on the other hand, shall be independent contractors and that the relationship between the two Parties shall not constitute a partnership, joint venture or agency. Neither AstraZeneca, on the one hand, nor Licensee, on the other hand, shall have the authority to make any statements, representations or commitments of any kind or to take any action that will be binding on the other, without the prior written consent of the other Party to do so. All persons employed by a Party shall be employees of such Party and not of the other Party and all costs and obligations incurred by reason of any such employment shall be for the account and expense of such first Party.

18.17 **References**

Unless otherwise specified, (a) references in this Agreement to any Article, Section or Schedule shall mean references to such Article, Section or Schedule of this Agreement, (b) references in any Section to any clause are references to such clause of such Section and (c) references to any agreement, instrument or other document in this Agreement refer to such agreement, instrument or other document as originally executed or, if subsequently amended, replaced or supplemented from time to time, as so amended, replaced or supplemented and in effect at the relevant time of reference thereto.

18.18 **Construction**

Except where the context otherwise requires, wherever used, the singular shall include the plural, the plural the singular, the use of any gender shall be applicable to all genders and the word "or" is used in the inclusive sense (and/or). Whenever this Agreement refers to a number of days, unless otherwise specified, such number refers to calendar days. The headings of this Agreement are for convenience of reference only and in no way define, describe, extend or limit the scope or intent of this Agreement or the intent of any provision contained in this Agreement. The term "including," "include," or "includes" as used herein shall mean including, without limiting the generality of any description preceding such term. The language of this Agreement shall be deemed to be the language mutually chosen by the Parties and no rule of strict construction shall be applied against either Party hereto.

18.19 **Counterparts**

This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Agreement may be executed by facsimile, PDF format via email or other electronically transmitted signatures and such signatures shall be deemed to bind each Party hereto as if they were original signatures.

18.20 **No Recourse**

Subject to the rights of the parties to the Financing Documents under the terms thereof, none of the Parties, nor or any of their respective Affiliates, solely in their respective capacities as Parties to this Agreement, shall have any rights against any Financing Parties, solely in their respective capacities as lenders or arrangers or investors in connection with the Licensee Financing. For the avoidance of doubt, subject to the rights of Licensee under the Financing Documents under the terms thereof, none of the Financing Parties, nor or any of the respective Affiliates, directors, officers, employees, agents and Representatives, and no past, present or future director, officer, employee, incorporator, member, partner, stockholder, agent, attorney or Representative of any such Financing Party shall have any liability for any obligations or liabilities of any Party hereto under this Agreement based on, in respect of, or by reason of (or in any way relating to), the transactions contemplated hereby, including any dispute arising out of or relating in any way to the Financing Documents, the transactions contemplated thereby or the performance thereof. Notwithstanding the foregoing, if any Financing Party exercises any

right or remedy available to it pursuant to Sections [***] or 18.14 of this Agreement or [***], this Section 18.20 shall not apply with respect to such Financing Party.

[SIGNATURE PAGE FOLLOWS.]

THIS AGREEMENT IS EXECUTED by the authorized representatives of the Parties as of the date first written above.

For and on behalf of
ASTRAZENECA AB
Signature: /s/ [***]
Name: [***]
Title: Authorised Signatory

For and on behalf of
REDHILL BIOPHARMA INC.
Signature: /s/ [***]
Name: [***]
Title: [***]

Signature: /s/ [***]
Name: [***]
Title: [***]

[Signature Page- License Agreement]

Exhibit 4.18

Executed Version

CONFIDENTIAL AND PRIVILEGED

Dated February 23, 2020

CERTAIN IDENTIFIED INFORMATION MARKED [***] HAS BEEN EXCLUDED FROM THE EXHIBIT BECAUSE IT IS BOTH (I) NOT MATERIAL AND (II) WOULD LIKELY CAUSE COMPETITIVE HARM TO THE COMPANY IF PUBLICLY DISCLOSED.

ASTRAZENECA AB

-and-

REDHILL BIOPHARMA INC.

SUPPLY AGREEMENT

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THIS SUPPLY AGREEMENT (this "**Supply Agreement**") is made and entered into as of February 23, 2020 (the **"Execution Date"**) and effective as of the Effective Date.

BETWEEN:

1. **ASTRAZENECA AB,** a company incorporated in Sweden under no. 556011-7482 with its registered office at SE-151 85 Södertälje, Sweden ("**AstraZeneca**"); and

2. **REDHILL BIOPHARMA INC.**, a company incorporated in Delaware with its registered office at 8045 Arco Corporate Drive, Suite 200, Raleigh, NC 27617 ("**Buyer**").

AstraZeneca and Buyer are sometimes referred to herein individually as a "**Party**" and, collectively, as the "**Parties**".

RECITALS:

A. **WHEREAS**, AstraZeneca and Buyer have entered into a license agreement on the same date as this Supply Agreement (the "**License Agreement**"), pursuant to which AstraZeneca has agreed to license to Buyer exclusive rights to, among other things, commercialize, the Licensed Product in accordance with the terms and conditions of the License Agreement.

B. **WHEREAS**, this Supply Agreement is the Supply Agreement defined and referred to in the License Agreement pursuant to which, in order to provide Buyer with the opportunity to establish, with the assistance of AstraZeneca, its own Manufacturing (as defined in the License Agreement) capabilities for the Licensed Product, whether directly or through a third party, AstraZeneca will provide transitional supply of Licensed Product to Buyer for the Licensed Product in the Field in the Supply Territory.

C. **WHEREAS**, following expiry of the Packaging Term (as defined below), AstraZeneca will supply Bulk Tablets for finishing by Buyer and subsequent distribution of Licensed Product in its finished form in the Supply Territory.

D. **WHEREAS**, during the API Supply Term (as defined below), AstraZeneca will sell to Buyer quantities of the Existing API and, if AstraZeneca holds surplus stocks of the Existing API (as defined below) at the end of the API Supply Term, AstraZeneca will sell, and Buyer will purchase, such Existing API, in each case on the terms and conditions set forth herein.

E. **WHEREAS**, AstraZeneca and Buyer have entered into a transitional services agreement on the same date as this Supply Agreement (the "**Transitional Services Agreement**" or "**TSA**"), pursuant to which AstraZeneca has agreed, for a transitional period, to provide certain transitional services to Buyer.

NOW, THEREFORE, in consideration of the premises and the mutual promises and conditions set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, do hereby agree as follows:

1. INTERPRETATION

1.1 Definitions

1.1.1 Unless otherwise defined in this Supply Agreement, capitalized terms used in this Supply Agreement have the meanings ascribed to them in the License Agreement.

1.1.2 In this Supply Agreement, the following words and expressions shall have the following meanings:

"**API**" means the compound naloxegol oxalate.

"**API Supply Term**" means the period commencing as of the date on which Buyer needs Existing API in connection with the Formulation Technology Transfer and ending on the earlier of (a) [***] of the Effective Date, and (b) the date as of which [***] in accordance with this Supply Agreement.

"**Apparent Defects**" has the meaning given in Section 9.2.1(a).

"**Applicable Law**" means the applicable laws, rules and regulations that may be in effect from time to time, including any rules, regulations, guidelines or other requirements of the Health Authorities, and the Anti-Corruption Laws. For purposes of this Supply Agreement, "Applicable Law" will exclude any good manufacturing requirements in the Supply Territory that differ from the requirements set forth in the definition of Current Good Manufacturing Practices.

"**AstraZeneca Forecast**" has the meaning given in Section 4.2.1. The AstraZeneca Forecast is attached as **Schedule 1**.

"**AstraZeneca Sites**" means the sites listed in **Schedule 2**.

"**AstraZeneca's Fully Burdened Manufacturing Cost**" means [***].

"**Bulk Supply Term**" means the period commencing on the date of completion of the Packaging Term and ending on the earlier of:

(a) the date on which Buyer has established its own alternative arrangements for Manufacturing the Licensed Product which have been approved by the applicable Health Authority; and

(b) [***],

as such term may be extended in accordance with Section 3.3 or 10.2.1.

"**Bulk Tablets**" means Licensed Product in its formulated, bulk (un-packaged) tablet form (without bottle or blister packaging).

"**Capacity Limit**" means [***] tablets per year.

"**Certificate of Analysis**" means the certificate of analysis to accompany all Licensed Product delivered to Buyer, which certifies that the Licensed Product has been Manufactured and tested in compliance with its Specifications and which is in the form set out in the Quality Agreement, which includes the Certificate of Compliance.

"**Certificate of Compliance**" means a component of the Certificate of Analysis that certifies manufacturing of a product including packaging and quality control .

"**Commercially Reasonable Efforts**" means with respect to the Manufacture of a Licensed Product, conducting such tasks using such efforts and resources that are typically used by AstraZeneca in conducting the same tasks on its own compounds or products with similar commercial and scientific potential at a similar stage in their lifecycle and in a similar therapeutic area, taking into consideration all factors that are typically taken into consideration

by AstraZeneca when determining the level of efforts and resources to apply to such tasks with respect to its own similar compounds or products (as described above). Commercially Reasonable Efforts shall be determined with respect to a specific market or groups of markets (taking account of effects outside of such markets, if any).

"**Current Good Manufacturing Practices**" means the principles and guidelines of Good Manufacturing Practice for medicinal products for human use as promulgated under Applicable Law, in the United States (in the current Good Manufacturing Practice Regulations of the U.S. Code of Federal Regulations, including 21 C.F.R. Sections 210 and 211, as may be amended from time to time) and the European Union.

"**Delivery**" means, with respect to any given Order or any other delivery contemplated hereunder, delivery as specified herein at the Delivery Location or such other location as agreed by the Parties pursuant to Section 6.1.1.

"**Delivery Location**" means (i) with respect to any given Order, the AstraZeneca Site where such Order was Manufactured or such other location as designated by AstraZeneca in writing, and (ii) with respect to any other delivery contemplated hereunder, the location agreed by the Parties (each acting reasonably).

"**Existing API**" means [***] of API that is maintained, held or stored by or on behalf of AstraZeneca or its Affiliates, including at any FDA-approved facility owned or operated by [***], as of the Effective Date.

"**Field**" means all human prophylactic and therapeutic uses.

"**Final Materials**" means Bulk Tablets that remain in AstraZeneca's possession at the end of the Bulk Supply Term, but excluding any Bulk Tablets that at the time of Delivery are Non-Conforming Supplied Product or are otherwise not usable due to any damage prior to Delivery or dating shorter than the applicable Minimum Shelf Life therefor.

"**Firm Forecast**" has the meaning given in Section 4.3.1.

"**Forecast**" has the meaning given in Section 4.1.1.

"**Formulation Know-How**" has the meaning set forth in the definition of Manufacturing Know-How.

"**Formulation Technology Transfer**" means the program for transitioning the Formulation Know-How to Buyer in accordance with Article 3 and the TT Plan.

"**FTE**" has the meaning set forth in the definition of FTE Rate.

"**FTE Rate**" means [***].

"**Independent Expert**" shall have the meaning set out in Section 9.2.6.

"**Initial Forecast Date**" means the [***] of the month that is [***] prior to the anticipated termination or expiration of the SOTC Period.

"**Intellectual Property Rights**" has the meaning set forth in the TSA.

"**Labelling**" means all labels, package inserts, carton imprints and all other markings on packaging for the Licensed Product that are defined as labels or labelling under any relevant Regulatory Approval (excluding, for the avoidance of doubt, any transportation packaging).

"**Licensed Product**" means a product in a form suitable for human applications that is comprised of or contains the API and is marketed by AstraZeneca as of the Execution Date and which is listed in **Schedule 3**.

"**Manufacturing Change**" has the meaning given in Section 10.4.1.

"**Manufacturing Know-How**" means the AstraZeneca Know-How (as defined in the License Agreement) actually used by AstraZeneca as of the Execution Date (or by AstraZeneca as a result of any Manufacturing Change implemented by AstraZeneca hereunder) (a) to package the Licensed Products, as a part of AstraZeneca's packaging and labeling Manufacturing processes for Licensed Product ("**Packaging Know-How**") and (b) to formulate the Licensed Product into bulk product, including analytic testing know-how ("**Formulation Know-How**").

"**Marketing Authorization**" means an authorization from the applicable Health Authority to place a medicinal product on the market in any country in the Supply Territory, including, with respect to the US, a marketing authorization granted by the FDA or in the applicable country.

"**Minimum Lead Time**" means the minimum period between the date of placing an Order and the Delivery date for the relevant Supplied Product, as specified in **Schedule 4**.

"**Minimum Order Quantity**" means the minimum quantity for any Order for Packed Tablets or Bulk Tablets, on a SKU by SKU basis, as set forth in **Schedule 5**.

"**Minimum Shelf Life**" means, unless the Parties otherwise agree in writing with respect to a specific Order, the percentage of the approved maximum shelf life specified in **Schedule 5**.

"**Nektar**" means Nektar Therapeutics, a Delaware corporation.

"**Non-Conforming Supplied Product**" means any Supplied Product which, at the time of Delivery to Buyer, does not conform with the requirements of Section 9.1, and "**Non-Conformance**" shall have a corresponding meaning.

"**Order**" means a written purchase order with a unique number issued by Buyer for such quantities of Supplied Product as Buyer commits to purchase from AstraZeneca and "**Ordered**" and "**Ordering**" shall be construed accordingly.

"**Packaging Know-How**" has the meaning set forth in the definition of Manufacturing Know-How.

"**Packaging Technology Transfer**" means the program for transitioning the Packaging Know-How to Buyer in accordance with Article 3 and the TT Plan.

"**Packaging Term**" means the period commencing on the end of the SOTC Period and ending on the earlier of (a) the date which is [***] (unless otherwise agreed by the Parties) after Buyer notifies AstraZeneca that Buyer's alternative arrangements for packing Bulk Tablets into Packed Tablets have been approved by the applicable Health Authority, and (b) [***] after the Effective Date, as such term may be extended in accordance with Section 3.3 or 10.1.1.

"**Packed Tablets**" means Bulk Tablets which have undergone primary and secondary packaging and are in finished form as distributed in the United States.

"**Personnel**" means the employees, directors, officers and agents of a Party or (where, the context requires, those of a Party's Affiliates).

"**Price**" means the AstraZeneca's Fully Burdened Manufacturing Costs [***] in all cases other than if the Supplied Product is API, in which case it shall equal AstraZeneca's Fully Burdened Manufacturing Costs [***], if applicable, such amount as is required to ensure that [***]. The Prices for Calendar Year 2020 are set forth on **Schedule 5**.

"**Quality Agreement**" or "**QA**" means the quality agreement agreed between the Parties (or their designated Affiliates) within [***] after the Execution Date in relation to the Supplied Products supplied hereunder, as such agreement may be amended or replaced by agreement between the Parties (or their designated Affiliates) in writing from time to time.

"**Quality Standards**" means the quality standards set out in Section 2.12.1 of the Transitional Services Agreement, such standards to apply to the Licensed Product solely during the interim period from the Effective Date up to the date upon which the Parties agree (in writing) the QA for the Licensed Product pursuant to Section 13.1.1.

"**Regulatory Approvals**" means the regulatory approvals required to Manufacture the Licensed Product in the Field at the AstraZeneca Sites for marketing, sale and/or distribution in the Supply Territory.

"**Shortfall**" means the quantity of Supplied Product actually Delivered to Buyer that is less than the quantity ordered in the relevant Order; *provided*, *however*, that a "Shortfall" shall not occur unless the actual quantity Delivered is at least [***] less than the quantity Ordered.

"**SKU**" means stock keeping unit.

"**SOTC Period**" shall have the meaning set forth in the TSA.

"**Specifications**" means the written specifications for the characteristics, quality and processing of the Supplied Products, as set out in **Schedule 6**, as such specifications may be amended or replaced from time to time in or pursuant to the Quality Agreement.

"**Supplied Product**" means each SKU for Bulk Tablets, Packed Tablets (including samples), or API, as set forth on **Schedule 5**.

"**Supply Territory"** means, with respect to Packed Tablets, the [***], and with respect to Bulk Tablets and API, the [***] (as defined in the License Agreement).

"**Taxes**" or "**Tax**" means all taxes of any kind, and all charges, fees, customs, tariffs, levies, duties, imposts, required deposits or other assessments, including all federal, state, local or non-U.S. net income, capital gains, gross income, gross receipt, property (real or personal), franchise, value added, sales, use, excise, good and services, stamp, environmental, withholding, payroll, employment, social security, worker's compensation, unemployment, occupation, franchise, capital stock, transfer, gains, escheat, windfall profits, net worth, asset, transaction and other taxes, and any interest, penalties or additions to tax with respect thereto, imposed upon any Person by any governmental authority under Applicable Law.

"**Technology Transfer**" means the Packaging Technology Transfer and the Formulation Technology Transfer.

"**Term**" has the meaning given in Section 20.1.1.

"**Third Party**" means any Person other than AstraZeneca, Buyer and their respective Affiliates and permitted successors and assigns.

"**USD Exchange Rate**" has the meaning given in the TSA.

"**VAT**" means:

(a) any Tax imposed in compliance with council directive of 28 November 2006 on the common system of value added Tax (EC Directive 2006/112); and

(b) any other Tax of a similar nature (including any value added Tax, turnover Tax, sales Tax, use Tax, goods and services Tax and consumption Tax), whether imposed in a member state of the European Union in substitution for or in addition to the Tax referred to in (a) or elsewhere.

2. PURPOSE

2.1 Manufacture and Supply of Licensed Product

2.1.1 This Supply Agreement sets out the terms and conditions under which AstraZeneca agrees to (a) Manufacture and supply the Packed Tablets and Bulk Tablets to Buyer, and under which Buyer agrees to purchase the Packed Tablets and Bulk Tablets, in each case solely for sale and/or distribution in the Supply Territory, and (b) supply the Existing API to Buyer for use in accordance with the License Agreement and this Supply Agreement.

2.1.2 Buyer shall purchase [***] percent ([***]%) of its requirements of (a) Packed Tablets from AstraZeneca, until the expiry of the Packaging Term or, if earlier, this Supply Agreement has expired or terminated in accordance with its terms and (b) Bulk Tablets until the expiry of the Bulk Supply Term, or, if earlier, this Supply Agreement has terminated in accordance with its terms. For clarity, Buyer shall be responsible for packaging and labelling Licensed Product supplied under this Supply Agreement following expiry of the Packaging Term. In addition, Buyer shall purchase [***] percent ([***]%) of its requirements of API from AstraZeneca until the expiry of the API Supply Term or, if earlier, this Supply Agreement has terminated in accordance with its terms.

2.1.3 AstraZeneca agrees not to (a) during the Term and following expiration of this Supply Agreement, Manufacture Licensed Product for [***] for sale in the Supply Territory, or (b) sell or otherwise transfer any of the Existing API to [***].

2.1.4 AstraZeneca shall supply Buyer with amounts of Supplied Products set forth in Orders placed in accordance with the terms of this Supply Agreement. Notwithstanding the foregoing, (a) in the event of anticipated capacity constraints, AstraZeneca shall not be obligated to Manufacture Licensed Product in excess of the Capacity Limit, and (b) in no event shall AstraZeneca be obligated to supply Buyer with quantities of API exceeding in the aggregate the amount of the Existing API. AstraZeneca shall notify Buyer as soon as reasonably practicable in the event AstraZeneca reasonably anticipates that its Manufacturing and supply obligations hereunder are likely to be in excess of the Capacity Limit; *provided* that AstraZeneca shall [***] to minimize the extent and duration of such constraints; *provided, further*, that in no event shall AstraZeneca be required by this Section 2.1.4 to invest in new production capacity.

3. TECHNOLOGY TRANSFER

3.1 As soon as reasonably practicable following the date hereof, but in any event no later than **[***]** after the date hereof, the Parties will in good faith (each acting reasonably) agree on a formal written plan (the "**TT Plan**") for the transitioning of the Manufacturing Know-How to Buyer or to its Third Party manufacturer or manufacturers by way of **[***]** customary technology transfer for packaging (including serialization), and **[***]** for formulation of the Licensed Product, in each case to **[***]** designated by Buyer (which may be the same or different

facilities for packaging and formulation and which may in each case be owned or operated by Buyer or any contractor or other Third Party designee thereof).

3.2 Each Party shall perform the activities allocated to it in the TT Plan. The methods that will be used to effect the Technology Transfer for Packed Tablets and Bulk Tablets, will include:

3.2.1 the provision of copies of all relevant documentation and data maintained by AstraZeneca in electronic form and in the control of, or reasonably obtainable by, AstraZeneca which record the Manufacturing Know-How, including (a) a list of all equipment, components and materials needed for the Manufacture of the Licensed Product, (b) a step-by-step description of the Manufacturing process for the Licensed Product, and (c) validated analytical methods for the Licensed Product;

3.2.2 the provision of reasonable technical assistance to Buyer or its nominated Third Party manufacturer or manufacturers to ensure a timely transition of the Manufacture of the Product as set forth in the TT Plan;

3.2.3 access to employees of AstraZeneca and its Affiliates who have knowledge of such steps at AstraZeneca's (or its Affiliates') premises or, where reasonably required, at the applicable Buyer facility (but subject to the limitations set forth in this Article 3); and

3.2.4 upon reasonable advance notice and upon a date mutually agreed, support reasonable, scheduled site visits in accordance with the TT Plan subject to AstraZeneca's then current standards applicable to visitors by appropriate Personnel of Buyer or any of its Affiliates, contractors or Third Party manufacturers.

3.3 Each Party will complete the activities allocated to it in the TT Plan within any timelines set out therein (or for activities for which a timeline has not been allocated, within a reasonable time frame). The Technology Transfer shall be completed as soon as reasonably practicable by the Parties, each acting in an expeditious and commercially reasonable manner. In any event, the TT Plan shall require that the Technology Transfer be completed within the Term and, if the Technology Transfer for Packed Tablets is not completed within the Packaging Term or if the Technology Transfer for Bulk Tablets is not completed within the Bulk Supply Term, the obligations of AstraZeneca pursuant to this Article 3 with respect to the applicable Technology Transfer shall terminate in all respects; *provided* that if the applicable Technology Transfer will not be completed within the Packaging Term or Bulk Supply Term, as applicable, due to a breach by AstraZeneca of any of its obligations under this Article 3, the Packaging Term or Bulk Supply Term, as applicable, shall be extended by the number of days of delay in the completion that is attributable to such breach upon notice in writing from Buyer to AstraZeneca.

3.4 The Parties acknowledge that (a) the Parties will be jointly responsible for the development of the TT Plan, (b) Buyer will lead the process for the implementation of the TT Plan for the transitioning of the Manufacturing Know-How to Buyer or to its Third Party manufacturer or manufacturers, and (c) the role of AstraZeneca will be to support Buyer in such implementation activities, in each case as specified in the TT Plan.

3.5 AstraZeneca shall, during the Term, provide up to **[***]** hours of support for the Packaging Technology Transfer and the Formulation Techology Transfer, collectively, pursuant to this Article 3 **[***]** ("**Support Hours**"). As of the Execution Date, the Support Hours shall be provisionally allocated as follows: up to **[***]** Support Hours for the Packaging Technology Transfer and up to **[***]** Support Hours for the Formulation Technology Transfer; *provided* that Buyer may, at any time and from time to time during the Packaging Term or the Bulk Supply Term, reallocate Support Hours from the Packaging Technology Transfer to the Formulation Technology Transfer, or vice versa, upon written notice to AstraZeneca. If Buyer, acting reasonably, requires time in addition to complete the Packaging Technology Transfer or

the Formulation Technology Transfer, AstraZeneca and Buyer will discuss in good faith Buyer's requirements and AstraZeneca will use its reasonable efforts to accommodate such request; *provided*, that the other manufacturing operations of AstraZeneca and its Affiliates are not unduly disrupted by the provision of such additional support. The Parties shall agree in writing to the terms of any additional support to be provided by AstraZeneca, including the total number of additional hours of support and the time period over which such additional support shall be provided. All such additional support will be provided at Buyer's cost, **[***]**.

3.6 In respect of all Technology Transfer services provided pursuant to this Supply Agreement, Buyer shall reimburse AstraZeneca for all reasonable (a) **[***]**, (b) **[***]** and (c) **[***]**, in each case, reasonably incurred by or on behalf of AstraZeneca and its Affiliates in providing such services. Buyer shall be responsible for the costs of all API or other materials used in connection with any Technology Transfer.

3.7 In no event shall AstraZeneca be required to provide technology transfer assistance for any element of the Manufacturing Know-How more than **[***]** during the Technology Transfer process.

3.8 Subject to Sections 3.1 through 3.5, and Section 3.11, Buyer shall be responsible for providing, making available or obtaining in sufficient time as required to meet the TT Plan, all facilities, materials, personnel, consents, approvals, information and other resources necessary to carry out and complete the Technology Transfer. As the success of the implementation of the Technology Transfer process will primarily depend on Buyer or its Third Party manufacturer, subject to compliance with AstraZeneca's obligations under this Supply Agreement, AstraZeneca provides no assurances or guarantees that the formulation or other Manufacturing processes can be **[***]** transitioned to Buyer or any Third Party.

3.9 In addition to the Technology Transfer, which for clarity does not include a technology transfer for the API, AstraZeneca shall provide such Manufacturing Know-How in its possession and control to the extent requested by Buyer and such information is necessary or reasonably useful in order to assist Buyer in establishing its own supply chain for API.

3.10 While on site at the facilities of the other Party (or a Third Party designated by the other Party), each Party will ensure that it and its Affiliates (and their respective personnel) conduct themselves in such manner as would be reasonably expected in the circumstances and comply with: (a) such of the other Party's (or relevant Third Party's) normal and reasonable codes of conduct and security practice (including those related to data protection, health and safety, operational and technical security, occupancy, acceptable use and access to buildings) as are brought to the relevant person's attention; (b) the other Party's (or relevant Third Party's) reasonable instructions; and (c) Applicable Law.

3.11 At the request of Buyer and with the consent of the applicable AstraZeneca Partner, AstraZeneca will introduce Buyer to an appropriate contact person at such AstraZeneca Partner for the purpose of possible discussions between Buyer and AstraZeneca's Partners with respect to such Partners' Manufacturing capabilities and arrangements.

4. FORECASTS

4.1 Forecasts

4.1.1 Commencing no later than the Initial Forecast Date, Buyer shall, subject to Sections 4.2.2 and 4.2.3, prepare on a monthly basis and provide to AstraZeneca not later than the [***] Business Day of each month a written rolling purchase forecast of its and its Affiliates' requirements of

each SKU for the Licensed Products with respect to the Supply Territory (the "**Forecast**") and AstraZeneca shall only use such Forecasts to support its obligations to supply Licensed Product hereunder. For clarity, no Forecast shall be required for API.

4.1.2 For Packed Tablets, each Forecast shall contain a rolling forecast of Buyer and its Affiliates' expected quantities of Packed Tablets required for each month during the period of [***] months (or such shorter time as remains until the anticipated completion of the Packaging Term, and taking account of any applicable extension of the Packaging Term) covered by the Forecast.

4.1.3 For Bulk Tablets, each Forecast shall contain a rolling forecast of Buyer and its Affiliates' expected quantities of Bulk Tablets required for each month during the period of [***] months (or such shorter time as remains until the anticipated completion of the Bulk Supply Term, and taking account of any applicable extension of the Packaging Term) covered by the Forecast.

4.1.4 For clarity, the [***] month in a Forecast shall be the then-current month in which the Forecast is submitted.

4.2 **Initial Forecasts**

4.2.1 AstraZeneca's current forecast for Packed Tablets as of the Execution Date, on a SKU-by-SKU basis ("**AstraZeneca Forecast**") is attached hereto as **Schedule 1**.

4.2.2 Buyer shall submit its first Forecast for Packed Tablets no later than the Initial Forecast Date. The quantities of Packed Tablets set forth for each month in such Forecast shall not vary (up or down) from the quantities of Packed Tablets shown for the corresponding month in the AstraZeneca Forecast by more than plus or minus (+/-) [***] percent ([***]%), on an SKU-by-SKU basis, and such Forecast otherwise shall be subject to the terms of this Article 3. For example, if the AstraZeneca Forecast for February 2021 were one hundred (100) units, then the quanitities set forth in Buyer's first Forecast for February 2021 shall not be lower than [***] nor higher than [***] units.

4.2.3 Buyer shall submit its first Forecast for Bulk Tablets no later than the date that is [***] prior to the anticipated commencement of the Bulk Supply Term for the Licensed Product; *provided* that, notwithstanding anything else in this Article 4 or Article 5, the quantities of Packed Tablets for a given month contemplated by the then-preceding Forecast delivered by Buyer that are not at the time subject to outstanding Orders shall be deemed to be quantities of Bulk Tablets for such month for purposes of this Supply Agreement and included in the first Forecast for Bulk Tablets (subject to any variances permitted under Section 4.3 or 4.4).

4.3 **Binding Forecasts**

4.3.1 The quantities of (a) the first [***] months of each Packed Tablets Forecast submitted by Buyer and (b) the first [***] months of each Bulk Tablets Forecast, in each case ((a) and (b)), will be considered binding on a SKU-by-SKU basis and may not be varied in subsequent Forecasts (each such binding portion therein, a "**Firm Forecast**"). Buyer may not change any Firm Forecast without the written consent of AstraZeneca. The remaining months of each Forecast will be considered non-binding, good faith estimates and any modifications to the Forecasts shall be subject to the variances set forth in Section 4.4.

4.3.2 For clarity, AstraZeneca shall only be obliged to Manufacture quantities of Licensed Product once such quantities have become the subject of confirmed Orders pursuant to Article 4.

4.4 **Forecast Variance**

4.4.1 The forecast quantities of Licensed Product in a Forecast for any specific period shall not vary (up or down) from the quantities of Licensed Product forecasted for the corresponding period in the immediately preceding Forecast by more than the following percentages for the following periods:

(a) for the [***] through the [***] month shown in a Forecast: plus or minus (+/-) [***] percent ([***]%);

(b) for the [***] through the [***] month shown in a Forecast: plus or minus (+/-) [***] percent ([***]%);

(c) for the [***] through the [***] month shown in a Forecast: plus or minus (+/-) [***] percent ([***]%); or

(d) for the [***] through the [***] month: plus or minus (+/-) [***] percent ([***]%).

4.5 **Final Forecast**

At least [***] prior to the last day of the Bulk Supply Term, Buyer shall submit a final forecast specifying the quantities of Bulk Tablets that it wishes to buy from AstraZeneca during the period prior to the end of the Bulk Supply Term (the "**Final Forecast**"). The Final Forecast shall be binding on the Buyer and on AstraZeneca; *provided* that the quantities in the Final Forecast do not exceed any Capacity Limit duly notified by AstraZeneca to Buyer.

5. **ORDERING**

5.1 **Orders**

5.1.1 Buyer acknowledges and agrees that AstraZeneca (a) will only Manufacture and supply Packed Tablets during the Packaging Term (plus Orders therefor submitted prior to the end of the Packaging Term for Delivery after the end of the Packaging Term) and Bulk Tablets during the Bulk Supply Term (plus Orders therefor submitted prior to the end of the Bulk Supply Term for Delivery after the end of the Bulk Supply Term), and (b) will only supply Existing API during the API Supply Term (plus any final sale of the Existing API pursuant to Section 21.6.6 after the end of the API Supply Term).

5.1.2 Beginning in the [***] calendar month prior to the end of the SOTC Period and each month thereafter during the Term, and by no later than the [***] Business Day of the relevant month, Buyer shall submit to AstraZeneca its Orders for Supplied Product, which Orders shall, with respect to Licensed Product, be consistent with the binding portion of the Forecast and shall set forth the amount of each Supplied Product to be delivered in the [***] calendar month following the month in which the Order is submitted, broken down by SKU, and the requested Delivery date therefor. Subject to the foregoing, such Orders shall be made using AstraZeneca's standard ordering procedures in force at the Execution Date or such other procedures as Buyer may agree to use from time to time thereafter.

5.1.3 Where actual Orders for Licensed Product for a given month fall below the Firm Forecast for that month, AstraZeneca shall be entitled to charge Buyer for the quantities of Licensed Product set forth in the Firm Forecast for such month but not Ordered; and where actual Orders for Licensed Product for a given month are in excess of the Firm Forecast for that month, Buyer acknowledges that AstraZeneca is under no obligation to supply the excess amount (although AstraZeneca will make [***]).

5.1.4 Subject to Section 5.1.5(a), all Orders for Licensed Product must be for the Minimum Order Quantity or increments thereof.

5.1.5 The Parties will, in good faith, co-operate to manage production and deliveries in the most efficient manner. Such co-operation shall take into account (i) the practices that AstraZeneca has itself employed when managing production and deliveries of the Licensed Product prior to the Execution Date, and (ii) Buyer's operational, efficiency and timeliness requirements, and current and anticipated inventory levels and demand. In particular, the Parties will work together collaboratively to:

(a) review the Minimum Order Quantity in the event that Buyer anticipates that the Minimum Order Quantity will exceed demand in the Supply Territory (or any part thereof) taking account of the maximum shelf life of the Licensed Product; and

(b) agree and set suitable Order quantities and replenishment frequencies (per SKU, to the extent applicable) of Supplied Product to ensure that appropriate asset and country stockholding is implemented and maintained.

5.1.6 All Orders must specify:

(a) the date the Order was issued;

(b) the required type, including product SKU, and quantity of each Supplied Product;

(c) the Delivery Location and the country(ies) of the Supply Territory to which the Supplied Product will be exported, if any; and

(d) the Delivery date, provided that (i) the period in which the Supplied Product is to be delivered is no less than the Minimum Lead Time; (ii) the Delivery date for Packed Tablets is, in the case of any Orders submitted after notification by Buyer of the end of the Packaging Term, no later than the termination or expiry of the Packaging Term; (iii) the Delivery date for Bulk Tablets is no later than [***] after the termination or expiry of the Bulk Supply Term; and (iv) the Delivery date for API is no later than [***] after the termination or expiry of the API Supply Term.

5.1.7 Provided that an Order corresponds, in the case of Order for Supplied Product other than API, with the forecasted demand set out in the corresponding month in the Firm Forecast current at the time of the Order, and is otherwise in accordance with the terms of this Supply Agreement then, subject to Section 4.3, AstraZeneca shall accept the Order. AstraZeneca shall communicate its acceptance of an Order by way of email confirmation or by such other written means as AstraZeneca may elect from time to time. Confirmation by AstraZeneca of its acceptance of an Order that is made by way of email shall be made within [***] after receiving the Order.

5.1.8 All confirmed Orders shall be binding upon Buyer and shall not be changed without the written consent of AstraZeneca.

5.1.9 Each Order shall be the subject of a separate contract of sale between AstraZeneca and Buyer. All contracts between the Parties for the supply of any Supplied Product shall be on the terms and conditions set out in this Supply Agreement. All other terms and conditions (including any terms and conditions which Buyer purports to apply under any purchase order, specifications or other document attached to any order form) are hereby excluded.

6. DELIVERY, RISK AND TITLE

6.1 Delivery

6.1.1 Unless otherwise agreed by the Parties in writing, all deliveries will be made [***] at the Delivery Location.

6.1.2 AstraZeneca shall [***] to deliver the Supplied Product at the Delivery Location within [***] of the delivery date specified in the applicable Order, provided the Delivery date is in accordance with the Minimum Lead Time or as otherwise mutually agreed between the Parties. AstraZeneca shall not be liable for any delay in delivery of the Supplied Products that is caused by Force Majeure or by Buyer's negligence or breach of this Supply Agreement, or any relevant delivery instruction of Buyer.

6.1.3 Buyer shall arrange for its nominated carrier to be at the Delivery Location (ready for the Supplied Product to be loaded on to Buyer's carrier) within [***] after AstraZeneca giving it written notice that the Supplied Product is ready for loading. If, for any reason, Buyer fails to arrange for its carrier to visit the Delivery Location within this time frame then, subject to Section 6.1.4, AstraZeneca may at its option either: (a) acting as agent for Buyer and at Buyer's expense, arrange for a delivery company to collect the Supplied Products from the Delivery Location for delivery to any premises of Buyer; or (b) store the Supplied Products until Buyer collects them and Buyer shall be liable for all related costs and expenses (including, without limitation, storage and insurance); *provided* that in each case AstraZeneca shall use reasonable care and act consistently with its customary practices in comparable circumstances.

6.1.4 If, within [***] after AstraZeneca giving Buyer written notice that the Supplied Products are ready for loading on to Buyer's carrier at the Delivery Location, Buyer notifies AstraZeneca that the Supplied Products cannot be delivered to the relevant country of the Supply Territory because a clearance, authorization, permit or approval (as required by Applicable Law or by the relevant Health Authority) has not yet been obtained, then in such circumstances AstraZeneca agrees not to exercise its rights under option (a) in Section 6.1.3 in respect of those Supplied Products, but will exercise its rights under option (b) instead.

6.1.5 Where Buyer has agreed to arrange for its nominated carrier to collect Supplied Product from the Delivery Location pursuant to Section 6.1.3, delivery shall be deemed complete at the earlier of: (a) the time when the Supplied Product has been loaded on to Buyer's nominated carrier at the Delivery Location; and (b) [***] local time at the Delivery Location on the [***] Business Day after the day on which AstraZeneca notified Buyer that the Supplied Products were ready for loading. In cases where delivery is to be made to a location which is not a Delivery Location, AstraZeneca's delivery shall be deemed to be complete when the Supplied Products arrive at the Delivery Location.

6.1.6 If AstraZeneca fails to make the Supplied Products available for collection or to deliver the Supplied Products, AstraZeneca shall, at AstraZeneca's option, taking into consideration any preference expressed by Buyer in writing, make the Supplied Products available within a reasonable time or issue a credit note against any invoice raised for such Supplied Products. Subject to Section 6.1.10, any delay in making the Supplied Products available for collection will not entitle Buyer to terminate or cancel any Order unless such delay exceeds [***].

6.1.7 AstraZeneca may deliver the Supplied Product or make them available for loading on to Buyer's carrier (as applicable) by separate installments; *provided* that, prior to doing so, AstraZeneca, acting reasonably, shall consult in good faith with Buyer and take into consideration Buyer's preferred installment sizes, delivery dates and frequencies, as conveyed to AstraZeneca in writing. Each such installment shall be deemed to be treated as a separate contract of sale between AstraZeneca and Buyer.

6.1.8 All deliveries must be accompanied by the documentation specified in **Schedule 7**, subject to any variations that are mutually agreed between the Parties to cater for the local requirements of the relevant country of the Supply Territory.

6.1.9 In respect of all Orders, AstraZeneca shall be entitled to Deliver quantities of Supplied Product which are up to plus or minus [***] ([***]%) of the quantity set out in the Order, on a SKU-by-SKU basis, and Buyer shall not be entitled to reject any Delivery on this basis and Buyer shall be charged for the quantity actually delivered; *provided* that, to the extent of any deviation between Ordered and Delivered quantities of Supplied Products for a given month, Buyer shall, notwithstanding anything else in this Supply Agreement, following a good faith discussion, be entitled to vary its Orders for the applicable SKU for the [***] to account for such deviation; *provided, further*, that AstraZeneca shall [***] to fulfil any such increase in Ordered quantities of Supplied Products for such period.

6.1.10 In the event AstraZeneca fails to Deliver for [***] consecutive months at least [***] percent ([***]%) of the aggregate quantities set out in all confirmed Orders for the applicable month (for all SKUs and Supplied Products, as applicable) ("**Supply Failure**"), the matter shall be referred to the Parties' executives for resolution by negotiations during a period of [***] following the referral of the matter to the executives. If the Parties are unable to resolve such Supply Failure within such [***] period (a "**Supply Resolution Failure**"), AstraZeneca will [***] to accelerate the Technology Transfer contemplated hereunder. In the event a Supply Failure is ongoing, Buyer may cancel any outstanding Orders by written notice to AstraZeneca.

6.1.11 AstraZeneca shall promptly notify Buyer in writing if at any time AstraZeneca has reason to believe that AstraZeneca will not be able to (a) fill an Order in accordance with the delivery schedule specified therein and in compliance with the terms and conditions of this Supply Agreement and the Quality Agreement or (b) supply the Supplied Product to Buyer in satisfaction of the most recent Forecast (taking account of permitted variances) in accordance with this Supply Agreement, which notice in either case shall provide Buyer with information regarding the nature of the supply problem, including the extent of the expected shortage of supply (each, a "**Supply Shortage Notice**"). Upon AstraZeneca providing a Supply Shortage Notice to Buyer, Buyer and AstraZeneca shall promptly meet and work together, in good faith, to identify an appropriate resolution to the supply problem; *provided* that in no event shall AstraZeneca be required by this Section 6.1.11 to invest in new production capacity. Any agreed resolution to the supply problem shall be set forth in a writing executed by both Parties which shall state that the applicable Supply Shortage Notice is thereby withdrawn.

6.1.12 AstraZeneca shall deliver Bulk Tablets and API packed in bags and/or other containers consistent with the validated containers used by AstraZeneca prior to the Execution Date, unless the Parties agree otherwise from time to time.

6.2 **Title and Risk**

6.2.1 Title, and risk of loss or damage, to any Supplied Product shall pass to Buyer upon Delivery of such Supplied Product at the Delivery Location.

7. PRICE AND CHARGES

7.1.1 The price for each Supplied Product is the Price.

7.1.2 In addition to the Price of the Supplied Products, AstraZeneca shall be entitled to invoice Buyer for the costs and expenses incurred by AstraZeneca and AstraZeneca Affiliates in arranging delivery of the Licensed Products to any location which is not a Delivery Location (including the costs of packaging, loading, unloading, transportation, export and import of the Licensed Product to such location, and the costs of insuring the Supplied Products in transit).

7.1.3 All Prices and other payments to be made by Buyer under this Supply Agreement shall be payable in US Dollars. Any Third Party costs and expenses which are to be reimbursed by Buyer under this Supply Agreement will be reimbursed in US Dollars. If Third Party costs and expenses which are to be reimbursed in US Dollars were originally incurred in any other currency, they will be converted to US Dollars using the USD Exchange Rate.

8. INVOICING AND PAYMENT

8.1 Invoicing

8.1.1 AstraZeneca (or an Affiliate thereof) shall invoice Buyer for the Price of the Supplied Product on or at any time after its Delivery and for the amounts referred to in Section 7.1.2 (in respect of the costs of delivering Supplied Products to locations which are not Delivery Locations), and Buyer shall pay such amounts.

8.1.2 Any other costs, expenses or other sums which may be chargeable by AstraZeneca under this Supply Agreement shall be invoiced by AstraZeneca (or an Affiliate thereof) in arrears, on a monthly or a less frequent basis as AstraZeneca may (in its sole discretion) decide. If requested by Buyer, AstraZeneca will provide Buyer with a reasonable level of supporting documentation for such amounts.

8.1.3 Buyer shall pay each invoice submitted under this Supply Agreement within [***] after the date of the invoice as stated thereon.

8.1.4 All payments due to AstraZeneca under this Supply Agreement are exclusive of any VAT which may be chargeable, which Buyer shall pay in addition at the rate and in the manner for the time being prescribed by Applicable Law, and shall be made by Buyer by transfer to such bank account as AstraZeneca may from time to time notify in writing to Buyer and shall be made in full and cleared funds, without any set off, deduction or withholding whatsoever, except for any deduction or withholding which must be made under Applicable Law. If Buyer is required to deduct or withhold any amount under Applicable Law, Buyer shall increase the sum it pays to AstraZeneca by the amount necessary to leave AstraZeneca with an amount equal to the sum it would have received if no deduction or withholding had been made; *provided* that no such increase shall be required in respect of any such deduction or withholding if and to the extent that the amount of such deduction or withholding (a) would not have been imposed but for the failure of AstraZeneca to take advantage of an otherwise available exemption from or reduction in the rate of withholding Tax under any applicable income Tax convention between Sweden and any applicable jurisdiction or (b) would not have been imposed but for the assignment by AstraZeneca of its rights or obligations (including to Affiliates) under this Agreement or any change of Tax residence of AstraZeneca or any of its Affiliates outside of Sweden.

8.1.5 If Buyer fails to pay any amount payable under this Supply Agreement by the due date for payment, then without prejudice to any other rights or remedies that AstraZeneca may have:

(a) Buyer shall pay interest thereon (before and after any judgment) at [***] of [***], such interest to run from the date on which payment of such sum became due until payment thereof in full together with such interest; and

(b) without prejudice to Section 8.1.5(a) and subject to giving Buyer [***] prior written notice of its intention to do so, AstraZeneca shall be entitled to suspend any of its obligations under this Supply Agreement until such time as any unpaid amounts have been paid in full.

8.1.6 Section 9.5.3 of the License Agreement is hereby incorporated by reference into this Agreement, *mutatis mutandis*.

9. REPRESENTATIONS, WARRANTIES & COVENANTS, SHORTFALLS AND NON-CONFORMING LICENSED PRODUCTS

9.1 Representations, Warranties and Covenants of AstraZeneca

9.1.1 AstraZeneca represents and warrants to Buyer that, at the time of their Delivery to Buyer, the Supplied Products will:

(a) have been Manufactured in accordance and comply in all material respects with:

(i) the [***];

(ii) [***];

(iii) the [***]; and

(iv) all Applicable Law;

(b) meet the requirements of the [***] in the Supply Territory;

(c) meet any applicable [***] requirement;

(d) in the case of Supplied Product that is API, it shall have [***]; and

(e) have been stored at the AstraZeneca Site in accordance with the [***].

9.1.2 AstraZeneca represents and warrants that at the time of Delivery to Buyer at the end of the Packaging Term (in the case of Buyer Packaging Materials) or upon the end of the Bulk Supply Term (in the case of Final Materials), the Buyer Packaging Materials and Final Materials Delivered will:

(a) have been Manufactured in accordance and comply in all material respects with:

(i) the [***];

(ii) [***];

(iii) the [***]; and

(iv) all Applicable Law;

(b) meet the requirements of applicable [***] in the Supply Territory;

(c) meet any applicable [***] requirement and;

(d) have been stored at the AstraZeneca Site in accordance with the [***].

9.1.3 AstraZeneca also represents and warrants to Buyer that:

(a) the Packaging Know-How and the Formulation Know-How together constitute, as of the Execution Date, and will together constitute, as of the Effective Date and as of the expiration of the Bulk Supply Term, all AstraZeneca Know-How necessary to

formulate and package the Licensed Product from its API in accordance with **[***]**; and

(b) title to the Supplied Products, Buyer Packaging Materials and the Final Materials will pass to Buyer upon Delivery under this Agreement free and clear of any security interest, lien, or other encumbrance.

9.1.4 AstraZeneca covenants to Buyer that (a) AstraZeneca shall obtain and maintain all permits, licenses and authorizations necessary to Manufacture the Supplied Product hereunder for marketing, sale and/or distribution by Buyer in the Supply Territory, and (b) it shall obtain and maintain all certifications, permits, licenses and authorizations necessary to access, transfer, manufacture, store and use the Supplied Product in accordance with the Supply Agreement and the Quality Agreement, in each case ((a) and (b)), to the extent required with respect to Supplied Product up to its Delivery to Buyer hereunder.

9.2 **Shortfalls and Non-Conforming Supplied Products**. The provisions of this Section 9.2 shall apply to Packed Tablets, Bulk Tablets and API sold hereunder, other than the final sale of the Existing API at the end of the API Supply Term pursuant to Section 21.6.6.

9.2.1 Buyer shall promptly notify AstraZeneca of any Shortfall or Non-Conforming Supplied Product in any Delivery of Supplied Products, and shall provide AstraZeneca with a detailed written report of the alleged Shortfall or Non-Conformance, not later than:

(a) [***] after Buyer's receipt of the applicable Supplied Product, for any Shortfall or for any Non-Conformance that could be discovered within this period by Buyer exercising reasonable diligence and/or its responsibilities under the QA ("**Apparent Defects**"); or

(b) [***] after the Non-Conformance has become apparent, but in any event no later than [***].

9.2.2 Provided that Buyer has duly notified AstraZeneca of a Shortfall in accordance with Section 9.2.1, AstraZeneca shall, at AstraZeneca's option, taking into consideration any preferences expressed by Buyer in writing, in the case of any Shortfall either:

(a) make up the Shortfall as soon as reasonably practicable, at AstraZeneca's expense; or

(b) refund to Buyer the proportion of the Price paid by Buyer which equates to the amount of the Shortfall, or, if the invoice has not been paid, cancel the invoice and issue a new invoice for the actual amount of Supplied Product delivered.

9.2.3 Provided that Buyer has duly notified AstraZeneca of a Non-Conforming Supplied Product in accordance with Section 9.2.1, AstraZeneca shall, at [***] option, either in the case of any Non-Conforming Supplied Product:

(a) replace the Non-Conforming Supplied Product as soon as reasonably practicable given the nature of the Non-Conformance, at AstraZeneca's expense; or

(b) refund to Buyer the Price paid to AstraZeneca by Buyer for the Non-Conforming Supplied Product, or, if the invoice has not been paid, cancel the invoice; and

(c) in either case, reimburse Buyer for any amounts paid by Buyer to AstraZeneca for the Delivery of the Non-Conforming Supplied Product to any location which is not a Delivery Location, and costs for removal or disposal of Non-Conforming Supplied Product.

9.2.4 Buyer shall, at [***] option and expense, return to AstraZeneca or destroy (and certify destruction of) any Non-Conforming Supplied Product.

9.2.5 The process set out in the QA shall be used to determine whether any Supplied Product is a Non-Conforming Licensed Product.

9.2.6 If a dispute arises between the Parties as to whether or not a Supplied Product supplied under this Supply Agreement is a Non-Conforming Supplied Product, which cannot be resolved by the Parties within [***] of a claim being notified by Buyer to AstraZeneca following the conclusion of the processes described in the QA, either Party may require that the matter in dispute be referred to an independent testing laboratory or other appropriate independent expert mutually agreed upon by the Parties or, failing agreement, appointed by the ICC International Centre for Expertise at the request of either Party (the "**Independent Expert**").

9.2.7 The referral of any matter to the Independent Expert pursuant to Section 9.2.6 shall be solely for the purpose of establishing whether or not there has been a supply of Non-Conforming Supplied Product. Except in the case of fraud or manifest error on the part of the Independent Expert, the decision of the Independent Expert will be final and binding upon the Parties. If the Independent Expert decides that the Supplied Product is a Non-Conforming Supplied Product, the costs of the Independent Expert will be borne by AstraZeneca. In all other circumstances, the costs of the Independent Expert will be borne by Buyer.

9.2.8 Subject to Articles 6, 17 and 21, with respect to Supplied Product covered by this Section 9.2, the rights and remedies set out in this Article 9 shall be Buyer's sole right and remedy in relation to the Delivery of any Non-Conforming Supplied Product or a Shortfall.

10. MANUFACTURING

10.1 Packaging Term

10.1.1 Subject to Section 3.3, AstraZeneca shall not be obliged to Manufacture and supply to Buyer any Packed Tablets after the expiry of the Packaging Term; *provided* that Buyer may, by written notice to AstraZeneca as soon as reasonably practicable after Buyer becomes aware that the Packaging Technology Transfer is unlikely to be completed by the [***] of the Effective Date, extend the Packaging Term by an additional [***].

10.2 Bulk Supply Term

10.2.1 Subject to Section 3.3, AstraZeneca shall not be obliged to Manufacture and supply to Buyer any Bulk Tablets prior to the commencement of, or after the expiry of, the Bulk Supply Term; *provided* that Buyer may, by written notice to AstraZeneca as soon as reasonably practicable after Buyer becomes aware that the Formulation Technology Transfer is unlikely to be completed by the [***] of the Effective Date, extend the Bulk Supply Term by an additional [***].

10.3 Stability Testing

10.3.1 If Buyer (or a Health Authority in the Supply Territory) requires stability tests to be carried out and/or for new stability protocols to be set down for Bulk Tablets then until the end of the SOTC Period, subject to AstraZeneca's approval (such approval not to be unreasonably withheld or delayed), AstraZeneca will carry out such services for Buyer at the AstraZeneca Sites or at Buyer's designee during the Bulk Supply Term only, at [***] cost. After the SOTC Period, any stability tests to be carried out and/or new stability protocols to be set down for such Bulk Tablets shall be the responsibility of Buyer.

10.4 **Manufacturing Changes**

10.4.1 Procedures governing changes to the Specifications and/or changes in the Manufacturing process, Manufacturing facilities and/or materials (or sources of materials) used by AstraZeneca to Manufacture any Licensed Product (each a "**Manufacturing Change**") will be set out in the QA. Any Manufacturing Change shall be implemented in accordance with the provisions of this Section 10.4 and the QA.

10.4.2 During the SOTC Period, AstraZeneca shall have final decision-making authority with respect to any Manufacturing Changes required by a Health Authority ("**Required Manufacturing Changes**"), including whether and how to implement any such Manufacturing Changes; *provided* that AstraZeneca shall consult in good faith with Buyer prior to making any decision with respect to any Required Manufacturing Changes, and shall consider in good faith any other Manufacturing Changes proposed by Buyer. After the SOTC Period, Buyer shall have final decision-making authority with respect to any Required Manufacturing Changes, including whether and how to implement any such Manufacturing Changes; *provided* that Buyer shall consider in good faith any Manufacturing Changes proposed by AstraZeneca. During the Term, neither Party shall make any Manufacturing Changes that are not Required Manufacturing Changes without the other Party's written agreement. AstraZeneca shall use [***] to carry out any Required Manufacturing Changes as promptly as practicable in order to prevent any disruption in supply and in a manner to ensure continued compliance of the Licensed Product with the Specifications and the applicable Regulatory Approvals and Buyer shall, where required, reasonably assist in carrying out such changes.

10.4.3 The Parties agree that the reasonable and documented incremental internal costs and out-of-pocket costs and expenses of the Parties directly incurred in relation to any Manufacturing Change shall be borne by the Party initiating such Manufacturing Change. For these purposes [***].

10.4.4 Where a Manufacturing Change is required by Buyer and such change results in rendering obsolete any inventory of Licensed Products or materials used in the Manufacture of the Licensed Products, [***] shall bear the cost of such write-off (including waste disposal costs) for Licensed Products.

11. **LABELLING**

11.1 **Labelling**

11.1.1 For Licensed Product supplied hereunder, Buyer shall be responsible for:

(a) the accuracy of, and information contained on, all Labelling for the Licensed Product in the Field in the Supply Territory;

(b) ensuring that the Labelling of the Licensed Product in the Field complies with all Applicable Law in the Supply Territory; and

(c) obtaining all necessary approvals for any changes to the Labelling from the relevant Health Authority in the Supply Territory;

provided that prior to the expiration or termination of the Packaging Term, Buyer will only be so responsible to the extent that AstraZeneca has complied with Buyer's instructions with respect to such Labelling and AstraZeneca's applicable obligations under this Supply Agreement.

11.1.2 For Licensed Product supplied hereunder, Buyer shall supply AstraZeneca with all Labelling information required in order for AstraZeneca to Manufacture Packed Tablets for the Supply Territory in Buyer's own livery.

11.1.3 AstraZeneca shall, at [***] cost, use AstraZeneca's own artwork system for the implementation of changes to the Labelling of the Packed Tablets and Buyer shall make all necessary arrangements (including making its own IT systems available) to interface with AstraZeneca's artwork system (including to enable Buyer to approve its own artwork).

11.1.4 Any changes made to the Labelling of the Packed Tablets must be approved by Buyer in writing before the new Labelling is produced, such approval not to be unreasonably withheld or delayed.

11.1.5 In no circumstances shall AstraZeneca be required to implement any changes to the shape, size or format of any Labelling of Packed Tablets and changes shall be limited to replacing AstraZeneca's livery with Buyer's livery (without design changes) or as otherwise required by the Health Authorities. Following the initial livery changes, AstraZeneca will not make any further changes to any Labelling of Packed Tablets unless such changes are required by the Health Authorities.

11.1.6 For Licensed Product supplied hereunder, AstraZeneca agrees (subject to Section 11.1.5), at [***] cost, to implement those Labelling changes which are necessary in order to replace AstraZeneca's livery with Buyer's livery, and to reflect any other changes that are required by the Health Authorities as a result of such transfer.

11.1.7 Buyer shall pay AstraZeneca the following sums for any changes to the Labelling or packaging of any Packed Tablets that are required by a Health Authority after the Effective Date and during the Packaging Term: [***].

12. USE OF ASTRAZENECA'S IT SYSTEMS

12.1.1 If and to the extent that Buyer or its Affiliates or their respective Personnel have access, either on-site or remotely, to AstraZeneca's artwork or other IT system pursuant to this Supply Agreement, Buyer shall (and shall procure that its Affiliates and such Personnel shall):

(a) not attempt to gain access to, use, disclose or interfere with any AstraZeneca IT systems (or Confidential Information or data within those systems) except solely to the extent necessary to carry out the intent of Article 11, and within their permitted access level;

(b) only allow access to the AstraZeneca IT systems (or Confidential Information or data within those systems) to those named users who have been approved by AstraZeneca and to whom an individual password to access the AstraZeneca IT systems has been granted;

(c) use and access AstraZeneca's IT systems in accordance with AstraZeneca's instructions;

(d) keep safe, confidential and not disclose any password received under Section 12.1.1(b);

(e) use industry standard measures not to introduce viruses or malicious software code into the AstraZeneca IT systems;

(f) not improperly alter, delete or cause to be corrupted any of the Confidential Information or data within AstraZeneca's IT systems; and

(g) immediately report to AstraZeneca any suspected or actual security incident or unauthorized access to AstraZeneca's IT systems (or Confidential Information or data within those systems), or any other breach of security in respect of the same, in each case of which Buyer becomes aware.

12.1.2 AstraZeneca may immediately suspend the access rights of Buyer or its Affiliates or its or their Personnel permitted to any of AstraZeneca's IT systems solely to the extent, and for only as long as, it considers reasonably necessary to protect the integrity and the security of AstraZeneca's IT systems (or Confidential Information or data within those systems).

13. REGULATORY MATTERS

13.1 Quality Agreement

13.1.1 The Parties will enter into a Quality Agreement in accordance with Section 6.10.3 of the License Agreement. AstraZeneca and Buyer shall perform their respective obligations and comply with all provisions of the Quality Agreement or, until and pending execution of the Quality Agreement, the Quality Standards. In the event of a discrepancy between the Quality Agreement and this Supply Agreement, the terms of the Quality Agreement shall govern solely in relation to quality-related matters, and this Supply Agreement shall govern all other matters.

13.2 Records

13.2.1 AstraZeneca shall (and shall procure that its Affiliates shall) maintain all records and reports with respect to the Manufacture and supply of Supplied Products (and in relation to the provision of any other services) under this Supply Agreement as required by Applicable Law or by the terms of any Regulatory Approval, for the longer of [***] after the Term and the time periods required by Applicable Law or the terms of any Regulatory Approval. AstraZeneca shall promptly provide, at Buyer's expense, copies of any such records or reports reasonably requested by Buyer. In lieu of retaining records and reports under this Section 13.2.1, AstraZeneca may notify Buyer in writing of its intent to destroy such records and reports and Buyer shall notify AstraZeneca in writing within [***] whether it would like to receive such records and reports, in which case AstraZeneca shall, at AstraZeneca's expense, ship such records and reports to a destination specified by Buyer.

13.2.2 Buyer shall have the right, at Buyer's expense, on reasonable advance written notice and not more than [***] in any [***] period (unless any examination pursuant to this Section 13.2.2 reveals, or unless Buyer otherwise has been informed of a breach of this Supply Agreement that has occurred, in which event Buyer shall have the right to conduct, at AstraZeneca's cost and expense, such additional examinations as it may in its sole discretion deem useful to ascertain compliance with this Supply Agreement), to examine such records and reports of AstraZeneca during AstraZeneca's normal business hours.

13.3 Regulatory Inspections

13.3.1 If, during the Term, any Health Authority visits or inspects any facilities of AstraZeneca or an AstraZeneca Affiliate in connection with the Manufacture of the Supplied Product for, or the supply of the Supplied Product to, Buyer, or if any Health Authority carries out any visit or inspection which is related to the services which AstraZeneca has agreed to provide to Buyer under this Supply Agreement, then AstraZeneca shall notify Buyer as promptly as practicable, and in any event at least [***] in advance of such visit or inspection. AstraZeneca shall be responsible for coordinating with the Health Authority with respect to any such visit or

inspection, including in developing any response to observations made by the Health Authority; *provided*, *however*, that Buyer shall have the right to timely review and provide comments to AstraZeneca (which AstraZeneca shall consider in good faith and acting reasonably) on any responses prepared by AstraZeneca in connection with the same.

13.4 **Licensed Product Recall**

13.4.1 Subject to the Quality Agreement and the Transition Services Agreement, during the SOTC Period, AstraZeneca shall have decision-making authority over recalls and withdrawals, and after the SOTC Period during the Term, Buyer shall have decision-making authority over recalls and withdrawals.

13.4.2 The procedures governing the recall or market withdrawal of any Licensed Product supplied to Buyer under this Supply Agreement will be set out in the Quality Agreement.

13.4.3 Section 7.4 to the License Agreement is hereby incorporated herein; *provided*, *however*, that Buyer shall not be responsible for costs of a recall or market withdrawal of Licensed Products to the extent arising from a breach by AstraZeneca of this Supply Agreement or the Quality Agreement by, or fraud, willful misconduct or negligence on the part of, AstraZeneca or any of its Affiliates or any of their respective Personnel, or otherwise. The foregoing shall be without prejudice to any other rights or remedies that Buyer may have, whether under this Supply Agreement or otherwise.

13.5 **Adverse Event Reporting**

13.5.1 The reporting of adverse events in relation to any Licensed Product supplied to Buyer under this Supply Agreement will be governed by the Transitional Services Agreement, the Quality Agreement and/or the Pharmacovigilance Agreement.

14. **ANTI-BRIBERY**

14.1 **Compliance**

14.1.1 AstraZeneca agrees, on behalf of itself and its Affiliates, and its and their respective Personnel directly and effectively involved, if any, in the performance of this Supply Agreement (together with AstraZeneca, the "**AstraZeneca Representatives**") that:

(a) the performance of this Supply Agreement by the AstraZeneca Representatives shall at all times comply with Anti-Corruption Laws and AstraZeneca's anti-corruption policies that are in force from time to time; and

(b) the AstraZeneca Representatives shall not knowingly take any action that will, or would reasonably be expected to, cause Buyer or its Affiliates to be in violation of any such laws or policies in connection with the performance of this Supply Agreement.

14.1.2 To the extent related to activities under this Supply Agreement, each Party may disclose the terms of this Agreement or any action taken under this Article 14 to prevent a potential violation or continuing violation of applicable Anti-Corruption Laws, including the identity of the other Party and the payment terms, to any governmental authority if the disclosing Party determines, upon advice of counsel, that such disclosure is necessary.

15. **INTELLECTUAL PROPERTY**

15.1 **General**

15.1.1 Subject to this Article 15, neither Party will gain or be granted any licenses, rights of ownership to or use of any property or Intellectual Property Rights owned by the other Party by virtue of this Supply Agreement, by implication, estoppel or otherwise.

15.2 **Grants to AstraZeneca**

15.2.1 Subject to the terms of this Supply Agreement, Buyer grants to AstraZeneca and its Affiliates a non-exclusive, royalty-free, non-transferable license to use all Intellectual Property Rights of Buyer and its Affiliates (including in any new Labelling provided by Buyer pursuant to Section 11.1.2), in each case solely for the purposes of performing, and solely to the extent required to perform, AstraZeneca's obligations under this Supply Agreement, together with a right to grant sub-licenses to suppliers and sub-contractors in respect of such rights strictly to the extent necessary for such purpose.

16. **CONFIDENTIALITY**

16.1 **Confidentiality Obligations**

16.1.1 Each Party shall comply with Article 12 (Confidentiality and Disclosure) of the License Agreement.

17. **INDEMNITIES**

17.1 **Indemnification of AstraZeneca**

17.1.1 Buyer shall indemnify AstraZeneca, its Affiliates, its or their licensors and (sub)licensees and its respective directors, officers, employees and agents, and defend and save each of them harmless, in full and on demand, from and against, and compensate and reimburse them for, any and all Losses suffered or incurred by them in connection with any and all suits, investigations, claims or demands of Third Parties (collectively, "**Third Party Claims**") arising from or occurring as a result of (a) the [***] by Buyer or any of its Affiliates or Sublicensees or Distributors or contractors of this Supply Agreement, including the enforcement of AstraZeneca's rights under this Section 17.1.1 or (b) AstraZeneca or its Affiliates' Manufacturing the Licensed Products for, or supplying Licensed Products to, Buyer and/or performing other services pursuant to this Supply Agreement, except to the extent that any such Third Party Claim or Losses (i) result from a [***] of this Supply Agreement, the License Agreement or the TSA, by, or [***] on the part of, AstraZeneca and/or (ii) result from activities covered by the indemnification set forth in the TSA.

17.2 **Indemnification of Buyer**

17.2.1 AstraZeneca shall indemnify Buyer, its Affiliates, its or their (sub)licensees and its and their respective Personnel, and defend and save each of them harmless, in full and on demand, from and against, and compensate and reimburse them for, any and all Losses suffered or incurred by them in connection with any and all Third Party Claims, excluding Third Party Claims brought by any Financing Party or its Affiliates, arising from or occurring as a result of (a) [***] arising out of any defect or fault in Manufacture of, or materials used in, the Licensed Products to the extent that such Losses result from [***] on the part of AstraZeneca or (b) the [***] by AstraZeneca or any of its Affiliates, Partners, Distributors, or contractors of this Supply Agreement, including the enforcement of Buyer's rights under this Section 17.2, except to the extent such Losses (i) result from a [***] of this

Supply Agreement, the License Agreement or the TSA by, or [***] on the part of, Buyer and/or (ii) result from activities covered by the indemnification set forth in the TSA.

17.3 **Indemnification Procedures**

17.3.1 In no event shall a Party or any other Person seeking or obtaining indemnification under this Article 17 have the right to seek indemnification pursuant to the License Agreement or the TSA for the same Third Party Claim or Losses.

17.3.2 Section 16.3 of the License Agreement is incorporated herein, *mutatis mutandis*.

18. **LIABILITY**

18.1.1 Except to the extent set out expressly in this Supply Agreement, all conditions, warranties or other terms which might have effect between the Parties or be implied or incorporated into this Supply Agreement (whether by statute, common law or otherwise) are hereby excluded to the fullest extent permitted by Applicable Law. Without prejudice to the general nature of the previous sentence, unless this Supply Agreement specifically states otherwise, AstraZeneca does not make any representations or warranties with respect to any Supplied Product, including any warranties as to non-infringement, quality, merchantability or fitness for a particular purpose.

18.1.2 Subject to Section 18.1.3, notwithstanding anything herein or in the License Agreement or any other agreement, the aggregate liability of AstraZeneca (whether arising in tort (including negligence), contract or otherwise) arising out of, under or in connection with this Supply Agreement:

(a) ANY ORDER FOR LICENSED PRODUCT SHALL NOT EXCEED A SUM EQUIVALENT TO [***]; AND

(b) THIS SUPPLY AGREEMENT AS A WHOLE, IN ANY CALENDAR YEAR, SHALL NOT EXCEED A SUM EQUIVALENT TO [***].

(c) WITHOUT LIMITING THE FOREGOING IN THIS SECTION 18.1.2, THE AGGREGATE LIABILITY OF ASTRAZENECA WHETHER ARISING IN TORT THE AGGREGATE LIABILITY OF ASTRAZENECA (WHETHER ARISING IN TORT (INCLUDING NEGLIGENCE), CONTRACT OR OTHERWISE) ARISING OUT OF, UNDER OR IN CONNECTION WITH THE SUPPLY AGREEMENT WILL NOT EXCEED [***] (THE "**CAP**"); PROVIDED THAT THE CAP SHALL NOT APPLY TO CLAIMS BASED ON [***].

18.1.3 EXCEPT IN CIRCUMSTANCES OF [***] BY A PARTY OR ITS AFFILIATES, OR WITH RESPECT TO INDEMNIFICATION OBLIGATIONS FOR THIRD PARTY CLAIMS UNDER SECTION 17.1 OR 17.2, NEITHER PARTY OR ANY OF ITS AFFILIATES SHALL BE LIABLE TO THE OTHER (OR ANY OF ITS AFFILIATES) FOR SPECIAL, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES, OR FOR LOST PROFITS (WHETHER DIRECT OR INDIRECT), WHETHER IN CONTRACT, WARRANTY, NEGLIGENCE, TORT, STRICT LIABILITY OR OTHERWISE, ARISING OUT OF (I) THE MANUFACTURE, SUPPLY, USE OR SALE OF ANY LICENSED PRODUCT MANUFACTURED AND/OR SUPPLIED HEREUNDER, OR (II) ANY [***] TO PERFORM ANY OF THE PROVISIONS OF THIS SUPPLY AGREEMENT; PROVIDED, THAT THE FOREGOING LIMITATIONS SHALL NOT APPLY TO ANY LIABILITY OF EITHER PARTY FOR BREACH OF ARTICLE 16. NOTHING IN THIS SUPPLY

AGREEMENT OR THE LICENSE AGREEMENT SHALL LIMIT OR EXCLUDE A PARTY'S LIABILITY FOR [***] CAUSED BY ITS [***], OR THE [***] OF ITS PERSONNEL, AGENTS OR SUBLICENSEES, OR ANY OTHER LIABILITY WHICH CANNOT BE LIMITED OR EXCLUDED BY APPLICABLE LAW.

19. **INSURANCE**

19.1 **Compliance with License Agreement**

19.1.1 Each Party shall comply with Section 16.5 of the License Agreement.

20. **TERM**

20.1 **Initial Term and Renewal**

20.1.1 This Supply Agreement commences and takes effect on the Effective Date and shall continue:

(a) in respect of the Manufacture of Packed Tablets until the last day of the Packaging Term;

(b) in respect of the Manufacture of Bulk Tablets, until the last day of the Bulk Supply Term; and

(c) in respect of the supply of Existing API, until the last day of the API Supply Term.

(the "**Term**"), unless and to the extent this Supply Agreement is terminated earlier in accordance with the provisions of Article 21.

20.1.2 Once the Packaging Term, the Bulk Supply Term and the API Supply Term have all expired or terminated, this Supply Agreement will (if not otherwise mutually agreed in writing) automatically expire.

21. **TERMINATION**

21.1 **Automatic Termination for Termination of License Agreement**

In the event that the License Agreement terminates (a) in its entirety or (b) on a country-by-country basis, in each case, for any reason, pursuant to Article 17 of the License Agreement, this Supply Agreement shall automatically terminate at the same time in its entirety or, as the case may be, with respect to supply of Supplied Product for the terminated countries under the License Agreement.

21.2 **Termination for Material Breach**

In the event that either Party (the "**Breaching Party**") is in material breach of this Supply Agreement, in addition to any other right or remedy the other Party (the "**Non-Breaching Party**") may have, the Non-Breaching Party may terminate this Supply Agreement by providing [***], (the "**Notice Period**") prior written notice (the "**Termination Notice**") to the Breaching Party and specifying the breach and its claim of right to terminate; provided, that (a) the termination shall not become effective at the end of the Notice Period if the Breaching Party cures the breach specified in the Termination Notice during the Notice Period (or, if such default cannot be cured within the Notice Period, if the Breaching Party commences actions to cure such breach within the Notice Period and thereafter diligently continues such actions to cure such breach as soon as possible, such longer period not to exceed an additional [***]); and (b) the Notice Period for payment breaches shall be [***] from the date of notice (and shall not,

for clarity, be subject to any extension of the Notice Period). If Buyer's material breach relates solely and exclusively to a particular country or countries, AstraZeneca shall have the right to terminate this Supply Agreement, in its sole discretion, (i) solely with respect to such country or countries, (ii) in the case that such country is in [***], solely with respect to [***] or (iii) in its entirety.

21.3 **Termination At-Will by Buyer**

Buyer may terminate this Supply Agreement at any time upon [***] prior written notice to AstraZeneca.

21.4 **Termination for Supply Failure**

Buyer may immediately terminate this Supply Agreement upon the occurrence of a Supply Resolution Failure, by written notice to AstraZeneca.

21.5 **Termination for Withdrawal of Marketing Authorization**

Buyer may terminate this Supply Agreement upon [***] prior written notice to AstraZeneca in the event the FDA requires that the Marketing Authorization for the Licensed Product be withdrawn in the United States.

21.6 **Consequences of Expiration or Termination**

21.6.1 Upon expiry or termination of this Supply Agreement for any reason Buyer shall pay all Prices and any other sums owed to AstraZeneca pursuant to this Supply Agreement within [***] of receiving an invoice for the same and subject to Section 21.6.3 21.6.3, all unfilled Orders will be cancelled.

21.6.2 Except for a termination of this Supply Agreement for a breach by AstraZeneca, Buyer shall in the case of expiration or termination of this Supply Agreement reimburse AstraZeneca for:

(a) any commitments or obligations that were made by AstraZeneca or its Affiliates to Third Parties for the sole purpose of performing its obligations under this Supply Agreement, which cannot be cancelled or refunded by such Third Party or which relate to materials which cannot reasonably be used by AstraZeneca or its Affiliates in the ordinary course of business;

(b) any write-off costs (including waste disposal costs) for inventories of the Licensed Product and/or materials which AstraZeneca is not able to re-utilize elsewhere (despite AstraZeneca having used Commercially Reasonable Efforts to do so); and

in each case taking into account the Forecasts submitted by Buyer and the extent to which such Forecasts are binding;

21.6.3 Except where this Supply Agreement is terminated under Section 21.1 or by AstraZeneca under Section 21.2 or Section 21.3, on expiry or termination of this Supply Agreement AstraZeneca will continue to process and fulfil any Orders for Supplied Product which have been confirmed by AstraZeneca in accordance with Section 5.1.7 prior to the date of such expiry or such effective date of termination.

21.6.4 If, at the end of the Packaging Term (including if this Supply Agreement terminates prior to the end of the Packaging Term), AstraZeneca has not exhausted its supply of packaging materials with Buyer's livery ("**Buyer Packaging Materials**") used in its Manufacture of Packed Tablets hereunder, then AstraZeneca shall, within [***], deliver to Buyer an invoice setting forth the

quantity of such remaining Buyer Packaging Materials and the price therefor, which shall be at AstraZeneca's Fully Burdened Manufacturing Cost. Buyer shall pay such invoice no later than [***] after receipt thereof and shall arrange, at its own cost, for shipping of such packaging materials.

21.6.5 If, upon expiration of the Bulk Supply Term (including if this Supply Agreement terminates prior to the end of the Bulk Supply Term), AstraZeneca has not exhausted its supply of Final Materials, then AstraZeneca shall, within [***], deliver to Buyer an invoice setting forth the quantity of such remaining Final Materials at the relevant Price. Buyer shall pay such invoice no later than [***] after receipt thereof and shall arrange, at its own cost, for shipping of such Final Materials.

21.6.6 If, at the end of the API Supply Term (including if this Supply Agreement terminates prior to the end of the API Supply Term), AstraZeneca has not exhausted its supply of Existing API, then AstraZeneca shall, within [***] thereafter, retest (as required), and if and to the extent such Existing API passes such retest, sell and Deliver to Buyer such Existing API, and Buyer shall purchase and accept Delivery of such Existing API, at the Price. AstraZeneca shall issue an invoice for such remaining Existing API and within [***] days after receiving such notice Buyer shall pay such invoice. Such sale shall be an "as-is" sale and shall constitute a final sale; *provided* that in the event that prior to the [***] of the end of the API Supply Term, Buyer retests any Existing API and such Existing API fails such retest and such failure is not attributable to acts or omissions taken by or on behalf of Buyer after Delivery, then Buyer shall provide evidence of such failure and in such case AstraZeneca shall refund the Price paid for such quantities. AstraZeneca shall not sell any Existing API to [***] without the consent of Buyer.

21.6.7 The Parties shall cooperate with one another, each acting reasonably and in good faith, to minimize to the extent reasonably practicable the amount of Buyer Packaging Materials existing at the end of the Packaging Term, and the quantity of Final Materials existing at the end of the Bulk Supply Term.

21.7 **Accrued Rights; Remedies**

Except as otherwise expressly provided herein, expiration or termination of this Supply Agreement for any reason shall not limit remedies that may otherwise be available in law or equity, including a Party's right to claim against the other Party for any damages arising out of a breach of this Supply Agreement, and shall be without prejudice to either Party's other rights and remedies or to any accrued rights and liabilities as the date of such expiry or termination.

21.8 **Compliance with Nektar Agreement**

In the event of termination of this Supply Agreement resulting from the termination of the License Agreement, Buyer shall cooperate with AstraZeneca and its Affiliates and its and their (sub)licensees and transferees, and with Nektar, as may be required to comply with the Nektar Agreement, including any transition agreements contemplated thereby.

21.9 **Survival**

Sections 2.1.3, 13.2 (Records), 16.1 (Confidentiality Obligations), 19.1 (Compliance with License Agreement), 21.6 (Consequences of Termination), 21.7 (Accrued rights; Remedies), 21.8 (Compliance Agreement), this Section 21.9 and Articles 9 (Representations, Warranties & Covenants, Shortfalls and Non-Conforming Licensed Products), 17 (Indemnification), 18 (Liability) and 22 (Miscellaneous), shall survive the termination or expiration of this Supply Agreement and shall continue in full force and effect. In addition, Article 8 shall apply with

respect to Orders filled prior to or after the term of this Agreement as well as for a final accounting of any amounts owed to any Party hereunder.

22. **MISCELLANEOUS**

22.1 **Force Majeure**

22.1.1 If a Party is prevented from or delayed in performing any of its obligations under the License Agreement by a Force Majeure then:

(a) the relevant obligations under this Supply Agreement shall be suspended for as long as the Force Majeure continues and the Party shall not be in breach of this Supply Agreement or otherwise liable for any such failure or delay in the performance of such obligations;

(b) as soon as reasonably practicable after the start of the Force Majeure, the Party shall notify the other of the nature of the Force Majeure and the likely effects of the Force Majeure on its ability to perform its obligations under this Supply Agreement, and the Parties shall cooperate in good faith to minimize the impact of the Force Majeure on the supply to Buyer of Supplied Products; *provided* that in no event shall AstraZeneca be required by this Section 22.1.1 to invest in new production capacity; and

(c) as soon as reasonably practicable after the end of the Force Majeure, it shall notify the other Party that the Force Majeure has ended, and shall resume performance of its obligations under this Supply Agreement.

22.2 **Incorporation by Reference**

The provisions set forth in Sections 18.2 (Export Control), 18.4 (Severability), 18.6 (Governing Law; Jurisdiction), 18.9 (Entire Agreement), 18.10 (Amendments), 18.11 (English Language), 18.13 (Waiver and Non-Exclusion of Remedies), 18.15 (Further Assurance), 18.16 (Relationship of the Parties), 18.17 (References), 18.18 (Construction), and 18.19 (Counterparts) of the License Agreement are hereby incorporated by reference, *mutatis mutandis*, with the same force and effect as if included herein in their entirety.

22.3 **Assignment**

Neither Party may assign its rights or delegate its obligations under this Supply Agreement, in whole or in part without the prior written consent of the other Party except (a) a Party may assign all of its rights and obligations under this Supply Agreement to an assignee of the License Agreement, (b) each Party shall have the right, without such consent, to perform any or all of its obligations and exercise any or all of its rights under this Supply Agreement through any of its Affiliates or its or their (sub)licensees, and (c) Buyer shall have the right, without such consent, to [***] . Any permitted successor of a Party or any permitted assignee of all of a Party's rights under this Supply Agreement that has also assumed all of such Party's obligations hereunder in writing shall, upon any such succession or assignment and assumption, be deemed to be a party to this Supply Agreement as though named herein in substitution for the assigning Party, whereupon the assigning Party shall cease to be a party to this Supply Agreement and shall cease to have any rights or obligations under this Supply Agreement. All validly assigned rights of a Party shall inure to the benefit of and be enforceable by, and all validly delegated obligations of such Party shall be binding on and be enforceable against, the permitted successors and assigns of such Party; provided, that such Party, if it survives, shall remain jointly and severally liable for the performance of such delegated obligations under this Supply Agreement. Any attempted assignment or delegation in violation of this Section 22.3 shall be void and of no effect. Notwithstanding any other provision of this Section 22.3, the terms of

this Supply Agreement may be varied, amended or modified or this Supply Agreement may be suspended, cancelled or terminated without the consent of any assignee or delegate that is not deemed pursuant to the provisions of this Section 22.3 to have become a party to this Supply Agreement.

22.4 **Dispute Resolution**

22.4.1 Save for Disputes which may be determined by the Independent Expert under Sections 9.2.6 and 9.2.7, any Dispute shall be resolved by final and binding arbitration under Section 18.5.2 of the License Agreement.

22.5 **Sub-contracting**

Save as expressly provided below or elsewhere in this Supply Agreement or the Quality Agreement, no Party to this Supply Agreement may sub-contract or delegate any of its obligations under this Supply Agreement without the other Party's consent (such consent not to be unreasonably withheld, conditioned or delayed). The Parties acknowledge, however, that AstraZeneca may, without the need for Buyer's consent, sub-contract or delegate its obligations or services to be provided under this Supply Agreement to Third Party consultants or contractors to whom AstraZeneca has used for such purposes prior to the Effective Date with respect to the Supplied Product. Each Party remains responsible for the acts or omissions of Affiliates or Third Parties to whom it sub-contracts or delegates any of its obligations, as if they were its own.

22.6 **Notices**.

22.6.1 **Notice Requirements**.

Any notice or other communication required or permitted to be given by either Party under this Supply Agreement shall be in writing and shall be deemed given as of (a) the date delivered if delivered by hand, or reputable courier service, (b) the date sent if sent by email (with transmission confirmed), (c) the second (2nd) Business Day (at the place of delivery) after deposit with an internationally recognized overnight delivery service, or (d) the fifth (5th) Business day after mailing if mailed by registered or certified mail, postage prepaid and return receipt requested, addressed to the other Party at the addresses specified below, or to such other addresses of which notice shall have been given in accordance with this Section. This Section 22.6.1 is not intended to govern the day-to-day business communications necessary between the Parties in performing their obligations under the terms of this Supply Agreement.

22.6.2 **Addresses for Notice**.

If to AstraZeneca, to:

AstraZeneca AB
SE-151 85 Södertälje, Sweden
Attention: [***]
Email: [***]

with a copy (which shall not constitute notice) to:
Covington & Burling LLP
Salesforce Tower, 415 Mission Street, Suite 5400
San Francisco, CA 94105-2533
Attention: [***]
Email: [***]

If to Buyer, to:

RedHill Biopharma Inc.
8045 Arco Corporate Drive, Suite 200
Raleigh, NC 27617
Attn.: [***]
E-mail: [***]

with copies (which shall not constitute notice) to:

RedHill Biopharma Ltd
21 Ha'arba'a St.
Tel-Aviv 6473921, Israel
Attn.: [***]
E-mail: [***]

Cravath, Swaine & Moore LLP
Worldwide Plaza
825 Eighth Avenue
New York, NY 10019
Attn.: [***]
Email: [***]

Cravath, Swaine & Moore LLP
CityPoint, 1 Ropemaker Street
London EC2Y 9HR, United Kingdom
Attn.: [***]
Email: [***]

22.7 **Equitable Relief**

Each Party acknowledges and agrees that the restrictions set forth in Article 16 are reasonable and necessary to protect the legitimate interests of the other Party and that such other Party would not have entered into this Supply Agreement in the absence of such restrictions and that any breach or threatened breach of any provision of such Section or Articles may result in

irreparable injury to such other Party for which there will be no adequate remedy at law. In the event of a breach or threatened breach of any provision of such Section or Articles, the non-breaching Party shall be authorized and entitled to obtain from any court of competent jurisdiction injunctive relief, whether preliminary or permanent, specific performance and an equitable accounting of all earnings, profits and other benefits arising from such breach, which rights shall be cumulative and in addition to any other rights or remedies to which such non-breaching Party may be entitled in law or equity. Both Parties agree to waive any requirement that the other (a) post a bond or other security as a condition for obtaining any such relief and (b) show irreparable harm, balancing of harms, consideration of the public interest or inadequacy of monetary damages as a remedy. Nothing in this Section 22.7 is intended or should be construed, to limit either Party's right to equitable relief or any other remedy for a breach of any other provision of this Supply Agreement.

22.8 **No Benefit to Third Parties**

The covenants and agreements set forth in this Supply Agreement are for the sole benefit of the Parties and their successors and permitted assigns, and, except for the rights of Buyer's Financing Parties specified herein, they shall not be construed as conferring any rights on any other Persons.

22.9 **Non-Solicitation of Employees**

Commencing on the Effective Date and for a period of [***] thereafter, neither Party shall, directly or indirectly, actively recruit or solicit any employee of the other Party with whom such Party has come into contact or interacted solely or predominantly for the purposes of performing this Supply Agreement, without the prior consent of the other Party. For purposes of this Section 22.9, "solicit" shall be deemed not to include: (a) circumstances where an employee of one Party or any of its Affiliates initially contacts the other Party or any of such Party's Affiliates seeking employment; or (b) general solicitations of employment not specifically targeted at such employees. For the avoidance of doubt, the foregoing provisions shall not apply to any employee [***].

22.10 **Conflicts**

22.10.1 In case of a conflict between:

(a) the provisions of any Schedule and the provisions of the main body of this Supply Agreement, the provisions of the main body of this Supply Agreement shall prevail; and

(b) the provisions of this Supply Agreement and the License Agreement, the relevant provisions of the License Agreement will prevail; *provided*, *however*, that for clarity the indemnification provisions of this Supply Agreement and those in the License Agreement and the TSA do not conflict and are each are intended to govern distinct activities.

IN WITNESS WHEREOF, the Parties have caused this Supply Agreement to be executed in two (2) counterparts by their respective duly authorized representatives as of the date set forth at the beginning of this Supply Agreement.

[SIGNATURE PAGE FOLLOWS.**]**

SIGNED for and on behalf of
AstraZeneca AB

Signature: /s/ [***]
Name: [***]
Title: Authorised Signatory

SIGNED for and on behalf of
RedHill Biopharma Inc.

Signature: /s/ [***]
Name: [***]
Title: [***]

Signature: /s/ [***]
Name: [***]
Title: [***]

[Signature Page - Supply Agreement]

Exhibit 12.1

CERTIFICATION BY CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Dror Ben-Asher, certify that:

1. I have reviewed this annual report on Form 20-F of RedHill Biopharma Ltd.;

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(s) 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 period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting;

5. The company's other certifying officer(s) 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: March 4, 2020

/s/ Dror Ben-Asher
Dror Ben-Asher
Chief Executive Officer

CERTIFICATION BY CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Micha Ben Chorin certify that:

1. I have reviewed this annual report on Form 20-F of RedHill Biopharma Ltd.;

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(s) 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 period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting;

5. The company's other certifying officer(s) 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: March 4, 2020

/s/ Micha Ben Chorin
Micha Ben Chorin
Chief Financial Officer

Exhibit 13

CERTIFICATION BY CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER PURSUAN TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of RedHill Biopharma Ltd. (the "Company") on Form 20-F for the period ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to such officer's knowledge:

(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: March 4, 2020

/s/ Dror Ben-Asher
Dror Ben-Asher
Chief Executive Officer

/s/ Micha Ben Chorin
Micha Ben Chorin
Chief Financial Officer

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form F-3 (file No. 333-232777, file No. 333-226278 and file No. 333-209702) and the Registration Statements on Form S-8 (file No. 333-232776, file No. 333-225122, file No. 333-219441, file No. 333-207654 and file No. 333-188286) of RedHill Biopharma Ltd. of our report dated March 3, 2020 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 20-F.

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

Tel-Aviv, Israel
March 4, 2020

Kesselman & Kesselman, Trade Tower, 25 Hamered Street, Tel-Aviv 68125, Israel,
P.O Box 50005 Tel-Aviv 61500 Telephone: +972 -3- 7954555, Fax:+972 -3- 7954556, www.pwc.com/il