THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE NON-U.S. PERSONS (AS DEFINED BELOW) LOCATED OR RESIDENT OUTSIDE OF THE UNITED STATES

IMPORTANT: You must read the following before continuing. The following applies to the attached offering memorandum and you are therefore advised to read this page carefully before reading, accessing or making any other use of the offering memorandum. In accessing the offering memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from Teva, Teva Finance or any of the Managers as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY SECURITIES IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND THE SECURITIES MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THE ATTACHED OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER AND, IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON OR U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE OFFERING MEMORANDUM IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED IN THE ATTACHED OFFERING MEMORANDUM.

Confirmation of your representation: In order to be eligible to view the attached offering memorandum or make an investment decision with respect to the securities being offered, prospective investors must be non-U.S. persons (as defined in Regulation S of the Securities Act) located or resident outside the United States. The attached offering memorandum is being sent to you on the basis that, and by accessing the attached offering memorandum you shall be deemed to have represented to Teva and the Managers that, (1) (a) you are not a U.S. person and (b) you are purchasing the securities being offered in an offshore transaction (within the meaning of Regulation S) and the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Islands and the North Mariana Islands), any State of the United States or the District of Columbia, (2) you are otherwise a person to whom it is lawful to send the attached offering memorandum in accordance with applicable laws, and (3) you consent to delivery of such offering memorandum by electronic transmission.

The attached offering memorandum has been sent to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of Teva, Teva Finance or the Managers or any person who controls them or any director, officer, employee or agent of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the offering memorandum distributed to you in electronic format and the hard copy version available to you on request from the Managers.

You are reminded that the attached offering memorandum has been delivered to you on the basis that you are a person into whose possession the attached offering memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver the attached offering memorandum to any other person. If you are in any doubt as to the contents of the offering memorandum or the action you should take, you are recommended to seek your own financial advice immediately from your broker, bank manager, solicitor, accountant or from an appropriately authorized independent financial adviser. The materials relating to this offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer, and the Managers or any affiliate of the Managers is a licensed broker or dealer in the relevant jurisdiction, the offering shall be deemed to be made by the Managers or such affiliate on behalf of Teva or Teva Finance in such jurisdiction.

Teva Pharmaceutical Finance Netherlands II B.V.
€1,300,000,000 1.250% Senior Notes due 2023
€700,000,000 1.875% Senior Notes due 2027

Payment of principal and interest unconditionally guaranteed by

Teva Pharmaceutical Industries Limited

Teva Pharmaceutical Finance Netherlands II B.V. ("Teva Finance") is offering €1,300,000,000 aggregate principal amount of 1.250% Senior Notes due 2023 (the "2023 notes") and €700,000,000 aggregate principal amount of 1.875% Senior Notes due 2027 (the "2027 notes" and, together with the 2023 notes, the "notes"). The issue price of the 2023 notes is 99.059% of their principal amount, and the issue price of the 2027 notes is 99.501% of their principal amount. The 2023 notes will mature on March 31, 2023, and the 2027 notes will mature on March 31, 2027. Interest on the notes will be payable in cash annually in arrear on March 31 of each year, beginning March 31, 2016 and will accrue from the date of original issuance, or, if interest has already been paid, from the date it was most recently paid. Payment of all principal and interest payable on the notes is unconditionally guaranteed by Teva Pharmaceutical Industries Limited ("Teva") (the "guarantees"). The notes will be our senior unsecured obligations and will rank equally with all of our other existing and future senior unsecured indebtedness. Teva Finance may redeem the notes of either series, at any time in whole or in part, at the redemption prices described in this offering memorandum. Also, Teva Finance may, at its option, redeem the notes of either series, in whole but not in part, at 100% of their principal amount, together with interest accrued thereon to the date fixed for redemption, in the event of certain changes in tax law as described under "Description of the Notes and the Guarantees – Tax Redemption."

This offering memorandum comprises a Prospectus for the purposes of the Directive 2003/71/EC, as amended (the "Prospectus Directive"). This Prospectus has been approved by the Central Bank of Ireland (the "Central Bank"), as competent authority under the Prospectus Directive. The Central Bank only approves this Prospectus as meeting the requirements imposed under Irish and European Union law pursuant to the Prospectus Directive. Application has been made to the Irish Stock Exchange plc for the notes to be admitted to the official list (the "Official List") and to trading on its regulated market (the "Main Securities Market"). The Main Securities Market is a regulated market for the purposes of Directive 2004/39/EC.

Investing in the notes involves risks that are described in the "Risk Factors" section of this offering memorandum beginning on page 7.

The notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons. The notes are being offered outside the United States by Barclays Bank PLC, BNP Paribas, HSBC Bank plc and Morgan Stanley & Co. International plc (the "Joint Lead Managers") and Citigroup Global Markets Limited, Goldman Sachs International and Mizuho International plc (the "Passive Bookrunners," and together with the Joint Lead Managers, the "Managers") in reliance on Regulation S under the Securities Act ("Regulation S") and are not being offered or sold, directly or indirectly, within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S).

The notes will be in the denomination of €100,000 and integral multiples of €1,000 in excess thereof. The notes will be initially in the form of one or more registered global notes (the "global notes"). The global notes will be deposited with, and registered in the name of, a common depositary for Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream"), or a nominee of such common depositary. Ownership of interests in the global notes, referred to in this description as "book-entry interests," will be limited to persons that have accounts with Euroclear or Clearstream or their respective participants. See "Provisions Relating to the Notes While Represented by the Global Notes."

Joint Lead Managers

BARCLAYS **BNP PARIBAS** **HSBC** **MORGAN STANLEY**

Passive Bookrunners

CITIGROUP **GOLDMAN SACHS INTERNATIONAL** **MIZUHO SECURITIES**

The date of this offering memorandum is March 25, 2015

IMPORTANT NOTICES

Each of Teva Finance and Teva accepts responsibility for the information contained in this offering memorandum and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this offering memorandum to the best of its knowledge is in accordance with the facts and contains no omission likely to affect its import.

It is important for you to read and consider all information contained in this offering memorandum hereto in making your investment decision.

Each of Teva Finance and Teva has confirmed to the Managers that this offering memorandum contains all information regarding Teva Finance, Teva and the notes which is (in the context of the issue of the notes) material; such information is true and accurate in all material respects and is not misleading in any material respect; any opinions, predictions or intentions expressed in this offering memorandum on the part of Teva Finance or (as the case may be) Teva are honestly held or made and are not misleading in any material respect; this offering memorandum does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in such context) not misleading in any material respect; and all proper enquiries will be made to ascertain and to verify the foregoing. Neither Teva Finance nor Teva has authorized the making or provision of any representation or information regarding Teva Finance, Teva or the notes other than as contained in this offering memorandum or as approved for such purpose by Teva Finance and Teva. Any such representation or information should not be relied upon as having been authorized by Teva Finance, Teva or the Managers.

Neither the Managers nor any of their respective affiliates have authorized the whole or any part of this offering memorandum, and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this offering memorandum. Neither the delivery of this offering memorandum nor the offering, sale or delivery of any note shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of Teva Finance or Teva since the date of this offering memorandum.

This offering memorandum does not constitute an offer of, or an invitation to subscribe for or purchase, any notes.

The distribution of this offering memorandum and the offering, sale and delivery of notes in certain jurisdictions may be restricted by law. Persons into whose possession this offering memorandum comes are required by Teva Finance, Teva and the Managers to inform themselves about and to observe any such restrictions. In particular, the notes have not been and will not be registered under the Securities Act. Subject to certain exceptions, notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons. For a description of certain restrictions on offers, sales and deliveries of notes and on distribution of this offering memorandum and other offering material relating to the notes, see "Subscription and Sale."

In connection with the issue of the notes, the Joint Lead Managers (or persons acting on behalf of the Joint Lead Managers) may over-allot notes or effect transactions with a view to supporting the market price of the notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Joint Lead Managers (or persons acting on behalf of the Joint Lead Managers) will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the notes and 60 days after the date of the allotment of the notes. Any stabilization action or over-allotment must be conducted by the Joint Lead Managers (or any person acting on behalf of the Joint Lead Managers) in accordance with all applicable laws and rules.

This offering memorandum is for distribution only to and directed only at persons who (i) are investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Financial Promotion Order"), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc") of the Financial Promotion Order or (iii) are outside the United Kingdom (all such persons together being referred to as "relevant persons"). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons.

When used in this offering memorandum, the terms (a) "Teva," "Company," "guarantor," "we," "our" or "us" refer to Teva and its consolidated subsidiaries, unless otherwise specified and except as the context requires; (b) "Teva Finance" or the "issuer" refer to Teva Pharmaceutical Finance Netherlands II B.V., unless otherwise specified and except as the context requires; (c) "fiscal" followed by a specific year are to our fiscal year ended or ending December 31 of that year; (d) "U.S. dollars," "dollars," "U.S. $" or "$" are to the lawful currency of the United States of America and (e) "euros" or "€" are to the currency introduced at the start of the third stage of the European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended. References in this offering memorandum to Teva's competitive status are based on revenues attributable to Teva from its overall sales or from the applicable products or segments, except where noted. Market share data is based on information provided by IMS Health Inc., a provider of market research to the pharmaceutical industry ("IMS"), unless otherwise stated. Each of Teva Finance and Teva confirms that such third party information has been accurately reproduced and that so far as it is aware, and is able to ascertain from information published by such source, no facts have been omitted which would render the reproduced information inaccurate or misleading.

The language of the Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

For the avoidance of doubt, any website referred to in this offering memorandum does not form part of the offering memorandum.

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OVERVIEW OF TEVA, TEVA FINANCE AND THE OFFERING

Overview of Teva and Teva Finance

This overview highlights information contained elsewhere in this offering memorandum. This is not intended to be a complete description of the matters covered in this offering memorandum and is subject to, and qualified in its entirety by reference to, the more detailed information and financial statements included in this offering memorandum. This overview is not complete and does not contain all of the information that you should consider before investing in our notes. You should read the entire offering memorandum carefully, including "Risk Factors" and our consolidated financial statements and the related notes that are included elsewhere within this offering memorandum before you decide to invest in our notes.

Teva

Teva is a global pharmaceutical company, committed to increasing access to high-quality healthcare by developing, producing and marketing affordable generic medicines and a focused portfolio of specialty pharmaceutical products. As the world's leading generic medicines company with a strong specialty medicines portfolio, we are strategically positioned to benefit from ongoing changes in the global healthcare environment.

We operate our business in two segments:

- Generic medicines, which include chemical and therapeutic equivalents of originator medicines in a variety of dosage forms, including tablets, capsules, injectables, inhalants, liquids, ointments and creams. We are the leading generic drug company in the United States and Europe, and we have a significant or growing presence in our rest of the world ("ROW") markets. We are also one of the world's leading manufacturers of Active Pharmaceutical Ingredients ("APIs").

- Specialty medicines, which include several franchises, most significantly our core therapeutic areas of central nervous system ("CNS") medicines such as Copaxone®, Azilect® and Nuvigil® and of respiratory medicines such as ProAir® HFA and QVAR®. Our specialty medicines segment includes other therapeutic areas, such as oncology, women's health and selected other areas.

In addition to these two segments, we have other activities, primarily PGT Healthcare, our over-the-counter ("OTC") joint venture with P&G.

We seek to address unmet patient needs while capitalizing on evolving market, economic and legislative dynamics in global healthcare. These dynamics include the aging population, increased spending on pharmaceuticals in emerging markets, economic pressure on governments and private payors to provide accessible healthcare solutions, legislative and regulatory reforms, an increase in patient awareness and the growing importance of OTC medicines.

We believe that our dedicated leadership and employees, world-leading generics expertise and portfolio, focused specialty portfolio, global reach, integrated research and development ("R&D") capabilities and global infrastructure and scale position us to take advantage of opportunities created by these dynamics. Our global strengths include the following:

- As the world's leading generic medicines manufacturer, with a global portfolio of more than 1,000 molecules, we provide medicines that treat millions of patients every day, around the world.

    - Our generics business is ranked in leading positions in the United States and Europe. We also have a significant presence in Canada and Japan and a growing presence in Russia and certain Latin American countries.

- Our broad portfolio of generic products covers almost every major therapeutic area.
- Our extensive technological capabilities enable us to provide a very wide array of generic products, in a variety of dosage forms, including oral solid doses, injectables, inhalations and other delivery devices.
- We are one of the world's leading manufacturers of APIs, with operations around the globe. We produce APIs not only for our own use but also for many other pharmaceutical companies.

- We are a recognized leader in innovative and specialty pharmaceuticals, from drug development and delivery to monitoring and support services.
  - In specialty pharmaceuticals, we have a leading presence in CNS and a significant presence in respiratory, which is supported by a strong pipeline of innovative products in these therapeutic areas.
  - We have a strong commercial presence in certain other therapeutic areas, including women's health and oncology.
- We are leveraging our strength in integrated generic and specialty R&D, our scalable production network, market access and knowledge to create opportunities for further sustainable growth.
- We have a global OTC business, primarily through our joint venture with The Procter & Gamble Company ("P&G"), combining our production capabilities and market reach with P&G's marketing expertise and expansive global platform.

In 2014, 48% of our revenues were generated from generic medicines, including APIs sold to third parties, and 42% of our revenues were generated from specialty medicines.

In 2014, we generated 45% of our generic revenues in the United States, 32% in Europe (which for the purpose of this offering memorandum includes all European Union ("EU") member states, Norway, Switzerland, Albania and the countries of former Yugoslavia) and 23% in our ROW markets (primarily Japan, Canada and Russia).

Teva, an Israeli corporation organized and existing under the Israeli Companies Law and the Israeli Companies Ordinance, was incorporated on February 13, 1944, and is the successor to a number of Israeli corporations, the oldest of which was established in 1901. Teva's registration number at the Israeli registrar of companies is 52-001395-4. Our executive offices are located at 5 Basel Street, P.O. Box 3190, Petach Tikva 4951033, Israel, and our telephone number is +972-3-926-7267. Teva shares are currently traded on the Tel Aviv Stock Exchange and, in the form of American Depository Shares ("ADSs"), each of which represents one ordinary share, on the New York Stock Exchange (the "NYSE"). The ADSs are quoted on the NYSE under the symbol "TEVA." Our website is www.tevapharm.com.

Teva Finance

Teva Finance is a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under Book 2 of the Dutch Civil Code on October 16, 2013. Teva Finance is an indirect wholly owned subsidiary of Teva and a special purpose financing entity with no business operations other than the entry into of financing arrangements (including the issuance of notes) and certain ancillary arrangements in connection therewith. Teva Finance's commercial registration number at the Netherlands Chamber of Commerce is 59012161.

The corporate seat of Teva Finance is in Amsterdam, Netherlands, and the registered address of Teva Finance is at Piet Heinkade 107, 1019 GM, Amsterdam, Netherlands, telephone number +31 (0)20 219 3200.

Recent Developments

Debt Tender Offers. On February 27, 2015, pursuant to previously announced tender offers, Teva repurchased certain senior notes for a combined aggregate cash purchase price (exclusive of accrued and unpaid interest) of $1.3 billion. Such senior notes were issued by various finance subsidiaries of Teva and were guaranteed by Teva. The repurchased senior notes consisted of:

- $197,400,000 aggregate principal amount of 6.150% Senior Notes due 2036 issued by Teva Pharmaceutical Finance Company, LLC;
- $262,171,000 aggregate principal amount of 3.650% Senior Notes due 2021 issued by Teva Pharmaceutical Finance Company B.V. ("Teva BV");
- $287,390,000 aggregate principal amount of 3.650% Senior Notes due 2021 issued by Teva Pharmaceutical Finance IV B.V.; and
- $455,627,000 aggregate principal amount of 2.950% Senior Notes due 2022 issued by Teva BV.

Sale of Sellersville Facility. In March 2015, Teva signed an agreement to sell its Sellersville, Pennsylvania facility to G&W Laboratories, Inc. ("G&W"). This sale supports Teva's plans to streamline operations by reducing excess manufacturing capacity and is part of its previously announced cost reduction program. The transaction includes the sale to G&W of approximately 25 products from the Teva portfolio, which will be manufactured and sold by G&W in the U.S. under the G&W label. The transaction includes the grant to G&W of exclusive rights to sell up to two additional Teva products in the United States under G&W's label, which Teva will continue to manufacture in its Zagreb, Croatia facility. The transaction is expected to close in March or April 2015, after the appropriate regulatory review and the satisfaction of certain closing conditions.

Overview of the Offering

This overview must be read as an introduction to the terms of the notes and any decision to invest in the notes should be based on a consideration of the offering memorandum as a whole. For a more complete description of the terms of the notes, see "Description of the Notes and the Guarantees" in this offering memorandum.

Issuer	Teva Pharmaceutical Finance Netherlands II B.V. ("Teva Finance"), a wholly owned indirect subsidiary of Teva Pharmaceutical Industries Limited ("Teva").
Securities Offered	• €1,300,000,000 aggregate principal amount of 1.250% Senior Notes due 2023 (the "2023 notes"), and • €700,000,000 aggregate principal amount of 1.875% Senior Notes due 2027 (the "2027 notes" and, together with the 2023 notes, the "notes").
Guarantees	Teva will irrevocably and unconditionally guarantee the punctual payment when due of the principal and interest, whether at maturity, upon redemption, by acceleration or otherwise (including any additional amounts in respect of taxes described in "Description of the Notes and the Guarantees—Additional Tax Amounts") on the notes of each series. As indebtedness of Teva, the guarantees will rank: • senior in right of payment to any Teva indebtedness that is expressly subordinated to the guarantees; • equally in right of payment with Teva's other unsecured indebtedness from time to time outstanding other than any such indebtedness that is subordinated to the guarantees; • effectively junior to Teva's secured indebtedness up to the value of the collateral securing that indebtedness; and • effectively junior to the indebtedness and other liabilities of Teva's subsidiaries.
Maturity Dates	• The 2023 notes will mature on March 31, 2023, and • the 2027 notes will mature on March 31, 2027.
Issue Prices	• 99.059% for the 2023 notes, and • 99.501% for the 2027 notes.
Issue Date	March 31, 2015, with respect to the notes of each series.
Interest Payment Dates	March 31 of each year, beginning March 31, 2016 with respect to the notes of each series. Interest will accrue from the date of the original issuance, or, if interest has already been paid, from the date it was most recently paid.
Interest Rates	• 1.250% per year in the case of the 2023 notes, and • 1.875% per year in the case of the 2027 notes.

Day Count Convention	Actual/Actual (ICMA).
Optional Redemption	Teva Finance may redeem the notes of either series, in whole or in part, at any time or from time to time, on at least 20 days', but not more than 60 days', prior notice. The notes of either series will be redeemable at a redemption price equal to the greater of (1) 100% of the principal amount of the notes to be redeemed and (2) the sum of the present values of the Remaining Scheduled Payments (as defined in "Description of the Notes and the Guarantees—Optional Redemption by the Issuer"), discounted on an annual basis on the basis of the "Actual/Actual (ICMA)" day count convention (see "Description of the Notes and the Guarantees—Payment of Interest and Principal—Interest on the Notes") at the applicable Reinvestment Rate (as defined in "Description of the Notes and the Guarantees—Optional Redemption by the Issuer"), plus accrued and unpaid interest, if any, to, but not including, the redemption date; provided that for any such redemption on or after three months prior to the relevant maturity date of the applicable series of notes, the redemption price for those notes will equal 100% of the principal amount of the applicable series of notes to be redeemed, plus accrued and unpaid interest, if any, to, but not including, the redemption date.
Tax Redemption	Teva Finance may redeem all (but not part) of the notes of either series at any time, upon at least 20 days', but no more than 60 days', prior notice, at a redemption price equal to 100% of the aggregate principal amount of such notes, plus accrued and unpaid interest, if any, to, but not including, the redemption date, if Teva Finance would become obligated to pay certain additional amounts in respect of taxes as a result of certain changes in specified tax laws or certain other circumstances. See "Description of the Notes and the Guarantees—Tax Redemption."
Covenants	The notes and the related indenture do not contain any financial or other similar restrictive covenants. However, we will be subject to the covenants described in "Description of the Notes and the Guarantees—Certain Covenants" and "Description of the Notes and the Guarantees—Consolidation, Merger or Assumption."
Use of Proceeds	Teva estimates that it will receive net proceeds of approximately $2.17 billion from this offering. Teva intends to use such net proceeds for general corporate purposes, including potential acquisitions. See "Use of Proceeds."
Form, Denomination and Registration	The notes will be issued only in fully registered form without coupons and in minimum denominations of €100,000 principal amount and integral multiples of €1,000 in excess thereof. Each series of notes will be evidenced by one or more global registered notes deposited with and registered in the name of a common depositary for Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream") or a nominee thereof. Beneficial interests in

	the notes will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants.
Governing Law	The laws of the State of New York.
Selling Restrictions	For a description of certain restrictions on offers, sales and deliveries of the notes and on the distribution of offering materials in the United States, the United Kingdom and the Netherlands, see "Subscription and Sale."
Listing and Trading	Application has been made to the Irish Stock Exchange plc for the notes to be admitted to the Official List and to trading on the Main Securities Market. You should note, however, that there is currently no trading market for the notes, and we cannot assure you that an active or liquid market in the notes will develop.
Risk Factors	See "Risk Factors" and the other information included in this offering memorandum for a discussion of the factors you should carefully consider before deciding to invest in the notes.
Further Issues	Teva Finance may, without notice to or the consent of the holders or beneficial owners of either series of the notes, create and issue additional notes having the same ranking, interest rate, maturity and other terms as the notes.

RISK FACTORS

The following is a description of risk factors which are material in respect of the notes and the financial situation of Teva Finance and Teva and which may affect Teva Finance's and Teva's ability to fulfill their obligations under the notes and/or the guarantees, as the case may be. In addition, each of the risks highlighted below could adversely affect the trading price of the notes or the rights of investors under the notes. As a result, investors could lose some or all of their investment.

Prospective investors should carefully read and consider all the risk factors set forth below and all of the information provided in this offering memorandum and should make their own independent evaluations of all the risk factors and all such information, and consult with their own professional advisers if they consider it necessary, prior to making any investment decision with respect to the notes. There may be additional risks that Teva Finance and Teva currently consider not to be material or of which they are not currently aware, and any of these risks could have the effects set forth above. See "Forward-Looking Statements."

Risks Related to Teva

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

Our financial results depend upon our ability to develop and commercialize additional generic and specialty pharmaceutical products, particularly after the expiration of our U.S. Orange Book patents covering our leading specialty medicine, Copaxone®. Commercialization requires that we successfully develop, test and manufacture both generic and specialty products. All of our products must receive regulatory approval and meet (and continue to comply with) regulatory and safety standards; if health or safety concerns arise with respect to a product, we may be forced to withdraw it from the market.

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

Our leading specialty medicine, Copaxone®, faces increasing competition, including from orally-administered therapies and potential generic versions.

Any substantial decrease in the revenues derived from our specialty medicines would have an adverse effect on our results of operations, several of which currently face, or will soon face, intense competition. Our multiple sclerosis ("MS") franchise includes our Copaxone® products and laquinimod (a developmental compound for the treatment of MS). The profitability of our multiple sclerosis franchise is comprised of Copaxone® revenues and cost of goods sold as well as S&M and R&D expenses related to our MS franchise. It does not include general and administrative ("G&A") expenses, amortization and non-recurring items. Our MS franchise profitability was $3.2 billion, $3.3 billion, and $3.0 billion in 2014, 2013 and 2012, respectively. Profitability of our multiple sclerosis franchise as a percentage of Copaxone® revenues was 75%, 76%, and 74% in 2014, 2013 and 2012, respectively.

Although Copaxone® remains the leading therapy for multiple sclerosis to date, the market for MS treatments continues to change significantly as a result of new and emerging therapies. In particular, the increasing number of oral treatments, such as Tecfidera® by Biogen, Gilenya® by Novartis, and Aubagio® by Genzyme, continue to present significant and increasing competition. Copaxone® also faces competition from existing injectable products, such as the four beta-interferons Avonex®, Betaseron®, Extavia® and Rebif®, as well as from the two monoclonal antibodies Tysabri® and Lemtrada®. The new oral treatments provide especially

intense competition in light of their substantial convenience in comparison to injectables such as Copaxone®. Also, our U.S. Orange Book patents on Copaxone® expired in May 2014 and, subject to further judicial review, in September 2015. As a result, a generic version of our 20mg/20mL product could be sold in the United States if U.S. Food and Drug Administration ("FDA") approval is obtained. In addition, our business strategy for Copaxone® relies heavily on the continued migration of a substantial percentage of current daily Copaxone® patients to a new three-times-a-week version and the maintenance of patients on this new version. The failure to achieve our objectives for the new version would likely have a material adverse effect on our financial results and cash flow.

We may be subject to material fines, penalties and other sanctions and other adverse consequences arising out of our ongoing FCPA investigations and related matters.

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

For several years, we have been conducting a voluntary worldwide investigation into business practices that may have implications under the FCPA. We have engaged outside counsel to assist in the investigation, which was prompted by the receipt, beginning in 2012, of subpoenas and informal document requests from the Securities and Exchange Commission ("SEC") and the Department of Justice ("DOJ") to produce documents with respect to compliance with the FCPA in certain countries. We have provided, and will continue to provide, documents and other information to the SEC and the DOJ, and are cooperating with these agencies in their investigations of these matters. In the course of our investigation, which is continuing, we have identified certain business practices and transactions in Russia, certain Eastern European countries, certain Latin American countries and other countries in which we conduct business, which likely constitute violations of the FCPA and/or local law. In connection with our investigation, we have also become aware that affiliates in certain countries under investigation provided to local authorities inaccurate or altered information relating to marketing or promotional practices. We have brought and continue to bring these issues to the attention of the SEC and the DOJ.

Our internal investigation is not complete and additional issues or facts could become known to management as the investigation continues, which may expand the scope or severity of the potential violations and/or extend to additional jurisdictions. Our investigation is expected to continue through the end of 2015, and may continue beyond that date.

We cannot predict at this time the impact on the Company as a result of these matters and accordingly cannot assure you that we will not be materially and adversely affected. The DOJ, SEC and other agencies and authorities have a broad range of civil and criminal penalties they may seek to impose (on the Company and/or individuals) for violations of the FCPA and other similar laws. We may be required to pay material fines and/or penalties and/or disgorge any profits earned from improper conduct. Our operations in the affected countries may be negatively impacted, and we may be subject to injunctions or limitations on future conduct, be required to modify our business practices and compliance programs and/or have a compliance monitor imposed on us, or suffer other criminal or civil penalties or adverse impacts, including lawsuits by private litigants or investigations and fines imposed by local authorities. In addition, there can be no assurance that the remedial measures we have taken and will take in the future will be effective or that there will not be a finding of a material weakness in our internal controls. Any one or more of the foregoing could have a material adverse effect on our reputation and our business, financial condition or results of operations.

Research and development efforts invested in our pipeline of specialty and other products may not achieve expected results.

We must invest increasingly significant resources to develop specialty medicines (including our strategic focus on developing new therapeutic entities, as well as the development of complex generics), both through our own efforts and through collaborations and in-licensing or acquisition of products from or with third parties. The development of specialty medicines involves processes and expertise different from those used in the development of generic medicines, which increases the risks of failure that we face. For example, the time from discovery to commercial launch of a specialty medicine can be 15 years or even longer, and involves multiple stages: not only intensive preclinical and clinical testing, but also highly complex, lengthy and expensive approval processes which can vary from country to country. The longer it takes to develop a product, the less time there will be for us to recover our development costs and generate profits.

During each stage, we may encounter obstacles that delay the development process and increase expenses, leading to significant risks that we will not achieve our goals and may be forced to abandon a potential product in which we have invested substantial amounts of time and money. These obstacles may include: preclinical failures; difficulty enrolling patients in clinical trials; delays in completing formulation and other work needed to support an application for approval; adverse reactions or other safety concerns arising during clinical testing; insufficient clinical trial data to support the safety or efficacy of the product candidate; and failure to obtain, or delays in obtaining, the required regulatory approvals for the product candidate or the facilities in which it is manufactured.

Because of the amounts required to be invested in augmenting our pipeline of specialty and other products, we are reliant on partnerships and joint ventures with third parties, and consequently face the risk that some of these third parties may fail to perform their obligations, or fail to reach the levels of success that we are relying on to meet our revenue and profit goals. There is a trend in the specialty pharmaceutical industry of seeking to "outsource" drug development by acquiring companies with promising drug candidates, and we face substantial competition from historically innovative companies for such acquisition targets.

We may not be able to reduce operating expenses to the extent and during the timeframe intended by our cost reduction program.

In October 2013, we accelerated the goals of our previously announced cost reduction program to $2.0 billion by the end of 2017, with half of that to be achieved by the end of 2014 and 70% by the end of 2015. As part of the acceleration, we planned to reduce our employee headcount by approximately 10% by the end of 2014. This program, the first of its magnitude in our history, is a significant pillar of our strategy, with much of the expected savings targeted for reinvestment in our business. The announced plan for headcount reductions has generated intense governmental and union opposition in Israel and may generate similar opposition in European countries and other locations where we have significant numbers of unionized employees. If such opposition limits our ability to carry out workforce-related aspects of our cost savings program or causes us to grant significant financial concessions, our ability to achieve planned cost reductions will be further impacted. If we are unable to achieve our cost reduction targets during the expected timeframes, our results of operations will be negatively affected and our ability to execute other aspects of our strategy may be slowed or undermined.

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

As a key part of our strategy, we continue to be engaged in various stages of evaluating or pursuing potential acquisitions, collaborations and licenses, among other transactions. Our reliance on acquisitions and other transactions as sources of new specialty and other products, or a means of growth, involves risks that could adversely affect our future revenues and operating results. For example:

- We may fail to identify transactions that would enable us to execute our business strategy.

- Competition in the pharmaceutical industry for target companies and development programs has intensified and may result in decreased availability of, or increased prices for, suitable transactions.
- We may not be able to obtain necessary regulatory approvals, including those of competition authorities, and as a result, or for other reasons, we may fail to consummate an announced acquisition.
- The negotiation of increasing numbers of transactions may divert management's attention from our existing business operations, resulting in the loss of key customers and/or personnel and exposing us to unanticipated liabilities.
- We may fail to integrate acquisitions successfully in accordance with our business strategy or achieve expected synergies and other results.
- We may not be able to retain experienced management and skilled employees from the businesses we acquire and, if we cannot retain such personnel, we may not be able to attract new skilled employees and experienced management to replace them.
- We may purchase a company that has excessive known or unknown contingent liabilities, including, among others, patent infringement or product liability claims.

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

As a pharmaceutical company, we are subject to substantial regulation by various governmental authorities. For instance, we must comply with requirements of the FDA, European Medicines Agency and other healthcare regulators with respect to the manufacture, labeling, sale, distribution, marketing, advertising, promotion and development of pharmaceutical products. Failure to comply strictly with these regulations and requirements may damage our reputation and lead to financial penalties, compliance expenditures, the recall or seizure of products, total or partial suspension of production and/or distribution, suspension of the applicable regulator's review of our submissions, enforcement actions, injunctions and criminal prosecution. We must register our facilities, whether located in the United States or elsewhere, with the FDA as well as regulators outside the United States, and our products must be made in a manner consistent with current good manufacturing practices ("cGMP"), or similar standards in each territory in which we manufacture. In addition, the FDA and other agencies periodically inspect our manufacturing facilities. Following an inspection, an agency may issue a notice listing conditions that are believed to violate cGMP or other regulations, or a warning letter for violations of "regulatory significance" that may result in enforcement action if not promptly and adequately corrected.

In recent years, there has been increasing regulatory scrutiny of pharmaceutical manufacturers, resulting in product recalls, plant shutdowns and other required remedial actions. We have been subject to increasing scrutiny of our manufacturing operations, and several of our facilities have been the subject of significant regulatory actions requiring substantial expenditures of resources to ensure compliance with more stringently applied production and quality control regulations. These regulatory actions also adversely affected our ability to supply various products worldwide and to obtain new product approvals at such facilities. If any regulatory body were to require one or more of our significant manufacturing facilities to cease or limit production, our business could be adversely affected. In addition, because regulatory approval to manufacture a drug is site-specific, the delay and cost of remedial actions, or obtaining approval to manufacture at a different facility also could have a material adverse effect on our business, financial position and results of operations.

Our patent settlement agreements, which are important to our business, are facing increased government scrutiny in both the U.S. and Europe, and may expose us to significant damages.

We have been involved in numerous litigations involving challenges to the validity or enforceability of listed patents (including our own), and therefore settling patent litigations has been and is likely to continue to be

an important part of our business. Parties to such settlement agreements in the U.S., including us, are required by law to file them with the Federal Trade Commission ("FTC") and the Antitrust Division of the DOJ for review. The FTC has publicly stated that, in its view, some of the brand-generic settlement agreements violate the antitrust laws and has brought actions against some brand and generic companies, including us, that have entered into such agreements. Accordingly, we may receive formal or informal requests from the FTC for information about a particular settlement agreement, and there is a risk that the FTC may commence an action against us alleging violations of the antitrust laws. See "Competition Matters" in note 14 to our consolidated financial statements.

Such settlement agreements may further expose us to claims by purchasers of the products for unlawfully inhibiting competition. We are currently defendants in private antitrust actions involving numerous settlement agreements.

Similarly, the European Commission ("EU Commission") has placed our European operations, as well as those of several brand and generic companies, under intense scrutiny in connection with its inquiry into possible anticompetitive conditions in the European pharmaceutical sector. The EU Commission has initiated proceedings against us in connection with one settlement agreement, and is investigating another agreement. Although we have argued that those agreements did not restrict competition, the EU Commission may rule against us, possibly imposing fines. It is also possible that the EU Commission would open investigations relating to subsequent agreements we have entered into. More generally, there is a risk that the increased scrutiny of the European pharmaceutical sector may lead to changes in the regulation of our business that would have an adverse impact on our results of operations in Europe.

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

In 2014, approximately 48% of our revenues came from sales outside the United States. As a result, we are currently subject to significant foreign currency risks, including repatriation restrictions in certain countries, and may face heightened risks as we enter new markets. An increasing proportion of our sales, particularly in Latin America, Central and Eastern European countries and Asia, is recorded in local currencies, which exposes us to the direct risk of devaluations, hyperinflation or exchange rate fluctuations. For example, in 2014, decreases in the value of the Russian ruble resulted in a negative effect of approximately $122 million on our revenues. We may also be exposed to credit risks in some of these markets. The imposition of price controls or restrictions on the conversion of foreign currencies could also have a material adverse effect on our financial results.

In particular, although the majority of our net sales and operating costs is recorded in, or linked to, the U.S. dollar, our reporting currency, in 2014 we recorded sales and expenses in 40 other currencies. Approximately 59% of our operating costs in 2014 were incurred in currencies other than the U.S. dollar, particularly in euros, Israeli shekels, Hungarian forints, Canadian dollars, Japanese yen and the British pound. As a result, fluctuations in exchange rates between the currencies in which such costs are incurred and the U.S. dollar may have a material adverse effect on our results of operations, the value of balance sheet items denominated in foreign currencies and our financial condition.

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

The success of our specialty medicines depends on the effectiveness of our patents, confidentiality agreements and other measures to protect our intellectual property rights.

The success of our specialty medicines depends substantially on our ability to obtain patents and to defend our intellectual property rights. If we fail to protect our intellectual property adequately, competitors may

manufacture and market products identical or similar to ours. We have been issued numerous patents covering our specialty medicines, and have filed, and expect to continue to file, patent applications seeking to protect newly developed technologies and products in various countries, including the United States. Currently pending patent applications may not result in issued patents or be approved on a timely basis or at all. Any existing or future patents issued to or licensed by us may not provide us with any competitive advantages for our products or may be challenged or circumvented by competitors.

We are currently engaged in lawsuits challenging the validity and/or enforceability of the U.S. patents covering Copaxone®, Fentora® and Treanda®. For example, Treanda® faces patent challenges from 17 ANDA filers and one 505(b)(2) filer, and if we are unable to enforce our patents, which expire between 2026 and 2031, generic competition could commence as early as September 2015. While we intend to defend the validity of these patents vigorously, and will seek to use all appropriate methods to prevent their infringement, such efforts are expensive and time consuming. Due to the nature of litigation, there can be no assurance that such efforts will be successful. Our ability to enforce our patents also depends on the laws of individual countries and each country's practices regarding the enforcement of intellectual property rights. The loss of patent protection or regulatory exclusivity on these or other specialty medicines could materially impact our business, results of operations, financial conditions or prospects.

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

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

The continuing increase in expenditures for healthcare has been the subject of considerable government attention almost everywhere we conduct business, particularly as public resources have been stretched by financial and economic crises in the United States, Western Europe and elsewhere. Both private health insurance funds and government health authorities continue to seek ways to reduce or contain healthcare costs, including by reducing or eliminating coverage for certain products and lowering reimbursement levels. In most of the countries and regions where we operate, including the United States, Western Europe, Israel, Russia, certain countries in Central and Eastern Europe and several countries in Latin America, pharmaceutical prices are subject to new government policies designed to reduce healthcare costs. These changes frequently adversely affect pricing and profitability and may cause delays in market entry. We cannot predict which additional measures may be adopted or the impact of current and additional measures on the marketing, pricing and demand for our products.

Significant developments that may affect pricing in the United States include (i) the enactment of federal healthcare reform laws and regulations, including the Medicare Prescription Drug Improvement and Modernization Act of 2003 and the Patient Protection and Affordable Care Act of 2010, and (ii) trends in the practices of managed care groups and institutional and governmental purchasers. Changes to the healthcare system enacted as part of healthcare reform in the United States, as well as the increased purchasing power of entities that negotiate on behalf of Medicare, Medicaid, and private sector beneficiaries, may result in increased pricing pressure by influencing, for instance, the reimbursement policies of third-party payors. Healthcare reform legislation has increased the number of patients who have insurance coverage for our products, but provisions such as the assessment of a branded pharmaceutical manufacturer fee and an increase in the amount of rebates that manufacturers pay for coverage of their drugs by Medicaid programs may have an adverse effect on us. It is uncertain how current and future reforms in these areas will influence the future of our business operations and financial condition.

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

Governmental investigations into sales and marketing practices, particularly for our specialty pharmaceutical products, may result in substantial penalties.

We operate around the world in complex legal and regulatory environments, and any failure to comply with applicable laws, rules and regulations may result in civil and/or criminal legal proceedings. As those rules and regulations change or as interpretations of those rules and regulations evolve, our prior conduct or that of companies we have acquired may be called into question. In the United States, we are currently responding to federal investigations into our marketing practices with regard to several of our specialty pharmaceutical products, which could result in civil litigation brought on behalf of the federal government. Responding to such investigations is costly and involves a significant diversion of management's attention. Such proceedings are unpredictable and may develop over lengthy periods of time. Future settlements may involve large cash penalties. In addition, government authorities have significant leverage to persuade pharmaceutical companies to enter into corporate integrity agreements, which can be expensive and disruptive to operations. See "Government Investigations, Pricing and Other Investigations" in note 14 to our consolidated financial statements.

We have significant operations in countries that may be adversely affected by political or economic instability, major hostilities or acts of terrorism.

We are a global pharmaceutical company with worldwide operations. Although over 80% of our sales are in the United States and Europe, we expect to derive an increasing portion of our sales and future growth from other regions such as Latin America, Central and Eastern Europe and Asia, which may be more susceptible to political and economic instability.

Significant portions of our operations are conducted outside the markets in which our products are sold, and accordingly we often import a substantial number of products into such markets. We may, therefore, be denied access to our customers or suppliers or denied the ability to ship products from any of our sites as a result of a closing of the borders of the countries in which we sell our products, or in which our operations are located, due to economic, legislative, political and military conditions, including hostilities and acts of terror, in such countries.

Our executive offices and a substantial percentage of our manufacturing capabilities are located in Israel. Our Israeli operations are dependent upon materials imported from outside Israel. We also export significant amounts of products from Israel. Accordingly, our operations could be materially and adversely affected by acts of terrorism or if major hostilities were to occur in the Middle East or trade between Israel and its present trading partners were curtailed, including as a result of acts of terrorism in the U.S. or elsewhere.

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

Our products are either manufactured at our own facilities or obtained through supply agreements with third parties. Many of our products are the result of complex manufacturing processes, and some require highly specialized raw materials. For some of our key raw materials, we have only a single, external source of supply, and alternate sources of supply may not be readily available. For example, we purchase raw materials for most of our oral contraceptive products, which make up a substantial portion of our women's health business, exclusively

or primarily from the same external source. If our supply of certain raw materials or finished products is interrupted from time to time, or proves insufficient to meet demand, our results of operations could be adversely impacted. Moreover, as we streamline our production capacity, we may become more dependent on certain plants and operations for our supply.

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

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

Significant disruptions of our information technology systems or breaches of our data security could adversely affect our business.

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

Our revenues and profits from generic pharmaceutical products typically decline as a result of competition, both from other pharmaceutical companies and as a result of increased governmental pricing pressure.

Our generic drugs face intense competition. Prices of generic drugs typically decline, often dramatically, especially as additional generic pharmaceutical companies (including low-cost generic producers based in China and India) receive approvals and enter the market for a given product and competition intensifies. Consequently, our ability to sustain our sales and profitability on any given product over time is affected by the number of new companies selling such product and the timing of their approvals.

In addition, intense pressure from government healthcare authorities, particularly in highly regulated European markets, to reduce their expenditures on prescription drugs has resulted in lower pharmaceutical pricing, causing decreases in revenues and profits.

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

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

We face intense competition in our specialty pharmaceutical business. Many of our competitors are larger and/or have substantially longer experience in the development and marketing of branded, innovative and

consumer-oriented products. They may be able to respond more quickly to new or emerging market preferences or to devote greater resources to the development and marketing of new products and/or technologies than we can. As a result, any products and/or innovations that we develop may become obsolete or noncompetitive before we can recover the expenses incurred in connection with their development. In addition, for these product categories we must demonstrate to physicians, patients and third-party payors the benefits of our products relative to competing products that are often more familiar or otherwise better established. If competitors introduce new products or new variations on their existing products, our marketed products, even those protected by patents, may be replaced in the marketplace or we may be required to lower our prices.

In addition, our increased focus on innovative and specialty pharmaceuticals requires much greater use of a direct sales force than does our core generic business. Our ability to realize significant revenues from direct marketing and sales activities depends on our ability to attract and retain qualified sales personnel. Competition for qualified sales personnel is intense. We may also need to enter into co-promotion, contract sales force or other such arrangements with third parties, for example, where our own direct sales force is not large enough or sufficiently well-aligned to achieve maximum penetration in the market. Any failure to attract or retain qualified sales personnel or to enter into third-party arrangements on favorable terms could prevent us from successfully maintaining current sales levels or commercializing new innovative and specialty products.

Sales of our products may be adversely affected by the continuing consolidation of our customer base.

A significant proportion of our sales is made to relatively few U.S. retail drug chains, wholesalers, managed care purchasing organizations, mail order distributors and hospitals. These customers are continuing to undergo significant consolidation. Net sales to one such customer in 2014 accounted for 18% of our total consolidated sales. Such consolidation has provided and may continue to provide them with additional purchasing leverage, and consequently may increase the pricing pressures that we face. Additionally, the emergence of large buying groups representing independent retail pharmacies, and the prevalence and influence of managed care organizations and similar institutions, enable those groups to extract price discounts on our products.

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

Decreased opportunities to obtain U.S. market exclusivity for generic versions of significant products may adversely affect our revenues and profits.

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

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

However, the number of significant new generic products for which Hatch-Waxman exclusivity is available, and the size of those product opportunities, has decreased in recent years, and patent challenges have become more difficult. Additionally, increasingly we share the 180-day exclusivity period with other generic competitors, which diminishes the commercial value of the exclusivity.

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

We have sold and may in the future elect to sell generic products prior to the final resolution of outstanding patent litigation, and, as a result, we could be subject to liability for damages in the U.S., Europe and other markets where we do business.

Our ability to introduce new products depends in large part upon the success of our challenges to patent rights held by third parties or our ability to develop non-infringing products. Based upon a variety of legal and commercial factors, we may elect to sell a generic product even though patent litigation is still pending, either before any court decision is rendered or while an appeal of a lower court decision is pending. The outcome of such patent litigation could, in certain cases, materially adversely affect our business. For example, we launched a generic version of Protonix® (pantoprazole), despite the fact that litigation with the company that sells the brand versions was still pending at the time. In 2013, we settled the pantoprazole litigation and recorded aggregate charges of $1.6 billion in 2012 and 2013 related to this matter.

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

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

Our business inherently exposes us to claims for injuries allegedly resulting from the use of our products. As our portfolio of available products expands, we may experience increases in product liability claims asserted against us. The potential for product liability claims may increase further upon the implementation of proposed regulations in the U.S. that would permit companies to change the labeling of their generic products.

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

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

Given the increasing size, complexity and global reach of our business and our multiple areas of focus, each of which would be a significant stand-alone company, we are especially reliant upon our ability to recruit

and retain highly qualified management and other employees. In addition, the success of our research and development activities depends on our ability to attract and retain sufficient numbers of skilled scientific personnel. Any loss of service of key members of our organization, or any diminution in our ability to continue to attract high-quality employees, may delay or prevent the achievement of major business objectives. In addition, there is a risk that we will not strike the appropriate balance between retaining existing managerial talent and achieving the targets of the cost reduction program mentioned above.

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

The U.S. laws and regulations regarding Medicare and/or Medicaid reimbursement and rebates and other governmental programs are complex. Some of the applicable laws may impose liability even in the absence of specific intent to defraud. The subjective decisions and complex methodologies used in making calculations under these programs are subject to review and challenge, and it is possible that such reviews could result in material changes. A number of state attorneys general and others have filed lawsuits alleging that we and other pharmaceutical companies reported inflated average wholesale prices, leading to excessive payments by Medicare and/or Medicaid for prescription drugs. Such allegations could, if proven or settled, result in additional monetary penalties (beyond the lawsuits we have already settled) and possible exclusion from Medicare, Medicaid and other programs. In addition, we are notified from time to time of governmental investigations regarding drug reimbursement or pricing issues. See "Government Investigations and Litigation Relating to Pricing and Marketing" in note 14 to our consolidated financial statements.

The large amount of long lived assets recorded on our balance sheet may continue to lead to significant impairment charges in the future.

We regularly review our long-lived assets, including identifiable intangible assets, goodwill and property, plant and equipment, for impairment. Goodwill and acquired indefinite life intangible assets are subject to impairment review on an annual basis and whenever potential impairment indicators are present. Other long-lived assets are reviewed when there is an indication that an impairment may have occurred. The amount of goodwill, identifiable intangible assets and property, plant and equipment on our consolidated balance sheet has increased approximately 50% in the past five years to $30.5 billion as a result of our acquisitions, and may increase further following future acquisitions. For example, in 2014 we recorded impairment charges on long-lived assets of $387 million. Changes in market conditions or other changes in the future outlook of value may lead to further impairment charges in the future. In addition, we may from time to time sell assets that we determine are not critical to our strategy or execution. Future events or decisions may lead to asset impairments and/or related charges. Certain non-cash impairments may result from a change in our strategic goals, business direction or other factors relating to the overall business environment. Any significant impairment charges could have a material adverse effect on our results of operations.

We have significantly increased our leverage in recent years and more frequently engage in refinancing activities, making us increasingly reliant on access to the capital markets at favorable terms.

Our short- and long-term indebtedness has approximately doubled over the past five years. As a result, our principal and interest payment obligations have increased, as have our costs relating to financing activities. The degree to which we are leveraged could affect our ability to obtain additional financing for acquisitions, refinancing of existing debt, working capital, or other purposes and could make us more vulnerable to industry downturns and competitive pressures as well as interest rate and other refinancing risks. In addition, capital markets have been more volatile in recent years. Such volatility may adversely affect our ability to obtain financing on favorable terms at a time when we need to access the capital markets regularly. Our ability to

refinance existing debt and meet our debt service obligations will be dependent upon our future performance and access to the capital markets, which will be subject to financial, business and other factors affecting our operations (including our long-term unsecured credit ratings), many of which are beyond our control.

Our tax liabilities could be larger than anticipated.

We are subject to tax in many jurisdictions, and significant judgment is required in determining our provision for income taxes. Likewise, we are subject to audit by tax authorities in many jurisdictions. In such audits, our interpretation of tax legislation may be challenged and tax authorities in various jurisdictions may disagree with, and subsequently challenge, the amount of profits taxed in such jurisdictions under our inter-company agreements. For example, in 2013, we paid the Israeli tax authorities approximately $790 million in additional income taxes, applying the provisions of Amendment 69 to the Israeli Law for the Encouragement of Capital Investments, 1959 to certain previously tax-exempt profits, as well as to settle tax assessments for the years 2005 to 2007. Although we believe our estimates are reasonable, the ultimate outcome of such audits and related litigation could be different from our provision for taxes and may have a material adverse effect on our consolidated financial statements.

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

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

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

- some government programs may be discontinued, or, as is the case in Israel from 2014 and on, the applicable tax rates may increase;
- we may be unable to meet the requirements for continuing to qualify for some programs;
- these programs and tax benefits may be unavailable at their current levels;
- upon expiration of a particular benefit, we may not be eligible to participate in a new program or qualify for a new tax benefit that would offset the loss of the expiring tax benefit; or
- we may be required to refund previously recognized tax benefits if we are found to be in violation of the stipulated conditions.

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

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

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

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

Risks Related to Teva Finance

Teva Finance is a special purpose financing entity.

Teva Finance is a special purpose financing entity with no business operations other than the entry into of financing arrangements (including the issuance of notes) and the entry into of certain ancillary arrangements in connection therewith. Teva Finance is subject to all risks to which Teva is subject, to the extent that such risks could limit Teva's ability to satisfy in full and on a timely basis its obligations under the guarantees. See "Risks Related to Teva" above.

Risks Related to the Notes

There may not be a liquid market for the notes, and you may not be able to sell your notes at attractive prices or at all.

The notes are new issues of securities for which there is currently no trading market. The notes have not been registered under the Securities Act or any U.S. state securities laws and, unless so registered, may not be sold except in a transaction exempt from, or not subject to, the registration requirements of the Securities Act and applicable state securities laws. Although application has been made to the Irish Stock Exchange plc for the notes to be admitted to the Official List and to trading on the Main Securities Market, we cannot assure you that an active market will develop. If an active market for the notes fails to develop or be sustained, the trading prices of the notes could fall, and even if an active trading market were to develop, the notes could trade at prices that may be lower than their respective initial offering prices. The trading price of the notes will depend on many factors, including:

- prevailing interest rates and interest rate volatility;
- the markets for similar securities;
- our financial condition, results of operations and prospects;
- the publication of earnings estimates or other research reports and speculation in the press or investment community;
- changes in our industry and competition; and
- general market and economic conditions.

As a result, we cannot assure you that you will be able to sell the notes at attractive prices or at all.

A downgrade, suspension or withdrawal of the rating assigned by a rating agency to the notes, if any, could cause the liquidity or market value of the notes to decline significantly.

We cannot assure you what ratings, if any, will be assigned to the notes. In addition, we cannot assure you that any rating so assigned will remain for any given period of time or that the rating will not be lowered or withdrawn entirely by the rating agency if in that rating agency's judgment future circumstances relating to the basis of the rating, such as adverse changes in our business, so warrant. Any adverse change in ratings of the notes (if any) or in our ratings may adversely affect the value of the notes.

We may incur additional indebtedness that may adversely affect our ability to meet our financial obligations under the notes.

The terms of the notes do not impose any limitation on the ability of Teva, Teva Finance or any of Teva's other subsidiaries to incur additional unsecured debt. We may incur additional unsecured indebtedness in the future, which could have important consequences to holders of notes, including that we could have insufficient cash to meet our financial obligations, including our obligations under the notes, and that our ability to obtain additional financing could be impaired.

Because Teva is an Israeli company, you may have difficulties enforcing your rights under the guarantees and under the notes, which are governed by New York law.

Teva is an Israeli company. In addition, most of Teva's officers, directors or persons of equivalent position reside outside of Europe. As a result, service of process on them may be difficult or impossible to effect in Europe. Furthermore, due to the fact that a substantial portion of our assets are located outside of the Europe, it may be difficult to enforce judgments obtained against us or any of our directors and officers in a European court.

Subject to various time limitations, an Israeli court may declare a judgment rendered by a foreign court in a civil matter, including judgments awarding monetary or other damages in non civil matters, enforceable if it finds that:

(1) the judgment was rendered by a court which was, according to the foreign country's law, competent to render it;

(2) the judgment is no longer appealable;

(3) the judgment is enforceable according to the rules relating to the enforceability of judgments in Israel and the substance of the judgment is not contrary to public policy in Israel; and

(4) the judgment can be executed in the state in which it was given.

A foreign judgment will not be declared enforceable by Israeli courts if it was given in a state, the laws of which do not provide for the enforcement of judgments of Israeli courts (subject to exceptional cases) or if its enforcement is likely to prejudice the sovereignty or security of Israel. An Israeli court also will not declare a foreign judgment enforceable if it is proved to the Israeli court that:

(1) the judgment was obtained by fraud;

(2) there was no due process;

(3) the judgment was given by a court not competent to render it according to the laws of private international law in Israel;

(4) the judgment is at conflict with another judgment that was given in the same matter between the same parties and which is still valid; or

(5) at the time the action was brought to the foreign court a claim in the same matter and between the same parties was pending before a court or tribunal in Israel.

The guarantees will effectively be subordinated to some of our existing and future indebtedness.

Teva will irrevocably and unconditionally guarantee the punctual payment when due of the principal of and interest, if any, on the notes. As indebtedness of Teva, the guarantees will be Teva's general, unsecured obligations and will rank equally in right of payment with all of Teva's existing and future unsubordinated, unsecured indebtedness. The guarantees will be effectively subordinated to any existing and future secured indebtedness Teva may have up to the value of the collateral securing that indebtedness and structurally subordinated to any existing and future liabilities and other indebtedness of our subsidiaries with respect to the assets of those subsidiaries. These liabilities may include debt securities, credit facilities, trade payables, guarantees, lease obligations, letter of credit obligations and other indebtedness. See "Description of the Notes and the Guarantees—Description of the Guarantees." The indenture governing the notes does not restrict us or our subsidiaries from incurring debt in the future, nor does the indenture limit the amount of indebtedness we can issue that is equal in right of payment. At December 31, 2014, Teva had no secured indebtedness outstanding, and its subsidiaries, other than finance subsidiaries, had approximately $1.4 billion of indebtedness outstanding.

Teva may be subject to restrictions on receiving dividends and other payments from its subsidiaries.

Teva's income is derived in large part from its subsidiaries. Accordingly, Teva's ability to pay its obligations under the guarantees depends in part on the earnings of its subsidiaries and the payment of those earnings to Teva, whether in the form of dividends, loans or advances. Such payment by Teva's subsidiaries to Teva may be subject to restrictions. The indenture does not restrict Teva, Teva Finance or Teva's other subsidiaries from entering into agreements that contain such restrictions.

We cannot assure you that the procedures for book-entry interests to be implemented through Euroclear or Clearstream will be adequate to ensure the timely exercise of your rights under the notes.

Unless and until notes in definitive registered form are issued in exchange for global notes, owners of book-entry interests will not be considered owners or holders of the notes except in the limited circumstances provided in the indenture. The common depositary for Euroclear and Clearstream (or its nominee) will be the sole registered holder of the global notes representing the notes. After payment to the common depositary, we will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if you own a book-entry interest, you must rely on the procedures of Euroclear or Clearstream, as applicable, and if you are not a participant in Euroclear or Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder under the indenture.

Unlike the holders of the notes themselves, owners of book-entry interests will not have the direct right to act upon our solicitations for consents, requests for waivers or other actions from holders of the notes. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from Euroclear or Clearstream. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable you to vote on any request actions on a timely basis.

Similarly, upon the occurrence of an event of default under the indenture, if you own a book-entry interest, you will be restricted to acting through Euroclear or Clearstream. We cannot assure you that the procedures to be implemented through Euroclear or Clearstream will be adequate to ensure the timely exercise of rights under the notes.

The notes have minimum specified denominations of €100,000.

The notes have minimum denominations of €100,000 and multiples of €1,000 in excess thereof. It is therefore possible that notes may be traded in amounts that would cause a holder of notes to hold a principal amount of less than €100,000 following such trade. In such a case, a holder of notes who holds a principal amount of less than €100,000 may not receive a definitive certificate in respect of such holding (should definitive certificates be printed) and would need to purchase a principal amount of notes such that its holding amounts to at least €100,000.

Developments in the Eurozone sovereign debt crisis could adversely affect the value of the notes.

The ongoing situation relating to the sovereign debt of several European countries, in particular in Greece, Ireland, Italy, Portugal and Spain, together with the risk of financial contagion to other more financially stable countries, has raised a number of concerns and uncertainties regarding the stability and overall standing of the European Monetary Union. These concerns include the risk that certain Eurozone countries will be unable to meet their future financial obligations, which could lead to a default on the sovereign debt of those countries, the exiting of the Eurozone by one or more countries, the need for enhanced stabilization measures (such as additional lending or guarantees by the European Stability Mechanism), or a voluntary restructuring among one or more unstable countries and their creditors. These concerns, or market perceptions concerning these and related issues and their potential consequences, could adversely affect the value of the notes.

Legal investment considerations may restrict certain investments.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the notes are legal investments for it, (2) the notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any of the notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the notes under any applicable risk-based capital or similar rules.

FORWARD-LOOKING STATEMENTS

This offering memorandum contains forward-looking statements, which express management's current beliefs or expectations with regard to future events. You can identify these statements by the fact that they do not relate strictly to historical or current facts. Such statements may include words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe" and other words and terms of similar meaning in connection with any discussion of future operating or financial performance. In particular, these statements relate to, among other things:

- our business strategy;
- the development and launch of our products, including product approvals and results of clinical trials;
- projected markets and market size;
- anticipated results of litigation;
- our projected revenues, market share, expenses, net income margins and capital expenditures; and
- our liquidity.

The forward-looking statements contained herein involve a number of known and unknown risks and uncertainties that could cause our future results, performance or achievements to differ significantly from the results, performance or achievements expressed or implied by such forward-looking statements.

You should understand that many important factors, in addition to those discussed in this offering memorandum, could cause our results to differ materially from those expressed in the forward-looking statements. Potential factors that could affect our results include, in addition to others not described in this offering memorandum, those described under "Risk Factors." These are factors that we think could cause our actual results to differ materially from expected results.

Forward-looking statements speak only as of the date on which they are made, and we undertake no obligation to update any forward-looking statements or other information contained in this offering memorandum, whether as a result of new information, future events or otherwise.

EXCHANGE RATE HISTORY

The following table sets forth the exchange rate history for the periods indicated, expressed in U.S. dollar per Euro, and not adjusted for inflation, as published by Bloomberg Finance L.P. ("Bloomberg"):

	Euro to U.S. Dollar Exchange Rate History			
	High	**Low**	**Average**	**Period End**
2010	1.4579	1.1877	1.3266	1.3384
2011	1.4940	1.2858	1.3926	1.2961
2012	1.3487	1.2043	1.2860	1.3193
2013	1.3893	1.2746	1.3285	1.3743
2014	1.3993	1.2097	1.3285	1.2098
2015 (up to and including March 23)	1.2109	1.0458	1.1309	1.0946

As of March 23, 2015, the exchange rate published by Bloomberg was U.S. dollar 1.0946 = EUR 1.00.

The rates in the above table may differ from the actual rates used in the preparation of the information appearing in this offering memorandum. The inclusion of these exchange rates should not be construed as a representation that the U.S. dollar amounts have been or could be converted into Euros at this rate or any other rate.

USE OF PROCEEDS

We estimate that the net proceeds from this offering will be approximately $2.17 billion* after deducting discounts, commissions and our estimated expenses related to this offering. We intend to use the net proceeds from this offering for general corporate purposes, including potential acquisitions. None of the proceeds from this offering will be passed or otherwise transferred to an entity designated in any financial sanctions legislation imposed by the EU or other applicable sanctions laws.

* Calculated using the exchange rate published by Bloomberg as of March 23, 2015, U.S. dollar 1.0946 = EUR1.00.

RATIO OF EARNINGS TO FIXED CHARGES

Our ratio of earnings to fixed charges in accordance with U.S. GAAP for each of the periods presented below was as follows:

	Year Ended December 31,		
	2014	**2013**	**2012**
Ratio of Earnings to Fixed Charges	11.8	4.7	5.7

CAPITALIZATION

The following table sets forth Teva's capitalization as of December 31, 2014:

- on a historical basis; and
- on an as adjusted basis to give effect to the repurchase of certain senior notes by Teva, as described above under "Overview of Teva, Teva Finance and the Offering—Recent Developments—Debt Tender Offers," and the issuance and sale of the notes offered by this offering memorandum.

You should read this table together with the audited consolidated financial statements and the notes thereto included in this offering memorandum.

	December 31, 2014	
	Actual (unaudited)	As adjusted
	U.S. dollars in millions	
0.25% Convertible Senior Debentures due 2026	530	530
3.000% Senior Notes due 2015	1,000	1,000
Other short-term debt, including current maturities	231	231
Total short-term debt	1,761	1,761
2.400% Senior Notes due 2016	950	950
0.99% and 1.42% JPY Term Loans due 2017 and 2019	841*	841*
JPY LIBOR + 0.3% Term Loan due 2018	293*	293*
1.500% CHF Senior Notes due 2018	455**	455**
2.875% EUR Senior Notes due 2019	1,213***	1,213***
2.250% Senior Notes due 2020	700	700
3.650% Senior Notes due 2021	1,746	1,198
2.950% Senior Notes due 2022	1,298	843
1.250% EUR Senior Notes due 2023	—	1,560****
1.875% EUR Senior Notes due 2027	—	844*****
6.150% Senior Notes due 2036	987	790
Other long-term debt, net of current maturities	83	83
Total long-term debt	8,566	9,770
Equity:		
Teva shareholders' equity:		
Ordinary shares of NIS 0.10 par value: authorized—2,500 million shares; issued and outstanding—actual—957 million shares	50	50
Additional paid-in capital	14,121	14,121
Retained earnings	14,436	14,436
Accumulated other comprehensive loss	(1,343)	(1,343)
Treasury shares—105 million ordinary shares	(3,951)	(3,951)
	23,313	23,313
Non-controlling interests	42	42
Total equity	23,355	23,355
Total capitalization	$ 33,682	$ 34,886

* ¥100.5 billion senior unsecured fixed-rate term loan facility (equivalent amount in USD based on an exchange rate as of December 31, 2014 of ¥119.47 to $1.00).

** CHF 450 million senior notes (equivalent amount in USD based on an exchange rate as of December 31, 2014 of CHF 0.9890 to $1.00).

*** €1 billion senior notes (equivalent amount in USD based on an exchange rate as of December 31, 2014 of €0.8225 to $1.00).

**** €1.3 billion senior notes (equivalent amount in USD based on an exchange rate as of December 31, 2014 of €0.8225 to $1.00).

***** €700 million senior notes (equivalent amount in USD based on an exchange rate as of December 31, 2014 of €0.8225 to $1.00).

DESCRIPTION OF THE NOTES AND THE GUARANTEES

Teva Finance will issue the 1.250% Senior Notes due 2023 (the "2023 notes") and the 1.875% Senior Notes due 2027 (the "2027 notes" and, together with the 2023 notes, the "notes") under a senior indenture, to be dated as of March 31, 2015, by and among Teva Finance, Teva and The Bank of New York Mellon, as trustee, as supplemented by a supplemental indenture, by and among Teva Finance, Teva, The Bank of New York Mellon, as trustee, and The Bank of New York Mellon, London Branch, as principal paying agent, to be dated as of March 31, 2015. The terms of the notes include those provided in the indenture. Teva will irrevocably and unconditionally guarantee the punctual payment by Teva Finance of the principal of and premium and interest, if any, on the notes by Teva Finance.

The following summary of certain provisions of the indenture, the supplemental indenture and the notes does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all the provisions of the indenture, the supplemental indenture and the notes, including the definitions therein of certain terms. Because the following is only a summary, it does not contain all of the information that you may find useful in evaluating an investment in the notes. We urge you to read the indenture, the supplemental indenture and the notes because they, and not this description, define your rights as holders of the notes. You may obtain a copy of the indenture and the supplemental indenture (which include the forms of the notes) from us upon request, as set forth under "Listing and General Information—Available Information." We refer to the indenture referenced in the first paragraph of this section, as supplemented, as the indenture.

Brief Description of the Notes

The notes will:

- initially be limited to
  - €1,300,000,000 aggregate principal amount with respect to the 2023 notes, and
  - €700,000,000 aggregate principal amount with respect to the 2027 notes, in each case subject to reopening at the discretion of Teva Finance;
- accrue interest
  - at a rate of 1.250% on the 2023 notes, payable annually in arrear on March 31 of each year, beginning March 31, 2016, and
  - at a rate of 1.875% on the 2027 notes, payable annually in arrear on March 31 of each year, beginning March 31, 2016, in each case, to the holders of record at the close of business on:
    - so long as the notes are represented by global notes, the Business Day (as defined below under "—Payment of Interest and Principal") next preceding an interest payment date;
    - if physical notes (as defined below under "Provisions Relating to the Notes While Represented by the Global Notes") are issued, the 15th calendar day next preceding an interest payment date, whether or not a Business Day;
- accrue interest from the date of original issuance, or, if interest has already been paid, from the date it was most recently paid;
- be general unsecured obligations of Teva Finance;
- in each case, be redeemable at the option of Teva Finance at any time at the greater of (1) 100% of the principal amount of the notes to be redeemed or (2) the sum of the present values of the Remaining

Scheduled Payments (as defined below under "—Optional Redemption by the Issuer") discounted, on an annual basis on the basis of the "Actual/Actual (ICMA)" day count convention (see "—Payment of Interest and Principal—Interest on the Notes"), at the applicable Reinvestment Rate (as defined below under "—Optional Redemption by the Issuer") (in addition to being redeemable as set forth below under "—Tax Redemption") plus accrued and unpaid interest thereon, if any, to, but not including, the redemption date; provided that for any such redemption on or after three months prior to the relevant maturity date of the applicable series of notes, the redemption price for those notes will equal 100% of the principal amount of the applicable series of notes to be redeemed, plus accrued and unpaid interest, if any, to, but not including, the redemption date; and

- be due on
  - March 31, 2023, in the case of the 2023 notes, unless earlier redeemed by Teva Finance, and
  - March 31, 2027 in the case of the 2027 notes, unless earlier redeemed by Teva Finance.

The indenture does not contain any covenants or restrictions on the amount of additional indebtedness that Teva, Teva Finance or any of Teva's other subsidiaries may incur except as described in "—Certain Covenants" below. The indenture does not protect you in the event of a highly leveraged transaction or change of control of Teva or Teva Finance. The notes do not contain any sinking fund provisions.

Teva Finance may, without the consent of the holders, issue additional notes under the indenture with the same terms and with the same ISIN number as the notes offered hereby in an unlimited aggregate principal amount. Any additional debt securities having such similar terms, together with that series of notes, could be considered part of the same series of notes under the indenture; provided that, in the case of any notes represented by global notes, for so long as may be required by the Securities Act or the procedures of the common depositary, Euroclear or Clearstream (or a successor or clearing system), such additional notes will be represented by one or more separate global notes in accordance with the terms of the indenture and subject to applicable transfer or other restrictions. We may also from time to time repurchase notes in open market purchases or negotiated transactions without giving prior notice to holders.

Application has been made to the Irish Stock Exchange plc for the notes to be admitted to the Official List.

Description of the Guarantees

Teva will irrevocably and unconditionally guarantee the punctual payment when due, whether at maturity, upon redemption, by acceleration or otherwise, of the principal of and premium and interest (including any additional amounts in respect of taxes as provided herein) on the notes of each series. The guarantees will be enforceable by the trustee, the holders of the notes and their successors, transferees and assigns.

The guarantees will be unsecured senior obligations of Teva. As indebtedness of Teva, after giving effect to the offerings contemplated hereby, the guarantees will rank:

- senior to the rights of creditors under indebtedness expressly subordinated to the guarantees (at December 31, 2014, Teva had no subordinated indebtedness outstanding);
- equally with other unsecured indebtedness of Teva from time to time outstanding other than any that is subordinated to the guarantees (at December 31, 2014, Teva had approximately $8.9 billion of senior unsecured indebtedness outstanding);
- effectively junior to Teva's secured indebtedness up to the value of the collateral securing that indebtedness (at December 31, 2014, Teva had no secured indebtedness outstanding); and
- effectively junior to the indebtedness and other liabilities of Teva's subsidiaries (at December 31, 2014, Teva's subsidiaries, other than finance subsidiaries, had approximately $1.4 billion of indebtedness outstanding, substantially all of which is guaranteed by Teva).

Except as described in "—Certain Covenants" below, the indenture does not contain any covenants or restrictions on the amount of additional indebtedness that Teva, Teva Finance or any of Teva's other subsidiaries may incur.

Payment of Interest and Principal

Interest on the Notes

The 2023 notes will bear interest at the rate of 1.250% per year, payable annually in arrear on March 31 of each year, beginning March 31, 2016, and the 2027 notes will bear interest at the rate of 1.875% per year, payable annually in arrear on March 31 of each year, beginning March 31, 2016, in either case, to the holders of record at the close of business on:

- so long as the notes are represented by global notes, the Business Day (as defined below under "—Payment of Interest and Principal") next preceding an interest payment date; or
- if physical notes (as defined below under "Provisions Relating to the Notes While Represented by the Global Notes") are issued, the 15th calendar day next preceding an interest payment date, whether or not a Business Day.

Interest will accrue from the date of original issuance or, if interest has already been paid, from the most recent interest payment date.

If an interest payment date for the notes falls on a day that is not a Business Day, interest will be payable on the next succeeding Business Day (as defined below) with the same force and effect as if made on such interest payment date and no interest shall accrue thereon on account of such delay.

The day count convention for the calculation of interest is "Actual/Actual (ICMA)". Accordingly, (a) if interest is required to be calculated for an Accrual Period (as defined below) that is equal to or shorter than the Determination Period (as defined below) in which it falls, it shall be calculated on the basis of the actual number of days in the Accrual Period divided by the actual number of days in the Determination Period; or (b) if interest is required to be calculated for an Accrual Period that is longer than one Determination Period, it shall be calculated on the basis of the sum of (i) the actual number of days in such Accrual Period falling in the Determination Period in which it begins divided by the number of days in such Determination Period; and (ii) the actual number of days in such Accrual Period falling in the next Determination Period, divided by the number of days in such Determination Period, with any modifications that may be needed from time to time to fully conform with the actual/actual interest calculation basis recognized by the International Capital Market Association.

"Accrual Period" means the relevant period for which interest is to be calculated (from and including the first such day to, but excluding, the last such day).

"Business Day" means any day on which commercial banks and foreign exchange markets are open for business in New York and London; provided that, for purposes of payments on the notes, a "Business Day" must be a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer System (TARGET) is operating.

"Determination Period" means the period from and including the immediately preceding interest payment date, or March 31, 2015, as the case may be, to, but excluding, the next interest payment date.

Mechanics of Payment

Payments on the global notes will be made through the principal paying agent. Payments on the notes will be made in euros at the specified office or agency of the principal paying agent; provided that all such payments with respect to notes represented by one or more global notes deposited with and registered in the name of the common depositary or its nominee for the accounts of Euroclear and Clearstream, will be by wire transfer of immediately available funds to the account specified in writing by the holder or holders thereof to the common depositary.

In addition, at our option, if physical notes (as defined below under "Provisions Relating to the Notes While Represented by the Global Notes") are issued, we may make payments by wire transfer to the account specified by the holder or holders thereof as notified to the principal paying agent in writing at least 15 days prior to such payment date.

We will maintain a paying agent (which may be the principal paying agent) with a specified office in an EU member state that will not be obliged to withhold or deduct taxes pursuant to European Council Directive 2003/48/EC (as amended from time to time) or any law implementing or complying with, or introduced in order to conform to, such Directive.

Reference to payments of interest in this section, unless the context otherwise requires, refer to the payment of interest and additional amounts in respect to taxes, if any.

Optional Redemption by the Issuer

Teva Finance may redeem the notes of either series, in whole or in part, at any time or from time to time, on at least 20 days', but not more than 60 days', prior notice delivered to each holder of the applicable series of notes, with a copy of such notice delivered to the trustee and the principal paying agent. The redemption price will be equal to the greater of (1) 100% of the principal amount of the applicable series of notes to be redeemed or (2) the sum of the present values of the Remaining Scheduled Payments (as defined below) discounted, on an annual basis, on the basis of the "Actual/Actual (ICMA)" day count convention (see "—Payment of Interest and Principal—Interest on the Notes"), at the applicable Reinvestment Rate (as defined below), plus accrued and unpaid interest, if any, to, but excluding, the redemption date; provided that for any such redemption on or after three months prior to the relevant maturity date of the applicable series of notes, the redemption price for those notes will equal 100% of the principal amount of the applicable series of notes to be redeemed, plus accrued and unpaid interest, if any, to, but not including, the redemption date.

"Independent Investment Banker" means a bank appointed by Teva Finance which is a primary European government security dealer, and any of its successors, or a market maker in pricing corporate bond issues.

"Reference Bund" means, with respect to the 2023 notes, the 1.500% Federal Government Bond of Bundesrepublik Deutschland due 2023, with ISIN DE0001102309 and with respect to the 2027 notes, the 0.500% Federal Government Bond of Bundesrepublik Deutschland due 2025, with ISIN DE0001102374.

"Reference Dealers" means the Independent Investment Banker and each of the three other banks selected by Teva Finance which are primary European government security dealers, and their respective successors, or market makers in pricing corporate bond issues.

"Remaining Scheduled Payments" means, with respect to each note to be redeemed, the remaining scheduled payments of principal of and interest on such note that would be due after the related redemption date but for such redemption. If such redemption date is not an interest payment date with respect to such note, the amount of the next succeeding scheduled interest payment on such note will be reduced by the amount of interest accrued on such note to such redemption date.

"Reinvestment Rate" means, with respect to the 2023 notes, 0.20%, and with respect to the 2027 notes, 0.25%, plus, in each case, the average of the four quotations given by the Reference Dealers of the mid-market annual yield to maturity of the applicable Reference Bund at 11:00 a.m. (Central European time ("CET")) on the fourth Business Day preceding such Redemption Date and if the Reference Bund is no longer outstanding, a Similar Security will be chosen by the Independent Investment Banker at 11:00 a.m. (CET) on the third Business Day in London preceding such Redemption Date, quoted in writing by the Independent Investment Banker to Teva Finance.

"Similar Security" means a reference bond or reference bonds issued by the German Federal Government having an actual or interpolated maturity comparable with the remaining term of the relevant notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such notes.

On and after the redemption date, interest will cease to accrue on the applicable series of notes or any portion of such series as is called for redemption (unless we default in the payment of the redemption price and accrued interest). On the Business Day before the redemption date, we will deposit with the principal paying agent money sufficient to pay the redemption price of and accrued interest on the notes to be redeemed on such date. If less than all of the notes are to be redeemed, the notes to be redeemed shall be selected by the trustee on a pro rata basis, by lot or by such method as the trustee shall deem fair and appropriate and subject to the rules of the applicable depositary.

The terms of the notes do not prevent us from purchasing notes on the open market.

Certain Covenants

Limitations on Secured Debt. If Teva or any of its subsidiaries creates, incurs, assumes or suffers to exist any lien on any of its property (including a subsidiary's stock or debt) to secure other debt, Teva will secure the notes on the same basis for so long as such other debt is so secured, unless, after giving effect to such lien, the aggregate amount of the secured debt then outstanding (not including debt secured by liens permitted below) plus the value of all sale and leaseback transactions described in paragraph (3) of "—Limitations on Sales and Leasebacks" below would not exceed 10% of Teva's consolidated net worth. The restrictions do not apply to the following liens:

- liens existing as of the issue date of the notes;
- liens on property created prior to, at the time of or within 120 days after the date of acquisition, completion of construction or completion of improvement of such property to secure all or part of the cost of acquiring, constructing or improving all or any part of such property;
- landlord's, material men's, carriers', workmen's, repairmen's or other like liens arising in the ordinary course of business in respect of obligations which are not overdue or which are being contested in good faith in appropriate proceedings;
- liens existing on any property of a corporation or other entity at the time it became or becomes a subsidiary of Teva (provided that the lien has not been created or assumed in contemplation of that corporation or other entity becoming a subsidiary of Teva);
- liens securing debt owing by a subsidiary to Teva or to one or more of its subsidiaries;
- liens in favor of any governmental authority of any jurisdiction securing the obligation of Teva or any of its subsidiaries pursuant to any contract or payment owed to that entity pursuant to applicable laws, regulations or statutes; and
- any extension, renewal, substitution or replacement of the foregoing, provided that the principal amount is not increased and that such lien is not extended to other property.

Limitations on Sales and Leasebacks. Teva will not, and will not permit any subsidiary to, enter into any sale and leaseback transaction covering any property after the issue date of the notes unless:

1. the sale and leaseback transaction:
   A. involves a lease for a period, including renewals, of not more than five years;
   B. occurs within 270 days after the date of acquisition, completion of construction or completion of improvement of such property; or
   C. is with Teva or one of its subsidiaries; or
2. Teva or any subsidiary, within 270 days after the sale and leaseback transaction shall have occurred, applies or causes to be applied an amount equal to the value of the property so sold and leased back at the time of entering into such arrangement to the prepayment, repayment, redemption, reduction or retirement of any indebtedness of Teva or any subsidiary that is not subordinated to the notes and that has a stated maturity of more than twelve months; or
3. Teva or any subsidiary would be entitled pursuant to the exceptions under "—Limitations on Secured Debt" above to create, incur, issue or assume indebtedness secured by a lien in the property without equally and ratably securing the notes.

Certain Other Covenants

The indenture contains certain other covenants regarding, among other matters, corporate existence and reports to holders of notes.

Additional Tax Amounts

Neither Teva Finance, as the issuer, nor Teva, as the guarantor, will withhold or deduct from payments made with respect to the notes of either series on account of any present or future taxes, duties, assessments or governmental charges imposed by or on behalf of any Taxing Jurisdiction unless such withholding or deduction is required by law. The term "Taxing Jurisdiction" as used herein means the Netherlands, Israel or any jurisdiction where a successor to Teva Finance or Teva is incorporated or organized or considered to be a resident, if other than the Netherlands or Israel, respectively, or any jurisdiction through which payments will be made.

In the event that Teva Finance or Teva is required to withhold or deduct on account of any such taxes from any payment made under or with respect to the notes, Teva Finance or Teva, as the case may be, will:

- withhold or deduct such amounts;
- pay such additional tax amounts so that the net amount received by each holder of notes, including those additional tax amounts, will equal the amount that such holder would have received if such taxes had not been required to be withheld or deducted; and
- pay the full amount withheld or deducted to the relevant tax or other authority in accordance with applicable law,

except that no such additional amounts will be payable in respect of any note:

- to the extent that such Taxes are imposed or levied by reason of such holder (or the beneficial owner) having some present or former connection with the Taxing Jurisdiction other than the mere holding (or beneficial ownership) of such note or receiving principal or interest payments on the notes (including but not limited to citizenship, nationality, residence, domicile, or the existence of a business, permanent establishment, a dependant agent, a place of business or a place of management present or deemed present in the Taxing Jurisdiction);
- in respect of any Taxes that would not have been so withheld or deducted but for the failure by the holder or the beneficial owner of the notes to make a declaration of non-residence, or any other claim or filing for exemption to which it is entitled or otherwise comply with any reasonable certification, identification, information, documentation or other reporting requirement concerning nationality, residence, identity or connection with the Taxing Jurisdiction if (a) compliance is required by applicable law, regulation, administrative practice or treaty as a precondition to exemption from all or part of the Taxes, (b) the holder (or beneficial owner) is able to comply with these requirements without undue hardship and (c) we have given the holders (or beneficial owners) at least 30 calendar days' prior notice that they will be required to comply with such requirement;
- in respect of any Taxes imposed pursuant to European Council Directive 2003/48/EC (as amended from time to time) or any law implementing or complying with, or introduced in order to conform to, such Directive;
- to the extent that such Taxes are imposed by reason of any estate, inheritance, gift, sales, transfer or personal property taxes imposed with respect to the notes, except as otherwise provided in the indenture;
- to the extent that any such Taxes would not have been imposed but for the presentation of such notes, where presentation is required, for payment on a date more than 30 days after the date on which such payment became due and payable or the date on which payment thereof is duly provided for, whichever is later, except to the extent that the holder would have been entitled to additional tax amounts had the notes been presented for payment on any date during such 30-day period; or

- any combination of the above.

"Taxes" means, with respect to payments on the notes, all taxes, withholdings, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of any Taxing Jurisdiction or any political subdivision thereof or any authority or agency therein or thereof having power to tax.

Teva Finance, as the issuer, and Teva, as the guarantor, will pay any present or future stamp, court or documentary taxes or any other excise or property taxes, charges or similar levies that arise from the execution, delivery, enforcement or registration of the notes of either series or any other document or instrument in relation thereto.

Tax Redemption

The notes of either series may be redeemed as a whole, but not in part, at the option of Teva Finance, Teva, or any successor to Teva Finance or Teva, as the case may be, at any time prior to maturity, upon the giving of not less than 20 nor more than 60 days' notice of tax redemption to the trustee and to the holders of the applicable series, if as a result of:

- any change in or amendment to the laws, or any regulations or rulings promulgated under the laws of the Taxing Jurisdiction or any political subdivision or taxing authority of or in the Taxing Jurisdiction affecting taxation, or
- any change in official position regarding the application or interpretation of the laws, regulations or rulings referred to above,

which change or amendment becomes effective or, in the case of a change in official position, is announced on or after the issuance of such notes, Teva Finance, Teva or any successor to Teva Finance or Teva, as the case may be, will become obligated to pay additional tax amounts with respect to such notes, as described above under "—Additional Tax Amounts" and if such obligation cannot be avoided by Teva Finance, Teva, or any successor to Teva Finance or Teva, as the case may be, after taking measures it considers reasonable to avoid it. Such notice of tax redemption, once given to the trustee and the holders, will be irrevocable.

The redemption price will be equal to 100% of the principal amount of the applicable series of notes plus accrued and unpaid interest to the date fixed for redemption. The date and the applicable redemption price will be specified in the notice of tax redemption, which notice will be given not earlier than 90 days prior to the earliest date on which Teva Finance (or its successor) or, as the case may be, Teva (or its successor) would be obligated to pay such additional tax amounts if a payment in respect of such notes were actually due on such date. The notes can be so redeemed if, at the time such notice of redemption is given, such obligation to pay such additional tax amounts remains in effect.

Prior to giving the notice of a tax redemption, Teva Finance, Teva, or any successor to Teva Finance or Teva, as the case may be, will deliver to the trustee:

- a certificate signed by a duly authorized officer stating that Teva Finance, Teva, or any successor to Teva Finance or Teva, as the case may be, is entitled to effect the redemption and setting forth a statement of facts showing that the conditions precedent to the right of Teva Finance, Teva, or any successor to Teva Finance or Teva, as the case may be, to so redeem have occurred; and
- an opinion of legal counsel to that effect based on the statement of facts.

Events of Default

Each of the following constitutes an event of default under the indenture with respect to each series of notes:

(1) Teva Finance's failure to pay when due the principal and premium, if any, of any of such notes when it becomes due and payable at maturity, upon redemption or otherwise;

(2) Teva Finance's failure to pay interest (including additional amounts in respect of taxes, if any) on any of such notes when it becomes due and payable and such default continues for a period of 30 days;
(3) Teva's failure to perform its obligations under the guarantees relating to such notes;
(4) except as otherwise permitted by the indenture, the related guarantees by Teva shall be held in any final, non-appealable judicial proceeding to be unenforceable or invalid or shall cease for any reason to be in full force and effect or Teva, or any person acting on behalf of the Teva, shall deny or disaffirm its obligations under the guarantees;
(5) Teva's or Teva Finance's failure to perform or observe any other term, covenant or agreement contained in the indenture or such notes for a period of 60 days after written notice of such failure, requiring Teva or Teva Finance, respectively, to remedy the same, shall have been given to Teva or Teva Finance, respectively, by the trustee or to Teva or Teva Finance, respectively, and the trustee by the holders of at least 25% in aggregate principal amount of such notes then outstanding;
(6) Teva's or Teva Finance's default under any Indebtedness (as defined below) for money borrowed by it, the aggregate outstanding principal amount of which is in an amount in excess of $100 million, for a period of 30 days after written notice to Teva Finance by the trustee or to Teva Finance and the trustee by holders of at least 25% in aggregate principal amount of such notes then outstanding, which default:

- is caused by Teva or Teva Finance's, as the case may be, failure to pay when due principal or interest on such Indebtedness by the end of the applicable grace period, if any, unless such Indebtedness is discharged; or

- results in the acceleration of such Indebtedness, unless such acceleration is waived, cured, rescinded or annulled; and

(7) Teva or Teva Finance's, bankruptcy, insolvency or reorganization.

For purposes of (6) above, "Indebtedness" means, with respect to any person:

1. any liability for borrowed money, or evidenced by an instrument for the payment of money, or incurred in connection with the acquisition of any property, services or assets (including securities), or relating to a capitalized lease obligation, other than accounts payable or any other indebtedness to trade creditors created or assumed by such person in the ordinary course of business in connection with the obtaining of materials or services;
2. obligations under exchange rate contracts or interest rate protection agreements;
3. any obligations to reimburse Teva Finance of any letter of credit, surety bond, performance bond or other guarantee of contractual performance;
4. any liability of another person of the type referred to in clause (1), (2) or (3) which has been assumed or guaranteed by such person; and
5. any obligations described in clauses (1) through (3) secured by any mortgage, pledge, lien or other encumbrance existing on property which is owned or held by such person, regardless of whether the indebtedness or other obligation secured thereby shall have been assumed by such person.

The indenture provides that the trustee shall (other than in the case of (7) above, which shall result in the notes becoming immediately due and payable), within 90 days of the occurrence of a default, give to the registered holders of the notes notice of all uncured defaults known to it, but the trustee shall be protected in withholding such notice if it, in good faith, determines that the withholding of such notice is in the best interest of such registered holders, except in the case of a default in the payment of the principal of or interest on, any of the notes when due or in the payment of any redemption or repurchase obligation.

The indenture provides that:

- if an event of default occurs due to the default in payment of principal of, or any premium or interest on, the notes of a series, or due to the default in the performance or breach of any other covenant or warranty of Teva Finance and/or Teva, as the case may be, applicable to the notes of a series and is continuing, either the trustee or the holders of not less than 25% in aggregate principal amount of the outstanding notes of the affected series, voting as one class, by notice in writing to Teva Finance and Teva, may declare the principal of and accrued interest on the notes of such series to be due and payable immediately;

- if an event of default occurs due to specified events of bankruptcy, insolvency or reorganization of Teva Finance and/or Teva, as the case may be, the principal of the notes and interest accrued on the notes shall be due and payable immediately; and

- if an event of default due to a default in the performance of any other of the covenants or agreements in the indenture occurs and is continuing, either the trustee or the holders of not less than 25% in aggregate principal amount of each affected series of notes, voting as one class, by notice in writing to Teva Finance and Teva, may declare the principal of such series of notes and interest accrued on such series of notes to be due and payable immediately.

In some circumstances, if any and all events of default under the indenture, other than the non-payment of the principal of the notes that has become due as a result of an acceleration, have been cured, waived or otherwise remedied, then the holders of a majority in aggregate principal amount of the notes of the relevant series, voting as one class, may annul past declarations of acceleration or waive past defaults of such notes.

The indenture contains a provision entitling the trustee, subject to the duty of the trustee during default to act with the required standard of care, to be indemnified to its satisfaction by the holders of the relevant series of notes before proceeding to exercise any right or power under the indenture at the request of such holders. The indenture provides that the holders of a majority in aggregate principal amount of such notes then outstanding through their written consent, or the holders of a majority in aggregate principal amount of such notes then outstanding represented at a meeting at which a quorum is present by a written resolution, may direct the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power conferred upon the trustee.

The indenture provides that no individual holder of the notes may institute any action against Teva Finance or Teva under the indenture, except actions for payment of overdue principal and interest, unless the following actions have occurred:

- the holder must have previously given written notice to the trustee of the continuing default;

- the holders of not less than 25% in aggregate principal amount of the notes of the relevant series, treated as one class, must have:

  - requested the trustee to institute that action and

  - offered the trustee security or indemnity satisfactory to it;

- the trustee must have failed to institute that action within 60 days after receipt of the request referred to above; and

- the holders of a majority in principal amount of the notes of the relevant series, voting as one class, must not have given directions to the trustee inconsistent with those of the holders referred to above.

Each of Teva Finance and Teva is required to furnish annually to the trustee a statement as to the fulfillment of its obligations under the indenture.

Consolidation, Merger or Assumption

Teva Finance may, without the consent of the holders of the notes, consolidate with, merge into or transfer all or substantially all of its respective assets to any other corporation, limited liability company, partnership, joint venture, association, joint stock company or trust organized under the laws of the Netherlands, provided that:

- the successor entity assumes all of the obligations of Teva Finance under the indenture and the notes that such issuer has issued; and

- at the time of such transaction, no event of default, and no event which, after notice or lapse of time, would become an event of default, shall have happened and be continuing.

Under the terms of the indenture, Teva may, without the consent of the holders of notes, consolidate with, merge into or transfer all or substantially all of its assets to any other corporation, provided that:

- the successor corporation assumes all of the obligations of Teva under the indenture and the notes issued pursuant to it; and

- at the time of such transaction, no event of default, and no event which, after notice or lapse of time, would become an event of default, shall have happened and be continuing.

The indenture provides that so long as any notes issued under it are outstanding, all of Teva Finance's membership interests will be owned directly or indirectly by Teva or its successor.

Modifications and Amendments

Changes Requiring Approval of Each Affected Holder

The indenture provides that it cannot be modified or amended without the written consent or the affirmative vote of the holder of each note affected by such change to:

- change the maturity of the principal of or any installment of interest on the notes;

- reduce the principal amount of the notes or reduce the rate or extend the time of payment of interest on the notes;

- change the currency of payment of the principal amount or interest on the notes;

- impair the right to institute suit for the enforcement of any payment on or with respect to the notes;

- modify Teva's obligation to own, directly or indirectly, all of Teva Finance's outstanding capital stock;

- modify the redemption provisions of the indenture in a manner adverse to the holders of the notes;

- modify the applicable guarantee in a manner adverse to the holders of the notes;

- reduce the percentage in aggregate principal amount of outstanding notes necessary to modify or amend the indenture or to waive any past default; or

- reduce the percentage in aggregate principal amount of outstanding notes required for the adoption of a resolution.

Changes Requiring Majority Approval

Except as described above, the indenture may be modified or amended with the written consent of the holders of at least a majority in aggregate principal amount of the series of notes affected at the time outstanding.

Changes Requiring No Approval

The indenture or the notes may be modified or amended by Teva Finance, Teva and the trustee, without the consent of the holder of any note of a given series, for the purposes of, among other things:

- adding to Teva or Teva Finance's covenants for the benefit of the holders of the notes;
- surrendering any right or power conferred upon Teva or Teva Finance;
- providing for the assumption of Teva or Teva Finance's obligations to the holders of the notes in the case of a merger, consolidation, conveyance, transfer or lease;
- providing for the issuance of any additional notes as permitted by the indenture;
- curing any ambiguity, supplying any omission or correcting any defective provision contained in the indenture; provided that such modification or amendment does not, in the good faith opinion of Teva Finance's managing and supervisory directors, adversely affect the interests of the holders of notes in any material respect; and provided, further, that any amendment made solely to conform the provisions of the indenture to the description of the notes contained in this offering memorandum will not be deemed to adversely affect the interests of the holders of the notes;
- evidencing the acceptance of appointment by a successor trustee; or
- adding or modifying any other provisions which Teva Finance or Teva, respectively, and the trustee may deem necessary or desirable and which will not adversely affect the interests of the holders of notes.

Satisfaction and Discharge

Teva Finance and Teva may satisfy and discharge their obligations under the indenture while the notes remain outstanding if:

- all outstanding notes have become due and payable at their scheduled maturity; or
- all outstanding notes have been called for redemption,

and, in either case, Teva Finance has deposited with the trustee an amount sufficient to pay and discharge all outstanding notes on the date of their scheduled maturity or the scheduled date of redemption, as the case may be, and complied with certain other requirements under the indenture.

Governing Law

The indenture and the notes will be governed by and construed in accordance with the laws of the State of New York.

Information Concerning the Trustee and Paying Agent

The Bank of New York Mellon, as trustee under the indenture, has been appointed by us as paying agent, registrar and custodian, and The Bank of New York Mellon, London Branch, has been appointed by us as principal paying agent with regard to the notes. The trustee, the principal paying agent or their affiliates may from time to time in the future provide banking and other services to us in the ordinary course of their business.

The trustee and the principal paying agent shall be under no obligation to exercise any of the trusts or powers vested in them by the indenture at the request, order or direction of any of the holders of the notes pursuant to such indenture, unless such holders shall have offered to the trustee and the principal paying agent security or indemnity satisfactory to them against the costs, expenses and liabilities which might be incurred therein or thereby.

PROVISIONS RELATING TO THE NOTES WHILE REPRESENTED BY THE GLOBAL NOTES

General

The notes issued on the closing date will be issued in the form of global notes in fully registered form without coupons representing the aggregate principal amount of the outstanding notes of each series. Each global note will be deposited with and registered in the name of a common depositary for Euroclear and Clearstream or a nominee thereof.

Book-entry interests will be limited to persons that have accounts with Euroclear and/or Clearstream, or persons that hold interests through such participants. Euroclear and Clearstream will hold interests in the global notes or depositary interest therein on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositaries.

Except under the limited circumstances described below under "—Physical notes", owners of book-entry interests will not be entitled to receive physical delivery of the notes. Instead, book-entry interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants. As long as the notes are held in global form, the common depositary for Euroclear and/or Clearstream (or its nominee) will be considered the sole holder of global notes for all purposes under the indenture. As such, participants must rely on the procedures of Euroclear and Clearstream and indirect participants must rely on the procedures of the participants through which they own book-entry interests in order to exercise any rights of holders under the indenture. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge book-entry interests. In addition, while the notes are in global form, owners of interest in the global note will not have notes registered in their names and will not be considered the registered owners or "holders" thereof under the indenture for any purpose.

Teva Finance will not impose any fees or other charges in respect of the notes; however, holders of the book-entry interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and/or Clearstream.

Neither the trustee nor any of its agents will have any responsibility or be liable for any aspect of the records relating to the book-entry interests.

The information below concerning Euroclear and Clearstream has been derived from information obtained from Euroclear and Clearstream and other sources. None of Teva Finance, Teva or the managers (or any person acting on their behalf) makes any representation or warranty regarding the accuracy or completeness thereof.

Physical Notes

Under the terms of the indenture, owners of book-entry interests will receive notes in definitive form (the "physical notes") only in the following circumstances:

(1) Euroclear or Clearstream notifies Teva Finance in writing that it is unwilling or unable to continue to act as depositary for the notes, or Euroclear or Clearstream ceases to be a "clearing agency" registered under the Exchange Act and a successor depositary for the global note is not appointed by Teva Finance within 90 days of such notice or cessation; or

(2) an Event of Default has occurred and is continuing and the registrar has received a request from Euroclear or Clearstream on behalf of the members of, or participants in, Euroclear or Clearstream for the issuance of physical notes in exchange for the global note.

In such an event, Teva Finance will issue physical notes in fully registered form without coupons in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear and/or

Clearstream, as applicable (in accordance with their respectively customary procedures and based upon directions received from participants reflecting the beneficial ownership of book-entry interests), and such physical notes will bear a restrictive legend with respect to certain transfer restrictions, unless that legend is not required by the indenture or applicable law.

Payments on Global Notes

Payments of any amounts (including principal, premium interest and additional amounts) on the global notes will be made through the principal paying agent. Payments on the notes will be made in euros at the specified office or agency of the principal paying agent; provided that all such payments with respect to notes represented by one or more global notes deposited with and registered in the name of the common depositary for Euroclear and Clearstream or its nominee will be by wire transfer of immediately available funds to the account specified in writing by the holder or holders thereof to the common depositary. The principal paying agent will, in turn, make such payments to the common depositary for Euroclear and Clearstream. Such payments will then be distributed to participants of Euroclear and Clearstream in accordance with the relevant system's procedures.

In addition, at our option, if physical notes are issued, we may make payments by wire transfer to the account specified by the holder or holders thereof as notified to the principal paying agent in writing at least 15 days prior to such payment date.

Under the terms of the indenture, each of Teva Finance, Teva, the trustee and any agents of the foregoing (including the principal paying agent) will treat the registered holder of the global notes (*e.g.*, the common depositary or its nominee) as the absolute owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of Teva Finance, Teva, the trustee or any of their respective agents has or will have any responsibility or liability for:

(1) any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participants, or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest; or

(2) Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of book-entry interests held through participants are the responsibility of such participants, as is now the case with securities held for the accounts of customers registered in "street name."

Redemption of Global Note

In the event a global note, or any portion thereof, is redeemed, payment of all amounts in respect of the redemption will be made through the principal paying agent in the manner described above. Euroclear and/or Clearstream, as applicable, will distribute the amount received by them in respect of the global note so redeemed to the holders of the book-entry interests in such global note. Teva understands that under existing practices of Euroclear and Clearstream, if fewer than all of the notes of a given series are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or on such other basis as they deem fair and appropriate; provided, however, that no book-entry interest of less than €1,000 in principal amount may be redeemed in part.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised Teva that they will take any action permitted to be taken by a holder (including the presentation of notes for exchange as described above) only at the direction of one or more participants to whose account the book-entry interests in any global note are credited and only in respect of such portion to the aggregate principal amount of notes as to which such participant or participants has or have given

such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of such global note. However, if there is an Event of Default under the notes, each of Euroclear and Clearstream reserve the right to exchange the global notes for physical notes, and to distribute such physical notes to its participants.

Global Clearance and Settlement under the Book-Entry System

Initial Settlement

Book-entry interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional eurobonds in registered form. Book-entry interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

Secondary Market Trading

The book-entry interests will trade through participants of Euroclear or Clearstream and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any book-entry interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Information Concerning Euroclear and Clearstream

We understand the following with respect to Euroclear and Clearstream:

- Euroclear and Clearstream hold securities for their respective participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants;
- Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing;
- Euroclear and Clearstream interface with domestic securities markets;
- Euroclear and Clearstream participants are financial institutions such as managers, underwriters, securities brokers and dealers, banks, trust companies and certain other organizations; and
- Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Custody Risks

Investors that acquire, hold and transfer interests in the notes by book-entry through accounts with Euroclear and/or Clearstream or any other securities intermediary are subject to the laws and contractual provisions governing their relationship with their intermediary, as well as the laws and contractual provisions governing the relationship between such an intermediary and each other intermediary, if any, standing between themselves and the individual securities.

Procedures Subject to Change

Although Euroclear and Clearstream have agreed to these procedures in order to facilitate transfers of securities among Euroclear and Clearstream, they are under no obligation to perform or continue to perform these procedures and these procedures may be discontinued and may be changed at any time by either of them.

DESCRIPTION OF TEVA

Teva is a global pharmaceutical company, committed to increasing access to high-quality healthcare by developing, producing and marketing affordable generic medicines and a focused portfolio of specialty pharmaceutical products. As the world's leading generic medicines company with a strong specialty medicines portfolio, we are strategically positioned to benefit from ongoing changes in the global healthcare environment.

We operate our business in two segments:

- Generic medicines, which include chemical and therapeutic equivalents of originator medicines in a variety of dosage forms, including tablets, capsules, injectables, inhalants, liquids, ointments and creams. We are the leading generic drug company in the United States and Europe, and we have a significant or growing presence in our ROW markets. We are also one of the world's leading manufacturers of APIs.

- Specialty medicines, which include several franchises, most significantly our core therapeutic areas of CNS medicines such as Copaxone®, Azilect® and Nuvigil® and of respiratory medicines such as ProAir® HFA and QVAR®. Our specialty medicines segment includes other therapeutic areas, such as oncology, women's health and selected other areas.

In addition to these two segments, we have other activities, primarily PGT Healthcare, our OTC joint venture with P&G.

We seek to address unmet patient needs while capitalizing on evolving market, economic and legislative dynamics in global healthcare. These dynamics include the aging population, increased spending on pharmaceuticals in emerging markets, economic pressure on governments and private payors to provide accessible healthcare solutions, legislative and regulatory reforms, an increase in patient awareness and the growing importance of OTC medicines.

We believe that our dedicated leadership and employees, world-leading generics expertise and portfolio, focused specialty portfolio, global reach, integrated R&D capabilities and global infrastructure and scale position us to take advantage of opportunities created by these dynamics. Our global strengths include the following:

- As the world's leading generic medicines manufacturer, with a global portfolio of more than 1,000 molecules, we provide medicines that treat millions of patients every day, around the world.
    - Our generics business is ranked in leading positions in the United States and Europe. We also have a significant presence in Canada and Japan and a growing presence in Russia and certain Latin American countries.
    - Our broad portfolio of generic products covers almost every major therapeutic area.
    - Our extensive technological capabilities enable us to provide a very wide array of generic products, in a variety of dosage forms, including oral solid doses, injectables, inhalations and other delivery devices.
    - We are one of the world's leading manufacturers of APIs, with operations around the globe. We produce APIs not only for our own use but also for many other pharmaceutical companies.
- We are a recognized leader in innovative and specialty pharmaceuticals, from drug development and delivery to monitoring and support services.
    - In specialty pharmaceuticals, we have a leading presence in CNS and a significant presence in respiratory, which is supported by a strong pipeline of innovative products in these therapeutic areas.

- We have a strong commercial presence in certain other therapeutic areas, including women's health and oncology.

- We are leveraging our strength in integrated generic and specialty R&D, our scalable production network, market access and knowledge to create opportunities for further sustainable growth.

- We have a global OTC business, primarily through our joint venture with P&G, combining our production capabilities and market reach with P&G's marketing expertise and expansive global platform.

In 2014, 48% of our revenues were generated from generic medicines, including APIs sold to third parties, and 42% of our revenues were generated from specialty medicines.

In 2014, we generated 45% of our generic revenues in the United States, 32% in Europe (which for the purpose of this offering memorandum includes all EU member states, Norway, Switzerland, Albania and the countries of former Yugoslavia) and 23% in our ROW markets (primarily Japan, Canada and Russia).

Teva, an Israeli corporation organized and existing under the Israeli Companies Law and the Israeli Companies Ordinance, was incorporated on February 13, 1944, and is the successor to a number of Israeli corporations, the oldest of which was established in 1901. Teva's registration number at the Israeli registrar of companies is 52-001395-4. Our executive offices are located at 5 Basel Street, P.O. Box 3190, Petach Tikva 4951033, Israel, and our telephone number is +972-3-926-7267. Teva shares are currently traded on the Tel Aviv Stock Exchange and, in the form of American Depository Shares ("ADSs"), each of which represents one ordinary share, on the New York Stock Exchange (the "NYSE"). The ADSs are quoted on the NYSE under the symbol "TEVA." Our website is www.tevapharm.com.

Strategy

In 2014, we began a process of re-defining and re-focusing our business strategy to better leverage our strengths and differentiate ourselves in the pharmaceutical market. We seek to capitalize on our advantages—including the largest generic medicines business in the world, a focused specialty business, a unique OTC business and our integrated R&D and API capabilities—to provide patients with integrated, outcome-focused solutions. Underlying our strategy is our heightened focus on profitable and sustainable business.

The key elements of our strategy consist of the following:

- **Solidifying our foundation and driving organic growth**. We are solidifying the core foundations of our generics and specialty businesses to create additional value from our existing operations. In 2014, we implemented organizational and leadership changes, such as the creation of the Global Generics Medicines group, designed to achieve global integration and improve focus and effectiveness. We seek to drive organic growth in our generics business by emphasizing markets where we have or are pursuing leadership positions, and by shifting our generic pipeline and portfolio to include a larger proportion of complex products, with high barriers to entry.

- **Focusing on key growth markets**. While we currently operate in numerous markets throughout the world, in 2015 we intend to concentrate our efforts on a smaller number of large growth markets where we believe we can establish or expand leadership positions. We are exploring both organic and inorganic initiatives to achieve leadership in these markets.

- **Maintaining Copaxone® and other key specialty products**. We have enhanced our MS franchise through the introduction of our three-times-a-week Copaxone® 40 mg/mL product in the United States, and will launch Copaxone® 40 mg/mL in Europe and other countries in 2015. For many of our other specialty products, we are expanding into new markets, improving the products and taking further steps to protect the franchise while creating value for patients and payors.

- **Solidifying leadership positions in our core therapeutic areas**. We plan to focus on our core therapeutic areas of CNS (including MS, neurodegenerative diseases and pain) and respiratory (including asthma and chronic obstructive pulmonary disease), establishing leadership positions in such areas. In so doing, we will leverage our focused R&D efforts, new product submissions and strong execution of product launches. In addition, in women's health and oncology, where we have a significant commercial presence, we strive to maintain the existing franchises and may consider business development opportunities to maximize sustainable profitability.

- **Pursuing strategic business development initiatives**. We continue to pursue business development initiatives across all our activities. As part of these initiatives, we will continue to evaluate opportunities for joint ventures, collaborations and other commercially-oriented activities.

- **Executing on our cost reduction program**. We are focused on the continued execution of our sustainable efficiency program, which includes improvements in the operational efficiency of our production plants, in our global procurement activities, and others.

Our Segments

Generic Medicines

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

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

Sales of generic medicines have benefitted from increasing awareness and acceptance on the part of healthcare insurers and institutions, consumers, physicians and pharmacists globally. Factors contributing to this increased awareness are the passage of legislation permitting or encouraging generic substitution and the publication by regulatory authorities of lists of equivalent pharmaceuticals, which provide physicians and pharmacists with generic alternatives. In addition, various government agencies and many private managed care or insurance programs encourage the substitution of generics for brand-name pharmaceuticals as a cost-savings measure in the purchase of, or reimbursement for, prescription pharmaceuticals. Further, in countries as diverse as France, Japan and Brazil, governments have issued regulations designed to increase generic penetration. These conditions also result in intense competition in the generic market, with generic companies competing for advantage based on pricing, time to market, reputation, customer service and breadth of product line. We believe that these factors, together with an aging population, an increase in global spending on healthcare, economic pressure on governments to provide less expensive healthcare solutions, legislative and regulatory reforms and a shift of decision-making power to payors, will lead to continued expansion in the global generic market, as well as increased competition in this market.

In markets such as the United States, the United Kingdom, Canada, the Netherlands and Israel, generic medicines may be substituted by the pharmacist for their brand name equivalent or prescribed by International Nonproprietary Name ("INN"). In these so-called "pure generic" markets, physicians or patients have little control over the choice of generic manufacturer, and consequently generic medicines are not actively marketed or promoted to physicians. Instead, the relationship between the manufacturer and pharmacy chains and distributors,

health funds, and other health insurers is critical. In contrast, in Russia, Ukraine, Kazakhstan, some Asian and Latin American countries as well as certain European markets, generic medicines are sold under brand names alongside the originator brand. In many of these "branded generic" markets, pharmacists dispense the specific medicine prescribed by the physician, and substitution between originator brand, branded generic and/or generic manufacturers is often limited without the physician's consent. In some of these markets, branded generic products are actively promoted and a sales force is necessary. Other markets, such as Germany, Japan, France, Italy and Spain, are hybrid markets with elements of both approaches.

Through coordination between our global portfolio, business development and global R&D teams, we seek to achieve and maintain market leadership in all markets where we strategically choose to operate. In particular, we seek to establish a leadership position in high-barrier, complex products, while continuing to pursue patent challenge opportunities and early launches globally.

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

Our position in the generics market is supported by our integrated global R&D function, as well as our API R&D and manufacturing activities, which provide significant vertical integration for our own products. APIs used in pharmaceutical products are subject to regulatory oversight by national health authorities. We produce approximately 300 APIs for our own use and for sale to third parties in many therapeutic areas. We utilize a variety of production technologies, including chemical synthesis, semi-synthetic fermentation, enzymatic synthesis, high potency manufacturing, plant extract technology and peptides synthesis. Our advanced technology and expertise in the field of solid state particle technology enable us to meet specifications for particle size distribution, bulk density, specific surface area, polymorphism, as well as other characteristics.

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

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

United States

We are the leading generic drug company in the United States. We market approximately 375 generic products in more than 1,100 dosage strengths and packaging sizes, including oral, injectables and inhaled products. We believe that the breadth of our product portfolio provides us with a strategic advantage, particularly as consolidation continues among purchasers, including large drugstore chains, wholesaling organizations and buying groups. Our growth strategy focuses on a carefully selected portfolio of products that will provide added value to our customers, payors and patients, utilizing new and advanced technologies.

In the United States, we are subject to intense competition in the generic drug market from domestic and international generic drug manufacturers, brand-name pharmaceutical companies through lifecycle management initiatives, authorized generics, existing brand equivalents and manufacturers of therapeutically similar drugs. Price competition from additional generic versions of the same product typically results in margin pressures. We believe that our primary competitive advantages are our ability to continually introduce new and complex generic equivalents for brand-name drug products on a timely basis, our quality, our customer service and the breadth of our product portfolio. We believe we have a focused and competitive pricing strategy.

A substantial majority of our U.S. generic sales are made to retail drug chains and wholesalers, which continue to undergo significant consolidation and globalization. Our portfolio selection, breadth of products offerings and our global network capabilities, have provided mutual strategic advantages to our customers. We are committed to the success of our customers and work closely with them as important business partners.

In the United States, our wholesale and retail selling efforts are supported by advertising in professional journals and on leading pharmacy websites, as well as participating in key medical and pharmaceutical conferences. We continue to strengthen consumer awareness of the benefits of generics through partnerships and digital marketing programs.

Europe

Europe, which we define as the 28 countries in the European Union, Norway, Iceland, Switzerland, Albania and the countries of former Yugoslavia, is a diverse region with a population of over 500 million people.

We are the leading generic pharmaceutical company in Europe. We are among the top three companies in 20 markets, serving patients across Europe. No single market in Europe represents more than 25% of our total European generic revenues, and as a result we are not dependent on any single market that could be affected by pricing reforms or changes in public policy.

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

Our strategy for generics medicines in Europe is to maintain sustainable and profitable growth by differentiated investment levels in different countries. While building on our global knowledge and resources, we are able to understand and adapt to the local needs of our patients, customers and payors. In parallel, we are continuously enhancing the efficiency of our operations by selectively investing in markets, optimizing our existing portfolio and pricing, and rigorously controlling cost. We closely monitor the disciplined execution of our strategy to further increase the value realized by our European generic business while maintaining our market leadership position in key countries.

The European market continues to be ever more competitive, especially in terms of pricing, higher quality standards, customer service and portfolio relevance. Our leadership position provides us a solid base to be reliable partners to fulfill the needs of patients, physicians, pharmacies, customers and payors.

Key markets highlights:

Germany is the largest European pharmaceutical market. We are the second largest provider in the overall generic market, and our “ratiopharm” brand continues to be a leader in the retail generics segment. The German market has a hybrid nature, partially driven by prescriptions of physicians and partially by tenders with increasing price pressure. Teva is present and strong in both segments; however, we compete on tenders only if they can generate sustainable value to the business.

We believe that our balanced presence and strong track record with new launches are competitive advantages for us over most companies in Germany.

In the United Kingdom, we are the largest supplier by volume to the National Health Service, supplying one in every six prescriptions dispensed, focusing on independent retail pharmacies.

The United Kingdom is a 'pure' generic market with low barriers to entry and very high generic penetration. In general, retail pricing of generics to the pharmacy is unregulated (thus prices can increase or decrease), leading to very strong price competition. Pricing is heavily influenced by government regulations, such as 'Scheme M' that limit pharmacies' reimbursement profit.

Customers and wholesalers are highly vertically integrated, which further drives competition in terms of pricing. Pharmaceutical companies seek differentiation strategies to maximize value in a market where prices are already among the lowest in Europe, while quality and reliability of medicine has become the driver of competitive advantage.

In Italy, we continue to be a generic market leader, supplying about 20% of the country's generic medicines. The market is concentrated with the top five players holding approximately 86% of market share. Generic penetration is low compared to most other European countries and is currently growing at a slow pace, although the pharmacist has an increasing level of influence and ability to substitute.

We aim to benefit from any increases in the total value of the generic market in Italy as we seek to further strengthen our leadership position and our presence in pharmacies. The Teva brand is increasingly recognized among patients, pharmacists and physicians alike.

In France, we continue to see strong pricing pressures and increased generic penetration due to government measures. We are focused on a selective approach to generate sustainable and profitable business that is customer centered.

The market in Spain was characterized in 2014 by further government pricing and reimbursement reforms which increased generic utilization. Our strategy in Spain is to compete for sustainable and profitable business in this market.

In Switzerland we are the largest supplier in the generics market. We offer a comprehensive portfolio and own the leading brand in the generic retail segment. Generic penetration is comparably low in Switzerland, and the generic market is concentrated with the top two suppliers holding about 70% of the market share. Pricing measures of the government for originator products are increasing the pressure on prices also for generic pharmaceuticals. We aim to further strengthen our leadership in the generic market and in addition to achieve number two position in the overall retail pharmaceutical market, by leveraging our brand power, using quality and service as competitive advantage, being the preferred partner in the generic market and promoting generic substitution in pharmacies.

Rest of the World Markets

Our ROW markets include all countries other than the United States and those included under Europe. Our key ROW markets are Russia, Japan and Canada. The countries in this category range from highly regulated, pure generic markets such as Canada, to hybrid markets such as Japan and Brazil, to branded generics markets such as certain Commonwealth of Independent States and Latin American markets. Russia is characterized by rapid growth and relatively high sales of branded generics and OTC products. Some countries such as Canada and Israel have higher generic penetration rates and therefore lower growth rates.

Our ROW strategy is to be selective as to where we do business, focusing on the countries and segments where we can achieve a significant position. Over time and with the right opportunities, we intend to expand our presence in markets such as Russia, China, Brazil and India. We intend to further focus our entry to new markets such as Indonesia and significantly enhance our existing presence in other high growth markets such as Mexico, South Korea, Australia and Turkey. In other markets, we will optimize our existing assets and minimize or divest our generic operations.

Key markets highlights

In Russia, which is primarily a branded generic market, we market a diverse portfolio of products. We are currently one of the largest pharmaceutical companies in Russia, playing a role in the commercial, retail, hospital and state funded segments.

The Russian government seeks to encourage the use of generic products in order to reduce the cost of pharmaceuticals and increase patient access, which is influencing our portfolio strategy. The government is further seeking to encourage local pharmaceutical production by providing incentives, and we have recently established a manufacturing facility in Yaroslavl, Russia.

Our presence in Japan was established and strengthened through the acquisition of several generic companies. In April 2012, we integrated our generic operations into a single entity, Teva Seiyaku (Teva Pharma Japan, Inc.).

Japan is one of the largest pharmaceutical markets in the world. The generic pharmaceutical market constitutes approximately 40% of the total market in volume and about 10% of the total market value. The generic market is expected to continue growing due to government incentive programs targeted at both physicians and dispensing channels, and due to patent expirations of major drugs.

The Japanese pharmaceutical market is transforming from a branded generics market, driven by physicians' choice of brands, to a pharmacy substitution market with an increased proportion of generic prescriptions. In addition, pharmacy chains are slowly emerging, which we expect will result in increased generic penetration. We continue to establish strategic partnerships with key national and regional wholesalers and top hanshas in order to ensure distribution to all customer segments.

In Canada, we are one of the two leading generic pharmaceutical companies in terms of prescriptions and sales, offering a broad portfolio of medicines.

We market generic products to retail chains, retail buying groups and independent pharmacies, reaching approximately 8,800 outlets across Canada. We continue to see consolidation of independent retail pharmacies and increased expansion of retail chains and buying groups: the top five retail chains in Canada now represent approximately half the market (in terms of value). These larger corporate retailers work closely with selected suppliers, listing products as part of a chain-wide formulary. We continue to experience increased government regulation on pricing, selling and marketing. Customers look to generic suppliers to timely launch cost effective generic products, maintain high levels of product availability and provide increased levels of overall customer value and service.

In Canada, the competitive landscape continues to intensify with the increasing presence of multinational companies. The top five manufacturers satisfy approximately 80% of the Canadian demand for generic pharmaceuticals. In addition, the major branded pharmaceutical companies have intensified their efforts to compete with the generic players, and are now offering incentives to patients and customers to offset generic cost savings. In addition, several of our customers continue to intensify their efforts to provide private label products, which have the potential to compete with our products.

Specialty Medicines

Our specialty medicines business, which is focused on delivering innovative solutions to patients and providers via medicines, devices and services in key regions and markets around the world, includes our core therapeutic areas of CNS (with a strong emphasis on MS, neurodegenerative disorders, and pain care) and respiratory medicines (with a focus on asthma and chronic obstructive pulmonary disease). We also have specialty products in oncology, women's health and selected other areas. Our specialty business also includes our New Therapeutic Entity ("NTE") activity, which focuses on enhancing known molecules through new delivery methods, unique combinations or device innovations to address specific patient needs.

Our specialty medicines business faces intense competition from both specialty and generic pharmaceutical companies. We believe that our primary competitive advantage is our integrated global R&D function, the body of scientific evidence substantiating the safety and efficacy of our various medicines, our patient-centric solutions, physician and patient experience with our medicines, and our medical and marketing capabilities, which are tailored to our product offerings and to our market and stakeholders' needs.

Our specialty medicines organization focuses on our key therapeutic areas and selected local opportunities, with medical and sales and marketing professionals within each area who seek to address the needs of patients and healthcare professionals. We tailor our patient support, payor relations and medical affairs activities to the distinct characteristics of each therapeutic area and medicine.

In the United States, our specialty medicines revenues in 2014 amounted to $6.1 billion, comprising the most significant part of our specialty business. In 2014 specialty medicines revenues in Europe amounted to $1.9 billion and in ROW amounted to $552 million. Our specialty presence in ROW markets is mainly built on our CNS franchise, with gradual development in other therapeutic areas closely related to our branded generics portfolios in those countries. In Europe and in ROW markets, we leverage existing synergies with our generics and OTC businesses through integrated in-market structures.

We have built a specialized capability in the United States to help patients adhere to their treatments, improve patient outcomes, ensure timely delivery of medicines and assist in securing reimbursement. These programs, known as "Patient Services and Solutions," reflect the importance we place on supporting patients and are a critical part of our success in this market. We have begun expanding this capability to other regions and therapeutic areas. We believe that we can provide a range of services and solutions appropriately tailored to meet the needs of patients according to their specific condition and local market requirements. We believe this capability provides us with an important competitive advantage in the specialty medicines market.

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

Central Nervous System

Our CNS portfolio, one of our two core therapeutic areas, includes Copaxone® for the treatment of multiple sclerosis, Azilect® for the treatment of the symptoms of Parkinson's disease and Nuvigil® for the treatment of sleep disorders, as well as several novel therapies for the treatment of pain care.

Copaxone® (glatiramer acetate injection 20 mg/mL and 40 mg/mL), is the leading multiple sclerosis therapy in the United States and worldwide. Copaxone® is indicated for the reduction of the frequency of relapses in relapsing-remitting multiple sclerosis ("RRMS"), including in patients who have experienced a first clinical episode and have MRI features consistent with multiple sclerosis.

Multiple sclerosis is the most common cause of neurological disability in young adults and affects more than 2.5 million people worldwide. In the majority of patients, the disease is of the relapsing-remitting form, which is manifested by relapses and slow progression of the disease that can affect the functioning of multiple systems. Our MS portfolio consists of Copaxone® as well as laquinimod, a Phase 3 investigational compound currently under development.

Copaxone®, the first non-interferon immunomodulator approved for the treatment of RRMS, is believed to have a unique mechanism of action that works with the immune system, unlike many therapies that are believed to rely on general immune suppression or cell sequestration to exert their effect. Both preclinical and clinical research indicates that Copaxone® may reduce brain volume loss and increase the production of factors that enhance neuronal repair. Copaxone® provides a proven mix of efficacy, safety and tolerability.

Our U.S. Orange Book patents covering Copaxone® 20 mg/mL expired in May 2014 and, subject to further judicial review, in September 2015. As a result, a generic version of our 20 mg/mL product in the United

States could be sold in the United States if FDA approval is obtained. We have patents on Copaxone® 20 mg/ml expiring in May 2015 in most of the rest of the world. In 2013, we entered into an agreement with Takeda to market this product in Japan and Takeda has submitted an NDA pursuant to this agreement.

In January 2014, we launched Copaxone® 40 mg/mL, a higher dose of Copaxone® with a three times a week dosing regimen for patients with RRMS, in the United States following approval by the FDA. This formulation allows for a less frequent dosing regimen administered subcutaneously for patients with relapsing forms of MS. In December 2014, we received European Medicines Agency ("EMA") approval in a decentralized procedure for Copaxone® 40 mg/mL in Europe and we received a positive outcome in the decentralized procedure for Copaxone® 40 mg/mL following a Positive Assessment Report from the United Kingdom's Medicines and Healthcare Products Regulatory Agency (MHRA), the Reference Member State (RMS), and all Concerned Member States (CMS) in Europe who were involved in the procedure. We expect to begin launching Copaxone® 40 mg/mL in certain European countries during 2015.

We also filed and are in discussions with marketing authorities in Russia, Australia and other markets globally, with approvals expected over the next several months.

Since the launch of Copaxone® 40 mg/mL three times a week in the United States, over 60% of the total Copaxone® prescriptions are now filled with the 40 mg/mL version. This was driven by patient and physician choice of the 40 mg/mL version supported by payor access and patient support activities.

Our strategy for Copaxone® includes:

- Patients' ongoing switch from current daily Copaxone® 20 mg/mL to the new Copaxone® 40 mg/mL version;
- Our specialized "Patient Services and Solutions" program in the United States, which helps patients comply with their treatments, ensures timely delivery of medicines and assists them in securing reimbursement;
- The GLatiramer Acetate low frequenCy safety and patIent ExpeRience (GLACIER) study, which assessed the safety, tolerability and patient experience of Copaxone® 40 mg/mL compared to Copaxone® 20 mg/mL. This study showed that Copaxone® 40 mg/mL achieved a 50% reduction in injection related adverse events as compared to Copaxone® 20 mg/mL, highlighting the patient benefit of taking Copaxone® 40 mg/mL three times a week relative to 20 mg/mL injected daily;
- In addition to the Orange Book patents, we asserted U.S. Patent No. 5,800,808, which is set to expire on September 1, 2015, against Momenta/Sandoz, Mylan/Natco, and Synthon. In March 2014, the U.S. Supreme Court granted our petition for certiorari, and oral argument took place on October 15, 2014. On September 18, 2014, we dismissed the complaint against Synthon without prejudice with respect to the '808 patent. On January 20, 2015, the Supreme Court issued an opinion vacating the Federal Circuit Court's judgment of invalidity of the '808 patent and remanding the case to the Federal Circuit for further review. On January 22, 2015, we filed new complaints against Dr. Reddy's and Synthon with respect to their ANDAs for glatiramer acetate, 20 mg, alleging infringement of the '808 patent. On January 23, 2015, we filed a request that the lower court restore the original injunction against Momenta/Sandoz and Mylan/Natco that should expire on September 1, 2015.
- In 2013, we filed an application for reissue of the '808 patent with the United States Patent and Trademark Office, adding a new claim. The Patent Office has issued a final rejection of the two claims, which we have appealed to the Patent Trial and Appeal Board of the Patent Office.
- Given the inability of state-of-the-art analytical techniques to fully characterize the active ingredients of Copaxone®, as well as published results showing significant differences in gene expression between Copaxone® and a purported generic version, the regulatory pathway for their approval is

uncertain. We believe that any purported generic version should be studied in pre-clinical testing and full-scale, placebo-controlled clinical trials with measured clinical endpoints (such as relapse rate) in RRMS patients to establish safety, efficacy and immunogenicity. Furthermore, because of the chemical complexity of Copaxone®, we believe that it can only be safely manufactured using a series of proprietary methods that have been perfected by Teva for more than 20 years.

- We have filed a series of citizen's petitions in the United States requesting that the FDA refuse to approve any ANDA for a purported generic version of Copaxone® without sufficient scientific data. Our most recent citizen's petition, filed in July 2014, included the results of a new gene expression analysis demonstrating significant differences between the biological impact of Copaxone® and purported generic versions of Copaxone®, which may have unknown safety and efficacy ramifications for patients.

Copaxone® was responsible for $4.2 billion (including $3.1 billion in the U.S.), or 21% of our revenues in 2014, and contributed a significantly higher percentage to our profits and cash flow from operations during such period.

The market for MS treatments continues to change significantly as a result of new and emerging therapies. In particular, the increasing number of oral treatments, such as Tecfidera® by Biogen, Gilenya® by Novartis, and Aubagio® by Genzyme, continue to present significant and increasing competition. Copaxone® also faces competition from existing injectable products, such as the four beta-interferons Avonex®, Betaseron®, Extavia® and Rebif®, as well as from the two monoclonal antibodies Tysabri® and Lemtrada®.

Azilect® (rasagiline tablets) is indicated as initial monotherapy and as an adjunct to levodopa for the treatment of the signs and symptoms of Parkinson's disease, the second most common neurodegenerative disorder.

Azilect® is a second-generation, irreversible monoamine oxidase type B (MAO-B) inhibitor. Although other symptom-reducing therapies are available, many of them have efficacy, safety and tolerability concerns.

Azilect® was launched in Israel in March 2005, followed by a rolling launch in various European markets, and became available in the United States in 2006. We market Azilect® jointly with Lundbeck in certain key European countries. We exclusively market Azilect® in the United States, Germany and certain other markets, while Lundbeck exclusively markets Azilect® in the remaining European countries and certain other international markets. By the end of 2015, the initial period of our agreement with Lundbeck ends for all European markets and all marketing rights will revert to us. In 2014, we signed an agreement with Takeda to market this product in Japan.

Azilect® is protected in the United States by several patents that will expire between 2016 and 2027. We hold European patents covering Azilect® which are protected by Supplementary Protection Certificates in a number of European countries until 2019. Azilect® has data exclusivity protection in EU countries until 2015. Azilect® has been subject to various patent challenges mainly in the United States in which certain generic competitors are permitted under a settlement agreement to launch their generic versions just prior to expiry of the patent expiring in February 2017.

Azilect®'s competitors include both specialty and generic versions of the newer non-ergot dopamine agonists class, including Mirapex® /Sifrol® (pramipexole), Requip® (ropinirole) and Neupro® (rotigotine), which are indicated for all stages of Parkinson's disease, as well as Comtan®, a COMT inhibitor, indicated only for adjunct therapy in moderate to advanced stages of the disease.

Nuvigil® (armodafinil), the R-isomer of modafinil, is indicated for the treatment of excessive sleepiness associated with narcolepsy and certain other disorders.

Several products, including methylphenidate products, compete with Nuvigil®.

In early 2012, we reached an agreement with Mylan Pharmaceuticals, providing Mylan the ability to sell its generic version of Nuvigil® in the United States beginning in June 2016, or earlier under certain circumstances. Nuvigil® is protected by several patents, with a pediatric extension. We have entered into other agreements to permit the other generic filers to enter the market under license 180 days after Mylan's entry.

Fentora®/Effentora® (fentanyl buccal tablet) is indicated for the treatment of breakthrough pain in opioid-tolerant adult patients with cancer. Fentora®/Effentora® is protected by patents expiring between 2019 and 2028.

Provigil® (modafinil) is indicated for the treatment of excessive sleepiness associated with narcolepsy, obstructive sleep apnea and shift work disorder in the United States. Provigil® began to face generic competition in the United States in March 2012 and, as a result, sales decreased substantially.

Zecuity® is a prescription transdermal system approved by the FDA for the acute treatment of migraine with or without aura in adults. Zecuity® is a disposable, single-use, iontophoretic transdermal system that actively delivers sumatriptan, the most widely prescribed migraine medication, through the skin. We plan to launch Zecuity® in the United States in 2015.

Our CNS portfolio also includes: Actiq® (fentanyl oral transmucosal lozenge) for the treatment of breakthrough pain in opioid-tolerant adult patients with cancer; and Amrix® (cyclobenzaprine hydrochloride extended-release capsules) in the United States, for relief of muscle spasm in acute, painful, musculoskeletal conditions.

Respiratory

We are committed to maintaining a leading presence in the respiratory market, a core therapeutic area, by delivering a range of medicines for the treatment of asthma and chronic obstructive pulmonary disease ("COPD"). Our portfolio is centered on optimizing respiratory therapies for patients through novel delivery systems and therapies that address unmet needs.

In recent years, we have continued to build upon our experience in the development, manufacture and marketing of inhaled respiratory drugs delivered by metered-dose and dry powder inhalers, primarily for bronchial asthma and COPD. In addition, we have invested in high quality manufacturing capability for press and breathe metered-dose inhalers, multi dose powder inhalers, nasal sprays and nebulized therapy.

In 2013, we acquired MicroDose Therapeutx and its proprietary inhalation technology "tidal inhaler." This technology allows people suffering from asthma and COPD to inhale their medication by breathing normally into the tidal inhaler device. We are developing a range of inhaled medicines for use in the tidal inhaler.

Below is a description of our main respiratory medicines:

ProAir® hydrofluoroalkane ("HFA") inhalation aerosol with dose counter (albuterol sulfate) is indicated in patients four years of age and older for the treatment or prevention of bronchospasm with reversible obstructive airway disease and for the prevention of exercise-induced bronchospasm. In March 2012, the FDA approved the addition of a dose counter, an innovation designed to help patients, as well as their caregivers, keep track of the number of doses remaining in the inhaler. The efficacy and safety profile of albuterol, which is used by millions of patients every day around the world, is well established, while HFA is an environmentally friendly propellant. ProAir® HFA, which is marketed only in the United States and is the leading quick relief inhaler. It is protected by various patents expiring between 2017 and 2028. In June 2014, we settled a patent challenge to ProAir® HFA with Perrigo Pharmaceuticals permitting Perrigo to launch its generic product in limited quantities beginning on December 19, 2016 and after June 2018, after which the quantity limitations cease.

Three major brands compete with ProAir® HFA in the United States in the short-acting beta agonist market: Ventolin® HFA (albuterol) by GlaxoSmithKline, Proventil® HFA (albuterol) by Merck and Xopenex® HFA (levalbuterol) by Sunovion.

QVAR® (beclomethasone dipropionate HFA) is indicated as a maintenance treatment for asthma as a prophylactic therapy in patients five years of age or older. QVAR® is also indicated for asthma patients who require systemic corticosteroid administration, where adding QVAR® may reduce or eliminate the need for systemic corticosteroids. QVAR® is the fastest growing inhaled corticosteroid in the United States. We market QVAR®, which is manufactured by 3M, in the United States and in major European markets. QVAR® is protected by various Orange Book listed patents in the United States expiring in 2015 and 2017.

Four major brands compete with QVAR® in the mono inhaled corticosteroid segment: Flixotide/Flovent® (fluticasone) by GlaxoSmithKline, Pulmicort Flexhaler® (budesonide) by AstraZeneca, Asmanex® (mometasone) by Merck and Alvesco® (ciclesonide) by Sunovion.

Duoresp Spiromax® (budesonide/formoterol) is a combination of an inhaled corticosteroid and a long acting ß-agonist bronchodilator, and was approved for treatment of asthma and COPD in adults in the EU by the EMA in a centralized procedure. In the second half of 2014, we launched Duoresp Spiromax® in several EU countries, including Germany, the U.K. and Spain.

The main competitors for Duoresp Spiromax® are Symbicort® Turbuhaler® (Budesonide/Formoterol) by AstraZeneca, Seretide® (fluticasone propionate/salmeterol) by GlaxoSmithKline and Foster® (beclomathasone/formoterol) by Chiesi.

Our respiratory portfolio also includes Qnasl® Nasal Aerosol (beclomethasone dipropionate HFA in a nasal actuator), for the treatment of seasonal and year-round nasal allergy symptoms in the United States, which was also approved by the FDA for a pediatric indication in December 2014.

Oncology

Our oncology portfolio includes Treanda®, Trisenox®, Granix® Synribo® in the United States and Lonquex®, Tevagrastim®/Ratiograstim®, Myocet®, Trisenox® and Eporatio® outside the United States.

Treanda® (bendamustine hydrochloride for injection) is approved in the United States for the treatment of patients with chronic lymphocytic leukemia ("CLL") and patients with indolent B-cell non-Hodgkin's lymphoma ("NHL") that has progressed during or within six months of treatment with rituximab or a rituximab-containing regimen. In 2014, we launched a new, easier to use, liquid formulation of Treanda®. While we currently market the product only in the United States, we also hold rights to Treanda® in certain other countries.

Treanda®'s competitors include combination therapies such as R-CHOP (a combination of cyclophosphamide, vincristine, doxorubicin and prednisone in combination with rituximab) and CVP-R (a combination of cyclophosphamide, vincristine and prednisolone in combination with rituximab) for the treatment of NHL, as well as a combination of fludarabine, doxorubicin and rituximab for the treatment of CLL.

In November 2013, the FDA granted orphan drug exclusivity for Treanda®, for the NHL indication through October 2015. With the previously granted six months of pediatric exclusivity, regulatory exclusivity for this indication is now extended through April 2016. Treanda® also has orphan drug exclusivity for the CLL indication through March 2015, extended to September 20, 2015 based on the previously granted pediatric exclusivity. We have Orange Book patents for Treanda® expiring between 2026 and 2031.

To date, one company has filed a 505(b)(2) NDA for a liquid version of bendamustine, and 17 others have filed ANDAs for a generic version of the lyophilized form of Treanda®. All of these filings included patent challenges, which we are contesting. The 30-month stays against the ANDA filers will expire beginning in May 2016 and continuing into 2017, unless there are court decisions adverse to Teva before that date.

Filgrastim (branded as Tevagrastim® (in the EU) and Granix ® (in the U.S.)) and Lonquex® (lipegfilgrastim) are Granulocyte Colony Stimulating Factor ("G-CSF") medicines that stimulate the production of white blood cells and are primarily used to reduce the risk of infections in oncology patients receiving chemotherapy.

Tevagrastim® (short-acting G-CSF) was the first biosimilar G-CSF to be approved by the EU in September 2008. Based on clinical trials, Tevagrastim® has been approved in the EU for multiple indications and is available in most European countries. Tevagrastim® is also marketed as Ratiograstim® and Biograstim® in the EU.

Granix® (short-acting G-CSF) was the first new G-CSF to be approved in the United States in more than ten years and was approved via a Biologics License Application by the FDA in 2012 and launched in November 2013. Granix® is not considered a biosimilar in the United States. The product is also approved and available in Japan and certain other ROW markets. In December 2014, the FDA also approved Granix® injection for self-administration by patients and caregivers.

Lonquex® (long-acting G-CSF) is a G-CSF with the active ingredient lipegfilgrastim, a novel glycoPEGylated (PEG; polyethylene glycol) filgrastim molecule. This is the first long-acting G-CSF to be approved in Europe in more than ten years and offers a new alternative in G-CSF therapy. Lonquex® was launched in November 2013 in Germany and has since been launched in 22 additional European countries. It was approved in Russia in July 2014 and is in registration in other countries around the world. Lonquex® is protected by patents expiring in 2024 in Europe, with the potential for patent term extensions.

Competitors to Teva's filgrastim include Neupogen®, and in Europe, also Zarzio® and Nivestim®, which are also G-CSF products.

Women's Health

Our women's health portfolio includes ParaGard®, Plan B One-Step® OTC/Rx (levonorgestrel), and Zoely® along with a number of other local products that are marketed in the United States, Europe and ROW.

Plan B One-Step® OTC/Rx (levonorgestrel) is an emergency oral contraceptive which consists of a single tablet dose of levonorgestrel for emergency contraception. Plan B One-Step® is intended to prevent pregnancy when taken within 72 hours after unprotected intercourse or contraceptive failure. Plan B One-Step® has several generic competitors on the market. However, in June 2013, it became the first FDA-approved emergency contraceptive to be available without age or point of sales restrictions. Teva is the only company that has conducted actual use and label comprehension studies required by the FDA, demonstrating that adolescents can understand how to use Plan B One-Step® just as well as adults.

ParaGard® T380 A (intrauterine copper contraceptive) is a non-hormonal intrauterine contraceptive marketed in the United States. ParaGard® provides women with a highly effective, long-term, reversible, non-hormonal contraceptive option. It is the only intrauterine contraceptive approved for up to ten years of continuous use and is more than 99% effective at preventing pregnancy. ParaGard® faces competition from other oral contraceptives, as well as intrauterine devices like Mirena®, Jaydess® in Europe and Skyla® in the United States by Bayer and patches and vaginal hormonal contraceptive rings like NuvaRing® by Merck.

Other Activities

Our other activities are comprised of our OTC business and other sources of revenues, which are not included in our generics and specialty segments described above.

Consumer Healthcare Joint Venture

PGT is our consumer healthcare joint venture with P&G. The joint venture includes our OTC medicines and vitamins, minerals and food supplements ("VMS"). PGT manufactures and markets more than 200 consumer healthcare brands in more than 70 countries around the world. Its portfolio includes leading cough and cold brand Vicks®, Germany's leading OTC brand ratiopharm, and other leading brands.

We own 49% and P&G owns 51% of the joint venture, which incorporates the two companies' OTC businesses outside of North America and benefits from both companies' core strengths and capabilities. The joint venture combines the consumer brand building capabilities of P&G, along with the pharmaceutical supply, regulatory and development capabilities of Teva. This facilitates expansion into new countries and categories, which enables PGT to quickly reach a significant number of consumers. PGT's strategy builds on improving and finding innovative ways to expand on its existing business.

PGT is focused on expanding in the following categories:

- Building on the Vicks® franchise and other leading multi-country respiratory brands where we have a strong presence, to increase our presence in the areas of cough, cold and nasal decongestion.
- Leveraging our generic capabilities under brands like ratiopharm, which offers quality, affordable OTC healthcare in Germany, to broaden our portfolio and expand to new markets.
- Expanding our VMS products globally, in collaboration with Swisse Wellness, Australia's market-leading wellness brand.
- Expanding PGT's digestive product brands, such as Metamucil®, to markets outside the United States, such as Australia, Latin America and Europe.

Others

We have other sources of revenues, primarily sales of third-party products for which we act as distributor, mostly in Israel and Hungary, as well as sales of medical devices and other miscellaneous items.

Research and Development

Our research and development activities span the breadth of our business, including generic medicines (finished goods and API), specialty pharmaceuticals, NTEs and OTC medicines. All research and development activities, except for API, are integrated into a single unit, Teva Global R&D.

Generics and Technologies

A major area of focus is the development of new generic medicines. We develop generic products in all therapeutic areas. Our emphasis is on developing high-value products, such as those with complex technologies and formulations which thus have higher barriers to entry. Generic R&D activities, which are carried out in development centers located in the United States, Israel, Europe, Latin America, Mexico, Japan and India, include product formulation, analytical method development, stability testing, management of bioequivalence and other clinical studies, and registration of generic drugs in all of the markets where we operate. We have more than one thousand generic products in our pipeline.

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

In recent years, we have built additional R&D capabilities beyond tablets, capsules, liquids, ointments and creams to other dosage forms and delivery systems, such as matrix systems, special coating systems for sustained release products, orally disintegrating systems, sterile systems such as vials, syringes and blow-fill-seal

systems and more recently, capability build-up in long-acting release injectables, transdermal patches, oral thin film, drug device combinations and nasal delivery systems. We have also started the development of multiple AB-rated respiratory programs.

Our API R&D division operates independently from Teva Global R&D, and focuses on the development of processes for the manufacturing of API, including intermediates, chemicals and biologicals (fermentation), for both our generic drugs and our proprietary drugs. Our facilities include a large center in Israel focusing on synthetic products and peptides, a large center in Hungary specializing in fermentation and semi-synthetic products, a facility in India and additional sites in Italy, Croatia, Mexico and the Czech Republic for development of high-potency APIs. Our substantial investment in API R&D generates a steady flow of API products, enabling the timely introduction of generic products to market. The API R&D division also seeks methods to continuously reduce API production costs, enabling us to improve our cost structure.

New Therapeutic Entities

A strategic area of focus of Teva Global R&D is the development of new therapeutic entities with a focus on our key therapeutic areas. NTEs are known molecules that are formulated, delivered or used in a novel way to address unmet patient needs. Examples of NTEs include fixed-dose-combinations that improve adherence and therefore efficacy, drugs with prolonged half-lives to reduce frequency of administration, drugs with modified pharmacokinetic profiles to reduce side effects, drugs that are administered orally instead of by injection, drugs that are delivered in ways that address the needs of special patient populations (for example, children and the elderly), and drugs that are approved for new indications.

Because NTEs involve proven targets with known efficacy and safety profiles, we expect their development to involve reduced risks and costs, and shorter timelines compared to novel drugs. On the other hand, there are multiple avenues to exclusivity for NTEs, leveraging both regulatory and patent exclusivity to protect novel formulations, combinations and indications. At the end of 2014, 15 NTE products are part of the Teva pipeline. These products incorporate various technological abilities and formulation specialties such as tamper-deterrence, delayed release and rapid release, which form the basis for future development of NTEs. The programs are in various stages of development, including formulation development, preclinical and clinical.

Specialty

Another major area of focus for Teva Global R&D is the development of novel specialty products in our key therapeutic areas of CNS and respiratory, with select projects in additional areas. These specialty R&D activities include the discovery of new compounds, preclinical studies (including toxicology, pharmacokinetics, pharmacodynamics and pharmacology studies), process development, clinical pharmacology and the design, execution and analysis of clinical trials, as well as the regulatory work to develop and register the products from our pipeline. We conduct these activities for both small molecules and biologics.

During 2014, we conducted a strategic review of our core therapeutic areas. We defined the core therapeutic areas on which we will focus as CNS (including multiple sclerosis, neurodegenerative diseases and pain care) and respiratory (including asthma and chronic obstructive pulmonary disease). In other therapeutic areas, such as women's health and oncology, where we have a significant commercial presence, we will focus on market-ready or close-to-market assets to maximize sustainable profitability. In addition, we will continue to evaluate opportunities for commercially-oriented activities and collaborations. In parallel, we continue to extend our existing pipeline to additional ROW markets. We intend to continue to supplement our specialty pipeline, by in-licensing or acquiring products including small molecules and biologics, to create a robust and sustainable pipeline.

CNS and Pain

Our clinical pipeline of CNS and pain projects is described below:

CNS and Pain Projects	Potential Indication	Route of Administration	Development Phase (month and year entering Phase 3)
CEP-33237 ER Hydrocodone (potential abuse deterrent properties)	Chronic Pain	Oral	Submitted U.S. (October 2014)
Laquinimod	Multiple Sclerosis (Relapsing Remitting and Progressive Forms)	Oral	3 (RRMS, February 2013) 2 (PFMS)
	Huntington's Disease	Oral	2
Pridopidine	Huntington's Disease	Oral	2
TV-45070 Topical	Osteoarthritis & Neuropathic pain	Topical	2
TEV-48125 (CGRP MAb)	Chronic and episodic migraine	Subcutaneous	2
TV-46763 (abuse deterrent)	Pain	Oral	1
TV-46139 (abuse deterrent)	Pain	Oral	1

CEP-33237 ER Hydrocodone is our formulation of hydrocodone, an opioid analgesic, utilizing our OraGuard® technology, with potential abuse-deterrent properties that has been evaluated for resistance to physical manipulations, chemical extractions and multi-step chemical extractions methods. A Phase 3 study was completed in August 2011, but did not demonstrate a statistically significant difference between the hydrocodone and placebo treatment groups. A newly designed Phase 3 study was initiated in March 2013 and positive results were received in April 2014 which demonstrated a significant improvement in the treatment of patients' chronic low back pain as measured by both weekly average Worst Pain Intensity (primary endpoint) and weekly Average Pain Intensity scores.

We initiated a rolling submission of the U.S. NDA in October 2014. Full submission was completed in December 2014.

Laquinimod is a once-daily, orally administered immunomodulatory compound being developed for treatment of relapsing-remitting and progressive forms of multiple sclerosis. We acquired the exclusive rights to develop, register, manufacture and commercialize laquinimod worldwide from Active Biotech, in return for an upfront payment and possible future milestone payments and royalties.

In 2011, we conducted two Phase 3 studies, in both of which the observed safety and tolerability profile of laquinimod was considered favorable. A third Phase 3 study of laquinimod, CONCERTO, was initiated in February 2013, with the primary endpoint of impact on disability progression. Further clinical studies of laquinimod as add-on therapy in patients with relapsing-remitting multiple sclerosis and as monotherapy in patients with progressive forms of MS are in progress.

In 2012, we submitted a Marketing Authorization Application to the EMA and a New Drug Submission to Health Canada. In January 2014, EMA announced that the risk-benefit profile of laquinimod is not favorable. This decision was re-examined and confirmed by EMA in May 2014. The ongoing Phase 3 CONCERTO trial, testing 0.6 and 1.2 mg laquinimod versus placebo using confirmed disability progression as the primary endpoint, is intended to further address the risk-benefit profile of laquinimod. In addition, studies are ongoing to address nonclinical findings noted by the Committee for Medicinal Products for Human Use ("CHMP") and elucidation of the molecular mechanism of action.

Laquinimod is also being evaluated in an ongoing Phase 2 clinical trial for Huntington's disease.

Laquinimod is protected by patents expiring in 2019 worldwide, with potential for extensions in various markets.

Pridopidine is an oral small molecule dopamine stabilizer being developed for the symptomatic treatment of motor disorders (including Huntington's disease), which we licensed from Neurosearch A/S in 2012. Phase 2 clinical development was initiated in February 2014.

Pridopidine is protected by patents worldwide that expire in 2020.

TV-45070 Topical is a small molecule intended to treat pain locally at its source through blocking of Nav1.7 and Nav1.8 sodium channels, which are found in sensory nerve endings that can increase in chronic painful conditions. TV-45070 was licensed from Xenon Pharmaceuticals Inc. in December 2012. TV-45070 has been studied in human subjects in both oral and topical forms in neuropathic and inflammatory diseases. In an early study, oral TV-45070 was shown to be effective at relieving the pain associated with the rare neuropathic pain condition, erythromelalgia. In a Phase 2 trial to evaluate effectiveness in alleviating the pain of post-herpetic neuralgia, topical TV-45070 led to significantly more meaningful reductions in pain than placebo.

TV-45070 is currently in Phase 2 development for pain-related indications including osteoarthritis and neuropathic pain. The first Phase 2 study of the topical product for osteoarthritis was initiated in March 2014.

TV-45070 is protected by patents in Europe that expire in 2026 and in the United States that expire in 2028.

TEV-48125 (CGRP MAb) is a fully humanized monoclonal antibody that binds to calcitonin gene-related peptide (CGRP). The product was obtained through the acquisition of Labrys Biologics, Inc. in June 2014. TEV-48125 (CGRP MAb) is being developed for the prevention of chronic and high frequency episodic migraine and is currently in Phase 2 clinical development.

TEV-48125 (CGRP MAb) is protected by patents expiring in 2026 in Europe and in 2027 in the United States.

TV-46763 and TV-46139 are two pain products with potential abuse-deterrent properties, developed using our OraGuard® technology. The Phase 1 clinical program for TV-46763 was initiated in April 2014 and will be initiated for TV-46139 in early 2015.

Respiratory

The primary area of focus of our respiratory R&D is the development of products that are based on our proprietary delivery systems, which include:

- An advanced breath-actuated inhaler ("BAI");
- Spiromax® EU / mDPI US, a novel inhalation-driven multi-dose powder inhaler ("mDPI");
- Tidal Inhaler (formerly Teva MicroDose), a unique nebulization device; and
- Steri-Neb®, our advanced sterile formulations for nebulizers.

This strategy is intended to result in "device consistency," allowing physicians to choose which device best matches a patient's needs both in terms of ease of use and effectiveness of delivery of the prescribed molecule.

The Easi-Breathe BAI device is protected by patents and applications expiring between June 2021 and June 2030. Our Spiromax® EU / mDPI US device is protected by patents and applications expiring between June 2021 and October 2034. The actuator with dose counter used in connection with ProAir® HFA and QVAR® is protected by patents and applications expiring between December 2017 and July 2030.

Our clinical pipeline of respiratory projects is described below:

Respiratory Projects	Potential Indication	Route of Administration	Development Phase (month and year entering Phase 3)
ProAir® mDPI US	Asthma, exercise induced bronchospasm	Oral Inhalation	Submitted US (May 2014)
Reslizumab	Severe Asthma with eosinophilia	Intravenous	3 (February 2010)
		Subcutaneous	1
QVAR® BAI US	Asthma/COPD	Oral Inhalation	3 (December 2013)
Fluticasone Propionate mDPI US	Asthma	Oral Inhalation	3 (June 2014)
Fluticasone Salmeterol mDPI US	Asthma	Oral Inhalation	3 (June 2014)
Fluticasone Salmeterol Spiromax® EU	Asthma, COPD	Oral Inhalation	1
Fluticasone Salmeterol (MDI) EU	Asthma, COPD	Oral Inhalation	1

ProAir® mDPI US is a dry-powder inhaler formulation of albuterol in our multi-dose powder inhaler device that is designed to be an improvement to our ProAir® HFA. The clinical development program has demonstrated the safety and efficacy of ProAir® mDPI US in adults and adolescents (12 years of age and older) with asthma and exercise-induced bronchospasm. The NDA was submitted in May 2014.

Reslizumab is an investigational humanized monoclonal antibody (MAb) against interleukin-5 (IL-5). IL-5 has been shown to play a crucial role in the maturation, growth and chemotaxis (movement) of eosinophils, inflammatory white blood cells implicated in a number of allergic diseases.

Phase 3 study results from August 2014 for the IV product met the primary endpoint of reduction in the frequency of clinical asthma exacerbations compared to placebo. We also statistically demonstrated success in secondary efficacy measures associated with improvements in lung function (Forced Expiratory Volume or FEV1), asthma specific quality of life, and symptoms assessed using Asthma Control Questionnaire and symptom utility index. We expect to submit an NDA for the product in early 2015.

Reslizumab is delivered intravenously, and a Phase 3 clinical program for the subcutaneous product will be initiated in early 2015.

Reslizumab is protected by patents in Europe that expire in 2015 and in the United States that expire in 2017. We expect the product to be entitled to 10 years regulatory exclusivity in Europe and 12 years biological exclusivity in the United States, beginning on the date of approval.

QVAR® BAI (beclomethasone) is an oral aerosol corticosteroid in development for the treatment of asthma delivered using our advanced breath-actuated inhaler. The Phase 3 clinical program was initiated in December 2013 and will be completed in early 2015. NDA submission is planned for 2015.

Fluticasone Propionate mDPI US is a new formulation of this combination using our multi-dose powder inhaler device, with an enhanced lung delivery that is designed to allow lower doses to achieve the same clinical outcomes as Flovent® Diskus. Phase 2 trials were completed in 2013. The Phase 3 clinical program was initiated in June 2014.

Fluticasone Salmeterol mDPI US is a new formulation of this combination using our multi dose powder inhaler device, with an enhanced lung delivery that is designed to allow lower doses to achieve the same clinical outcomes as Advair® Diskus. Phase 2 trials were completed in 2013. The Phase 3 clinical program was initiated in June 2014.

Fluticasone Salmeterol Spiromax® EU is being developed per EU guidance to achieve the same clinical outcomes as Seretide® Accuhaler®. Bioequivalence has been demonstrated for the high strength product. A middle strength study was initiated in August 2014 and results are expected in early 2015.

Fluticasone & Salmeterol MDI EU is designed to be comparable to Advair®/Seretide® HFA, delivered in a well-established press-and-breath device. Clinical studies were completed and the MAA submission is planned for 2015.

Other Specialty Projects

Our clinical pipeline of other specialty projects is described below:

Other Specialty Projects	Potential Indication (per Ext. Pipeline)	Route of Administration	Development Phase (month and year entering Phase 3)
CEP-41750 (Mesenchymal Precursor Cell, Revascor®)	Chronic Heart Failure	Intracardiac Injection	3 (January 2015)
	Acute Myocardial Infraction		2
Albutropin	Growth Hormone Deficiency	Subcutaneous	2
Laquinimod for Crohn's Disease (CD)	Crohn's Disease	Oral	2
TEV-90110	HIV	Oral	1
TEV-90112	HIV	Oral	1
Seasonique® EU	Contraception	Oral	Submitted EU (March 2013)

CEP-41750 (Mesenchymal Precursor Cell, Revascor®) consists of human stem cells, the immature cells that give rise to different types of mature cells that make up the organs and tissues of the human body. In December 2010, we entered into a strategic alliance with Mesoblast Ltd. to develop and commercialize Mesoblast's mesenchymal precursor cell therapeutics for hematopoietic stem cell transplantation in cancer patients, certain central nervous system disorders, as well as certain cardiovascular conditions, including congestive heart failure and acute myocardial infarction.

In January 2011, interim results from the ongoing multi-center Phase 2 trial of Revascor® for patients with congestive heart failure were announced. The first of two Phase 3 pivotal studies was initiated in March 2014. Interim analysis results, expected in early 2016, will follow the initial cohort, completing six months of follow-up.

CEP-41750 is protected by patents in the United States that expire in 2021 with potential for patent term extension of up to 5 years.

Albutropin is a long-acting Somatropin being evaluated for the treatment of Growth Hormone Deficiency in Adults and Adolescents. The Phase 2 clinical program was initiated in March 2013 and will be completed in 2015.

Albutropin is protected by patents worldwide that expire in 2015.

Laquinimod is also being evaluated for Crohn's Disease. A Phase 2 study showed laquinimod may have benefit for patients with Crohn's. We are exploring options for further development.

TEV-90110 & TEV-90112 are two fixed dose combination products containing antiretrovirals for the treatment of HIV in Phase 1 clinical development.

Seasonique® EU is a 91-day oral contraceptive with an 84-day regimen of levonorgestrel and ethinyl estradiol followed by a 7-day regimen of ethinyl estradiol alone. The ethinyl estradiol tablets are used during the seven days, instead of a placebo interval, allowing women to have four scheduled menstrual periods a year and potentially lessening the withdrawal symptoms that result from a sudden, sharp decrease in hormones. Seasonique® is backed by extensive clinical trials and has been available in the United States since 2006.

Seasonique® was submitted in Europe in March 2013 and received a positive opinion from the CHMP in July 2014.

Seasonique® is protected by patents expiring in Europe in 2022.

Changes to Other Projects During 2014

During 2014, the following projects underwent changes to their status due to either clinical results or reprioritization within the Teva pipeline:

- *Balugrastim* for neutropenia—no further development is planned;
- *LAMA Breath Actuated Inhaler* for the treatment of chronic obstructive pulmonary disease, has been terminated;
- *LeCette® (Desogestrel and Ethinyl Estradiol)* for contraception, has been terminated;
- *Milprosa® (Progesterone Vaginal Ring)* for luteal support for in vitro fertilization—no further development or commercialization is planned;
- *MDT-637 (Tidal inhaler)*—The tidal inhaler platform device proof of concept study was successful in confirming the functionality of the device as a product delivery platform. However, MDT-637 for respiratory syncytial virus infection did not reach statistically significant positive results for the primary end point in the Phase 2a study. We are currently evaluating the potential for further development;
- *Custirsen/TV-1011 (OGX-011)*, an antisense drug. Teva and Oncogenex have agreed to return the rights for this asset to Oncogenex; and
- Our once-a-day fixed combination of a prostaglandin agonist and a beta blocker, for the treatment of glaucoma, has been terminated.

Operations

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

- global research and development facilities that enable us to have a leading global generic pipeline, as well as the broadest generic product line in the United States;
- pharmaceutical manufacturing facilities approved by the FDA, EMA and other regulatory authorities located around the world, which offer a broad range of production technologies and the ability to concentrate production in order to achieve economies of scale;

- API manufacturing capabilities that offer a stable, high-quality supply of key active ingredients, as well as vertical integration efficiencies; and

- high-volume, technologically advanced distribution facilities that allow us to deliver new products to our customers quickly and efficiently, providing a cost-effective, safe and reliable supply.

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

Pharmaceutical Production

We operate over 40 finished dosage pharmaceutical plants in North America, Europe, Latin America, Asia and Israel. These plants manufacture solid dosage forms, sterile injectables, liquids, semi-solids, inhalers and medical devices. In 2014, Teva produced approximately 69 billion tablets and capsules and over 650 million sterile units. 20 of our plants are FDA approved, and 31 of our plants are EMA approved.

Our two primary manufacturing technologies, solid dosage forms and injectables, are available in North America, Latin America, Europe and Israel. The main manufacturing site for respiratory inhaler products is located in Ireland. The manufacturing sites located in Israel, Germany, Hungary, Croatia and the Czech Republic comprise a significant percentage of our production capacity.

We have established a global Operational Excellence program to optimize our manufacturing efficiency, and in order to maintain our goal of supplying high quality, cost-competitive products on a timely basis to our customers globally. As part of our efficiency improvement effort, we sold a number of manufacturing sites and facilities this year, including our two U.S. OTC manufacturing sites in Greensboro and in Phoenix and closed our Settimo (Italy) API facility. We are in process of closing additional facilities and are reviewing other potential sites for restructuring. Our network restructuring plan aims at further optimizing and consolidating our manufacturing footprint, yielding higher efficiency and reducing costs and capital expenditures.

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

During 2014, we continued to invest in our manufacturing capabilities, focusing on strategic growth areas, including the construction of a new oral solid dosage facility in Russia and a new OTC manufacturing facility in India. We invested in expanding our manufacturing facility in Japan, our inhaler activities in Israel and Ireland, and our global sterile manufacturing centers in Hungary and Croatia. We constantly review these capabilities and our capacity utilization to ensure efficient alignment with our ability to timely deliver the highest quality products.

Our policy is to maintain multiple supply sources for our strategic products and APIs to the extent possible, so that we are not dependent on a single supply source. However, our ability to do so may be limited by regulatory or other requirements.

Our principal pharmaceutical manufacturing facilities in terms of number of employees in Teva Global Operations ("TGO") are listed below:

Location	Total Number of TGO Employees (1)	Principal Market(s) Served
India (5 sites)	1,775	Europe and other non-U.S. markets
Debrecen, Hungary (including one other site)	1,612	Europe and other non-U.S. markets
Zagreb, Croatia (including one other site)	1,370	North America, Europe and other markets
Ulm, Germany	1,340	Europe and other non-U.S. markets
Kfar Saba, Israel	1,327	North America, Europe and other markets
Opava, Czech Republic	1,266	North America, Europe and other markets
Takayama, Japan	1,132	Asia
Neot Hovav, Israel	1,010	North America, Europe and other markets
Jerusalem, Israel	955	North America and Europe
Canada (3 sites)	909	North America, Europe and other markets
Godollo, Hungary	711	North America, Europe and other markets
Krakow, Poland	550	North America and Europe
Forest, VA, U.S.	475	North America, Europe and other markets
Haarlem, Netherlands	448	North America, Europe and other markets
Waterford, Ireland	405	North America, Europe and other markets
Runcorn, U.K.	378	North America, Europe and other markets
Cincinnati, OH, U.S.	320	North America
Irvine, CA, U.S.	305	North America
Hangzhou, China	227	North America, Europe and other markets

(1) Figures refer to operations employees as of December 31, 2014 (pharmaceutical manufacturing, API manufacturing and API R&D).

Raw Materials for Pharmaceutical Production

We source a large portion of our APIs from our own manufacturing facilities. Additional APIs are purchased from suppliers located in Europe, Asia and the United States. We have implemented a supplier audit program to ensure that our suppliers meet our high standards, and take a global approach to managing our commercial relations with these suppliers.

We currently have 20 API production facilities all over the world. We produce approximately 300 APIs in various therapeutic areas. Our API intellectual property portfolio includes approximately 600 granted patents and pending applications worldwide.

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

Our API facilities meet all applicable current Good Manufacturing Practices ("cGMP") requirements under U.S., European, Japanese, and other applicable quality standards. Our API plants are regularly inspected by the FDA, European agencies or other authorities as applicable. During 2014, inspections of our API facilities worldwide found our manufacturing practices to be in compliance.

Environment

Teva is committed to business practices that promote socially and environmentally responsible economic growth. In 2014, we continued to restructure and strengthen our environment, health and safety ("EHS") efforts.

We are developing and implementing a global EHS management system to align, streamline and enhance our EHS performance, while integrating our program into the business. The Corporate EHS Committee consisting of global senior executives meets on a routine basis and provides oversight of all material EHS matters in Teva.

We have a global environment and sustainability plan which is built on three pillars:

- Zero incidents: we strive for zero releases to the environment;
- 100% compliance: we are putting systems in place that are aligned with internationally recognized standards to assure full compliance; and
- Reduce impact: we are working to optimize our operations, to streamline processes and to reduce our environmental footprint through efficient use of resources.

In order to assure compliance in an ever-changing business and regulatory environment, we continuously update and advance our environmental control systems. We believe that we are in substantial compliance with all applicable environment, health and safety requirements.

Quality

Teva is committed to not just complying with quality requirements but to develop and leverage quality as a competitive advantage in the future. Throughout 2014, we successfully completed numerous inspections of our facilities by regulatory agencies without any critical observations. We were in continuous dialogue with authorities about drug shortages and participated in several industry-wide task forces. Internally, we promoted a quality mindset across all of Teva's business functions. We strengthened our quality organization and improved its alignment with other functions. In the coming years, our quality organization will focus on further elevating and enhancing the consistency of our quality processes, integrating quality systems, and fostering our engagement with regulatory authorities and industry groups.

Organizational Structure

In July 2014, we announced our new commercial structure, which is aligned with our strategy to ensure an integrated Teva.

Teva is led by two commercial business units that work in full synchronization with each other: the Global Specialty Medicines group, formed in April 2013, and the Global Generic Medicines group, formed in July 2014.

The Global Generic Medicines group is responsible globally for all generic commercial activities. This includes portfolio management and selection, product launch and commercial execution. Bringing all of our regional generic businesses under one roof highlights our strong focus on, and commitment to, our generic business.

The Global Specialty Medicines group continues to drive organic growth with a strong pipeline of patient-centric solutions and by introducing new brands through focused business initiatives. Building on existing expertise and incorporating innovative technology, the group works to continue to enhance patient experience in our leading therapeutic areas.

In addition, our activities are conducted by three global divisions: Teva Global Operations, Teva Global R&D and Teva Global Quality, and by global support functions including Finance, Legal, Information Technology, the Corporate Development, Strategy and Innovation Group, Human Resources and the Corporate Marketing Excellence and Communications Group.

TGO's responsibilities include development, manufacturing and commercialization of APIs, manufacturing of pharmaceuticals, quality assurance, procurement and supply chain.

Teva Global R&D is responsible for research and development of generic medications, NTEs and specialty products and includes regulatory affairs and pharmacovigilance.

Teva Global Quality is charged with ensuring the reliable supply of quality, cost-effective medicines from our global network of sites in compliance with all relevant standards.

Our worldwide operations are conducted through a network of global subsidiaries. We have direct operations in many countries around the world, as well as over 40 finished dosage pharmaceutical manufacturing sites, in 25 countries, 20 API sites and more than 20 pharmaceutical R&D centers. The following sets forth by geography, as of December 31, 2014, our principal operating subsidiaries in terms of aggregate total revenues:

Name of Subsidiary*	Country
Teva Pharmaceuticals USA, Inc.	United States
Teva Santé SAS	France
Teva UK Limited	United Kingdom
ratiopharm GmbH	Germany
Teva Pharmaceutical Works Private Limited Company	Hungary
Teva Gmbh	Germany
Teva Italia S.r.l.	Italy
Teva Pharma S.L.	Spain
Teva Israel	Israel
Teva Canada Limited	Canada
Teva Limited Liability Company	Russia
Teva Seiyaku	Japan

* All listed subsidiaries are 100% held by Teva, except for Teva Pharmaceutical Works Private Limited Company, which has a very small minority interest.

Properties and Facilities

Listed below are our principal facilities and properties in various regions of the world and their size in square feet as of December 31, 2014:

Facility Location	Square Feet (in thousands)	Main Function
Israel		
Ramat Hovav	1,448	API manufacturing and R&D
Kfar Saba	738	Pharmaceutical manufacturing, research laboratories, warehousing, and offices
Jerusalem (3 sites)	591	Pharmaceutical manufacturing, research laboratories and offices
Shoham Logistics Center	538	Distribution center
Netanya (3 sites)	503	API manufacturing, pharmaceutical warehousing, laboratories, distribution center and offices
Petach Tikva	371	Corporate headquarters
Ashdod	153	Manufacturing of hospital supplies
Assia, Petach Tikva	118	R&D laboratories
United States		
North Wales area, PA (4 sites)	850	Teva USA headquarters, warehousing and distribution center

Facility Location	Square Feet (in thousands)	Main Function
Forest, VA	450	Manufacturing, packaging and offices
Cincinnati, OH	305	Pharmaceutical manufacturing, R&D laboratories and packaging
Irvine, CA (8 sites)	290	Pharmaceutical manufacturing and R&D laboratories
Miami, FL (3 sites)	240	Manufacturing, R&D laboratories, warehousing and offices
Kutztown, PA	211	Warehousing
Sellersville, PA	206	Pharmaceutical manufacturing, packaging and R&D laboratories
Frazer, PA	194	Offices
Salt Lake City, UT	188	Offices, manufacturing and R&D laboratories
Pomona, NY	181	Pharmaceutical manufacturing and R&D laboratories
Guayama, Puerto Rico	170	API manufacturing
West Chester, PA	165	Laboratories
Overland Park, KS	154	Offices
Mexico, MO	144	API manufacturing
Montvale, NJ	142	Offices
Canada		
Toronto, Ontario	335	Offices, pharmaceutical packaging, warehousing, distribution center and laboratories
Stouffville, Ontario	180	Pharmaceutical manufacturing and R&D laboratories
Markham, Ontario	122	Pharmaceutical manufacturing and warehousing
Europe		
Debrecen, Hungary (3 sites)	2,549	Pharmaceutical manufacturing, API manufacturing, R&D laboratories and warehousing
Ulm, Germany (2 sites)	1,740	Pharmaceutical manufacturing, warehousing and offices
Opava, Czech Republic	1,466	Pharmaceutical and API manufacturing, warehousing and distribution center
Krakow, Poland	939	Pharmaceutical manufacturing and warehousing
Zagreb, Croatia (5 sites)	869	Pharmaceutical manufacturing, packaging and warehousing, API manufacturing and R&D laboratories
Savski Marof, Croatia	577	API manufacturing
Weiler, Germany	425	Pharmaceutical manufacturing and packaging
Waterford, Ireland (3 sites)	413	Pharmaceutical manufacturing, warehousing and packaging
Sajababony, Hungary	374	Mixed use
Zaragoza, Spain (3 sites)	325	Pharmaceutical manufacturing, R&D laboratories
Kutno, Poland	290	Pharmaceutical manufacturing, warehousing and packaging

Facility Location	Square Feet (in thousands)	Main Function
Runcorn, England (2 sites)	275	Pharmaceutical manufacturing, warehousing, laboratories and offices
Glasshoughton, England	247	Warehousing and distribution center
Haarlem, the Netherlands	232	Laboratories
Gödöllõ, Hungary	211	Pharmaceutical manufacturing, hospital supplies manufacturing, R&D laboratories, distribution center, packaging and warehousing
Santhiâ, Italy	177	API manufacturing, R&D laboratories and warehousing
Amsterdam, the Netherlands	176	Distribution center
Eastbourne, England	163	Warehousing and packaging
Asia		
Gajraula (U.P.), India	1,200	API manufacturing
Takayama, Japan	1,009	Pharmaceutical manufacturing
Hangzhou, China	609	API manufacturing
Malanpur, India	302	API manufacturing
Goa, India	285	Pharmaceutical manufacturing and R&D laboratories
Ahmedabad, India	183	OTC manufacturing, packaging, warehousing and laboratories
Kasukabe, Japan	169	Pharmaceutical manufacturing
Koka, Japan	151	Pharmaceutical manufacturing
Nagoya, Japan (2 sites)	141	Offices
Latin America		
Santiago, Chile (2 sites)	368	Pharmaceutical manufacturing, warehousing and R&D laboratories
Lima, Peru (3 sites)	245	Pharmaceutical manufacturing, warehousing and R&D laboratories
Mexico City, Mexico	240	Pharmaceutical manufacturing, warehousing and R&D laboratories
Munro, Argentina	179	Pharmaceutical manufacturing, warehousing, R&D laboratories and packaging
Ramos Arizpe, Mexico	109	Pharmaceutical manufacturing

We lease certain of our facilities. In Israel, our principal executive offices and corporate headquarters in Petach Tikva are leased until December 2018. In North America, our principal leased properties are the facilities in North Wales and Frazer, Pennsylvania, which have lease terms expiring between 2016 and 2022. We own and lease various other facilities worldwide.

Regulation

United States

Food and Drug Administration and the Drug Enforcement Administration

All pharmaceutical manufacturers selling products in the United States are subject to extensive regulation by the United States federal government, principally by the FDA and the Drug Enforcement Administration ("DEA"), and, to a lesser extent, by state and local governments. The federal Food, Drug, and Cosmetic Act, the

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

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

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

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

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

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

The Best Pharmaceuticals for Children Act, signed into law in 2002, continues the so-called "pediatric exclusivity" program established by the FDA Modernization Act of 1997. This pediatric exclusivity program provides a six-month period of extended exclusivity, applicable to certain listed patents and to other regulatory exclusivities for all formulations of an active ingredient, if the sponsor performs and submits pediatric studies requested by the FDA within specified timeframes. An effect of this program has been to delay the launch of numerous generic products by an additional six months.

The Medicare Prescription Drug, Improvement and Modernization Act (the "Medicare Modernization Act") of 2003 modified certain provisions of the Hatch-Waxman Act. Under the Medicare Modernization Act, the 180-day period of generic exclusivity rights may be forfeited under certain specified circumstances. In 2012, Congress passed legislation to create a generic drug user fee program (GDUFA) in order to augment the FDA's congressional appropriations. User fee funding is anticipated to be sufficient to eliminate the backlog of ANDAs pending with the FDA by the end of Fiscal Year 2017 as well as provide for improved review performance over the statute's five-year period. Additionally, generic drug user fees are intended to bring parity between the U.S. and foreign inspections by 2017 in order to ensure a consistent standard of quality for all drugs intended for the U.S. market. Implementation of the program began on October 1, 2012. In July 2012, Congress also passed legislation that allowed the FDA to continue to collect user fees for brand products and new user fee programs for biosimilar products. As part of this legislation, Congress included a provision that extended the period of time that a generic applicant has to receive tentative approval of its ANDA to preserve eligibility for 180-day exclusivity and avoid forfeiture under the Medicare Modernization Act. Applications that were submitted during the 30-month period preceding the signing of the bill (January 9, 2010 to July 9, 2012) are entitled to a 40-month period to receive tentative approval before triggering a forfeiture.

The passage of the Food and Drug Administration Amendments Act (FDAAA) in 2007 strengthened the FDA's regulatory authority on post-marketing safety and granted the agency greater authority to control drug marketing and labeling, to require post-approval studies, to establish active surveillance systems, and to make clinical trial opportunities and results more available to the public. Another provision provides for a 180-day period for the FDA to respond to citizen petitions submitted to the FDA that could delay the approval of generic applications. That 180-day period was reduced to 150 days as part of legislation passed in July 2012. A key provision also allows the FDA to require a risk evaluation and mitigation strategy for drugs associated with greater safety risks.

The Generic Drug Enforcement Act of 1992 established penalties for wrongdoing in connection with the development or submission of an ANDA by authorizing the FDA to permanently or temporarily debar such companies or individuals from submitting or assisting in the submission of an ANDA, and to temporarily deny approval and suspend applications to market generic drugs. The FDA may suspend the distribution of all drugs approved or developed in connection with wrongful conduct and also has authority to withdraw approval of an ANDA under certain circumstances. The FDA may also significantly delay the approval of a pending NDA or ANDA under its "Fraud, Untrue Statements of Material Facts, Bribery, and Illegal Gratuities Policy." Manufacturers of generic drugs must also comply with the FDA's cGMP regulations or risk sanctions such as the suspension of manufacturing or the seizure of drug products and the FDA's refusal to approve additional ANDAs.

On November 13, 2013, the FDA proposed a rule that would require generic manufacturers to participate in the "Changes Being Effected" process to initiate labeling changes for generic medicines without prior FDA

approval. If adopted, the rule would allow different labels to be in use at the same time. Currently, generic and brand drug labeling must be the same except for exceptions explicitly designated by statute. If the rule were to become final as proposed, Teva's potential product liability exposure could increase.

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

Our products also include biopharmaceutical products that are comparable to brand-name biologics, but that are not approved as biosimilar versions of such brand-name products. Of this portfolio, Tev-Tropin® and Granix® are sold in the United States, while others are distributed outside of the United States. As part of these efforts we filed a BLA for our G-CSF product (Granix®) in 2009, which was approved by the FDA in 2012, and was launched in November 2013. While regulations are still being developed by the FDA relating to the Biologics Price Competition and Innovation Act of 2009, which created a statutory pathway for the approval of biosimilar versions of brand-name biological products and a process to resolve patent disputes, the FDA issued three substantial draft guidance documents in February 2012 that are intended to provide a roadmap for development of biosimilar products. These draft guidance documents address quality considerations, scientific considerations and questions and answers regarding commonly posed issues.

Healthcare Reform and Certain Government Programs

In early 2010, the United States Congress enacted the Patient Protection and Affordable Care Act (the "PPACA"). The PPACA seeks to reduce the federal deficit and the rate of growth in health care spending through, among other things, stronger prevention and wellness measures, increased access to primary care, changes in healthcare delivery systems and the creation of health insurance exchanges. Enrollment in the health insurance exchanges began in October 2013. The PPACA requires the pharmaceutical industry to share in the costs of reform, by, among other things, increasing Medicaid rebates and expanding Medicaid rebates to cover Medicaid managed care programs. Other components of healthcare reform include funding of pharmaceutical costs for Medicare patients in excess of the prescription drug coverage limit and below the catastrophic coverage threshold. Under the PPACA, pharmaceutical companies are now obligated to fund 50% of the patient obligation for branded prescription pharmaceuticals in this gap, or "donut hole." Additionally, commencing in 2011, an excise tax was levied against certain branded pharmaceutical products. The tax is specified by statute to be approximately $3 billion in 2012 through 2016, $3.5 billion in 2017, $4.2 billion in 2018, and $2.8 billion each year thereafter. The tax is to be apportioned to qualifying pharmaceutical companies based on an allocation of their governmental programs as a portion of total pharmaceutical government programs.

The Centers for Medicare & Medicaid Services ("CMS") administer the Medicaid drug rebate program, in which pharmaceutical manufacturers pay quarterly rebates to each state Medicaid agency. Generally, for generic drugs marketed under ANDAs, manufacturers (including Teva) are required to rebate 13% of the average manufacturer price, and for products marketed under NDAs or BLAs, manufacturers are required to rebate the greater of 23.1% of the average manufacturer price or the difference between such price and the best price during a specified period. An additional rebate for products marketed under NDAs or BLAs is payable if the average manufacturer price increases at a rate higher than inflation, and other methodologies apply to new formulations of existing drugs.

In addition, the PPACA revised certain definitions used for purposes of calculating the rebates, including the definition of "average manufacturer price." CMS has proposed, but not yet finalized, a regulation implementing aspects of the PPACA in the Medicaid drug rebate program.

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

Europe

General

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

During 2014, we continued to register products in the EU, using both the mutual recognition procedure and the decentralized procedure. We continue to use the centralized procedure to register our generic equivalent version of reference products that originally used this procedure.

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

Some elements of the European Falsified Medicines Directive were enacted into national laws during 2013. The provisions of the Directive are intended to reduce the risk of counterfeit medicines entering the supply chain and also to ensure the quality of API manufactured outside of the EU. Teva worked diligently at the European and country levels to ensure there was no disruption to the supply chain and safeguarded supplies of medicines to the patients who depend on them.

The requirements deriving from European pharmacovigilance legislation are constantly expanding due to an increasing number of guidances on Good Vigilance Practices and increased communication on inspectors' expectations. While these new requirements are in the interest of patient safety and transparency, they are an increasing administrative burden, which drives our costs and headcount to be higher. In the fourth quarter of 2014, pharmacovigilance fee legislation became effective, which includes (i) a per license fee that is intended for the maintenance of the European Pharmacovigilance System; and (ii) a per activity fee, for the assessment of pharmacovigilance safety evaluation reports, study protocols for post authorization safety studies and referrals.

The procurement model in parts of Europe for the supply of important secondary care products such as oncology injectable medicines creates a challenge for governments and the pharmaceutical industry. We do everything we can to supply medicines for life-threatening conditions, while at the same time the market creates few incentives for us to do so. Until the procurement model recognizes that stability and sustainability, and the need to allow manufacturers to earn a return on their investment, are important components in purchasing decisions, shortages will be almost impossible to avoid. In 2014, we declined to participate in certain tenders and ended our supply in others since the procurement model for this segment was not sustainable. If the situation remains unchanged, we may withdraw certain products from the market because they are commercially nonviable. We continue to work with governments and our customers on ensuring that the patient's needs are protected, but we believe that governments can do more to ensure security of supply by creating adequate incentives for manufacturers to maintain manufacturing capacity.

European Union

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

pharmacological) tests and clinical trials. All of these tests must have been conducted in accordance with relevant European regulations and must allow the reviewer to evaluate the quality, safety and efficacy of the medicinal product.

During 2014, we continued to register products in the EU, using both the mutual recognition procedure (submission of applications in other member states following approval by a so-called reference member state) and the decentralized procedure (simultaneous submission of applications to chosen member states). We continue to use the centralized procedure to register our generic equivalent version of reference products that originally used this procedure.

In 2005, a legal pathway was established to allow approval of Similar Biological Medicinal Products ("biosimilars") using abbreviated marketing applications. Appropriate tests for demonstration of safety and efficacy include preclinical or clinical testing or both. The reference product for this testing is the brand-name drug, and the scientific principles and regulatory requirements for comparability are followed. Guidelines have been issued providing a more detailed interpretation of the data requirements for specific products, and further guidance is being developed by the respective authorities in conjunction with the pharmaceutical industry.

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

In addition to patent protection, exclusivity provisions in the EU may prevent companies from applying for marketing approval for a generic product for six, eight or ten years from the date of the first market authorization of the original product in the EU. The new legislation, applicable to all members of the EU, changes and harmonizes the exclusivity period for new products where the application for marketing approval was submitted after October 2005 for products filed via the national pathway or November 2005 for products filed via the centralized procedure. The period before marketing approval for a generic product can be pursued (known as data exclusivity) is eight years (from either six or ten years before) following approval of the reference product in the EU. Further, the generic product will be barred from market entry (marketing exclusivity) for a further two years, with the possibility of extending the market exclusivity by one additional year under certain circumstances for novel indications. Given that reference products submitted after October or November 2005 will take at least one year to be assessed and approved, the 2005 exclusivity provisions of "8+2+1" years will affect only generic submissions for marketing approval in late 2014 onwards.

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

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

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

The legislation also allows for research and development work during the patent term for the purpose of developing and submitting registration dossiers.

Rest of the World Markets

Russia

Implementation of the 2020 pharmaceutical sector strategy continues to be a priority task of the Russian government. The strategy emphasizes localization of production and aims to harmonize the Russian pharmaceutical regulations with international principles and standards.

Russia's pricing regulations, which took effect in 2010, impose price restrictions and mark-up regulation on pharmaceuticals listed on the Essential Drug List ("EDL"). In accordance with this legislation, EDL manufacturers cannot sell pharmaceuticals listed on the EDL unless their prices have been registered with the healthcare regulator. Prices are registered in Russian rubles. Local manufacturers are entitled to annual price reviews; however there is currently no procedure for adjusting the prices of foreign manufacturers to inflation or other cost increases.

As part of the sector strategy, prescription of pharmaceuticals based on INN has been mandatory since 2013, and cGMP requirements became effective in January 2014.

Various proposals for incentives to support local manufacturing are currently being considered by the Russian government. In particular, it is expected that starting from 2015, foreign-made products may be deemed ineligible under the Russian procurement system if at least two locally manufactured analogous products are available. Amendments to the healthcare legislation, including with respect to obtaining marketing authorizations and compliance rules on interaction with healthcare professionals, are also expected in 2015.

Japan

The registration of existing or new generic drugs in Japan is subject to Pharmaceutical and Medical Device Agency approval and requires carrying out local bioequivalence studies, as well as upholding stringent quality, stability and stable supply requirements. Generic prices are regulated by the Ministry of Health, Labor and Welfare and are set at 50%-60% of the equivalent branded drug prices (which was revised in April 2014 from 60%-70%), depending on the number of competitors. Generic drug prices are company specific, reflecting the actual net selling price by a company and are subject to ongoing price reductions of approximately 8-10% every two years.

The Japanese government provides comprehensive healthcare coverage, and the majority of healthcare expenditure is funded by the government. In order to control growing healthcare costs, beginning in 2008 the Japanese regulator adopted a coordinated policy to promote the use of generic drugs by utilizing a series of targeted incentive programs. The government's stated goal is to reach at least 60% generic penetration in 2018. In April 2010 and 2012, new financial incentive schemes were established, encouraging pharmacies to substitute generic drugs for branded ones and doctors to prescribe generic drugs. The next reform, which is currently scheduled for April 2016, is likely to further increase generic penetration.

Canada

The Canadian Federal Government, under the Food and Drugs Act and the Controlled Drug and Substances Act, regulates the therapeutic products that may be sold in Canada and the applicable level of control. The Therapeutic Products Directorate ("TPD") is the national authority that evaluates and monitors the safety, effectiveness and quality of drugs, medical devices and other therapeutic products. The TPD requires companies to make an abbreviated new drug submission in order to receive approval to manufacture and market generic pharmaceuticals.

The issuance of a market authorization or "Notice of Compliance" is subject to the Food and Drug Regulations, which provide, among other things, up to eight and one-half years of data exclusivity for innovative

new drugs not previously approved for sale in Canada. Issuance of a Notice of Compliance for generic drug products is also subject to the Patented Medicines (Notice of Compliance) Regulations under the Patent Act. The TPD will not issue a Notice of Compliance if there are any relevant patents listed on the Patent Register maintained by Health Canada, which were listed prior to the filing of the generic submission. Generic pharmaceutical manufacturers can serve a Notice of Allegation ("NOA") upon the brand company and, as is frequently the case, the brand company may commence litigation in response to the NOA. In such cases a Notice of Compliance will not be issued until the earlier of the expiration of the automatic 24-month stay or resolution of the litigation in the generic company's favor.

Every province in Canada offers a comprehensive public drug program for seniors, persons on social assistance, low-income-earners, and those with certain specified conditions or diseases, and regulates the reimbursement price of drugs listed on their formularies. Formulary listings are also used by private payors to reimburse generic products. To be listed in a provincial formulary, drug products must have been issued an NOC and must comply with each jurisdiction's individual review process. Most provinces in Canada have implemented price reforms aimed at reducing the reimbursement price of generic products. Canadian provinces have been working separately and collectively to effect price reforms on a select number of high volume generic products. Ontario and Quebec which represent 60% of the Canadian market, have implemented regulations limiting trade allowances paid to pharmacy customers and Quebec requires generic companies to report the details of all such transactions.

Facilities, procedures, operations and/or testing of products are subject to periodic inspection by Health Canada and the Health Products and Food Branch Inspectorate. In addition, Health Canada conducts pre-approval and post-approval reviews and plant inspections to determine whether systems are in compliance with the good manufacturing practices in Canada, Drug Establishment Licensing requirements and other provisions of the Food and Drug Regulations. Competitors are subject to similar regulations and inspections.

Miscellaneous Regulatory Matters

We are subject to various national, regional and local laws of general applicability, such as laws regulating working conditions. In addition, we are subject to various national, regional and local environmental protection laws and regulations, including those governing the emission of material into the environment.

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

SELECTED FINANCIAL DATA OF TEVA

The following selected operating data for each of the years in the three-year period ended December 31, 2014 and selected balance sheet data at December 31, 2014 and 2013 are derived from our audited consolidated financial statements set forth elsewhere in this offering memorandum, which have been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP").

The currency of the primary economic environment in which our operations in Israel and the United States are conducted is the U.S. dollar. The functional currency of some subsidiaries and associated companies is their local currency.

The information set forth below is only a summary and is not necessarily indicative of the results of future operations of Teva, and you should read the selected historical financial data together with Teva's financial statements and related notes and the information contained in "Risk Factors," "Description of Teva" and other information included elsewhere in this offering memorandum.

Selected Operating Data

	For the year ended December 31,		
	2014	2013	2012
	U.S. dollars in millions (except per share amounts)		
Net revenues	20,272	20,314	20,317
Cost of sales	9,216	9,607	9,665
Gross profit	11,056	10,707	10,652
Research and development expenses	1,488	1,427	1,356
Selling and marketing expenses	3,861	4,080	3,879
General and administrative expenses	1,217	1,239	1,238
Impairments, restructuring and others	650	788	1,259
Legal settlements and loss contingencies	(111)	1,524	715
Operating income	3,951	1,649	2,205
Financial expenses—net	313	399	386
Income before income taxes	3,638	1,250	1,819
Income taxes	591	(43)	(137)
Share in losses of associated companies—net	5	40	46
Net income	3,042	1,253	1,910
Net income (loss) attributable to non-controlling interests	(13)	(16)	(53)
Net income attributable to Teva	3,055	1,269	1,963
Earnings per share attributable to Teva:			
Basic ($)	3.58	1.49	2.25
Diluted ($)	3.56	1.49	2.25
Weighted average number of shares (in millions):			
Basic	853	849	872
Diluted	858	850	873

Selected Balance Sheet Data

	As at December 31,	
	2014	2013
	(U.S. dollars in millions)	
Financial assets (cash, cash equivalents and marketable securities)	2,601	1,245
Working capital (operating assets minus liabilities)	1,642	2,493
Total assets	46,420	47,508
Short-term debt, including current maturities	1,761	1,804
Long-term debt, net of current maturities	8,566	10,387
Total debt	10,327	12,191
Total equity	23,355	22,636

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Introduction

Overview

We are a global pharmaceutical company, committed to increasing access to high-quality healthcare by developing, producing and marketing affordable generic medicines and a focused portfolio of specialty pharmaceutical products. We operate in pharmaceutical markets worldwide, with major operations in the United States, Europe and other markets. As the world's leading generic medicines company with a strong specialty medicines portfolio, we are strategically positioned to benefit from ongoing changes in the global healthcare environment.

We seek to address unmet patient needs while capitalizing on evolving market, economic and legislative dynamics in global healthcare. These dynamics include the aging population, increased spending on pharmaceuticals in emerging markets, economic pressure on governments and private payors to provide accessible healthcare solutions, legislative and regulatory reforms, an increase in patient awareness and the growing importance of OTC medicines.

We believe that our dedicated leadership and employees, world-leading generics expertise and portfolio, focused specialty portfolio, OTC joint venture with P&G, global reach, API production capability, integrated R&D capabilities and global infrastructure and scale position us to take advantage of opportunities created by these dynamics.

Segments

We operate our business in two segments:

- **Generic medicines**, which include chemical and therapeutic equivalents of originator medicines in a variety of dosage forms, including tablets, capsules, injectables, inhalants, liquids, ointments and creams. We are the leading generic drug company in the United States and Europe, and we have a significant or growing presence in our ROW markets. We are also one of the world's leading manufacturers of APIs.

- **Specialty medicines**, which include several franchises, most significantly our core therapeutic areas of CNS medicines such as Copaxone®, Azilect® and Nuvigil® and of respiratory medicines such as ProAir® HFA and QVAR®. Our specialty medicines segment includes other therapeutic areas, such as oncology, women's health and selected other areas.

In addition to these two segments, we have other activities, primarily PGT Healthcare, our OTC joint venture with P&G.

Strategy

In 2014, we began a process of re-defining and re-focusing our business strategy to better leverage our strengths and differentiate ourselves in the pharmaceutical market. We seek to capitalize on our advantages—including the largest generic medicines business in the world, a focused specialty business, a unique OTC business and our integrated R&D and API capabilities—to provide patients with comprehensive, outcome-focused solutions. Underlying our strategy is our heightened focus on profitable and sustainable business.

The key elements of our strategy consist of:

- **Solidifying our foundation and driving organic growth**. We are solidifying the core foundations of our generics and specialty businesses to create additional value from our existing operations. We seek to drive organic growth in our generics business by emphasizing markets where we have or are pursuing leadership positions, and by shifting our generic pipeline and portfolio to include a larger proportion of complex products, with high barriers to entry.

- **Focusing on key growth markets**. While we currently operate in numerous markets throughout the world, in 2015 we intend to concentrate our efforts on a smaller number of large growth markets where we believe we can establish leadership positions. We are exploring both organic and corporate development initiatives to achieve leadership position in these markets.

- **Maintaining Copaxone® and other key specialty products**. We have enhanced our MS franchise through the introduction of our three-times-a-week Copaxone® 40 mg/mL product in the United States, and expect to launch Copaxone® 40 mg/mL in certain European and other countries in 2015. For many of our other specialty products, we are expanding into new markets, improving the products and taking further steps to protect the franchise while creating value for patients and payors.

- **Solidifying leadership positions in our core therapeutic areas**. We plan to focus on our core therapeutic areas of CNS (including MS, neurodegenerative diseases and pain) and respiratory (including asthma and chronic obstructive pulmonary disease), establishing leadership positions in such areas. In so doing, we will leverage our focused R&D efforts, new product submissions and strong execution of product launches. In addition, in women's health and oncology, where we have a significant commercial presence, we strive to maintain the existing franchises and may consider business development opportunities to maximize sustainable profitability.

- **Pursuing strategic business development initiatives**. We continue to pursue business development initiatives across all our activities. As part of these initiatives, we will continue to evaluate opportunities for joint ventures, collaborations and other commercially-oriented activities.

- **Executing on our cost reduction program**. We are focused on the continued execution of our sustainable efficiency program, which includes improvements in the operational efficiency of our production plants, in our global procurement activities, and others.

Highlights

Significant highlights of 2014 included:

- Our revenues amounted to $20.3 billion, flat compared to 2013, as the decline in sales of OTC as well as generic medicines was offset by higher revenues of our specialty medicines. Excluding the impact of the sale of our U.S. OTC plants and of foreign exchange fluctuations, revenues grew 2%.

- Our generic medicines segment generated revenues of $9.8 billion and profit of $2.1 billion, down 1% and up 29%, respectively. The decline in revenues was due to lower sales in the European and ROW markets, largely offset by higher sales in the United States. The increase in profit resulted from lower S&M expenses and higher gross profit.

- Our specialty medicines segment generated revenues of $8.6 billion and profit of $4.6 billion, up 2% and 1%, respectively. Specialty revenues were up mainly due to higher sales of Nuvigil®, Treanda® and Azilect®, which were partially offset by the decline in Copaxone® and QVAR® sales. Profit was impacted by higher S&M expenses in support of product launches.

- According to December 2014 IMS data, Copaxone® 40 mg/mL accounted for over 60% of total Copaxone® prescriptions in the United States. We expect to begin launching Copaxone® 40 mg/mL in certain European and other countries during 2015.

- G&A expenses amounted to $1.2 billion, down 2% compared to 2013, and net financial expenses amounted to $313 million, down 22% compared to 2013.

- Impairments, restructuring and others amounted to $650 million for the year, compared to $788 million in 2013. Legal settlements and loss contingencies for the year amounted to a gain of $111 million, compared to an expense of $1.5 billion in 2013, which was mainly due to the pantoprazole settlement.

- Operating income amounted to $4.0 billion, an increase of 140% compared to 2013, mainly due to the change in legal settlements and loss contingencies.

- Net income attributable to Teva in 2014 amounted to $3.1 billion, compared to $1.3 billion in 2013.

- Cash flow from operating activities amounted to $5.1 billion, an increase of $1.9 billion compared to 2013.

For information regarding certain transactions, see note 2 of our consolidated financial statements.

Results of Operations

The following table sets forth, for the periods indicated, certain financial data derived from our U.S. GAAP financial statements, presented as percentages of net revenues, and the percentage change for each item as compared to the previous year.

	Percentage of Net Revenues Year Ended December 31,			Percentage Change Comparison	
	2014	2013	2012	2014-2013	2013-2012
	%	%	%	%	%
Net revenues	100.0	100.0	100.0	**	**
Gross profit	54.5	52.7	52.4	3	1
Research and development expenses	7.3	7.0	6.7	4	5
Selling and marketing expenses	19.0	20.1	19.1	(5)	5
General and administrative expenses	6.0	6.1	6.1	(2)	**
Impairments, restructuring and others	3.2	3.9	6.2	(18)	(37)
Legal settlements and loss contingencies	(0.5)	7.5	3.5	n/a	112
Operating income	19.5	8.1	10.8	140	(25)
Financial expenses—net	1.6	2.0	1.9	(22)	3
Income before income taxes	17.9	6.1	8.9	191	(31)
Income taxes	2.9	(0.2)	(0.7)	n/a	(69)
Share in losses of associated companies—net	*	0.2	0.2	(88)	(13)
Net loss attributable to non-controlling interests	(0.1)	(0.1)	(0.3)	(19)	(70)
Net income attributable to Teva	15.1	6.2	9.7	141	(35)

* Represents an amount of less than 0.05%.

** Represents an amount of less than 0.5%.

Segment Information

Generic Medicines Segment

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

	Generic Medicines					
	Year Ended December 31,					
	2014		2013		2012	
	U.S.$ in millions / % of Segment Revenues					
Revenues	$9,814	100.0%	$9,902	100.0%	$10,385	100.0%
Gross profit	4,247	43.3%	4,079	41.2%	4,518	43.5%
R&D expenses	517	5.3%	492	5.0%	485	4.7%
S&M expenses	1,582	16.1%	1,919	19.4%	1,971	19.0%
Segment profit*	$2,148	21.9%	$1,668	16.8%	$ 2,062	19.9%

* Segment profit is comprised of gross profit for the segment, less R&D and S&M expenses related to the segment. Segment profit does not include G&A expenses, amortization and certain other items. See note 21 of our consolidated financial statements and "Operating Income" below for additional information.

The data presented have been conformed to reflect the revised classification of certain of our products for all periods.

Revenues

Our generic medicines segment includes sales of generic medicines as well as API sales to third parties. Revenues from our generic medicines in 2014 amounted to $9.8 billion, a decline of $88 million, or 1%, compared to 2013. In local currency terms, sales increased 1%.

Revenues of generic medicines in the United States, our largest generic market, amounted to $4.4 billion, an increase of $246 million, or 6%, compared to 2013, representing 45% of total generics revenues in 2014. Revenues of generic medicines in Europe amounted to $3.1 billion, a decrease of $214 million, or 6%, compared to 2013. In local currency terms, European sales decreased 7%. Revenues of generic medicines in Europe represented 32% of total generics revenues in 2014. In our ROW markets, revenues from generic medicines in 2013 amounted to $2.2 billion, a decrease of 5% compared to 2013. In local currency terms, ROW sales increased 4%. Revenues from generic medicines in ROW markets represented 23% of total generics revenues in 2014.

API sales to third parties in 2014 amounted to $724 million, flat compared to 2013 in both U.S. dollar and local currency terms, mainly due to a decrease in sales in Europe and in the United States, partially offset by an increase in Japan and in other ROW markets.

Comparison of 2013 to 2012. In 2013, revenues from generic medicines amounted to $9.9 billion, a decrease of 5% compared to $10.4 billion in 2012. In local currency terms, revenues decreased 3%.

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

	Year Ended December 31,			Percentage Change	
	2014	2013	2012	2014-2013	2013-2012
	U.S. $ in millions				
United States	$4,418	$4,172	$ 4,381	6%	(5%)
Europe*	3,148	3,362	3,482	(6%)	(3%)
Rest of the World	2,248	2,368	2,522	(5%)	(6%)
Total Generic Medicines	$9,814	$9,902	$10,385	(1%)	(5%)

* All members of the European Union, Switzerland, Norway, Albania and the countries of former Yugoslavia.

United States Generic Medicines Revenues

In 2014, we led the U.S. generic market in total prescriptions and new prescriptions, with total prescriptions of approximately 500 million, representing 14.2% of total U.S. generic prescriptions. We intend to continue our U.S. market leadership based on our ability to introduce new generic equivalents for brand-name products on a timely basis, with a focus on complex generics and other high-barrier products that we believe will create more value for patients and customers, our strong emphasis on customer service, the breadth of our product line, our commitment to quality and regulatory compliance and our cost-effective production.

Revenues from generic medicines in the United States in 2014 amounted to $4.4 billion, up 6% compared to $4.2 billion in 2013. The increase resulted mainly from the 2014 exclusive launch of capecitabine (the generic equivalent of Xeloda®), the launch of omega-3-acid ethyl esters (the generic equivalent of Lovaza®) for which we were first to market, and the launch of raloxifene (the generic equivalent of Evista®), as well as products that were sold in 2014 that were not sold in 2013. These increases were partially offset by lower sales of the generic versions of Adderall IR® (amphetamine salts IR), Pulmicort® (budesonide inhalation) and Niaspan® (niacin ER).

Among the most significant generic products we sold in the United States in 2014 were generic versions of Pulmicort® (budesonide inhalation), Xeloda® (capecitabine), Lovaza® (omega-3-acid ethyl esters), Niaspan® (niacin ER), Adderall XR® (mixed amphetamine salts ER), Evista® (raloxifene), Pravachol® (pravastatin), Tobi® (tobramycin) and Adderall® (mixed amphetamine salts).

Comparison of 2013 to 2012. Total generic sales in the United States in 2013 amounted to $4.2 billion, down from $4.4 billion in 2012. This decrease was mainly due to a decrease in sales of products for which we had exclusive rights in 2012 and the cessation of royalties of atorvastatin under our agreement with Ranbaxy.

Products. In 2014, we launched generic versions of the following branded products in the United States (listed by date of launch):

Generic Name	Brand Name	Launch Date	Total Annual U.S. Market at Time of Launch $ millions (IMS)*
Metoclopramide for injection, USP 5 mg/mL, 10 mg **	Reglan®	Jan-2014	$ 12
Tolterodine tartrate ER capsules 2 & 4 mg	Detrol®	Jan-2014	$ 549
Fludarabine phosphate for injection 50mg/vial**	—	Jan-2014	—
Moxifloxacin HCl tablets 400 mg	Avelox®	Feb-2014	$ 195
Capecitabine tablets 150 & 500 mg	Xeloda®	Mar-2014	$ 754
Raloxifene HCl tablets 60 mg	Evista®	Mar-2014	$ 824
Omega-3-acid ethyl esters capsules 1 g	Lovaza®	Apr-2014	$1,067
Sulfamethoxazole and trimethoprim injection 80 mg/16 mg/mL**	—	Apr-2014	$ 7
Eszopiclone tablets 1, 2, & 3 mg	Lunesta®	Apr-2014	$ 928
Dexmethylphenidate HCl extended release capsules 15 & 30 mg***	Focalin XR®	May-2014	$ 169
Estradiol and norethindrone acetate tablets (Mimvey Lo®) 0.5/0.1 mg	Activella®	Jun-2014	$ 48
Fludarabine phosphate for injection 50 mg/2 mL**	—	Jul-2014	$ 4
Entecavir tablets 0.5 mg & 1 mg	Baraclude®	Sep-2014	$ 328
Carboplatin for injection 10 mg/mL, 600 mg**	Paraplatin®	Oct-2014	$ 3
Dexmethylphenidate HCl ER capsules 5 mg***	Focalin XR®	Nov-2014	$ 75
Enoxaparin sodium for injection 100 mg/mL & 150 mg/mL	Lovenox®	Nov-2014	$1,337
Amlodipine/valsartan/HCTZ tablets 5/160/12.5, 5/160/25 & 10/320/25 mg	Exforge HCT®	Dec-2014	$ 157
Buprenorphine/naloxone sublingual tablets 2/0.5 & 8/2 mg	Suboxone®	Dec-2014	$ 310
Celecoxib capsules 50, 100, 200 & 400 mg	Celebrex ®	Dec-2014	$2,583
Levalbuterol inhalation solution 0.25%	Xopenex®	Dec-2014	$ 14
Nafcillin for injection 1 & 2 gm	—	Dec-2014	$ 31

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

** Products were re-launched.

*** Additional strengths.

We expect that our generic medicines revenues in the U.S. will continue to benefit from our strong generic pipeline, which, as of January 22, 2015, had 120 product registrations awaiting FDA approval, including 29 tentative approvals. Collectively, these 120 products had U.S. sales in 2014 exceeding $86 billion. Of these applications, 87 were "Paragraph IV" applications challenging patents of branded products. We believe we are first to file with respect to 42 of these products, the branded versions of which had U.S. sales of more than $31 billion in 2014. IMS reported brand sales are one of the many indicators of future potential value of a launch, but equally important are the mix and timing of competition, as well as cost effectiveness. The potential advantages of being the first filer with respect to some of these products may be subject to forfeiture, shared exclusivity or competition from so-called "authorized generics," which may ultimately affect the value derived.

The FDA requires companies to submit abbreviated new drug applications (ANDAs) for approval to manufacture and market generic forms of brand-name drugs. In most instances, FDA approval is granted upon the expiration of the underlying patents. However, companies may be rewarded with a 180-day period of marketing exclusivity, as provided by law, for being the first generic applicant to successfully challenge these patents. As part of our strategy, we actively review pharmaceutical patents and seek opportunities to challenge patents that we believe are either invalid or not infringed by our generic version. In addition to the commercial benefit of obtaining marketing exclusivity, we believe that our patent challenges ultimately improve healthcare by allowing consumers earlier access to more affordable, high-quality medications.

In 2014 we received, in addition to 22 final generic drug approvals, seven tentative approvals which remain tentative at December 31, 2014. A "tentative approval" letter indicates that the FDA has substantially completed its review of an application and final approval is expected once the relevant patent expires, a court decision is reached, a 30-month regulatory stay lapses or a 180-day exclusivity period awarded to another manufacturer either expires or is forfeited. The outstanding tentative approvals received are for generic equivalents of the following products:

Generic Name	Brand Name	Total U.S. Annual Branded Market $ millions (IMS)*
Amlodipine besylate/valsartan tablets 5/160, 10/160, 5/320 & 10 mg /320 mg	Exforge®	$ 398
Olmesartan medoxomil/HCTZ tablets 20/12.5, 20/12.5 & 40 mg /25 mg	Benicar HCT®	$ 681
Rosuvastatin calcium tablets 5, 10, 20 & 40 mg	Crestor®	$5,311
Fexofenadine/pseudoephedrine ER tablets 180 mg /240 mg	Allegra D®	$ 14
Eletriptan HB® tablets 20 & 40 mg	Relpax®	$ 295
Abacavir/lamivudine tablets 600 mg / 300 mg	Epzicom®	$ 576
Olmesartan medoxomil tablets 5, 20 & 40 mg	Benicar®	$ 922

* The figures given are for the twelve months ended in the calendar quarter closest to the receipt of tentative approval.

Europe Generic Medicines Revenues

Teva defines its European region as the 28 countries in the European Union, Norway, Switzerland and Albania and the countries of the former Yugoslavia. It is a diverse region that has a population of over 500 million people. Revenues presented include those from all 36 countries currently in our European region.

Revenues from generic medicines in Europe in 2014 amounted to $3.1 billion, a decrease of 6% compared to 2013. In local currency terms, revenues decreased 7%, mainly due to our focus on profitable business as well as market dynamics in certain countries including Germany, France and Spain. During 2014, the British pound strengthened against the U.S. dollar, while the euro weakened towards the end of the year, and the Hungarian forint weakened against the U.S. dollar.

As in previous years, European regulatory measures aimed at reducing healthcare and drug expenditures have led to slower growth in the generic medicines market, and have adversely affected our revenues in some markets. In Germany, Italy, France, Spain and Poland, governmental measures (such as tenders and price-referencing) have reduced prices. We have adjusted our strategy to address these changes, shifting from a market share-driven approach to a model emphasizing profitable and sustainable growth. Despite the decrease in revenues, the selective approach to our portfolio and price structuring, as well as our strong focus on cost reduction, contributed to significantly improved segment profitability.

As of December 31, 2014, Teva had received 840 generic approvals in Europe relating to 132 compounds in 265 formulations, including three EMA approvals valid in all EU member states. In addition, Teva had 2,072 marketing authorization applications pending approval in 31 European countries, relating to 199 compounds in 408 formulations, including one application pending with the EMA.

Listed below are generic revenues highlights for 2014 in our most significant European operations in terms of size:

- **Germany**: Generic revenues in 2014 decreased 13% in U.S. dollar and in local currency terms. This decrease was due to our strategic focus on sustainable and profitable business, leading to lower participation in the tender market, and due to the increasing pressure on prices in the retail generics segment, mainly in the second half of 2014.

- **United Kingdom**: Generic revenues in 2014 increased 1%, but decreased 4% in local currency terms, compared to 2013. The decrease in local currency terms was primarily due to our focus on profitable business and our lower market share on some products that were impacted by supply issues in the first half of the year. We maintained our position as the largest generic pharmaceutical company in the U.K.

- **Italy**: Generic revenues in 2014 increased 12%, or 13% in local currency terms. The increase was primarily due to improvements in our supply management during the year.

- **France**: Generic revenues in 2014 decreased 12%. In local currency terms, generic revenues decreased 13% compared to 2013, due primarily to increasing competition, the impact of regulatory changes in pharmacy discounting rules and our focus on profitable business.

- **Spain**: Generic revenues in 2014 decreased 13% in U.S. dollars and local currency terms. The decrease was due mainly to the impact of the implementation of new commercial policies, and the increasing scope of the tendering system in the Andalucía region, in which we chose not to participate.

- **Switzerland**: Generic revenues in 2014 increased 4%, or 2% in local currency terms. The increase was primarily due to higher volume in connection with new product launches, partially offset by pricing pressure driven by increasing competition.

Comparison of 2013 to 2012. Total generic sales in Europe in 2013 amounted to $3.4 billion, down from $3.5 billion in 2012. In local currency terms, revenues decreased 6%. The decrease was mainly due to lower revenues of both generic medicines and API.

ROW Generic Medicines Revenues

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

In our ROW markets, generics revenues amounted to $2.2 billion, a decrease of 5% compared to 2013. In local currency terms, revenues increased 4%. The increase in local currency terms was mainly due to higher revenues in certain Latin American markets and Canada, partially offset by lower revenues in Japan.

Listed below are generic revenues highlights for 2014 in our main ROW markets:

- In Japan, our generic revenues in 2014 decreased 10%, or 3% in local currency terms, compared to 2013. Our results in Japan, in local currency terms, mainly reflect the ongoing effects of certain quality and supply issues, which we experienced during 2013, as well as the impact of price revisions by the National Health Insurance in April 2014. The Japanese generics market is expected to continue to grow, bolstered by new government incentives to increase generic penetration.

- Our generic medicines revenues in Russia in 2014 decreased 14%, but increased 3% in local currency terms, compared to 2013. The growth in local currency terms was mainly attributable to higher sales of branded generics, partially offset by lower revenues from governmental tenders for generic products. We maintained our leading position in the Russian generic pharmaceutical market.

- In Canada, where we are one of the two leading generic pharmaceutical companies, generic revenues increased 5% in 2014, or 12% in local currency terms, compared to 2013. The increase was primarily due to the reversal of a pricing reserve for a product sold in previous years, partially offset by lower prices due to price reforms.

Comparison of 2013 to 2012. In 2013, generic medicines revenues in the ROW markets in 2013 were $2.4 billion, a decrease of 6% compared to 2012. In local currency terms, revenues increased 4%. The increase in local currency terms was mainly due to higher revenues in several ROW markets, including Russia, partially offset by lower revenues in Canada and Japan.

Generic Medicines Gross Profit

In 2014, gross profit from our generic medicines segment amounted to $4.2 billion, an increase of $168 million, or 4%, compared to $4.1 billion in 2013. The higher gross profit was mainly a result of higher revenues in the United States, specifically of products launched during 2014 and in the second half of 2013, and higher revenues in Canada, which led to higher gross profits, as well as higher gross profit from API sales to third parties. These increases were partially offset by lower revenues in Europe and certain ROW markets, which led to lower gross profits.

Gross profit margin for our generic medicines segment in 2014 increased to 43.3%, from 41.2% in 2013. This increase in gross margin was mainly the result of higher revenues, which led to higher gross profits in the United States and Canada (an aggregate increase of 2.5 points) as well as higher profitability of our European markets and of our API sales to third parties (an aggregate increase of 0.7 points), partially offset by lower revenues, which led to lower gross profits in certain ROW markets (a decrease of 0.8 points).

Comparison of 2013 to 2012. Generic medicines segment gross profit amounted to $4.1 billion in 2013, compared to $4.5 billion in 2012. Gross profit margin was 41.2% in 2013, compared to 43.5% in 2012.

Generic Medicines R&D Expenses

Research and development expenses relating to our generic medicines in 2014 amounted to $517 million, an increase of 5% compared to $492 million in 2013. The increase is mainly the result of higher investment in our U.S. portfolio and of development of complex generics for various markets. As a percentage of segment revenues, R&D expenses were 5.3% in 2014, compared to 5.0% in 2013.

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

Generic Medicines S&M Expenses

Selling and marketing expenses related to our generic medicines in 2014 amounted to $1.6 billion, a decrease of 18% compared to $1.9 billion in 2013, mainly due to lower expenses in Europe and certain ROW markets (including as a result of currency fluctuations), as well as lower royalty payments in the United States mainly related to lower sales of our generic version of Pulmicort® (budesonide inhalation).

As a percentage of segment revenues, selling and marketing expenses decreased to 16.1% in 2014 from 19.4% in 2013.

Comparison of 2013 to 2012. Generic medicines S&M expenses in 2013 amounted to $1.9 billion, compared to $2.0 billion in 2012.

Generic Medicines Profit

The profit of our generic medicines segment is comprised of the gross profit for the segment, less selling and marketing expenses and research and development expenses related to this segment. Segment profit does not include general and administrative expenses, amortization and certain other items. See note 21 of our consolidated financial statements and "Operating Income" below for additional information.

Profit of our generic medicines segment amounted to $2.1 billion in 2014, compared to $1.7 billion in 2013. The increase was due to factors previously discussed, primarily lower S&M expenses and higher gross profit, which were partially offset by an increase in R&D expenses.

Generic medicines profit as a percentage of generic medicines revenues was 21.9% in 2014, up from 16.8% in 2013. The increase was mainly due to lower S&M expenses as a percentage of generic medicines revenues (increase of 3.3 points) as well as higher gross margin (increase of 2.1 points), partially offset by higher R&D expenses as a percentage of generic medicines revenues (decrease of 0.3 points).

Comparison of 2013 to 2012. Generic medicines profit amounted to $1.7 billion in 2013, a decrease compared to $2.1 billion in 2012. In 2013, segment profit as a percentage of revenues amounted to 16.8%, down from 19.9% in 2012.

Specialty Medicines Segment

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

	Specialty Medicines					
	Year Ended December 31,					
	2014		2013		2012	
	U.S.$ in millions / % of Segment Revenues					
Revenues	$8,560	100.0%	$8,388	100.0%	$8,150	100.0%
Gross profit	7,457	87.1%	7,274	86.7%	7,173	88.0%
R&D expenses	881	10.3%	883	10.5%	793	9.7%
S&M expenses	2,001	23.4%	1,864	22.2%	1,686	20.7%
Segment profit*	$4,575	53.4%	$4,527	54.0%	$4,694	57.6%

* Segment profit is comprised of gross profit for the segment, less R&D and S&M expenses related to the segment. Segment profit does not include G&A expenses, amortization and certain other items. See note 21 of our consolidated financial statements and "Operating Income" below for additional information.

The data presented have been conformed to reflect the revised classification of certain of our products for all periods.

Revenues

Specialty medicines revenues in 2014 amounted to $8.6 billion, an increase of 2% compared to 2013. In the United States our specialty medicines revenues amounted to $6.1 billion, an increase of 1% from 2013.

Specialty medicines revenues in Europe amounted to $1.9 billion, an increase of 2% from 2013 in both U.S. dollar and local currency terms. ROW revenues were $552 million, an increase of 8%, or 23% in local currency terms, compared to 2013. Our specialty medicines segment also includes our NTE development program.

Comparison of 2013 to 2012. In 2013, specialty medicines revenues amounted to $8.4 billion compared to $8.2 billion in 2012. United States revenues amounted to $6.0 billion, an increase of 3% from 2012. Specialty medicines revenues in Europe amounted to $1.9 billion, an increase of 18%, or 15% in local currency terms, over 2012. Specialty medicines revenues in our ROW markets in 2013 amounted to $509 million, a decrease of 29%, or 26% in local currency terms, over 2012.

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

Specialty Medicines Revenues Breakdown

	Year Ended December 31,			Percentage Change	
	2014	2013	2012	2014-2013	2013-2012
	U.S. $ in millions				
CNS	*$5,575*	*$5,545*	*$5,464*	*1%*	*1%*
Copaxone®	4,237	4,328	3,996	(2%)	8%
Azilect®	428	371	330	15%	12%
Nuvigil®	388	320	347	21%	(8%)
Oncology	*1,180*	*1,005*	*860*	*17%*	*17%*
Treanda®	767	709	608	8%	17%
Respiratory	*957*	*964*	*856*	*(1%)*	*13%*
ProAir®	478	429	406	11%	6%
QVAR®	286	328	297	(13%)	10%
Women's Health	*504*	*510*	*448*	*(1%)*	*14%*
Other Specialty	*344*	*364*	*522*	*(5%)*	*(30%)*
Total Specialty Medicines	**$8,560**	**$8,388**	**$8,150**	**2%**	**3%**

The data presented have been conformed to reflect the revised classification of certain of our products for all periods.

Central Nervous System ("CNS")

Our CNS specialty product line includes Copaxone®, Azilect®, Nuvigil®, Fentora®, Amrix® and several other medicines. In 2014, our CNS sales amounted to $5.6 billion, an increase of 1% over 2013, primarily due to higher Azilect®, Nuvigil®, and Amrix® revenues, partially offset by a decrease in revenues from Copaxone® and Fentora®.

Copaxone®. In 2014, Copaxone® (glatiramer acetate injection) continued to be the leading multiple sclerosis therapy in the U.S. and globally, as we launched Copaxone® 40 mg/mL three times a week in the United States and migrated daily Copaxone® 20 mg/mL users to this new version. As a result, over 60% of the total Copaxone® prescriptions are now filled with the 40 mg/mL version. Our sales of Copaxone® amounted to $4.2 billion, a 2% decrease compared to 2013.

Copaxone® revenues in the United States in 2014 decreased 4% to $3.1 billion due to volume erosion attributable to oral competition, partially offset by price increases during 2014. Our U.S. market shares in terms of new and total prescriptions were 25.9% and 31.5%, respectively, according to December 2014 IMS data.

Revenues in the United States accounted for 73% of global Copaxone® revenues in 2014, a decrease from 75% of global sales in 2013.

Our Copaxone® revenues outside the United States amounted to $1.1 billion during the year, 2% higher than 2013. In local currency terms, revenues grew 7%, primarily due to the timing of tenders in Russia.

Copaxone® was responsible for 21% of our revenues in 2014, and a significantly higher percentage contribution to our profits and cash flow from operations during such period.

For further discussion on Copaxone®, see "Specialty Medicines—Central Nervous System—Copaxone®."

Comparison of 2013 to 2012. In 2013, global sales of Copaxone® were approximately $4.3 billion, an increase of 7% compared to global in-market sales in 2012. U.S. revenues in 2013 accounted for 75% of global in-market sales of Copaxone®. Until February 2012, global in-market sales included sales of Copaxone® by both Sanofi and Teva. In February 2012, we completed the assumption from Sanofi of the marketing and distribution rights of Copaxone®. Therefore, commencing with the second quarter of 2012, all global sales were made and recorded by Teva.

Azilect® global in-market sales, which represent sales by Teva and Lundbeck to third parties, amounted to $549 million in 2014 compared to $493 million in 2013, an increase of 11%. Our sales of Azilect® amounted to $428 million in 2014, an increase of 15% compared to 2013. The increase in sales reflects both price increases and volume growth in the United States, as well as volume growth in Europe.

Comparison of 2013 to 2012. In 2013, global in-market sales of Azilect amounted to $493 million, an increase of 17% compared to 2012. Our sales of Azilect® in 2013 amounted to $371 million, an increase of 12% compared to 2012.

Nuvigil® global sales in 2014 amounted to $388 million, compared to $320 million in 2013, mainly due to pricing fluctuations. Nuvigil®'s market share in terms of total prescriptions of the U.S. wake category was 42.5% at the end of 2014.

Comparison of 2013 to 2012. In 2013, sales of Nuvigil® amounted to $320 million, a decrease of 8% compared to 2012.

Provigil® sales in 2014 amounted to $70 million, compared to $91 million in 2013.

Comparison of 2013 to 2012. In 2013, sales of Provigil® amounted to $91 million, a decrease of 78% compared to 2012. Provigil® began to face generic competition in the United States in March 2012, which resulted in substantially decreased sales.

Respiratory

Our respiratory portfolio includes ProAir®, QVAR®, DuoResp Spiromax® and Qnasl®. Revenues from our specialty respiratory products decreased 1% in 2014 to $1.0 billion, primarily due to lower sales of QVAR® in Europe.

ProAir® HFA revenues in 2014 amounted to $478 million, an increase of 11% compared to 2013, mainly due to volume growth. ProAir® maintained its leadership in the Short Acting Beta Agonist market, with a market share of 57.0% in terms of total number of prescriptions during the fourth quarter of 2014, an increase of 3.1 points compared to the fourth quarter of 2013.

QVAR® global revenues in 2014 amounted to $286 million, a decrease of 13% compared to 2013, due to pricing variances. QVAR® maintained its second-place position in the inhaled corticosteroids category in the United States, with a market share of 36.0% in terms of total number of prescriptions during the fourth quarter of 2014, an increase of 4.1 points compared to the fourth quarter of 2013.

Comparison of 2013 to 2012. In 2013, revenues of our respiratory products amounted to approximately $1.0 billion, compared to $856 million in 2012. This increase was mainly due to increased sales in the United States and volume growth globally.

Oncology

Our oncology portfolio includes Treanda®, Trisenox®, Granix® and Synribo® in the United States and Lonquex®, Tevagrastim®/Ratiograstim®, Myocet®, Trisenox® and Eporatio® outside the United States. Sales of these products amounted to $1.2 billion in 2014, compared to $1.0 billion in 2013. The increase resulted primarily due to our recently launched G-CSF products, Granix® and Lonquex® in the United States and Europe as well as higher sales of Treanda®.

Sales of **Treanda®** amounted to $767 million in 2014, compared to $709 million in 2013, primarily due to price increases in 2014.

Comparison of 2013 to 2012. In 2013, sales of our oncology product line reached $1.0 billion, an increase of 17% from $860 million in 2012, primarily due to the increase in Treanda® sales.

Women's Health

Our women's health portfolio includes ParaGard®, Plan B One-Step® OTC/Rx (levonorgestrel), and Zoely® along with a number of other local products that are marketed in the United States, Europe and ROW. Women's health results do not include generic women's health products, sales of which are reported as part of our generic medicines revenues.

Revenues from our global women's health products amounted to $504 million in 2014, a decrease of 1% from $510 million in 2013. The effect of foreign exchange fluctuations on revenues was negligible. The decrease in revenues is mainly due to lower U.S. sales of several women's health products in the United States, largely offset by higher U.S. sales of Paragard® and Plan B One-Step®.

Comparison of 2013 to 2012. In 2013, sales of our women's health products amounted to $510 million, an increase of 14% from $448 million in 2012.

Specialty Medicines Gross Profit

In 2014, gross profit from our specialty medicines segment amounted to $7.5 billion, an increase of 3% compared to $7.3 billion in 2013. The higher gross profit was mainly a result of higher sales.

Gross profit margin for our specialty medicines segment in 2014 was 87.1% compared to 86.7% in 2013. The slight increase in gross margin was mainly a result of the higher sales of Treanda® (an increase of 0.4 points) and improved margins of Copaxone® (an increase of 0.2 points), partially offset by lower margins of some of our respiratory products.

Comparison of 2013 to 2012. Specialty medicines segment gross profit amounted to $7.3 billion in 2013, compared to $7.2 billion in 2012. Specialty medicines segment gross profit margin was 86.7% in 2013, compared to 88.0% in 2012.

Specialty Medicines R&D Expenses

Our specialty R&D activities focus primarily on product candidates in the CNS and respiratory therapeutic areas, with additional activities in specific areas that fit our strategy. Research and development expenses relating to our specialty medicines in 2014 were $881 million, similar to $883 million in 2013, as

higher participation of third parties in R&D expenses and lower investments in our non-core therapeutic areas were offset by higher expenses related to our CNS pipeline. As a percentage of segment revenues, R&D spending was 10.3% in 2014, compared to 10.5% in 2013.

Specialty R&D expenditures include upfront and milestone payments for products in the development phase, the formulation, clinical trials, product registration costs, changes in contingent consideration resulting from acquisitions and other costs, and are reported net of contributions received from collaboration partners. Our specialty R&D spending takes place throughout the development process, including (a) early-stage projects in both discovery and preclinical phases; (b) middle-stage projects in clinical programs up to phase 3; (c) late-stage projects in phase 3 programs, including where an NDA is currently pending approval; and (d) life cycle management and other studies for marketed products. Furthermore, our NTE R&D activities are managed and reported as part of our specialty R&D expenses.

We consider phase 3, or late-stage development, to be our most significant R&D programs, as they could potentially affect revenues and earnings in the relatively near future. In addition, we incur indirect expenses that support our overall specialty R&D efforts but are not allocated by product or to specific R&D projects, such as the costs of internal administration, infrastructure and personnel. Our specialty segment R&D expenses include such unallocated expenses.

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

	2014 Expenditure U.S.$ in millions	No. of Projects as of Dec. 31, 2014	2013 Expenditure U.S.$ in millions	No. of Projects as of Dec. 31, 2013	2012 Expenditure U.S.$ in millions	No. of Projects as of Dec. 31, 2012
Early stage*: discovery and pre-clinical	$ 71	N/A	$ 57	N/A	$ 77	N/A
Middle stage: clinical up to phase 3	130	21	148	16	228	18
Late stage: phase 3, registration and post-approval regulatory requirements	420	27	415	16	324	19
Unallocated R&D**	311		282		254	
Total gross R&D expenses***	932		902		883	
Total net R&D expenses	881		883		793	

* Including early stage NTEs.

** Unallocated R&D expenses are indirect expenses that support our overall specialty R&D efforts but are not allocated by product or to specific R&D projects, such as the costs of internal administration, infrastructure and personnel.

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

We recently changed the classification of certain of our products, which impacted the classification of related expenses. The data presented have been conformed to reflect the revised classification.

Specialty Medicines S&M Expenses

S&M expenses related to our specialty medicines in 2014 amounted to $2.0 billion, compared to $1.9 billion in 2013.

As a percentage of segment revenues, selling and marketing expenses increased to 23.4% in 2014 from 22.2% in 2013.

The increase was primarily due to higher expenditures related to launches of new products such as DuoResp Spiromax®, Lonquex® and Granix® during 2014, as well as preparation for additional product launches planned for 2015.

Comparison of 2013 to 2012. Specialty medicines S&M expenses in 2013 amounted to $1.9 billion, compared to $1.7 billion in 2012. The increase was mainly due to higher expenditures related to launches of new products.

Specialty Medicines Profit

The profit of our specialty medicines segment is comprised of the gross profit for the segment, less selling and marketing expenses and research and development expenses related to this segment. Segment profit does not include general and administrative expenses, amortization and certain other items. See note 21 of our consolidated financial statements and "Teva Consolidated Results—Operating Income" below for additional information.

Profit of our specialty medicines segment amounted to $4.6 billion in 2014, compared to $4.5 billion in 2013, an increase of 1%. This is a result of the factors discussed above, namely higher gross profit, partially offset by higher S&M expenses.

Specialty medicines profit as a percentage of segment revenues was 53.4% in 2014, down from 54.0% in 2013, a decrease of 0.6 points. The decline was mainly attributed to higher S&M expenses as a percentage of specialty medicines revenues (1.2 points), partially offset by higher gross profit (0.4 points) and by slightly lower R&D expenses as a percentage of specialty medicines revenues (0.2 points), as discussed above.

Comparison of 2013 to 2012. Specialty medicines profit amounted to $4.5 billion in 2013, compared to $4.7 billion in 2012, a decrease of 4%. Specialty medicines profit as a percentage of segment revenues was 54.0%, compared to 57.6% in 2012.

Our multiple sclerosis franchise includes our Copaxone® products and laquinimod (a developmental compound for the treatment of MS). The profit of our multiple sclerosis franchise is comprised of Copaxone® revenues and cost of goods sold as well as S&M and R&D expenses related to our MS franchise. It does not include G&A expenses, amortization and certain other items. Our MS franchise profit was $3.2 billion, $3.3 billion and $3.0 billion in 2014, 2013 and 2012, respectively. Profit of our multiple sclerosis franchise as a percentage of Copaxone® revenues was 75.1%, 75.6% and 74.5% in 2014, 2013 and 2012, respectively.

Other Activities

In addition to our generic and specialty medicines segments, we have other activities, primarily PGT Healthcare, our OTC joint venture with P&G, distribution services, primarily in Israel and Hungary, and sales of medical devices.

OTC

Our revenues from OTC products in 2014 amounted to $996 million, a decrease of 15%, compared to $1.2 billion in 2013, mainly due to the sale of our U.S. OTC plants, previously purchased from P&G, back to P&G in July 2014. Our revenues related to PGT amounted to $897 million, a decrease of 1%, compared to $910 million in the previous year. In local currency terms, revenues grew 5%. Revenues grew in all regions, except for a small decline in a few countries in Eastern Europe.

PGT's in-market sales in 2014 amounted to $1.5 billion. This amount represents sales of the combined OTC portfolios of Teva and P&G outside North America.

Revenues from the sales of OTC products in the United States to P&G, amounted to $99 million in 2014, compared to $254 million in 2013. The decrease was due to the sale of the U.S. OTC plants noted above.

Comparison of 2013 to 2012. In 2013, our OTC revenues were $1.2 billion, an increase of 24% over 2012 primarily due to increased commercial activities and price increases.

Others

Other sources of revenue include sales of third party products for which we act as distributors (mostly in Israel and Hungary) and medical products, as well as miscellaneous items.

In 2014, we recorded sales of $902 million, an increase of 5% compared to sales of $859 million in 2013.

Comparison of 2013 to 2012. In 2013, we recorded sales of $859 million, an increase compared to sales of $846 million in 2012.

Teva Consolidated Results

Revenues

Revenues in 2014 amounted to $20.3 billion, flat compared to 2013. In local currency terms, revenues increased 1%. Our revenues were positively affected by higher sales of our specialty medicines, offset by lower revenues of our OTC and generic medicines. Please see "Specialty Medicines Revenues," "Other Activities—OTC" and "Generic Medicines Revenues" above. Exchange rate movements during 2014 in comparison to 2013 negatively impacted overall revenues by approximately $346 million.

Comparison of 2013 to 2012. Revenues in 2013 amounted to $20.3 billion, flat compared to 2012 as higher revenues of our specialty medicines and OTC products were offset by the decline in sales of generic medicines.

Gross Profit

In 2014, gross profit amounted to $11.1 billion, an increase of 3% compared to 2013.

The higher gross profit was mainly a result of factors previously discussed under "Generic Medicines Gross Profit" and "Specialty Medicines Gross Profit" above. Gross profit was further affected by lower charges related to the amortization of purchased intangible assets, which were partially offset by higher costs related to regulatory actions taken in facilities.

Gross profit as a percentage of revenues was 54.5% in 2014, compared to 52.7% in 2013.

The increase in gross profit as a percentage of revenues primarily reflects the higher profitability of our generic medicines segment (an increase of 1.1 points), the lower amortization of purchased intangible assets (an increase of 0.7 points), the cessation of U.S. OTC manufacturing (an increase of 0.5 points) and the higher profitability of our specialty medicines segment (an increase of 0.4 points), partially offset by lower income from other activities (a decrease of 0.4 points), lower sales of OTC products (a decrease of 0.3 points), and costs related to regulatory actions taken in facilities (a decrease of 0.2 points).

Comparison of 2013 to 2012. Gross profit amounted in 2013 to $10.7 billion, an increase of 1% compared to 2012. Gross profit as a percentage of revenues was 52.7% in 2013, compared to 52.4% in 2012.

Research and Development (R&D) Expenses

Net research and development expenses for 2014, including the purchase of in-process R&D, were $1.5 billion, an increase of 4% compared to 2013. Specialty R&D expenses were $881 million and generic R&D expenses were $517 million in 2014, compared to $883 million and $492 million, respectively, in 2013. As a percentage of revenues, R&D spending was 7.3% in 2014, compared to 7.0% in 2013.

In 2014, our R&D expenses were primarily the result of the factors previously discussed under "Generic Medicines—R&D Expenses" and "Specialty Medicines—R&D Expenses" above.

Comparison of 2013 to 2012. In 2013, R&D expenses amounted to $1.4 billion, an increase of 5% compared to 2012.

Selling and Marketing (S&M) Expenses

S&M expenses in 2014 amounted to $3.9 billion, a decrease of 5% over 2013. As a percentage of revenues, S&M expenses were 19.0% in 2014, compared to 20.1% in 2013.

In 2014, we decreased our S&M spending, primarily as a result of the factors discussed under "Generic Medicines S&M Expenses" and "Specialty Medicines S&M Expenses" above.

Comparison of 2013 to 2012. S&M expenses in 2013 amounted to $4.1 billion, an increase of 5% over 2012. As a percentage of revenues, S&M expenses increased from 19.1% in 2012 to 20.1% in 2013.

General and Administrative (G&A) Expenses

G&A expenses in 2014 amounted to $1.2 billion, a decrease of $22 million compared to 2013. As a percentage of revenues, G&A expenses were 6.0%, compared to 6.1% in 2013.

Comparison of 2013 to 2012. G&A expenses in 2013 amounted to $1.2 billion, similar to 2012. As a percentage of revenues, G&A expenses were 6.1% in both 2013 and 2012.

Legal Settlements and Loss Contingencies

Legal settlements and loss contingencies for 2014 amounted to a gain of $111 million, compared to an expense of $1.5 billion in 2013. The 2014 amount is comprised mainly of insurance proceeds relating to the settlement of the pantoprazole patent litigation.

Comparison of 2013 to 2012. Legal settlements and loss contingencies expenses in 2013 amounted to $1.5 billion, compared to $715 million in 2012. The increase is mainly related to expenses in connection with the settlements of the pantoprazole and modafinil litigations.

Impairments, Restructuring and Others

Charges for impairments, restructuring and others amounted to $650 million in 2014, compared to $788 million for 2013.

Impairments

Impairment of long-lived assets in 2014 amounted to $387 million, comprised of:

1. Property, plant and equipment—$163 million, based on management decisions regarding their expected use as a result of our planned network rationalization program, which triggered a reassessment of fair value. In 2013, impairment of property, plant and equipment amounted to $61 million.

2. Identifiable intangible assets—$224 million:

   a. Product rights impairments of $116 million were recorded due to current market conditions and supply chain challenges in various markets. Impairments of product rights for 2013 amounted to $227 million.

   b. In-process R&D impairments of $108 million are comprised mainly of a $102 million impairment of the MDT-637 development project following the negative results of a Phase 2 trial. Impairment of in-process R&D for 2013 amounted to $166 million.

The carrying value as of December 31, 2014 of Teva's in-process R&D asset Revascor® (mesynchymal precursor cells) is $258 million. This drug candidate is in a Phase 3 trial for congestive heart failure. Adverse trial results may lead us to reevaluate the fair value of the asset, which may lead to impairment. Such a loss may also lead us to reassess the current carrying value of our equity interest in Mesoblast Ltd., which is $295 million.

Restructuring

For the year ended December 31, 2014, Teva recorded $246 million of restructuring expenses, compared to $201 million in 2013. These expenses were primarily incurred following various initiatives which are part of our cost reduction program.

In October 2013, management announced the acceleration of its company-wide multi-year cost-savings plan, which includes several initiatives, including a reduction in the number of employees. Costs will continue to be incurred as the details of the plan are finalized and accounting criteria for expense recognition are met.

Comparison of 2013 to 2012. Impairments, restructuring and other expenses in 2013 amounted to $788 million, compared to $1.3 billion in 2012. The decrease is mainly due to lower impairment expenses.

Operating Income

Operating income was $4.0 billion in 2014, up from $1.6 billion in 2013. As a percentage of revenues, operating income was 19.5% compared to 8.1% in 2013.

The increase in operating income was due to factors previously discussed, primarily income in 2014 compared to expenses in 2013 in connection with legal settlements and loss contingencies, higher profit of all activities, lower amortization expenses, lower impairments, restructuring and others expenses as well as lower G&A expenses.

The increase of 11.4 points in operating income as a percentage of revenues was mainly due to income in 2014 compared to expenses in 2013 in connection with legal settlements (8.0 points), higher profit of all activities (2.6 points), lower amortization expenses (0.7 points), lower impairments, restructuring and others expenses (0.7 points) as well as lower G&A expenses (0.1 points), partially offset by higher other unallocated expenses (0.7 points).

Comparison of 2013 to 2012. Operating income in 2013 amounted to $1.6 billion, compared to $2.2 billion in 2012. As a percentage of revenues, operating income decreased to 8.1% in 2013 from 10.8% in 2012.

The following table presents a reconciliation of our segments' profits to Teva's consolidated operating income for the past three years:

	Year Ended December 31,		
	2014	2013	2012
	(U.S.$ in millions)		
Generic medicines profit	$2,148	$1,668	$2,062
Specialty medicines profit	4,575	4,527	4,694
Total segment profit	6,723	6,195	6,756
Profit of other activities	226	242	197
Total profit	6,949	6,437	6,953
Amortization	1,036	1,180	1,272
General and administrative expenses	1,217	1,239	1,238
Impairments, restructuring and others	650	788	1,259
Legal settlements and loss contingencies	(111)	1,524	715
Other unallocated amounts	206	57	264
Consolidated operating income	$3,951	$1,649	$2,205

Financial Expenses-Net

In 2014, financial expenses amounted to $313 million, compared to $399 million in 2013. The decrease is mainly due to prepayments of high interest rate debt facilities in March 2013.

Comparison of 2013 to 2012. In 2013, financial expenses amounted to $399 million, compared to $386 million in 2012.

Teva operates in certain territories where the official exchange rates deviate significantly from unofficial market rates and remittance of cash outside the country is limited. As a result, Teva is exposed to a potential income statement devaluation loss on its total monetary balances in these territories, which, as of December 31, 2014, amounted to approximately $274 million.

Tax Rate

In 2014, the provision for taxes amounted to $591 million, or 16% of pre-tax income of $3.6 billion. In 2013, the tax benefit amounted to $43 million, on pre-tax income of $1.3 billion. In 2012, the tax benefit amounted to $137 million, on pre-tax income of $1.8 billion. The increase in our annual effective tax rate for 2014 resulted primarily from the expiration of the tax exemption we benefited from through the end of 2013, under the previous Israeli incentive regime, as further detailed below. Furthermore, our tax rates for 2013 and 2012 were affected by the impact of impairment, restructuring and legal settlements charges, as well as mergers, on non-Israeli subsidiaries that have tax rates above our average tax rate.

The statutory Israeli corporate tax rate is 26.5% as of 2014, however, our effective consolidated tax rates have historically been, and continue to be this year, lower than the statutory rate because of tax incentives we benefit from in Israel and other countries. Most of our investments in Israel were granted Approved Enterprise status, which confers certain tax benefits. These benefits included a long-term tax exemption for undistributed income generated by such projects, effective until 2013, and lower tax rates in 2014 and onwards, as described in "Taxation—Israel." We also benefit from other investment-related and R&D-related tax incentives in many of our facilities around the world.

In the future, our effective tax rate is expected to fluctuate as a result of various factors, including changes in the product mix and geographical distribution of our income, the effect of mergers and acquisitions, and the effects of statutes of limitations and legal settlements which may affect provisions for uncertain tax positions.

Net Income

Net income attributable to Teva in 2014 was $3.1 billion, compared to $1.3 billion in 2013. This increase was due to the factors previously discussed, primarily our higher operating income, partially offset by higher tax expenses compared to tax benefits in 2013.

Comparison of 2013 to 2012. Net income attributable to Teva in 2013 amounted to $1.3 billion, compared to $2.0 billion in 2012. This decrease was primarily due to our lower operating income as well as lower tax benefits.

Diluted Shares Outstanding and Earnings Per Share

During 2014, we repurchased approximately nine million shares at a weighted average price of $57.43 per share, for an aggregate purchase price of $0.5 billion. These purchases were made pursuant to our share repurchase program, which was increased in October 2014 by $1.7 billion to $3 billion, with no time limits.

The average weighted diluted shares outstanding used for the fully diluted share calculation for 2014, 2013 and 2012 was 858 million, 850 million and 873 million shares, respectively.

The increase in number of shares outstanding compared to 2013 was mainly due to the issuance of shares for employee options exercised, in addition to higher amounts of dilutive options, RSUs and convertible senior debentures, following an increase in share price. The increase was partially offset by the impact of the shares repurchased during the fourth quarter of 2014.

At December 31, 2014, 2013 and 2012, the share count for calculating Teva's market capitalization was approximately 852 million, 848 million and 857 million shares, respectively.

Diluted earnings per share amounted to $3.56 in 2014, an increase of 139% compared to diluted earnings per share of $1.49 in 2013. Diluted earnings per share amounted to $2.25 in 2012.

Impact of Currency Fluctuations on Results of Operations

Because our results are reported in U.S. dollars, changes in the rate of exchange between the U.S. dollar and the local currencies in the markets in which we operate (primarily the euro, Israeli shekel, Russian ruble, Canadian dollar, British pound, Japanese yen and Hungarian forint) impact our results. During 2014, the following main currencies relevant to our operations decreased in value against the U.S. dollar: the Russian ruble by 18%, the Canadian dollar by 7%, the Hungarian forint by 3% and the Japanese yen by 9%, while the following currencies increased in value against the U.S. dollar: the British pound by 5% and the Israeli shekel by 2% (each on an annual average compared to annual average basis).

As a result, exchange rate movements during 2014 in comparison with 2013 negatively impacted overall revenues by approximately $346 million and reduced our operating income by $114 million.

Comparison of 2013 to 2012. Exchange rate movements during 2013 in comparison with 2012 negatively impacted 2013 revenues by approximately $166 million and reduced our operating income for the year by $126 million.

Liquidity and Capital Resources

Total balance sheet assets amounted to $46.4 billion at December 31, 2014, compared to $47.5 billion at December 31, 2013. The decrease resulted mainly from a decline in intangible assets due to amortization of product rights and impairments, lower inventory balances and a decrease in goodwill resulting mainly from foreign exchange fluctuations. This decrease was partially offset by an increase in cash and financial assets.

Inventory balances at December 31, 2014 amounted to $4.4 billion, compared to $5.1 billion at December 31, 2013. The decrease resulted from foreign exchange fluctuations as well as from lower inventory balances mainly in Israel, Japan, France and Canada.

Accounts receivable at December 31, 2014, net of sales reserves and allowances ("SR&A"), amounted to negative $0.4 billion, compared to $0.4 billion at December 31, 2013. The negative balance is due to increases in sales reserves and allowances, primarily payments to be made to Medicaid.

We monitor macro-economic risks in certain emerging markets that are experiencing economic stress, focusing on Eastern Europe and Latin America, and are taking action to limit our exposure in these regions.

Accounts payables and accruals decreased to $3.2 billion at December 31, 2014 compared to $3.3 billion at December 31, 2013.

Our working capital balance, which includes accounts receivable, inventories, deferred taxes and other current assets net of SR&A, accounts payable and other current liabilities, was $1.6 billion at December 31, 2014, compared to $2.5 billion at December 31, 2013. The decrease in working capital is mainly due to the increase in SR&A and a decrease in inventory, partially offset by a decrease in other accounts payable and accruals.

Investment in property, plant and equipment in 2014 amounted to $0.9 billion, compared to $1.0 billion in 2013. Depreciation amounted to $464 million in 2014, compared to $458 million in 2013.

Cash and cash equivalents and short term and long term investments at December 31, 2014 amounted to $2.6 billion, compared to $1.2 billion at December 31, 2013. The increase was mainly due to cash flow generated from operating activities in 2014 net of cash used for capital investments of $4.3 billion and $0.5 billion of proceeds from employee stock option exercises, partially offset by $1.2 billion of dividends paid, $1.2 billion debt repayment, $0.5 billion of share repurchases, as well as $0.4 billion paid in connection with the Labrys and Nupathe acquisitions.

2014 Debt Movements

At December 31, 2014, our debt was $10.3 billion, a decrease of $1.9 billion compared to $12.2 billion at December 31, 2013, mainly due to debt repayments.

In March 2014, we repaid $750 million comprised of $500 million of LIBOR + 0.5% floating rate senior notes and $250 million of 1.7% senior notes, both issued in March 2011.

In January 2014, we repaid $205 million of our revolving credit line. As of December 31, 2014, the credit line was unutilized.

2013 Debt Movements

In December 2013, we entered into a five-year Japanese yen 35 billion term loan credit agreement at Japanese LIBOR+0.3%.

In November 2013, we repaid $1.1 billion of the floating rate senior notes issued in November 2011 as part of the financing of the Cephalon acquisition.

In May 2013, we repaid $200 million of the floating rate senior notes issued in November 2011 as part of the financing of the Cephalon acquisition.

In March 2013, we repaid an aggregate amount of approximately $750 million of debt, comprised of $500 million principal amount of 5.55% senior notes due 2016 and $248 million of the European Investment Bank floating rate loan due 2015.

In addition, in January 2013, we repaid $1 billion principal amount of our 1.7% senior notes due 2014.

Aggregate Debt

Our debt at December 31, 2014 is effectively denominated in the following currencies: 52% in U.S. dollars, 31% in euros, 13% in Japanese yen and 4% in Swiss francs.

The portion of total debt classified as short term at December 31, 2014 was 17%, up from 15% at December 31, 2013. The increase is mainly due to reclassification of the $1.0 billion principal amount of 3.0% fixed rate senior note, maturing in June 2015.

Our financial leverage decreased to 31% at December 31, 2014 from 35% at December 31, 2013.

Our average debt maturity increased from 6 years at December 31, 2013 to 6.4 years at December 31, 2014, as a result of short term debt repayment.

In December 2012, we entered into a five-year $3.0 billion unsecured syndicated credit facility. As of December 31, 2014, the credit facility remained unutilized.

In January 2014, we entered into a term loan facility agreement under which we could have drawn up to $1.0 billion with a term of five years. We did not utilize the facility and the agreement was terminated in December 2014.

In January 2015, we repaid at maturity a €122 million European Investment Bank loan. The loan bore interest determined on the basis of 3 months EURIBOR +1.0%.

Shareholders' Equity

Our shareholders' equity was $23.3 billion at December 31, 2014, compared to $22.6 billion at December 31, 2013. The increase resulted primarily from net income attributed to Teva of $3.1 billion, $0.5 billion of proceeds from exercise of options and $0.2 billion of unrealized gain from derivative financial instruments, partially offset by the negative impact of foreign exchange fluctuations of $1.4 billion, dividend payments of $1.2 billion, as well as share repurchases of $0.5 billion.

Exchange rates also had a significant impact on our balance sheet, as approximately 33% of our net assets (including both non-monetary and monetary assets) were in currencies other than the U.S. dollar. When compared with the end of 2013, changes in currency rates had a negative impact of $1.4 billion on our equity as of December 31, 2014, mainly due to the decrease in value against the U.S. dollar of: the Euro by 12%, the Russian ruble by 41%, the Polish zloty by 15%, the Hungarian forint by 17%, the Chilean peso by 13%, the Ukrainian hryvnia by 48%, and the Canadian dollar by 8%. All comparisons are on the basis of end of year rates.

Cash Flow

Cash flow generated from operating activities for 2014 amounted to $5.1 billion, an increase of $1.9 billion compared to 2013. The increase was mainly due to lower payments for legal settlements and Israeli tax settlements, insurance proceeds related to the pantoprazole settlement, and a decrease in accounts receivable net of SR&A, which were partially offset by lower income from the securitization of certain accounts receivable.

During 2014, we paid the remaining $800 million related to our pantoprazole settlement.

Cash flow generated from operating activities in 2014, net of cash used for capital investments, amounted to $4.3 billion, compared to $2.3 billion in 2013. The increase resulted mainly from higher cash flow generated from operating activities, along with lower capital expenditures.

In Europe, a significant portion of our profits is at risk due to the potential depreciation of the euro. We hedge part of the exposure resulting from the strengthening of the U.S. dollar against the euro.

Dividends

We announced a dividend for the fourth quarter of 2014 of NIS 1.33 (33.8 cents according to the rate of exchange on February 3, 2015) per share, an increase of 10% from NIS 1.21, which was the dividend declared for the third quarter of 2014. The dividend payment for the fourth quarter of 2014, which took place on March 3, 2015, was made with respect to ADSs on the basis of the then current U.S. dollar-NIS exchange rate.

Commencing in April 2015, our dividends will be declared and paid in U.S. dollars.

Commitments

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

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

In connection with certain development, supply and marketing, and research and collaboration or services agreements, we are required to indemnify, in unspecified amounts, the parties to such agreements against third-party claims relating to (1) infringement or violation of intellectual property or other rights of such third party; or (2) damages to users of the related products. Except as described in our financial statements, we are not aware of any material pending action that may result in the counterparties to these agreements claiming such indemnification.

Certain of our loan agreements and debentures contain restrictive covenants, mainly the requirement to maintain certain financial ratios. We are currently in compliance with all applicable financial ratios.

Our principal sources of short-term liquidity are our existing cash investments, liquid securities, and available credit facilities; primarily our $3 billion syndicated revolving line of credit, as well as internally generated funds, which we believe are sufficient to meet our on-going operating needs. Our cash in hand is generally invested in bank deposits as well as liquid securities that bear fixed and floating rates.

Supplemental Non-GAAP Income Data

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

	Year Ended December 31,		
	2014	2013	2012
	U.S. dollars in millions		
Amortization of purchased intangible assets	1,036	1,180	1,272
Legal settlements and loss contingencies	(111)	1,524	715
Impairment of long-lived assets	387	524	1,071
Restructuring expenses	246	201	221
Costs associated with cancellation of R&D projects	79	—	—
Costs related to regulatory actions taken in facilities	75	43	128
Branded prescription drug fee	40	—	—
Other non-GAAP items	17	63	(33)
Accelerated depreciation	12	9	—
Purchase of research and development in process	—	5	73
Inventory step-up	—	—	63
Financial expense	7	110	32
Corresponding tax effect	(492)	(673)	(798)
Minority interest changes related to impairments of co-owned assets	—	—	(36)

The data so presented—after these exclusions—are the results used by management and our board of directors to evaluate our operational performance, to compare against work plans and budgets, and ultimately to evaluate the performance of management. For example, each year we prepare a detailed work plan for the next fiscal year. This work plan is used to manage the business and is the plan against which management's performance is measured. All such plans are prepared on a basis comparable to the presentation below, in that none of the plans take into account those elements that are factored out in our non-GAAP presentations. In addition, at quarterly meetings of the Board at which management provides financial updates to the Board, presentations are made comparing the current fiscal quarterly results against: (a) the comparable quarter of the prior year, (b) the immediately preceding fiscal quarter and (c) the work plan. Such presentations are based upon the non-GAAP approach reflected in the table below. Moreover, while there are always qualitative factors and elements of judgment involved in the granting of annual cash bonuses, the principal quantitative element in the determination of such bonuses is performance targets tied to the work plan, and thus tied to the same non-GAAP presentation as is set forth below.

In arriving at our non-GAAP presentation, we have in the past factored out items, and would expect in the future to continue to factor out items, that either have a non-recurring impact on the income statement or which, in the judgment of our management, are items that, either as a result of their nature or size, could, were they not singled out, potentially cause investors to extrapolate future performance from an improper base. While not all inclusive, examples of these items include: legal settlements and reserves, purchase accounting expense adjustments related to acquisitions, including adjustments for write-offs of R&D in-process, amortization of intangible assets and inventory "step-ups" following acquisitions; changes in the fair value of contingent consideration related to business combination; restructuring expenses related to efforts to rationalize and integrate operations on a global basis; material tax and other awards or settlements—both in terms of amounts paid or amounts received; impairment charges related to intangible and other assets such as intellectual property, product rights or goodwill; the income tax effects of the foregoing types of items when they occur; and costs related to regulatory actions taken at our facilities (such as uncapitalized production costs, consulting expenses or write-offs of inventory related to remediation). Included in restructuring expenses are severance, shut down costs, contract termination costs and other costs that we believe are sufficiently large that their exclusion is important to understanding trends in our financial results.

These data are non-GAAP financial measures and should not be considered replacements for GAAP results. We provide such non-GAAP data because management believes that such data provide useful information to investors. However, investors are cautioned that, unlike financial measures prepared in accordance with GAAP, non-GAAP measures may not be comparable with the calculation of similar measures for other companies. These non-GAAP financial measures are presented solely to permit investors to more fully understand how management assesses our performance. The limitations of using these non-GAAP financial measures as performance measures are that they provide a view of our results of operations without including all events during a period, such as the effects of acquisition, merger-related, restructuring and other charges, and may not provide a comparable view of our performance to other companies in the pharmaceutical industry.

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

The following table presents the GAAP measures, related non-GAAP adjustments and the corresponding non-GAAP amounts for the applicable periods:

	Year Ended December 31, 2014			
	U.S. dollars and shares in millions (except per share amounts)			
	GAAP	Non-GAAP Adjustments	Non-GAAP	% of Net Revenues
Gross profit[1]	11,056	1,087	12,143	60%
Operating income[1,2]	3,951	1,781	5,732	28%
Net income attributable to Teva[1,2,3]	3,055	1,296	4,351	21%
Earnings per share attributable to Teva—diluted[4]	3.56	1.51	5.07	
(1) Amortization of purchased intangible assets		1,000		
Costs related to regulatory actions taken in facilities		75		
Accelerated depreciation		12		
Gross profit adjustments		1,087		
(2) Legal settlements and loss contingencies		(111)		
Impairment of long-lived assets		387		
Restructuring and other expenses		382		
Amortization of purchased intangible assets		36		
		694		
Operating income adjustments		1,781		
(3) Tax effect and other items		(492)		
Financial expense		7		
Net income adjustments		1,296		

(4) The weighted average number of shares was 858 million for the year ended December 31, 2014. Non-GAAP earnings per share can be reconciled with GAAP earnings per share by dividing each of the amounts included in footnotes 1-3 above by the applicable weighted average share number.

	Year Ended December 31, 2013			
	U.S. dollars and shares in millions (except per share amounts)			
	GAAP	Non-GAAP Adjustments	Non-GAAP	% of Net Revenues
Gross profit[1]	10,707	1,188	11,895	59%
Operating income[1,2]	1,649	3,549	5,198	26%
Net income attributable to Teva[1,2,3]	1,269	2,986	4,255	21%
Earnings per share attributable to Teva—diluted[4]	1.49	3.52	5.01	
(1) Amortization of purchased intangible assets		1,136		
Costs related to regulatory actions taken in facilities		43		
Accelerated depreciation		9		
Gross profit adjustments		1,188		
(2) Legal settlements and loss contingencies		1,524		
Impairment of long-lived assets		524		
Restructuring and other expenses		269		
Amortization of purchased intangible assets		44		
		2,361		
Operating income adjustments		3,549		
(3) Tax effect and other items		(673)		
Financial expense		110		
Net income adjustments		2,986		

(4) The weighted average number of shares was 850 million for the year ended December 31, 2013. Non-GAAP earnings per share can be reconciled with GAAP earnings per share by dividing each of the amounts included in footnotes 1-3 above by the applicable weighted average share number.

	Year Ended December 31, 2012			
	U.S. dollars and shares in millions (except per share amounts)			
	GAAP	Non-GAAP Adjustments	Non-GAAP	% of Net Revenues
Gross profit[1]	10,652	1,419	12,071	59%
Operating income[1,2]	2,205	3,510	5,715	28%
Net income attributable to Teva[1,2,3]	1,963	2,708	4,671	23%
Earnings per share attributable to Teva—diluted[4]	2.25	3.10	5.35	
(1) Amortization of purchased intangible assets		1,228		
Costs related to regulatory actions taken in facilities		128		
Inventory step-up		63		
Gross profit adjustments		1,419		
(2) Impairment of long-lived assets		1,071		
Legal settlements and loss contingencies		715		
Restructuring and other expenses		261		
Amortization of purchased intangible assets		44		
		2,091		
Operating income adjustments		3,510		
(3) Tax effect and other items		(834)		
Financial expense		32		
Net income adjustments		2,708		

(4) The weighted average number of shares was 873 million for the year ended December 31, 2012. Non-GAAP earnings per share can be reconciled with GAAP earnings per share by dividing each of the amounts included in footnotes 1-3 above by the applicable weighted average share number.

Non-GAAP Effective Tax Rate

The provision for non-GAAP taxes for 2014 amounted to $1.1 billion on pre-tax non-GAAP income of $5.4 billion. The provision for taxes in the comparable period of 2013 was $630 million on pre-tax income of $4.9 billion, and in 2012 was $661 million on pre-tax income of $5.4 billion. The non-GAAP tax rate for 2014 was 20%, compared to 13% in 2013 and 12% in 2012. The increase in our annual non-GAAP effective tax rate for 2014 resulted primarily from the expiration of the tax exemption we benefited from through the end of 2013, under the previous Israeli incentive regime.

In the future, the effective tax rate is expected to fluctuate as a result of various factors, including changes in the products and geographical distribution of our income, the effect of any mergers and acquisitions, and the effects of statutes of limitations and legal settlements which may affect provisions for uncertain tax positions.

Trend Information

The following factors are expected to have an effect on our 2015 results:

- the impact of currency fluctuations on revenues and net income, as well as on various balance sheet line items;
- our continued focus on profit and profitability will continue to impact revenues;

- a decrease in sales of Copaxone® as a result of changes in the competitive landscape, including competition from oral medicines and the potential introduction of a purported generic version in the United States;

- a decrease in U.S. generic medicines revenues following the introduction of additional generic competition to Pulmicort® in the U.S. market; and

- substantial restructuring and impairment expenses relating to improvements in our production network, supply chain and resource deployment processes.

For additional information please see "Description of Teva".

Off-Balance Sheet Arrangements

Except for securitization transactions, which are disclosed in note 17c to our consolidated financial statements, we do not have any material off-balance sheet arrangements.

Aggregated Contractual Obligations

The following table summarizes our material contractual obligations and commitments as of December 31, 2014:

	Payments Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term debt obligations, including estimated interest*	$ 12,528	$ 1,956	$ 1,975	$ 2,661	$ 5,936
Operating lease obligations	642	139	210	148	145
Purchase obligations (including purchase orders)	1,777	1,763	14	—	—
Total	$ 14,947	$ 3,858	$ 2,199	$ 2,809	$ 6,081

* Long term debt obligations mainly include senior notes and convertible senior debentures as disclosed in notes 12 and 13 to our consolidated financial statements.

The total gross amount of unrecognized tax benefits for uncertain tax positions was $713 million at December 31, 2014. Payment of these obligations would result from settlements with tax authorities. Due to the difficulty in determining the timing and magnitude of settlements, these obligations are not included in the above table. Correspondingly, it is hard to ascertain whether we will pay any significant amount related to these obligations within the next year.

We have committed to future expenditures relating to joint ventures in accordance with the terms of the applicable agreements, mainly our PGT venture. However, the amounts of these future expenditures have not been predetermined, and are further subject to management approval.

We have committed to make potential future "milestone" payments to third parties under various agreements. Such payments are contingent upon the achievement of certain regulatory milestones and sales targets. As of December 31, 2014, were all milestones and targets, for compounds in Phase 2 and more advanced stages of development, to be achieved, the total contingent payments could reach an aggregate of up to approximately $2.4 billion. Such amount does not include additional sales-based milestone payments or royalties. Due to the uncertainty of the timing of these payments, these amounts, and the amounts described in the previous paragraph, are not included in the above table.

Critical Accounting Policies

The preparation of our consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions in certain circumstances that affect the amounts reported in the accompanying consolidated financial statements and related footnotes. Actual results may differ from these estimates. To facilitate the understanding of our business activities, certain accounting policies that are more important to the portrayal of our financial condition and results of operations and that require management's subjective judgments are described below. We base our judgments on our experience and on various assumptions that we believe to be reasonable under the circumstances. Please refer to note 1 to our consolidated financial statements for a summary of all of our significant accounting policies.

Revenue Recognition and SR&A

Revenue is recognized from product sales, including sales to distributors when persuasive evidence of an arrangement exists, delivery has occurred, the selling price is fixed or determinable and collectability is reasonably assured. This generally occurs when products are shipped and title risk and rewards for the products are transferred to the customer.

Revenues from product sales are recorded net of provisions for estimated chargebacks, rebates, returns, cash discounts and other deductions, such as shelf stock adjustments, which can be reasonably estimated. When sales provisions are not considered reasonably estimable by Teva, the revenue is deferred to a future period when more information is available to evaluate the impact. These provisions primarily relate to sales of pharmaceutical products in the U.S.

Revenue resulting from the achievement of milestone events stipulated in agreements is recognized when the milestone is achieved. Milestones are based upon the occurrence of a substantive element specified in the contract or as a measure of substantive progress towards completion under the contract.

Provisions for chargebacks, rebates including Medicaid and other governmental program discounts, and other promotional items, such as shelf stock adjustments, are included in "SR&A" under "current liabilities." These provisions are recognized concurrently with the sales of products. Provisions for doubtful debts and prompt payment discounts are netted against "accounts receivable."

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

Rebates and Other Sales Reserves and Allowances:

Rebates and Other Sales Reserves and Allowances includes rebates for customer programs and government, shelf stock adjustments and other promotional programs. Rebates represent the majority of the reserve.

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

Medicaid and Other Governmental Rebates. Pharmaceutical manufacturers whose products are covered by the Medicaid program are required to rebate to each state a percentage of their average manufacturer's price for the products dispensed. Many states have also implemented supplemental rebate programs that obligate

manufacturers to pay rebates in excess of those required under federal law. We estimate these rebates based on historical trends of rebates paid as well as on changes in wholesaler inventory levels and increases or decreases in sales. Included in the 2014 and 2013 provisions are estimates for the impact of changes to Medicaid rebates and associated programs related to U.S. healthcare reform.

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

Other Promotional Arrangements. Other promotional or incentive arrangements are periodically offered to customers specifically related to the launch of products or other targeted promotions. Provisions are made or expenses recorded in the period for which the customer earns the incentive in accordance with the contractual terms.

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

Chargebacks. We have arrangements with various third parties, such as managed care organizations and drug store chains, establishing prices for certain of our products. While these arrangements are made between us and the customers, the customers independently select a wholesaler from which they purchase the products. Alternatively, certain wholesalers may enter into agreements with the customers, with our concurrence, which establishes the pricing for certain products which the wholesalers provide. Under either arrangement, we will issue a credit (referred to as a "chargeback") to the wholesaler for the difference between the invoice price to the wholesaler and the customer's contract price.

Provisions for chargebacks are the largest single component of our SR&A process, involving estimates of contract prices of over 1,300 products and multiple contracts with multiple wholesalers. The provision for chargebacks varies in relation to changes in product mix, pricing and the level of inventory at the wholesalers and therefore will not necessarily fluctuate in proportion to an increase or decrease in sales.

Provisions for estimating chargebacks are calculated using historical chargeback experience, or expected chargeback levels for new products. Chargeback provisions are compared to externally obtained distribution channel reports for reasonableness. We regularly monitor the provision for chargebacks and make adjustments when we believe that actual chargebacks may differ from estimated provisions. In addition, we consider current and expected price competition when evaluating the provision for chargebacks.

Returns. Returns primarily relate to customer returns for expired products which the customer has the right to return up to one year following the expiration date. Such returned products are destroyed, and credits and/or refunds are issued to the customer for the value of the returns. We record a reserve for estimated sales returns in accordance with the "Revenue Recognition When Right of Return Exists" FASB pronouncement. The returns provision is estimated by applying a historical return rate to the amounts of revenue estimated to be subject to returns. Revenue subject to returns is estimated based on the lag time from time of sale to date of return. The estimated lag time is developed by analyzing historical experience. Lag times during 2014 and 2013 were estimated at approximately 24 months from the date of sale. Additionally, we consider specific factors such as levels of inventory in the distribution channel, product dating and expiration, size and maturity of launch, entrance of new competitors, changes in formularies or packaging and any changes to customer terms for determining the overall expected levels of returns.

SR&A for third-party sales of pharmaceutical products to U.S. customers at December 31, 2014 and 2013 were as set forth in the below table. Such sales reserves and allowances to U.S. customers comprised over 80% of our total sales reserves and allowances as of December 31, 2014, with the balance primarily in Canada and Germany.

	Sales Reserves and Allowances				
	Reserves included in Accounts Receivable, net	Chargebacks	Returns	Rebates & Other Sales Reserves and Allowances	Total
			(U.S. dollars in millions)		
Balance at December 31, 2012	$ 96	$ 1,235	$ 432	$ 2,195	$ 3,958
Provisions related to sales made in current year period	342	2,895	210	4,156	7,603
Provisions related to sales made in prior periods	—	(9)	63	(54)	—
Credits and payments	(342)	(3,091)	(199)	(3,854)	(7,486)
Balance at December 31, 2013	$ 96	$ 1,030	$ 506	$ 2,443	$ 4,075
Provisions related to sales made in current year period	411	4,544	217	5,693	10,865
Provisions related to sales made in prior periods	2	(7)	1	(91)	(95)
Credits and payments	(393)	(4,503)	(203)	(4,636)	(9,735)
Balance at December 31, 2014	$ 116	$ 1,064	$ 521	$ 3,409	$ 5,110

Reserves at December 31, 2014 increased by approximately $1,035 million compared to December 31, 2013. The most significant variance was an increase in rebates and other sales reserves of approximately $965 million primarily related to an increase in customer rebates as a result of the shift in direct sales from the large retailers to the wholesalers, as well as an increase in managed care rebates, and additional Medicaid and other governmental rebates related to the U.S. healthcare reform and invoicing lags.

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

Expenses in Connection with Collaboration Agreements

Expenses incurred in relation to third party cooperation arrangements are recorded and generally included in cost of sales where the third party is a supplier of product or related product components. In other cases, payments are generally considered marketing costs and are included in selling and marketing expenses. When payments or royalties are received, they are included in revenue.

Income Taxes

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

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

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

In future years we expect to have sufficient sources to fund our dividend distributions (from Approved Enterprise income available for distribution as a result of the application of Amendment 69 and from other sources). Accordingly, deferred taxes have not been provided for tax-exempt income, as the Company intends to permanently reinvest these profits and does not currently foresee a need to distribute dividends out of these earnings. Furthermore, we do not expect our non-Israeli subsidiaries to distribute taxable dividends in the foreseeable future, as their earnings are needed to fund their growth, while we expect to have sufficient resources in the Israeli companies to fund our cash needs in Israel. An assessment of the tax that would have been payable had the Company's foreign subsidiaries distributed their income to the Company is not practicable because of the multiple levels of corporate ownership and multiple tax jurisdictions involved in each hypothetical dividend distribution.

Contingencies

The Company and its subsidiaries are involved in various patent, product liability, commercial, government investigations, environmental claims and other legal proceedings that arise from time to time in the ordinary course of business. Except for income tax contingencies or contingent consideration acquired in a business combination, Teva records accruals for these types of contingencies to the extent that Teva concludes their occurrence is probable and that the related liabilities are estimable. When accruing these costs, the Company will recognize an accrual in the amount within a range of loss that is the best estimate within the range. When no amount within the range is a better estimate than any other amount, the Company accrues for the minimum amount within the range. Teva records anticipated recoveries under existing insurance contracts that are virtually certain of occurring at the gross amount that is expected to be collected. Legal costs are expensed as incurred.

Inventories

Inventories are valued at the lower of cost or market. Cost of raw and packaging materials and purchased products is determined mainly on a "moving average" basis; cost of finished products and products in process is calculated assuming normal manufacturing capacity of the production facilities and determined as follows: the raw material and packaging component—mainly on a "moving average" basis; the capitalized production costs component—mainly on an average basis over the production period.

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

Our policy is to capitalize saleable product for unapproved inventory items when economic benefits are probable. We evaluate expiry, legal risk and likelihood of regulatory approval on a regular basis. If at any time approval is deemed not to be probable, the inventory is written down to its net realizable value. To date,

inventory allowance adjustments in the normal course of business have not been material. However, from time to time, due to a regulatory action or lack of approval or delay in approval of a product, we may experience a more significant impact.

Long Lived Assets

Teva's long-lived, non-current assets are comprised mainly of goodwill, identifiable intangible assets and property, plant and equipment. Teva reviews its long-lived assets and performs detailed testing whenever potential impairment indicators are present. In addition, the Company performs impairment testing at the end of each year for goodwill and identifiable indefinite life intangible assets.

Starting in 2015, the Company will change its annual goodwill impairment testing date from December 31 to October 1 of each year. This change will allow Teva to complete the annual goodwill impairment test prior to the end of the annual reporting period, and thereby better align impairment testing procedures with the Company's budget and forecasting processes and with year-end financial reporting. Accordingly, management considers this accounting change preferable. We do not expect this change to have a material effect on our valuation, nor to accelerate, delay, avoid, or trigger an impairment charge or result in adjustments to previously issued financial statements.

Goodwill

Goodwill reflects the excess of the consideration paid or transferred plus the fair value of contingent consideration and any non-controlling interest in the acquiree at the acquisition date over the fair values of the identifiable net assets acquired. The goodwill impairment test is performed according to the following principles:

- An initial qualitative assessment of the likelihood of impairment may be performed. If this step does not result in a more likely than not indication of impairment, no further impairment testing is required. If it does result in a more likely than not indication of impairment, the impairment test is performed.

- In step one of the impairment test, Teva compares the fair value of the reporting units to the carrying value of net assets allocated to the reporting units. If the fair value of the reporting unit exceeds the carrying value of the net assets allocated to that unit, goodwill is not impaired, and no further testing is required. Otherwise, Teva must perform the second step of the impairment test to measure the amount of the impairment.

- In the second step, the reporting unit's fair value is allocated to all the assets and liabilities of the reporting unit, including any unrecognized intangible assets, in a hypothetical analysis that simulates the business combination principles to derive an implied goodwill value. If the implied fair value of the reporting unit's goodwill is less than its carrying value, the difference is recorded as an impairment.

Identifiable intangible assets

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

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

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

Indefinite life intangible assets are mainly comprised of research and development in-process. Teva monitors development for any triggering events. Annually or when triggering events are present, Teva determines the fair value of the asset based on discounted cash flows on and records an impairment loss if book value exceeds fair value.

Research and development in-process acquired in a business combination is capitalized as an indefinite life intangible asset until the related research and development efforts are either completed or abandoned. In the reporting period where they are treated as indefinite life intangible assets, they are not amortized but rather are monitored and tested for impairment. Upon completion of the related research and development efforts, management determines the useful life of the intangible assets and amortizes them accordingly. In case of abandonment, the related research and development assets are impaired.

Property, plant and equipment

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

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

Recently Issued Accounting Pronouncements

See note 1 to our consolidated financial statements.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

General

A significant portion of our revenues are from sales outside the United States and are recorded in local currencies. Similarly, much of our operating costs are incurred in currencies other than the U.S. dollar. We are also exposed to interest rate risk from our financial assets and liabilities.

We take various measures to compensate for the effects of fluctuations in both exchange and interest rates. These measures include traditional currency hedging transactions as well as transactions intended to maintain a balance between monetary assets and liabilities in each of our principal operating currencies, mainly the U.S. dollar (where the U.S. dollar is not the functional currency), the new Israeli shekel (NIS), the euro (EUR), the Swiss franc (CHF), the Canadian dollar (CAD), the British pound (GBP), the Hungarian forint (HUF), the Russian ruble (RUB), the Croatian kuna (HRK), the Czech koruna (CZK), other European currencies and Latin American currencies such as the Brazilian real (BRL) and the Mexican peso (MXN). The costs and gains resulting from such instruments, to the extent they do not qualify for hedge accounting, are included under the caption "financial expenses—net."

Although we are typically able to borrow funds in U.S. dollars, NIS or any other major currency, we generally prefer to borrow in U.S. dollars. However, loans are generally subject to the functional currency of the borrowing subsidiary in order to reduce the volatility of financial expenses.

We use financial instruments and derivatives in order to limit our exposure to risks deriving from changes in exchange and interest rates. The use of such instruments does not expose us to additional exchange or interest rate risks because the derivatives are covered in the corresponding underlying asset or liability. No derivative instruments are entered into for trading purposes.

Our derivative transactions during 2014 were executed through international as well as local Israeli and Hungarian banks and other financial institutions. In the opinion of management, in light of our diversified derivative transaction portfolio, any credit risk associated with any of these banks or financial institutions is minimal.

Exchange Rate Risk Management

Balance Sheet Exposure

We hedge against exposures arising from the gap between current assets and current liabilities that are recorded in various currencies ("balance sheet exposure") in subsidiaries whose functional currency is different than the exposure denominated currency. The majority of the balance sheet exposures in such subsidiaries are in European currencies, Canadian dollars and NIS. In our European and Latin American subsidiaries, we protect against balance sheet exposures that are generally in U.S. dollars and European currencies. We strive to limit our exposure through "natural" hedging, i.e., by matching levels of assets and liabilities in any given currency. The remaining exposure is substantially covered by the use of derivative instruments. To the extent possible, this is done on a consolidated basis.

The table below presents all exposures above $50 million. Most of the functional currencies are the local currencies and do not include shareholders equity exposure:

Net exposure as of December 31, 2014

Liability/Asset	(in USD, millions)
HUF/USD	425
CHF/USD	293
USD/CAD	197
EUR/CHF	155
USD/GBP	113

Net exposure as of December 31, 2014	
Liability/Asset	**(in USD, millions)**
USD/ILS	103
USD/EUR	100
USD/MXN	82
EUR/JPY	58
AUD/USD	56
USD/JPY	52
USD/BRL	52
USD/HRK	50
Total	1,736

Cash Flow Exposure

Total revenues amounted to $20.3 billion in 2014. Of these revenues, 55% were in U.S. dollars, 19% in euros and the rest in other currencies, none of which accounted for more than 3% of total revenues in 2014. In most currencies, we record corresponding expenses.

In certain currencies, primarily the euro, our expected revenues exceed our expected expenses. Conversely, in other currencies, primarily the new Israeli shekel and the Hungarian forint, our expected expenses are higher than our expected revenues. For those currencies which do not have a sufficient natural hedge within our operations, we may choose to hedge in order to reduce the impact of currency fluctuations on our operating results.

In 2014, we entered into hedging transactions to protect our new Israeli shekel-denominated expenses in 2014 and 2015 new Israeli shekel exchange rate fluctuations against the U.S. dollar.

In Europe, a significant portion of our profits is at risk due to the potential depreciation of the euro. We hedge part of the exposure resulting from the strengthening of the U.S. dollar against the euro. In 2014, we entered into hedging transactions to protect our European subsidiaries from potential exposure resulting from the strengthening of the U.S. dollar against the euro in 2014 and 2015.

Specific Transaction Exposure

In certain cases, we protect in whole or in part against exposure arising from a specific transaction, such as an acquisition of a company or assets effected in a currency other than the relevant functional currency, by entering into forward contracts and by using the “cylinder strategy” (purchasing call or put options on the U.S. dollar, often together with writing put or call options on the U.S. dollar at a lower exchange rate). In order to reduce costs, Teva also uses “knock-in” strategies as well as writing put options. Teva usually limits hedging transactions to three-month terms.

Foreign Exchange Hedging

At December 31, 2014, we had long and short forwards and currency option contracts with corresponding value of approximately $3 billion and $310 million, respectively. At December 31, 2013, we had long and short forwards and currency option contracts with corresponding values of $2.6 billion and $465 million, respectively.

The table below presents derivative instruments purchased to limit exposures to foreign exchange rate fluctuations for all exposure types, as of December 31, 2014.

Currency (sold)	Cross Currency (bought)	Net Notional Value*		Fair Value		2014 Weighted Average Cross Currency Prices or Strike Prices
		2014	2013	2014	2013	
Forward:						
USD	HUF	415	441	(23.0)	13.0	246.95
USD	CHF	300	258	(6.5)	4.5	0.97
CAD	USD	196	229	2.0	1.0	1.15
CHF	EUR	163	152	—	(1.0)	1.20
NIS	USD	144	**	3.0	—	3.83
GBP	USD	103	142	1.0	(1.5)	1.57
EUR	USD	94	102	3.0	(0.5)	1.26
JPY	EUR	79	**	(0.5)	—	146.7
GBP	EUR	78	67	(1.0)	—	0.79
MXN	USD	74	**	4.5	—	13.9
HRK	USD	71	68	1.0	(0.5)	6.21
EUR	CAD	57	**	2.0	—	1.46
USD	AUD	56	55	(1.5)	(0.5)	0.84
BRL	USD	52	**	1.0	—	2.62
RON	EUR	**	63	—	0.5	—
RUB	USD	**	165	—	(1.0)	—
Options:						
EUR	USD	180	374	14.0	(5.5)	1.32
USD	NIS	100	—	(1.0)	—	3.75
USD	CHF	—	63	—	0.5	—
Total		2,162	2,179	(2.0)	9.0	

* The table presents only currency pairs with hedged net notional values of more than $50 million at December 31, 2014.

** Represents amounts of less than $50 million

Interest Rate Risk Management

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

The below table presents the aggregate outstanding notes amounts which are subject to interest rate swaps, with and without a currency exchange element, as of December 31, 2014 and 2013.

	December 31	
	2014	2013
	U.S. $ in millions	
Interest rate swap-fair value hedge	$ 1,750	$ 2,500
Cross currency swap-cash flow hedge	1,875	1,875
Total	$ 3,625	$ 4,375

Our cash is invested in bank deposits and money market funds bearing an interest rate which is mostly dependent on floating rates. The bank deposits are spread among several banks, primarily international, U.S. and European banks. We also hold long term investments in the amount of $0.1 billion.

We currently hold two range accrual notes with a total face value of $100 million that pay high interest as long as LIBOR remains below a certain threshold.

The counterparties are comprised mainly of major banks and, in light of the current financial environment, we are monitoring the associated inherent credit risks.

Our indebtedness, the interest rate range it bears and its repayment schedule by currency as at December 31, 2014 are set forth in the table below in U.S. dollar equivalent terms, taking into account the above-described swap transactions.

Currency	Total Amount	Interest Rate Range		2015	2016	2017	2018	2019	2020 & thereafter
				(U.S. dollars in millions)					
Fixed Rate:									
USD straight bonds	3,512	2.25%	7.20%		950		15		2,547
EUR	3,086	2.36%	3.85%	1,000				1,213	873
JPY	957	0.98%	2.50%	37	28	568	16	304	4
USD convertible debentures*	530	0.25%	0.25%	530					
CHF	455		1.50%				455		
Floating Rate:									
USD	1,298	1.48%	1.48%						1,298
EUR	148		1.08%	148					
JPY	339	0.41%	0.45%	46			293		
Others	2		0.50%						2
Total:	10,327			1,761	978	568	779	1,517	4,724

* 0.25% $530 million principal amount of convertible senior debentures were classified under short term debt.

DIRECTORS AND SENIOR MANAGEMENT

The following table sets forth information as to the executive officers of Teva as of the date of this offering memorandum:

Executive Officers

Name (1)	Age	Executive Officer Since	Position
Erez Vigodman	55	2014	President and Chief Executive Officer
Iris Beck-Codner	49	2014	Group Executive Vice President, Corporate Marketing Excellence and Communication
Eyal Desheh	62	2008	Group Executive Vice President, Chief Financial Officer
Richard S. Egosi	52	2010	Group Executive Vice President, Chief Legal Officer
Dr. Michael Hayden	63	2012	President of Global R&D and Chief Scientific Officer
Dr. Rob Koremans	52	2012	President and Chief Executive Officer, Global Specialty Medicines
Dr. Carlo de Notaristefani	57	2012	President and Chief Executive Officer—Global Operations
Sigurdur (Siggi) Olafsson	46	2014	President and Chief Executive Officer, Global Generic Medicines Group
Mark Sabag	45	2013	Group Executive Vice President, Human Resources

(1) In July 2014, we reorganized our management structure by consolidating our executive management to nine executive officers.

Directors

The following table sets forth information as to the directors of Teva as of the date of this offering memorandum:

Name	Age	Director Since	Term Ends
Prof. Yitzhak Peterburg—Chairman	64	2012	2016
Roger Abravanel	68	2007	2015
Dr. Sol J. Barerl	67	2015	2017
Dr. Arie Belldegrun	65	2013	2016
Amir Elstein	59	2009	2016
Jean-Michel Halfon (1)	63	2014	2017
Prof. Richard A. Lerner	76	2012	2015
Prof. Moshe Many	86	1987	2016
Galia Maor	72	2012	2015
Joseph Nitzani (1)	68	2008	2017
Dan Propper	74	2012	2017
Ory Slonim	72	2008	2017
Erez Vigodman (2)	55	2009	2015

(1) Statutory independent director elected in accordance with the Israeli Companies Law.

(2) Mr. Vigodman also serves as Teva's President and Chief Executive Officer.

On February 4, 2015, Dr. Philip Frost resigned from the Board of Directors. Dr. Frost served as Chairman of the Board of Directors of Teva from March 2010 until December 2014, after serving as Vice Chairman of the Board of Directors since January 2006 and as Chairman of the Board and Chief Executive Officer of IVAX Corporation from 1987 until 2006, when it was acquired by Teva.

Executive Officers

Erez Vigodman became Teva's President and Chief Executive Officer in February 2014 after joining Teva's Board of Directors in 2009. From 2010 to 2014, he served as President and Chief Executive Officer of Adama Agricultural Solutions Ltd. (formerly Makhteshim Agan Industries Ltd.), the world's leading generic crop protection (agrochemical) company. From 2001 to 2009, he served as President and Chief Executive Officer of Strauss Group Ltd. Mr. Vigodman is a member of the Advisory Committee to the Israel National Economic Council and the International Advisory Board of the Israel Science Technology & Innovation Policy Institute. Mr. Vigodman received a B.A. in accounting and economics from Tel Aviv University in 1987 and is a graduate of the program of Management Development at Harvard Graduate School of Business Administration. Mr. Vigodman is a certified public accountant.

Iris Beck-Codner became Group Executive Vice President, Corporate Marketing Excellence and Communication in 2014. From 2013 to 2014, Ms. Beck-Codner served as Senior Vice President, Chief Communications Officer. From 2009 to 2012, she served as Group CEO of McCann Erickson Israel, IPG and from 2002 to 2008, as Vice President Marketing & Content at Partner Communications Company Ltd. From 1999 to 2000, she served as General Manager of Lever Israel, a wholly-owned subsidiary of Unilever Israel. Ms. Beck-Codner received a B.A. in economic sciences from Haifa University and an M.B.A. with distinction from Bar-Ilan University.

Eyal Desheh became Group Executive Vice President, Chief Financial Officer in 2012. From October 2013 to February 2014, Mr. Desheh served as Acting President and Chief Executive Officer. From 2008 to 2012, he served as Teva's Chief Financial Officer. From 2000 to 2008, he served as Executive Vice President and Chief Financial Officer of Check Point Software Technologies Ltd. From 1996 to 2000, he was Chief Financial Officer of Scitex Ltd. From 1989 to 1996, he served as Deputy Chief Financial Officer at Teva. Mr. Desheh received a B.A. in economics in 1978 and an M.B.A. in finance in 1981, both from the Hebrew University.

Richard S. Egosi became Group Executive Vice President, Chief Legal Officer in 2012. From 2010 to 2012, Mr. Egosi served as Teva's Corporate Vice President, Chief Legal Officer and Company Secretary. Mr. Egosi has been with Teva since 1995, previously serving as Teva's Deputy Chief Legal Officer and as Senior Vice President and General Counsel of Teva Americas. Mr. Egosi received a B.S. in economics from Clemson University in 1984 and a J.D. and M.B.A. from Emory University in 1988.

Dr. Michael Hayden joined Teva as President of Global R&D and Chief Scientific Officer in May 2012. He is also currently the Killam Professor of Medical Genetics at the University of British Columbia and Canada Research Chair in Human Genetics and Molecular Medicine. He is also the founder and Senior Scientist of the Centre for Molecular Medicine and Therapeutics at the University of British Columbia. Prior to joining Teva, he founded three biotechnology companies (NeuroVir, Aspreva Pharmaceuticals and Xenon Pharmaceuticals Inc.) and served as Chief Scientific Officer of Xenon from 2000 to 2012. He also served as a director of Med Biogene Inc. from 2010 to 2011. He has received numerous awards, including the Canada Gairdner Wightman Award in 2011, the Order of Canada Award in 2010, the highest honor that Canada can give its citizens for exceptional achievement and the Distinguished Scientist Award of the Canadian Society of Clinical Investigation in 1998, and in 2008 he was named Canada's Health Researcher of the Year. Dr. Hayden received his MB ChB in Medicine in 1975, Ph.D. in Genetics in 1979 and DCH Diploma in Child Health in 1979 from the University of Cape Town. He received his American Board Certification in both internal medicine and clinical genetics from Harvard Medical School in 1982 and an FRCPC in internal medicine from the University of British Columbia in 1984.

Dr. Rob Koremans became President and CEO, Global Specialty Medicines in 2013. From 2012 to 2013, Dr. Koremans served as President and CEO of Teva Pharmaceuticals Europe. Prior to joining Teva, from 2009 to 2012, Dr. Koremans was a member of the Global Leadership Team of Sanofi and served as CEO of Zentiva and as Senior Vice President Generics, Strategy and Development at Sanofi. Before joining Sanofi, Dr. Koremans

served as CEO of Cryo-Save, as a member of the Executive Board in charge of Global Commercial Operations for Grunenthal GmbH and as Vice President Europe, Middle-East and Africa for Serono. Dr. Koremans received a medical degree from the Erasmus University of Rotterdam in 1988.

Dr. Carlo de Notaristefani joined Teva as President and Chief Executive Officer, Global Operations in August 2012. Prior to joining Teva, from 2004 to 2011, Dr. de Notaristefani was a member of the senior management team at Bristol-Myers Squibb, where he served as President Technical Operations and Global Support Functions, with responsibility for global supply chain operations, quality and compliance, procurement and information technology. Before joining Bristol-Myers Squibb, Dr. de Notaristefani held several senior positions of increasing responsibility in the areas of global operations and supply chain management with Aventis, Hoechst Marion Roussell and Marion Merrell Dow. Dr. de Notaristefani holds a Ph.D. in chemical engineering from the University of Naples.

Sigurdur (Siggi) Olafsson joined Teva as President and Chief Executive Officer, Global Generic Medicines Group in 2014. Mr. Olafsson served as President of Actavis Pharma from 2012 to 2014, Executive Vice President, Global Generics, at Actavis plc (Watson) from 2010 to 2012 and CEO of the Actavis Group from 2008 to 2010. From 2003 to 2008, he held positions of increasing responsibility within the Actavis Group, including Deputy CEO, Vice President of Corporate Development and CEO of Actavis Inc. U.S. From 1998 to 2003, he held positions of increasing responsibility with Pfizer's Global R&D organization in the U.K. and U.S. From 1994 to 1998, he served as Head of Drug Development for Omega Farma in Iceland. Mr. Olafsson received a M.S. in pharmacy (Cand Pharm) from the University of Iceland, Reykjavik.

Mark Sabag became Group Executive Vice President, Human Resources in August 2013. From 2012 to 2013, Mr. Sabag served as Global Deputy Vice President, Human Resources. From 2010 to 2012, he served as Vice President, Human Resources for Teva's International Group. From 2006 to 2010, he served as Vice President, Human Resources International Group and Corporate Human Capital. Prior to joining Teva, Mr. Sabag held senior human resources roles with Intel Corporation. Mr. Sabag received a B.A. in Economics and Business Management from Haifa University in 1995.

Directors

Prof. Yitzhak Peterburg became Teva's Chairman of the Board of Directors on January 1, 2015, after rejoining Teva's Board of Directors in 2012. Prof. Peterburg was Teva's Group Vice President—Global Branded Products from October 2010 until October 2011, after serving on Teva's Board of Directors from 2009 until July 2010. Previously, he served as President and CEO of Cellcom Israel Ltd. from 2003 to 2005, Director General of Clalit Health Services, the leading healthcare provider in Israel, from 1997 to 2002 and CEO of Soroka University Medical Center, Beer-Sheva, from 1995 to 1997. Prof. Peterburg currently serves as a director on the board of Rosetta Genomics Ltd. and is also the Chairman of Regenera Pharma Ltd. Prof. Peterburg received an M.D. degree from Hadassah Medical School in 1977 and is board-certified in Pediatrics and Health Services Management. Prof. Peterburg received a doctoral degree in Health Administration from Columbia University in 1987 and an M.Sc. degree in Information Systems from the London School of Economics in 1990. Prof. Peterburg is a professor at the School of Business, Ben-Gurion University. With his experience as a leader in Israeli healthcare and as a former executive officer of Teva, expertise in health information technology and knowledge transfer within large-scale, fragmented networks, as well as his leadership of large Israeli companies, Prof. Peterburg provides healthcare, management and operational expertise as well as knowledge about Teva and its global operations.

Roger Abravanel joined Teva's Board of Directors in 2007. In 2006, Mr. Abravanel retired from McKinsey & Company, which he joined in 1972 and where he had become a principal in 1979 and a director in 1984. Mr. Abravanel has provided consulting services to Israeli and Italian private and venture capital funds. Mr. Abravanel served as a director of COFIDE—Gruppo De Benedetti SpA. from 2008 until 2013 and as a director of Luxottica Group SpA. from 2006 to 2014. Mr. Abravanel currently serves as a director of Admiral

Group plc and of Banca Nazionale del Lavoro (a subsidiary of BNP Paribas), and as Chairman of INSEAD's Advisory Group in Italy. Mr. Abravanel received a bachelor's degree in chemical engineering from the Polytechnic University in Milan in 1968 and an M.B.A. from INSEAD (with distinction) in 1972. Mr. Abravanel's years of service as an international business consultant, together with his service as a director at leading firms in Europe, provides a broad business and management perspective.

Dr. Sol J. Barer joined Teva's Board of Directors in January 2015. Dr. Barer is Managing Partner at SJ Barer Consulting. From 1987 to 2011, he served in top leadership roles at Celgene Corporation, including as Executive Chairman from 2010 to 2011, Chairman and CEO from 2007 to 2010, CEO from 2006 to 2010, President and Chief Operating Officer from 1994 to 2006 and President from 1993 to 1994. Prior to that, he was a founder of the biotechnology group at the chemical company Celanese Corporation, which was later spun off as Celgene. Dr. Barer currently serves on the board of directors of Amicus Therapeutics and Aegerion Pharmaceuticals. Dr. Barer is Chairman of the Board of InspireMD and Medgenics. Dr. Barer received his Ph.D. in organic and physical chemistry from Rutgers University in 1974 and his B.S. in Chemistry from Brooklyn College of the City University of New York in 1968. With his long career as a senior pharmaceutical executive and leadership roles in various biopharmaceutical companies, Dr. Barer provides broad and experienced knowledge of the global pharmaceutical business and industry as well as extensive scientific expertise.

Dr. Arie Belldegrun joined Teva's Board of Directors in 2013. Dr. Belldegrun is the Director of the Institute of Urologic Oncology and Professor and Chief of Urologic Oncology at the David Geffen School of Medicine at the University of California, Los Angeles (UCLA), where he has held the Roy and Carol Doumani Chair in Urologic Oncology since 2000. Dr. Belldegrun also serves as Chairman, President, CEO and Founder of Kite Pharma, Inc., Chairman of Arno Therapeutics, Inc., Chairman of TheraCoat Ltd., a director of SonaCare Medical LLC and until 2013 he served as a director of Nile Therapeutics Inc. Dr. Belldegrun was the founder and founding Chairman of Agensys, Inc. and the co-founder and founding Vice Chairman of the Board and Chairman of the Scientific Advisory Board of Cougar Biotechnology (which was acquired by Johnson & Johnson in 2009). Dr. Belldegrun is Chairman and Partner of Two River Consulting, LLC. Dr. Belldegrun has also held the positions of Chairman of the Molecular and Biological Technology Committee of the American Urological Association and member of its Technology Assessment Council; member of the Governor's Council on Bioscience for the State of California; biotechnology group leader of the Mayor of Los Angeles' Economy and Jobs Committee; and is the author of more than 450 scientific publications. Dr. Belldegrun received his medical degree at the Hebrew University Hadassah Medical School and conducted his post-doctoral studies in immunology at the Weizmann Institute of Science in Israel. He completed his urologic surgery residency at Harvard Medical School and his fellowship at the National Cancer Institute/National Institutes of Health. Dr. Belldegrun's career as a leading medical researcher and his entrepreneurial activities in various pharmaceutical ventures provide scientific expertise and pharmaceutical development experience.

Amir Elstein rejoined Teva's Board of Directors in 2009. From January 2014 to July 2014, he served as Vice Chairman of the Board of Directors of Teva. Mr. Elstein serves as Chairman of the Board of Tower Semiconductor Ltd., Chairman of the Board of Governors of the Jerusalem College of Engineering and Chairman of the Board of the Israel Democracy Institute. Mr. Elstein also serves as Chairman and/or as a member of the board of directors of several academic, scientific, educational, social and cultural institutions. Mr. Elstein served as the Chairman of the Board of Directors of Israel Corporation from 2010 to 2013. From 2004 to 2008, Mr. Elstein was a member of Teva's senior management, where most recently he held the position of Executive Vice President, Global Pharmaceutical Resources. From 1995 to 2004, Mr. Elstein served on Teva's Board of Directors. Prior to joining Teva as an executive in 2004, Mr. Elstein held a number of executive positions at Intel Corporation, most recently as General Manager of Intel Electronics Ltd., an Israeli subsidiary of Intel Corporation. Mr. Elstein received a B.Sc. in physics and mathematics from the Hebrew University in Jerusalem in 1980, an M.Sc. in solid state physics from the Hebrew University in 1982 and a diploma of Senior Business Management from the Hebrew University in 1992. Mr. Elstein's leadership positions in various international corporations, including his experience as a chairman in international public companies and his service as an executive officer at Teva and other companies, provides global business management and pharmaceutical expertise.

Jean-Michel Halfon joined Teva's Board of Directors in 2014. He currently serves as an independent consultant, providing consulting services to pharmaceutical, distribution, healthcare IT and R&D companies. From 2008 until 2010, Mr. Halfon served as President and General Manager of Emerging Markets at Pfizer Inc., after having served in various senior management positions since 1989. From 1987 until 1989, Mr. Halfon served as Director of Marketing in France for Merck & Co., Inc. Mr. Halfon received a B.S. from Ecole Centrale des Arts et Manufactures in 1974 and an M.B.A. from Institut Supérieur des Affaires in 1977. Mr. Halfon's years of experience in senior management at leading pharmaceutical companies, particularly his experience with emerging markets, provides expertise in international pharmaceutical operations and marketing.

Prof. Richard Alan Lerner, M.D. joined Teva's Board of Directors in 2012. Prof. Lerner served as President of The Scripps Research Institute from 1987 until January 2012, and is currently a member of its Skaggs Institute for Chemical Biology, where he is an Institute Professor and the Lita Annenberg Hazen Professor of Immunochemistry. Prof. Lerner served as a director of Kraft Foods, Inc. from 2005 until 2012. He currently serves as a director of Opko Health, Inc., Sequenom, Inc. and Intra-Cellular Therapies Inc. Prof. Lerner has been the recipient of numerous honors and prizes, including the Parke-Davis Award in 1978, the San Marino Prize in 1990 and the Wolf Prize in Chemistry for 1995. Prof. Lerner was awarded the California Scientist of the Year Award in 1996 and the University of California Presidential Medal in 2002. Prof. Lerner is a member of the Royal Swedish Academy of Sciences and the United States National Academy of Sciences, and holds honorary doctorates from esteemed academic institutions including the Technion-Israel Institute of Technology and Oxford University. Prof. Lerner did undergraduate work at Northwestern University, received B.M.S and M.D. degrees from Stanford University Medical School in 1964 and interned at Palo Alto Stanford Hospital from 1964 to 1965. With his long tenure as president of a major biomedical research organization, and experience as a physician and a scientist, Prof. Lerner provides valuable business, scientific and management expertise.

Prof. Moshe Many, M.D., Ph.D. joined Teva's Board of Directors in 1987, and served as Vice Chairman of the Board of Directors of Teva from March 2010 to January 2014. Prof. Many has served as president of the Ashkelon Academic College from January 2002 until July 2012 and was previously President of Tel Aviv University. He served as Chief of Urology from 1976 until 1987 and as Chairman of Surgery from 1983 until 1987 at Sheba Medical Center. Prof. Many serves as a director of BiondVax Pharmaceuticals Ltd. He also served as a director of Rosetta Genomics from 2002 to 2011 and as Chairman of the Board of Real Imaging Ltd. from 2010 to 2013. In January 2010, he received the Israel Ministry of Health Lifetime Achievement Award in recognition of his outstanding contributions to the promotion and support of health matters in Israel. Prof. Many received his M.D. degree from Geneva University in 1952 and his Ph.D. in renal physiology from Tufts University in 1969. With his experience as a doctor and hospital administrator, service as president of academic institutions, many years as a Teva director and his service and directorships at other pharmaceutical companies, Prof. Many provides leadership, management, healthcare and governance expertise, as well as extensive knowledge regarding the Company's operations and culture.

Galia Maor joined Teva's Board of Directors in 2012. Ms. Maor served as President and Chief Executive Officer of the Bank Leumi le-Israel B.M. Group from 1995 until 2012 after serving as Deputy General Manager of Bank Leumi from 1991 to 1995. She began her professional career at Bank of Israel, serving in several senior management positions from 1963 to 1989, including Supervisor of Banks and Chairperson of the Advisory Committee on Banking Issues from 1982 to 1987. Ms. Maor serves as a director on the board of Equity One, Inc. and of Strauss Group Ltd. Over the years, Ms. Maor has contributed to various committees on matters of legislation, structure and financial reporting within the Israeli capital markets and the banking system. Ms. Maor holds honorary doctorates from the Technion-Israel Institute of Technology, Ben Gurion University and Bar Ilan University. She received a B.A. in economics and statistics from the Hebrew University in 1964 and an M.B.A. from the Hebrew University in 1967. Ms. Maor's experience in the private sector as one of Israel's leading banking executives, as well as her experience as a senior executive at Bank of Israel, provides financial, capital markets, accounting and regulatory expertise.

Joseph Nitzani joined Teva's Board of Directors in 2008, serving as a statutory independent director under Israeli law. From 2008 until 2010, Mr. Nitzani served as Chairman of Hadassah Medical Center, after

serving as a director there from 1996 until 2008. Between 2001 and 2007, Mr. Nitzani held various management positions at Mizrahi-Tefachot Bank Ltd., most recently as Head of the Client Assets Private Banking and Consulting Division. Previously, he served as Managing Director of the Government Companies Authority from 1991 to 1995 and CEO of the Tel Aviv Stock Exchange from 1980 to 1991. Mr. Nitzani served as a director in three subsidiaries of Migdal Capital Markets Group from December 2009 (and as a Chairman of one of them from 2010) to 2013. Mr. Nitzani also served as a director of the Tel Aviv Stock Exchange and of S&P Maalot, both from 2001 to 2007, and of Adanim Mortgage Bank from 2006 to 2008. Mr. Nitzani serves as chairman of the endowment fund and as a member of the investment funds committee of Tel Aviv University since 2012. Mr. Nitzani received a B.A. in economics from Bar-Ilan University in 1971 and an M.B.A. (with distinction) from Tel Aviv University in 1974. Mr. Nitzani's years as an executive in the banking, finance and insurance industries, as well as his governmental, regulatory and hospital administration experience, provides broad business, capital markets, financial, accounting, healthcare and regulatory expertise.

Dan Propper rejoined Teva's Board of Directors in 2012. Mr. Propper had previously been a director of Teva from 2007 until February 2011. Mr. Propper is the Chairman of the Board of Osem Investments Ltd., a leading Israeli manufacturer of food products and a part of the Nestle Group. Mr. Propper served as the Chief Executive Officer of Osem for 25 years until April 2006. In addition to his role at Osem, from 1993 until 1999, Mr. Propper served as President of the Manufacturers Association of Israel, an independent umbrella organization representing industrial enterprises in Israel, and as Chairman of the Federation of Economic Organizations in Israel. Mr. Propper has received awards for his contributions to Israeli industry and its economy, including an honorary doctorate from the Technion-Israel Institute of Technology in 1999. From 2011 until 2014, Mr. Propper served as Chairman of the Supervisory Council of the Bank of Israel. He is a director of Check Point Software Technologies Ltd. and a member of the Boards of Trustees of the Technion-Israel Institute of Technology, Ben-Gurion University and Weizmann Institute of Science. Mr. Propper received a B.S. (summa cum laude) in Chemical Engineering and Food Technology from the Technion-Israel Institute of Technology. As a leader of Israeli industry, including as chief executive officer and chairman of a large, industrial food corporation, Mr. Propper provides business, industrial, operational and commercial expertise.

Ory Slonim rejoined Teva's Board of Directors in 2008. Mr. Slonim is an attorney who has been in private practice since 1970. Mr. Slonim previously served on Teva's Board of Directors from 1998 to 2003 as a statutory independent director. He served as a director and Chairman of the audit committee of U. Dori Group Ltd. from 1993 to 2011, as a director of Oil Refineries Ltd. from 2007 to 2012 and as Vice Chairman of Harel Insurance Investments and Financial Services Ltd. from 2008 to 2013. From 1988 to 2007, he served as Vice Chairman of the Board of Migdal Insurance and Financial Holdings Ltd. Mr. Slonim has served as Chairman of the Variety Club in Israel since 2006 and as Chairman of the Ethics Tribunal of the Israeli Press Council since 1994. Mr. Slonim is also a lecturer at Tel Aviv University (Lahav Plan) in Executives and Directors Risk Management Plans since 2005. Mr. Slonim received the Presidential Volunteer Medal in 1992 and the Presidential Medal of Distinction in 2012. Mr. Slonim received an LL.B degree from the Hebrew University in 1968. Mr. Slonim's legal background and many years of service on boards of leading firms in Israel provides expertise in risk management, governance and regulatory matters.

The biography of *Erez Vigodman*, our President and Chief Executive Officer, and one of our directors, appears under "—Executive Officers" above.

Conflicts of Interest; Business Address

Except as otherwise disclosed in this offering memorandum, there are no potential conflicts of interest between the duties of the persons listed above to Teva and their private interests or other duties. The business address for all members of the board of directors and the executive officers is 5 Basel Street, P.O. Box 3190, Petach Tikva 4951033, Israel.

Board Practices

Our Board of Directors currently consists of 13 persons, including our President and Chief Executive Officer, of whom 12 have been determined to be independent within the meaning of applicable NYSE regulations, including our two statutory independent directors and our two designated independent directors (as further described below). See "Statutory Independent Directors, Designated Independent Directors and Financial Experts" below. The directors' terms are set forth in the table above. We do not consider Erez Vigodman, our President and Chief Executive Officer, to be independent under the NYSE regulations.

Our directors are generally entitled to review and retain copies of our documentation and examine our assets, as required to perform their duties as directors and to receive assistance, in special cases, from outside experts at our expense (subject to approval by the Board of Directors or by court).

Principles of Corporate Governance. We have adopted a set of corporate governance principles, which is available on our website at www.tevapharm.com.

Annual Meetings. We encourage our directors to attend annual shareholder meetings. Ten of our directors attended our last annual shareholder meeting, held on July 30, 2014.

Director Terms and Education. Our directors are generally elected in classes for terms of approximately three years. We believe that overlapping multi-year terms allow our directors to acquire and provide us with the benefit of a high level of expertise with respect to our complex business. We provide an orientation program and a continuing education process for our directors, which include business briefings, provision of materials, meetings with key management, and visits to Company facilities.

Board Meetings. At least six meetings of the Board of Directors are held throughout the year to review significant developments affecting Teva and to consider matters requiring approval of the Board of Directors, with additional meetings scheduled when important matters require Board action between scheduled meetings. A majority of the meetings convened, but not fewer than four, must be in Israel. Members of senior management regularly attend Board meetings to report on and discuss their areas of responsibility. In 2014, each director attended at least 75% of the meetings of the Board of Directors and Board committees on which he or she served.

Executive Sessions of the Board. Selected members of management are typically invited by the Board of Directors to attend regularly scheduled Board meetings (or portions thereof). Our directors meet in executive session (i.e., without the presence of management) generally after each regularly scheduled Board meeting and additionally as needed. In addition, our independent directors meet separately in executive session at least once per year and as needed. Executive sessions are chaired by Prof. Yitzhak Peterburg.

Director Service Contracts. We do not have any contracts with any of our non-employee directors that provide for benefits upon termination of services. Information regarding director compensation can be found under "Compensation of Directors" above.

Communications with the Board. Shareholders, employees and other interested parties can contact any director or committee of the Board of Directors by writing to them care of Teva Pharmaceutical Industries Limited, 5 Basel Street, Petach Tikva, Israel, Attn: Company Secretary or Internal Auditor. Comments or complaints relating to Teva's accounting, internal controls or auditing matters will also be referred to members of the audit committee, as well as other appropriate Teva bodies. The Board of Directors has adopted a global "whistleblower" policy, which provides employees and others with an anonymous means of communicating with the audit committee.

Nominees for Directors. In accordance with the Israeli Companies Law, a nominee for service as a director must submit a declaration to Teva, prior to his or her election, specifying that he or she has the requisite qualifications to serve as a director and the ability to devote the appropriate time to performing his or her duties

as such. All of our directors have provided such a declaration. A director who ceases to meet the statutory requirements to serve as a director (including as a statutory independent director or a designated independent director) must notify Teva to that effect immediately and his or her service as a director will terminate upon submission of such notice.

Statutory Independent Directors, Designated Independent Directors and Financial Experts

Under Israeli law, publicly held Israeli companies such as Teva are required to appoint at least two statutory independent directors, who must also serve on the audit and compensation committees. All other committees exercising powers delegated by the board of directors must include at least one such statutory independent director.

Statutory independent directors are appointed at the general meeting of shareholders and must meet certain independence criteria, all as provided under Israeli law. A statutory independent director is appointed for an initial term of three consecutive years, and may be reappointed for additional three-year terms, subject to certain conditions (including approval by our shareholders at a general meeting) as provided under the Israeli Companies Law and the regulations thereunder. Jean-Michel Halfon and Joseph Nitzani currently serve in this capacity, with terms ending on July 30, 2017 and September 25, 2017, respectively.

Israeli law further requires that a statutory independent director have either financial and accounting expertise or professional competence, as determined by the company's board of directors according to criteria set forth under Israeli law, and generally at least one statutory independent director is required to have financial and accounting expertise. Teva has adopted a policy requiring that at least two directors qualify as, and be determined, financial and accounting experts, in addition to the statutory independent director holding such expertise. In accordance with Israeli law and this policy, the Board of Directors has determined that Galia Maor, Joseph Nitzani and Erez Vigodman are financial and accounting experts under Israeli law.

In addition to the statutory independent directors, a director in a company such as Teva, who qualifies as an independent director under the relevant non-Israeli rules relating to independence standards, may be considered a designated independent director pursuant to the Israeli Companies Law if such director meets certain conditions listed in the Israeli Companies Law and regulations thereunder, provided such director has been designated as such by the audit committee. The audit committee has designated Galia Maor and Ory Slonim as designated independent directors under the Israeli Companies Law.

Committees of the Board

Our Articles of Association provide that the Board of Directors may delegate its powers to one or more committees as it deems appropriate to the extent such delegation is permitted under the Israeli Companies Law. Each committee exercising powers delegated by the Board must be comprised only of members of the Board and include at least one statutory independent director, and the audit and compensation committees must include all statutory independent directors. The Board of Directors has appointed the standing committees listed below, as well as committees appointed from time to time for specific purposes determined by the Board.

We have adopted charters for all of our standing committees, formalizing the committees' procedures and duties. These committee charters are available on our website at www.tevapharm.com.

Audit Committee

Members:

J. Nitzani (Chairman)
J.-M. Halfon (Vice Chairman)
A. Elstein
G. Maor
O. Slonim

The Israeli Companies Law mandates the appointment of an audit committee comprising at least three directors. Under the Israeli Companies Law, the audit committee must include all of the statutory independent directors, one of which shall serve as the chairman of the committee, must be comprised of a majority of directors meeting certain independence criteria and may not include certain directors. As a NYSE-listed company, Teva's audit committee must be comprised solely of independent directors, as defined by the SEC and NYSE regulations.

The responsibilities of our audit committee include, among others: (a) identifying flaws in the management of our business and making recommendations to the Board of Directors as to how to correct them and providing for arrangements regarding employee complaints with respect thereto; (b) making determinations and considering providing approvals concerning certain related party transactions and certain actions involving conflicts of interest; (c) reviewing the internal auditor's performance and approving the internal audit work program and examining our internal control structure and processes and (d) examining the independent auditor's scope of work and fees and providing the corporate body responsible for determining the independent auditor's fees with its recommendations; Furthermore, the audit committee discusses the financial statements and presents to the Board of Directors its recommendations with respect to the proposed financial statements.

In accordance with the Sarbanes-Oxley Act and NYSE requirements, the audit committee is directly responsible for the appointment, compensation and oversight of the work of Teva's independent auditors. In addition, the audit committee is responsible for assisting the Board of Directors in monitoring Teva's financial statements, the effectiveness of Teva's internal controls and Teva's compliance with legal and regulatory requirements. The audit committee also discusses Teva policies with respect to risk assessment and risk management, including any off-balance sheet arrangements, and reviews contingent liabilities and risks that may be material to Teva and major legislative and regulatory developments that could materially impact Teva's contingent liabilities and risks.

The audit committee charter sets forth the scope of the committee's responsibilities, including its structure, processes and membership requirements; the committee's purpose; its specific responsibilities and authority with respect to registered public accounting firms, complaints relating to accounting, internal accounting controls or auditing matters, and its authority to engage advisors as determined by the audit committee.

All of the audit committee members have been determined to be independent as defined by the applicable NYSE and SEC rules, and Galia Maor and Ory Slonim, current members of the audit committee, have been designated by the audit committee as designated independent directors under the Israeli Companies Law.

The Board of Directors has determined that, of the current directors, Galia Maor and Joseph Nitzani are "audit committee financial experts" as defined by applicable SEC regulations.

Human Resources and Compensation Committee

Members:

J.M. Halfon (Chairman)
J. Nitzani (Vice Chairman)
R. Abravanel
O. Slonim

Publicly held Israeli companies are required to appoint a compensation committee comprising at least three directors. The compensation committee must include all of the statutory independent directors, one of whom must serve as the chairman of the committee, and must include only additional members who satisfy the criteria for remuneration applicable to the statutory independent directors. Teva's Compensation Committee includes only independent directors, as defined by the SEC and NYSE regulations.

The responsibilities of our Compensation Committee include, among others: (i) reviewing and making recommendations to the Board of Directors with respect to the approval of a policy regarding the terms of office and employment of the company's directors and executive officers; (ii) reviewing and resolving whether or not to approve arrangements with respect to the terms of office and employment of directors and executive officers; (iii) overseeing the management of our compensation and other human resources-related issues and otherwise carrying out its responsibilities, and assisting the Board of Directors in carrying out its responsibilities, relating to these issues; and (iv) establishing annual and long-term performance goals and objectives for our executive officers, as well as reviewing our overall compensation philosophy and policies.

Corporate Governance and Nominating Committee

Members:

A. Elstein (Chairman)
O. Slonim (Vice Chairman)
R. Abravanel
G. Maor
J. Nitzani

The role of our corporate governance and nominating committee is to (i) identify individuals who are qualified to become directors; (ii) recommend to the Board of Directors director nominees for each annual meeting of shareholders; and (iii) assist the Board of Directors in establishing and reviewing corporate governance principles and promoting good corporate governance at Teva.

All of the committee members must be determined to be independent as defined by the applicable NYSE rules.

Finance and Investment Committee

Members:

G. Maor (Chairman)
A. Elstein (Vice Chairman)
R. Abravanel
J. Nitzani

The role of our finance and investment committee is to assist the Board of Directors in fulfilling its responsibilities with respect to our financial and investment strategies and policies, including determining

policies on these matters and monitoring implementation. It is also authorized to approve certain financial transactions and review Teva's financial risk management policies, as well as various other finance-related matters, including our global tax structure and allocation policies. According to the committee's charter, at least one of the committee's members must be qualified as a financial and accounting expert under applicable SEC regulations and/or the Israeli Companies Law.

The Board of Directors has determined that, of the current directors, Galia Maor and Joseph Nitzani are financial and accounting experts under Israeli law.

Corporate Responsibility Committee

Members:

O. Slonim (Chairman)
J.-M. Halfon (Vice Chairman)
Dr. S. Barer
J. Nitzani

The role of our corporate responsibility committee is to oversee, on behalf of the Board of Directors Teva's: (i) commitment to being a responsible corporate citizen; (ii) policies and practices for complying with laws, regulations and internal procedures; (iii) policies and practices regarding issues that have the potential to seriously impact Teva's business and reputation; (iv) global public policy positions; and (v) community outreach.

A majority of committee members must be determined to be independent as defined by the applicable NYSE rules. The Chairperson of the audit committee must serve as a member of the committee.

Science and Technology Committee

Members:

Dr. S. Barer (Chairman)
Dr. A. Belldegrun (Vice Chairman)
J.-M. Halfon
Prof. R. Lerner
Prof. Y. Peterburg

Our science and technology committee advises and assists the Board of Directors in the oversight of Teva's research and development programs and technology. The committee's authority includes reviewing and advising the Board of Directors on Teva's overall strategy, direction and effectiveness of its research and development programs and reviewing and making recommendations to the Board of Directors and management with respect to Teva's pipeline and intellectual property portfolio. The science and technology committee also reviews and makes recommendations to the Board of Directors regarding the scientific, medical and research and development aspects of certain transactions including acquisitions, licenses, investments, collaborations and grants, in accordance with Teva's policies and procedures.

All members of the committee (other than the statutory independent director whose membership is required by Israeli Companies law) must be determined to have scientific, medical or other related expertise. A majority of committee members must be determined to be independent as defined by the applicable NYSE rules.

Code of Business Conduct

Teva has adopted a code of business conduct applicable to its directors, executive officers, and all other employees. A copy of the code is available to every Teva employee on Teva's intranet site, upon request to its

human resources department, and to investors and others on Teva's website at http://www.tevapharm.com or by contacting Teva's investor relations department, legal department or the Internal Auditor. Any waivers of this code for executive officers or directors will be disclosed through the filing of a Form 6-K or on Teva's website. As referred to above, the Board of Directors has approved a whistleblower policy which functions in coordination with Teva's code of business conduct and provides an anonymous means for employees and others to communicate with various bodies of Teva, including the audit committee. Teva has also implemented a training program for new and existing employees concerning the code of business conduct and whistleblower policy.

Corporate Governance Practices

Teva is in compliance with corporate governance standards as currently applicable to Teva under Israeli and U.S. laws, SEC regulations and NYSE listing standards.

Employees

As of December 31, 2014, we employed approximately 43,000 full-time-equivalent employees. In certain countries, we are party to collective bargaining agreements with certain groups of employees. We consider our labor relations with our employees around the world to be good.

The following table presents our employees by geographic area:

	December 31,		
	2014	2013	2012
United States	6,608	7,372	8,011
Europe	18,232	19,811	19,749
Rest of the World (excluding Israel)	11,202	10,599	10,791
Israel	6,967	7,163	7,397
Total	43,009	44,945	45,948

Share Ownership

As of December 31, 2014, our directors and executive officers as a group beneficially held 19,579,637 Company shares (representing approximately 2.3% of the outstanding shares as of such date). These figures include options to purchase Company shares that were vested on such date or that were scheduled to vest within the following 60 days. These figures also include 14,596,504 shares beneficially owned by Dr. Phillip Frost, a member of our Board of Directors until February 4, 2015, representing approximately 1.7% of the outstanding shares. Dr. Frost was the only director or officer who held 1% or more of our outstanding shares as of December 31, 2014.

MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

Major Shareholders

Based on information known to us, as of January 27, 2015, FMR LLC (Fidelity) beneficially owned 47,862,763 Teva shares, representing approximately 5.6% of Teva's outstanding shares. To the best knowledge of Teva, as of February 9, 2015, no other shareholder beneficially owned 5% or more of Teva's ordinary shares. All holders of Teva ordinary shares have one vote per share.

As of December 31, 2014, there were approximately 3,423 record holders of ADSs, whose holdings represented approximately 85.7% of the total outstanding ordinary shares. Substantially all of the record holders are residents of or domiciled in the U.S.

Related Party Transactions

In December 2012, Teva entered into a collaborative development and exclusive worldwide license agreement with Xenon for its compound XEN402. XEN402 (now designated TV-45070 by Teva) targets sodium channels found in sensory nerve endings that can increase in chronic painful conditions, and is currently in Phase II clinical development for a variety of pain-related disorders. Under the agreement, Teva paid Xenon an upfront fee of $41 million. In addition, Teva may be required to pay development, regulatory and sales-based milestones of up to $335 million. Xenon is also entitled to royalties on sales and has an option to participate in commercialization in the United States. As required by the agreement, in November 2014, Teva invested an additional $10 million in Xenon in connection with its initial public offering. Dr. Michael Hayden, Teva's President of Global R&D and Chief Scientific Officer, is the founder, a minority shareholder and a member of the board of directors of Xenon. In order to avoid potential conflicts of interest, Teva has established certain procedures to exclude Dr. Hayden from involvement in Teva's decision-making related to Xenon.

In September 2011, Teva entered into an agreement with CoCrystal Discovery, Inc. (now CoCrystal Pharmaceuticals, Inc.), a company focusing on the discovery and development of novel therapeutics, utilizing an innovative drug discovery technology. Under the agreement, Teva agreed to fund the company's R&D by investing up to two tranches of $7.5 million each per target (the latter one being discretionary). The first tranche was invested by Teva in 2011. We terminated this agreement effective as of November 2014. Dr. Phillip Frost, our Chairman of the Board of Directors until December 2014 and a member of our Board of Directors until February 4, 2015, and Prof. Roger Kornberg, who was a member of our Board of Directors until August 2013, are both direct and indirect shareholders in and members of the board of directors of CoCrystal Pharmaceuticals. Prof. Roger Kornberg is also Chief Scientific Officer of CoCrystal Pharmaceuticals.

CTG Weld Limited, a privately owned contract research organization, has rendered services to Teva in connection with clinical trials since 2002. In 2011, Chaim Hurvitz, a member of our Board of Directors until July 2014, invested in, and became a member of the board of directors of CTG Weld. In 2014, 2013 and 2012, Teva paid CTG Weld approximately €0.6 million, €0.8 million and €1.3 million, respectively, in connection with various clinical studies.

Teva leases 13,500 square feet of office space located in Miami, Florida from an entity controlled by Dr. Frost, Teva's Chairman of the Board until December 2014 and a director until February 4, 2015. The term of the lease extends until April 2015, with Teva options to renew for two additional three-year terms. Annual rent was $305,000 until April 1, 2012, $412,000 until March 31, 2013, $431,442 until March 31, 2014 and is currently $448,700 until March 31, 2015, increasing 4% per year, for each renewal term. The office space includes offices Teva provided Dr. Frost in his capacity as Chairman of the Board.

All of the related party transactions described above were reviewed and approved in accordance with the provisions of the Israeli Companies Law, Teva's Articles of Association and Teva policy.

DESCRIPTION OF TEVA FINANCE

Establishment and Domicile

Teva Finance is a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under Book 2 of the Dutch Civil Code on October 16, 2013. Teva Finance's commercial registration number at the Netherlands Chamber of Commerce is 59012161.

Business

Teva Finance is an indirect wholly owned subsidiary of Teva and a special purpose financing entity with no business operations other than the entry into of financing arrangements (including the issuance of notes) and certain ancillary arrangements in connection therewith. Teva Finance is included in the consolidated audited financial statements of Teva and will be included in the consolidated audited financial statements of Teva going forward.

The corporate seat of Teva Finance is at Amsterdam, Netherlands, and the registered address of Teva Finance is at Piet Heinkade 107, 1019 GM, Amsterdam, Netherlands, telephone number +31 (0)20 219 3200.

Management

Teva Finance has a board of managing directors consisting of Teva Pharmaceuticals Europe B.V., which in turn has a board of managing directors consisting of the following:

Name	Age	Director Since	Position
Robert Koremans	52	2012	Managing Director
Dipankar Bhattacharjee	55	2013	Managing Director
Gianfranco Nazzi	46	2014	Managing Director
Tim Oreskovic	49	2014	Managing Director

The business address for all the members of the board of managing directors is Piet Heinkade 107, 1019 GM, Amsterdam, Netherlands. There are no potential conflicts of interest between the duties of the persons listed above to Teva Finance and their private interests or other duties.

Share Capital and Shareholders' Structure

The issued share capital in Teva Finance is legally and beneficially owned and controlled indirectly by Teva. The rights of Teva as a shareholder in Teva Finance are contained in the articles of association of Teva Finance and Teva Finance will be managed by its directors in accordance with those articles and with the provisions of Dutch law.

TAXATION

The following is a general description of certain tax considerations relating to the notes. It is not a complete analysis of all tax considerations relating to the notes whether in the EU, these countries or elsewhere that could be of relevance to a holder of notes. Prospective purchasers of notes should consult their own tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of these jurisdictions of acquiring, holding and disposing of notes and receiving payments of interest, principal and/or other amounts under the notes. This summary is based upon the law as in effect on the date of this offering memorandum and is subject to any change in law that may take effect after such date. Also, investors should note that the appointment by an investor in notes, or any person through which an investor holds notes, of a custodian, collection agent or similar person in relation to such notes in any jurisdiction may have tax implications. Investors should consult their own tax advisers in relation to the tax consequences for them of any such appointment.

The EU Savings Directive

Under Council Directive 2003/48/EC on the taxation of savings income (the "EU Savings Directive"), each Member State of the European Union (the "EU") is required to provide to the tax or other relevant authorities of another such Member State details of payments of interest (or other similar income) made by a person within its jurisdiction to, or collected by such a person for, an individual beneficial owner resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Austria will instead (unless during that period it elects otherwise) operate a withholding system in relation to such payments. Under such a withholding system, the beneficial owner of the interest (or similar income) payment may elect that certain provision of information procedures should be applied instead of withholding, provided that certain conditions are met. The rate of withholding is 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to exchange of information procedures relating to interest and other similar income.

A number of non-EU countries and certain dependent or associated territories of certain Member States have adopted similar measures to the EU Savings Directive.

Certain amendments to the EU Savings Directive are due to come into force commencing January 1, 2017, including the requirement to adopt a "look-through approach" to payments made to certain entities or legal arrangements to determine the actual beneficial owner of the interest. The Savings Directive may, however, be repealed in due course in order to avoid overlap with the amended Council Directive 2011/16/EU on administrative cooperation in the field of taxation, pursuant to which Member States other than Austria will be required to apply other new measures on the mandatory automatic exchange of information commencing January 1, 2016. Austria has an additional year before being required to implement the new measures, but has announced that it will nevertheless begin to exchange information automatically in accordance with the timetable applicable to other Member States.

If a payment under a note were to be made and an amount of, or in respect of, tax were to be withheld from that payment pursuant to the EU Savings Directive (as amended from time to time) or any law implementing or complying with, or introduced in order to conform to such Directive, neither the issuer nor the principal paying agent nor any other person would be obliged to pay additional amounts under the terms of such note as a result of the imposition of such withholding tax. Teva Finance is, however, required to maintain a paying agent with a specified office in a Member State that will not be obliged to make any such withholding.

The Proposed Financial Transactions Tax ("FTT")

The European Commission has published a proposal for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "participating Member States").

The proposed FTT has very broad scope and could, if introduced in its current form, apply to certain dealings in the notes (including secondary market transactions) in certain circumstances.

Under current proposals the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Joint statements issued by the participating Member States indicate an intention to implement a FTT on a progressive basis, with the first phase applying commencing January 1, 2016. Additional EU Member States may decide to participate and/or certain of the participating Member States may decide to withdraw.

United Kingdom Provision of Information Requirements

The comments below are of a general nature and are based on current United Kingdom ("UK") tax law and published practice of HM Revenue & Customs ("HMRC"), the UK tax authorities. Such law may be repealed, revoked or modified (possibly with retrospective effect) and such practice may change, resulting in UK tax consequences different from those discussed below. The comments below deal only with UK rules relating to information that may need to be provided to HMRC in connection with the notes. They do not deal with any other UK tax consequences of acquiring, owning or disposing of the notes. Each prospective investor should seek advice based on its particular circumstances from an independent tax adviser.

HMRC has powers to obtain information relating to securities in certain circumstances. This may include details of the beneficial owners of the notes (or the persons for whom the notes are held), details of the persons to whom payments derived from the notes are or may be paid and information and documents in connection with transactions relating to the notes. Information may be required to be provided by, amongst others, the holders of the notes, persons by or through whom payments derived from the notes are made or credited or who receive such payments (or who would be entitled to receive such payments if they were made), persons who effect or are a party to transactions relating to the notes on behalf of others and certain registrars or administrators. In certain circumstances, the information obtained by HMRC may be exchanged with tax authorities in other countries.

The Netherlands

For Dutch tax purposes, a holder of notes may include an individual who, or an entity that, does not have the legal title to any notes, but to whom nevertheless notes are attributed based either on such individual or entity owning a beneficial interest in notes or based on specific statutory provisions. These include statutory provisions pursuant to which notes are attributed to an individual who is, or who has directly or indirectly inherited from a person who was, the settlor, grantor or similar originator of a trust, foundation or similar entity that holds such notes.

The following summary is based on Dutch tax law as applied and interpreted by Dutch courts and as published and in effect on the date of this offering memorandum, without prejudice to any amendments introduced at a later date and implemented with or without retroactive effect.

For the purpose of this section, "Dutch Taxes" shall mean taxes of whatever nature levied by or on behalf of the Netherlands or any of its subdivisions or taxing authorities. The "Netherlands" means the part of the Kingdom of the Netherlands located in Europe.

Withholding tax

Any payments made under the notes will not be subject to withholding or deduction for, or on account of, any Dutch Taxes.

Taxes on income and capital gains

This paragraph does not describe the possible Dutch tax considerations or consequences that may be relevant to a holder of notes who is an individual and for whom the income or capital gains derived from the notes are attributable to employment activities, the income from which is taxable in the Netherlands, nor does this paragraph address the Dutch tax consequences for entities which are a resident of Aruba, Curaçao or Sint Maarten that have an enterprise which is carried on through a permanent establishment or a permanent representative on Bonaire, Sint Eustatius or Saba, and the notes are attributable to such permanent establishment or permanent representative.

A holder of notes will not be subject to any Dutch Taxes on any payment made to that holder under the notes or on any capital gain realized by the holder from the disposal, or deemed disposal, or redemption of the notes, except if:

(1) the holder of notes is, or is deemed to be, resident in the Netherlands for Dutch (corporate) income tax purposes;

(2) the holder of notes is an individual and has opted to be taxed as if resident in the Netherlands for Dutch income tax purposes;

(3) the holder of notes is an individual and derives profits from an enterprise, whether as entrepreneur (*ondernemer*) or pursuant to a co-entitlement to the net worth of the enterprise other than as a shareholder, which enterprise is, in whole or in part, carried on through a permanent establishment (*vaste inrichting*) or a permanent representative (*vaste vertegenwoordiger*) in the Netherlands to which the notes are attributable;

(4) the holder of notes is an individual and has a substantial interest (*aanmerkelijk belang*), or a fictitious substantial interest (*fictief aanmerkelijk belang*), in the issuer or derives benefits from miscellaneous activities (*overige werkzaamheden*) carried out in the Netherlands in respect of the notes, including, without limitation, activities which are beyond the scope of active portfolio investment activities;

(5) the holder of notes is not an individual and has a substantial interest, or a fictitious substantial interest, in the issuer, which (fictitious) substantial interest is not part of the assets of an enterprise and one of the main purposes of the chosen ownership structure is the evasion of Dutch income tax or dividend withholding tax; or

(6) the holder of notes is not an individual and is entitled to a share in the profits of an enterprise or a co-entitlement to the net worth of an enterprise, other than by way of the holding of securities, which is effectively managed in the Netherlands and to which enterprise the notes are attributable.

Generally, a holder of notes has a substantial interest if such holder, alone or where such holder is an individual, together with his partner, directly or indirectly:

(1) owns shares representing five percent or more of the total issued capital of the issuer, or of the issued capital of any class of shares of the issuer;

(2) holds rights to directly or indirectly acquire shares, whether or not already issued, representing five percent or more of the total issued capital of the issuer, or of the issued capital of any class of shares of the issuer; or

(3) owns, or holds certain rights on, profit participating certificates that relate to five percent or more of the annual profit of the issuer or to five percent or more of the liquidation proceeds of the issuer.

A holder of notes who is an individual and has the ownership of shares of the issuer, directly or indirectly, will also have a substantial interest if his partner or one of certain relatives of the holder of notes or of his partner has a (fictitious) substantial interest.

For Dutch tax purposes, the ownership of shares of the issuer is attributed to a holder of notes based either on that holder owning a beneficial interest in shares of the issuer or based on specific statutory provisions. These include statutory provisions pursuant to which shares are attributed to an individual who is, or who has directly or indirectly inherited from a person who was, the settlor, grantor or similar originator of a trust, foundation or similar entity that holds the shares of the issuer, although the holder of notes does not have the legal title of such shares.

Generally, a holder of notes has a fictitious substantial interest if, without having an actual substantial interest in the issuer:

(1) the shares have been obtained under gift law, inheritance law or matrimonial law, on a non-recognition basis, while the disposing shareholder had a substantial interest in the issuer;

(2) the shares have been acquired pursuant to a share merger, legal merger or legal demerger, on an elective nonrecognition basis, while the holder of notes prior to this transaction had a substantial interest in a party to that transaction; or

(3) the shares held by the holder of notes, prior to dilution, qualified as a substantial interest and, by election, no gain was recognized upon disqualification of these shares.

Gift tax or inheritance tax

No Dutch gift tax or inheritance tax is due in respect of any gift of the notes by, or inheritance of the notes on the death of, a holder of notes, except if:

(1) at the time of the gift or death of the holder of notes, the holder of notes is resident, or deemed to be resident, in the Netherlands;

(2) the holder of notes passes away within 180 days after the date of the gift of the notes and is not, or is not deemed to be, at the time of the gift, but is, or is deemed to be, at the time of his death, resident in the Netherlands; or

(3) the gift of the notes is made under a condition precedent and the holder of notes is resident, or deemed to be resident, in the Netherlands at the time the condition is fulfilled.

For purposes of Dutch gift or inheritance tax, an individual who is of Dutch nationality will be deemed to be resident in the Netherlands if he has been a resident in the Netherlands at any time during the ten years preceding the date of the gift or his death. For purposes of Dutch gift tax, any individual, irrespective of his nationality, will be deemed to be resident in the Netherlands if he has been a resident in the Netherlands at any time during the 12 months preceding the date of the gift.

Other taxes

No other Dutch Taxes, including turnover tax and taxes of a documentary nature, such as capital tax, stamp or registration tax or duty, are payable by or on behalf of a holder of notes by reason only of the issue, acquisition or transfer of the notes.

Residency

Subject to the exceptions above, a holder of notes will not become resident, or a deemed resident, in the Netherlands for tax purposes, or become subject to Dutch Taxes, by reason only of the issuer's performance, or the holder's acquisition (by way of issue or transfer to it), holding and/or disposal of the notes.

Israel

Withholding Taxes on Interest Payable by Teva to Non-Israeli Residents

An Israeli company paying interest on a note denominated in a foreign currency to an individual who is a non-Israeli resident is required to withhold tax at a rate of 25%, except for interest paid to a "substantial shareholder," who is subject to tax according to its marginal tax rate. A "substantial shareholder" for these purposes is a shareholder who holds either alone or together with any other person, directly or indirectly, at least 10% of any of the means of control of a company (including, among other things, the right to receive profits of the company, voting rights, the right to receive the company's liquidation proceeds and the right to appoint a director). Taxes to be withheld from interest paid to non-Israeli residents by an Israeli company may be reduced under an applicable tax treaty.

An Israeli company paying interest on a similar note to a corporate entity will be subject to withholding tax in accordance with the applicable corporate tax rate for the year in which the interest is paid, such rate being 26.5% as of 2014.

The aforementioned might only apply if Teva as a guarantor pays interest on the notes.

Teva and Teva Finance have agreed to pay certain additional amounts in connection with withholding taxes or deductions that may be imposed by Israeli or Dutch authorities. See "Description of the Notes and the Guarantees—Additional Tax Amounts."

SUBSCRIPTION AND SALE

We and the Joint Lead Managers, as representatives of the Managers, for the offering named below have entered into a subscription agreement dated March 24, 2015 with respect to the notes (the "Subscription Agreement"). Subject to certain conditions, pursuant to the Subscription Agreement, each Manager has severally, and not jointly, agreed to purchase the principal amount of notes indicated in the following table.

Manager	Principal Amount of 2023 Notes	Principal Amount of 2027 Notes
Barclays Bank PLC	€ 286,000,000	€154,000,000
BNP Paribas	€ 286,000,000	€154,000,000
HSBC Bank plc	€ 286,000,000	€154,000,000
Morgan Stanley & Co. International plc	€ 286,000,000	€154,000,000
Citigroup Global Markets Limited	€ 52,000,000	€ 28,000,000
Goldman Sachs International	€ 52,000,000	€ 28,000,000
Mizuho International plc	€ 52,000,000	€ 28,000,000
Total	€1,300,000,000	€700,000,000

We estimate that our share of the total expenses of the offering, excluding underwriting discounts and commissions, will be approximately $1 million.

We have agreed to indemnify the several Managers against, or contribute to payments that the Managers may be required to make in respect of, certain liabilities. The Subscription Agreement may be terminated in certain circumstances set out therein prior to delivery of and payment for the notes.

Certain of the Managers and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory, commercial banking and investment banking services and other commercial dealings in the ordinary course of business for us, for which they received or will receive customary fees, commissions and expenses. In particular, affiliates of each of the Managers are lenders under one of our credit facilities.

In addition, in the ordinary course of their business activities, the Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. If the Managers or their affiliates have a lending relationship with us, they routinely hedge their credit exposure to us consistent with their customary risk management policies. Typically, the Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the notes offered hereby. Any such short positions could adversely affect future trading prices of the notes offered hereby. The Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Selling Restrictions

United States

Each Manager, severally and not jointly, has agreed that:

- It has not offered or sold, and will not offer or sell, the notes in the United States or to, or for the benefit or account of, a U.S. person (other than a distributor), in each case, as defined in Rule 902 of Regulation S (i) as part of its distribution at any time and (ii) otherwise until 40 days after the later of the commencement of the offering of the notes pursuant hereto and the closing date, other than in

accordance with Regulation S or another exemption from the registration requirements of the Securities Act. Accordingly, neither it nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the notes. Terms used in this paragraph have the meanings given to them by Regulation S.

- At or prior to confirmation of a sale of notes by it to any distributor, dealer or person receiving a selling concession, fee or other remuneration during the 40 day restricted period referred to in Rule 903 of Regulation S, it will send to such distributor, dealer or person receiving a selling concession, fee or other remuneration a confirmation or notice to substantially the following effect:

> "The notes covered hereby have not been registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and may not be offered and sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of your distribution at any time or (ii) otherwise until 40 days after the later of the date the notes were first offered to persons other than distributors in reliance upon Regulation S and the closing date, except in either case in accordance with Regulation S under the Securities Act, and in connection with any subsequent sale by you of the notes covered hereby in reliance on Regulation S under the Securities Act during the period referred to above to any distributor, dealer or person receiving a selling concession, fee or other remuneration, you must deliver a notice to substantially the foregoing effect. Terms used above have the meanings assigned to them in Regulation S under the Securities Act."

Upon original issuance, and until such time as the same is no longer required under the applicable requirements of the Securities Act, the notes shall bear the following legend:

> "THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, UNITED STATES PERSONS EXCEPT IN CERTAIN TRANSACTIONS EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THIS LEGEND SHALL CEASE TO APPLY UPON THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL THE NOTES."

United Kingdom

Each Manager has represented, warranted and agreed in the Subscription Agreement that:

- it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 ("FSMA")) received by it in connection with the issue or sale of the notes in circumstances in which Section 21(1) of the FSMA does not apply to Teva Finance or Teva; and

- it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the notes in, from or otherwise involving the United Kingdom.

The Netherlands

Each Manager, severally and not jointly, has agreed that it has not offered or sold, and will not offer or sell, the notes to the public in the Netherlands, other than exclusively to qualified investors (*gekwalificeerde beleggers*) within the meaning of the Financial Supervision Act (*Wet op het financieel toezicht*). For the purposes of this provision, the expression ''offer of notes to the public'' in relation to any notes in the Netherlands means to make a sufficiently specific offer addressed to more than one person as referred to in section 217(1) of Book 6 of the Dutch Civil Code to conclude a contract to purchase or otherwise acquire the notes, or to issue an invitation to make an offer of the notes.

General

Each Manager has represented, warranted and agreed that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers notes or possesses or distributes this offering memorandum or any other offering material relating to the notes. Persons into whose hands this offering memorandum comes are required by Teva Finance, Teva and the Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver notes or possess, distribute or publish this offering memorandum or any other offering material relating to the notes, in all cases at their own expense.

No action has been taken that would, or is intended to, permit a public offering of the notes or possession or distribution of this offering memorandum or any other offering or publicity material relating to the notes in any country or jurisdiction where any such action for that purpose is required. Accordingly, each Manager has undertaken that it will not, directly or indirectly, offer or sell any notes or have in its possession, distribute or publish any offering memorandum, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of notes by it will be made on the same terms.

LISTING AND GENERAL INFORMATION

Listing

Application has been made to the Irish Stock Exchange plc for the notes to be admitted to the Official List and to trading on its regulated market. The Irish Stock Exchange plc's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for us in connection with the notes and is not itself seeking admission of the notes to trading on the regulated market of the Irish Stock Exchange plc.

The total expenses of the admission to trading will be paid by us. We estimate that the total expenses relating to the admission to trading on the Irish Stock Exchange plc will be approximately €5,000.

We represent that there has been no material adverse change in our prospects since December 31, 2014, which is the date to which our most recent audited financial statements have been made publicly available.

We represent that there has been no significant change in our financial or trading position since December 31, 2014, which is the date to which our most recent audited financial statements have been made publicly available.

Except as disclosed in note 14 to our consolidated financial statements for 2014 included elsewhere in this offering memorandum, we are not, and during the previous 12 months have not been, involved in any governmental, legal or arbitration proceedings relating to claims in amounts which may have or have had a significant effect on our financial position or profitability, nor, so far as we are aware, is any such governmental, litigation or arbitration proceeding involving us pending or threatened.

Authorization

The creation and issuance of the notes have been authorized by Teva Finance's board of directors by resolutions adopted on March 9, 2015. The giving of the guarantees has been authorized by our board of directors by resolutions adopted on February 3, 2015 and March 12, 2015.

Auditors

The consolidated financial statements of Teva as of December 31, 2014 and 2013, and for each of the three years in the period ended December 31, 2014 (which form part of the consolidated financial statements for the period ended December 31, 2014) and the related financial statement schedule included elsewhere within this offering memorandum, and the effectiveness of Teva's internal control over financial reporting have been audited by Kesselman & Kesselman, independent registered public accounting firm in Israel, which is registered with the Public Company Accounting Oversight Board and a member of PricewaterhouseCoopers International Limited, as stated in their reports.

Rating Agencies

Teva is rated A3 by Moody's Investors Service, Inc., A- by Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. and BBB+ by Fitch Ratings, Inc. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization.

Moody's Investors Service, Inc. is not established in the EU and has not applied for registration under Regulation (EU) No. 1060/2009 (the "CRA Regulation"). However, in the application for registration by Moody's Investors Service for the registration of its EU-based entities under the CRA Regulation, it sought authorization to endorse the credit ratings of its non-EU entities through Moody's Investors Service Ltd. or Moody's Deutschland GmbH, which are established in the EU.

Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc., is not established in the EU and is not registered in accordance with the CRA Regulation. However, it has confirmed that any ratings issued by it which are endorsed in the EU will be clearly identified as such.

Fitch Ratings, Inc., is not established in the EU and is not registered in accordance with the CRA Regulation. However, it has confirmed that any ratings issued by it which are endorsed in the EU will be clearly identified as such.

ISINs and Common Codes

The notes have been accepted for clearance through Euroclear and Clearstream. The ISIN of the 2023 notes is XS1211040917, and the ISIN of the 2027 notes is XS1211044075. The common code of the 2023 notes is 121104091, and the common code of the 2027 notes is 121104407. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream is 42 Avenue JF Kennedy, L-1855 Luxembourg.

Available Information

For the life of this offering memorandum, hard copies of the following documents will be available for inspection from our registered office, the specified office of the trustee and the specified office of the listing agent:

(a) Teva and Teva Finance's constitutional documents;

(b) Teva's most recently published consolidated audited annual financial statements, including for the years ended December 31, 2014 and 2013, together with the audit reports in connection therewith. We currently file with the SEC and make publically available audited consolidated accounts on an annual basis;

(c) our most recently published unaudited interim financial statements, in each case together with any review reports issued in connection therewith. We currently publish unaudited consolidated interim accounts on a quarterly basis;

(d) the base indenture (including the guarantees); and

(e) any supplemental indentures.

Validity of the Notes

Certain legal matters with respect to New York law with respect to the validity of the notes offered by this offering memorandum will be passed upon for Teva Finance by Willkie Farr & Gallagher LLP, New York, New York. Certain legal matters with respect to Dutch law with respect to the validity of the notes offered by this offering memorandum will be passed upon for Teva Finance by Van Doorne N.V., Netherlands. Certain legal matters with respect to Israeli law with respect to the validity of the notes offered by this offering memorandum will be passed upon for Teva Finance by Tulchinsky Stern Marciano Cohen Levitski & Co., Israel.

TEVA PHARMACEUTICAL INDUSTRIES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders of

TEVA PHARMACEUTICAL INDUSTRIES LIMITED

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of comprehensive income, of changes in equity and of cash flows present fairly, in all material respects, the financial position of Teva Pharmaceutical Industries Limited and its subsidiaries at December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014 , based on criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management and Board of Directors are responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in ''Report of Teva Management on Internal Control Over Financial Reporting'' appearing under Item 15(b). Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and Board of Directors and evaluating the overall financial statement presentation. 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.

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

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

Tel-Aviv, Israel
February 9, 2015

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

TEVA PHARMACEUTICAL INDUSTRIES LIMITED

CONSOLIDATED BALANCE SHEETS

(U.S. dollars in millions)

	December 31,	
	2014	2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,226	$ 1,038
Accounts receivable	5,408	5,338
Inventories	4,371	5,053
Deferred income taxes	993	1,084
Other current assets	1,398	1,207
Total current assets	14,396	13,720
Other non-current assets	1,569	1,696
Property, plant and equipment, net	6,535	6,635
Identifiable intangible assets, net	5,512	6,476
Goodwill	18,408	18,981
Total assets	$46,420	$47,508
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term debt	$ 1,761	$ 1,804
Sales reserves and allowances	5,849	4,918
Accounts payable and accruals	3,171	3,317
Other current liabilities	1,508	1,926
Total current liabilities	12,289	11,965
Long-term liabilities:		
Deferred income taxes	1,101	1,247
Other taxes and long-term liabilities	1,109	1,273
Senior notes and loans	8,566	10,387
Total long-term liabilities	10,776	12,907
Commitments and contingencies, see note 14		
Total liabilities	23,065	24,872
Equity:		
Teva shareholders' equity:		
Ordinary shares of NIS 0.10 par value per share; December 31, 2014 and December 31, 2013: authorized 2,500 million shares; issued 957 million shares and 947 million shares, respectively	50	50
Additional paid-in capital	14,121	13,628
Retained earnings	14,436	12,535
Accumulated other comprehensive loss	(1,343)	(91)
Treasury shares as of December 31, 2014 and December 31, 2013—105 million ordinary shares and 99 million ordinary shares, respectively	(3,951)	(3,557)
	23,313	22,565
Non-controlling interests	42	71
Total equity	23,355	22,636
Total liabilities and equity	$46,420	$47,508

/s/ E. VIGODMAN
E. Vigodman
President and Chief Executive Officer

/s/ E. DESHEH
E. Desheh
Group Executive Vice President, Chief Financial Officer

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

TEVA PHARMACEUTICAL INDUSTRIES LIMITED

CONSOLIDATED STATEMENTS OF INCOME

(U.S. dollars in millions, except share and per share data)

	Year ended December 31,		
	2014	2013	2012
Net revenues	$20,272	$20,314	$20,317
Cost of sales	9,216	9,607	9,665
Gross profit	11,056	10,707	10,652
Research and development expenses	1,488	1,427	1,356
Selling and marketing expenses	3,861	4,080	3,879
General and administrative expenses	1,217	1,239	1,238
Impairments, restructuring and others	650	788	1,259
Legal settlements and loss contingencies	(111)	1,524	715
Operating income	3,951	1,649	2,205
Financial expenses—net	313	399	386
Income before income taxes	3,638	1,250	1,819
Income taxes	591	(43)	(137)
Share in losses of associated companies—net	5	40	46
Net income	3,042	1,253	1,910
Net loss attributable to non-controlling interests	(13)	(16)	(53)
Net income attributable to Teva	$ 3,055	$ 1,269	$ 1,963
Earnings per share attributable to Teva:			
Basic	$ 3.58	$ 1.49	$ 2.25
Diluted	$ 3.56	$ 1.49	$ 2.25
Weighted average number of shares (in millions):			
Basic	853	849	872
Diluted	858	850	873

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

TEVA PHARMACEUTICAL INDUSTRIES LIMITED

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(U.S. dollars in millions)

	Year ended December 31,		
	2014	2013	2012
Net income	$ 3,042	$1,253	$1,910
Other comprehensive income (loss), net of tax:			
Currency translation adjustment	(1,440)	(22)	632
Unrealized gain (loss) on derivative financial instruments, net	237	(104)	(63)
Unrealized gain (loss) from available-for-sale securities, net	(12)	12	65
Unrealized gain (loss) on defined benefit plans, net	(43)	42	(60)
Total other comprehensive income (loss)	(1,258)	(72)	574
Total comprehensive income	1,784	1,181	2,484
Comprehensive loss attributable to the non-controlling interests	(19)	(14)	(51)
Comprehensive income attributable to Teva	$ 1,803	$1,195	$2,535

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

TEVA PHARMACEUTICAL INDUSTRIES LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Teva shareholders' equity								
	Ordinary shares								
	Number of shares (in millions)	Stated value	Additional paid-in capital	Retained earnings	Accumulated other compre-hensive income (loss)	Treasury shares	Total Teva share-holders' equity	Non-controlling interests	Total equity
					(U.S. dollars in millions)				
Balance at January 1, 2012	942	$50	$13,374	$11,284	$ (589)	$(1,924)	$22,195	$148	$22,343
Changes during 2012:									
Comprehensive income (loss)				1,963	572		2,535	(51)	2,484
Exercise of options and RSUs by employees	2	*	14				14		14
Stock-based compensation expense			82				82		82
Dividends				(901)			(901)		(901)
Purchase of treasury shares						(1,161)	(1,161)		(1,161)
Other	*	*	4				4	2	6
Balance at December 31, 2012	944	50	13,474	12,346	(17)	(3,085)	22,768	99	22,867
Changes during 2013:									
Comprehensive income (loss)				1,269	(74)		1,195	(14)	1,181
Exercise of options and RSUs by employees	3	*	73			18	91		91
Stock-based compensation expense			64				64		64
Dividends				(1,080)			(1,080)		(1,080)
Purchase of treasury shares						(497)	(497)		(497)
Disposition of non-controlling interests								(12)	(12)
Other	*	*	17			7	24	(2)	22
Balance at December 31, 2013	947	50	13,628	12,535	(91)	(3,557)	22,565	71	22,636
Changes during 2014:									
Comprehensive income (loss)				3,055	(1,252)		1,803	(19)	1,784
Exercise of options and RSUs by employees	10	*	408			106	514		514
Stock-based compensation expense			95				95		95
Dividends				(1,156)			(1,156)		(1,156)
Purchase of treasury shares						(500)	(500)		(500)
Disposition of non-controlling interests							—	(14)	(14)
Other	*	*	(10)	2			(8)	4	(4)
Balance at December 31, 2014	957	$50	$14,121	$14,436	$(1,343)	$(3,951)	$23,313	$ 42	$23,355

* Represents an amount of less than 0.5 million.

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

TEVA PHARMACEUTICAL INDUSTRIES LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

(U.S. dollars in millions)

	Year ended December 31,		
	2014	2013	2012
Operating activities:			
Net income	$ 3,042	$ 1,253	$ 1,910
Adjustments to reconcile net income to net cash provided by operations:			
Depreciation and amortization	1,508	1,642	1,708
Impairment of long-lived assets	387	524	1,071
Net change in operating assets and liabilities	290	968	414
Deferred income taxes—net and uncertain tax positions	(226)	(1,380)	(690)
Stock-based compensation	95	64	82
Other items	30	143	7
Loss (gain) from sale of long-lived assets and investments	1	18	(3)
Research and development in process	—	5	73
Net cash provided by operating activities	5,127	3,237	4,572
Investing activities:			
Purchases of property, plant and equipment	(929)	(1,031)	(1,104)
Acquisitions of subsidiaries, net of cash acquired	(363)	(39)	—
Purchases of investments and other assets	(324)	(160)	(201)
Proceeds from sales of long-lived assets and investments	196	187	264
Other investing activities	(30)	(104)	(93)
Net cash used in investing activities	(1,450)	(1,147)	(1,134)
Financing activities:			
Dividends paid	(1,156)	(1,089)	(855)
Repayment of long-term loans and other long-term liabilities	(839)	(3,133)	(2,213)
Proceeds from exercise of options by employees	514	91	14
Purchases of treasury shares	(500)	(497)	(1,161)
Net change in short-term debt	(385)	384	(2,492)
Other financing activities	(9)	23	5
Proceeds from long-term loans and other long-term liabilities	—	338	1,241
Proceeds from senior notes—net	—	—	3,783
Net cash used in financing activities	(2,375)	(3,883)	(1,678)
Translation adjustment on cash and cash equivalents	(114)	(48)	23
Net change in cash and cash equivalents	1,188	(1,841)	1,783
Balance of cash and cash equivalents at beginning of year	1,038	2,879	1,096
Balance of cash and cash equivalents at end of year	$ 2,226	$ 1,038	$ 2,879

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

(U.S. dollars in millions)

Supplemental disclosure of cash flow information:

	Year ended December 31,		
	2014	2013	2012
Interest paid	$ 294	$ 331	$ 297
Income taxes paid, net of refunds	$ 675	$1,298*	$ 614

* Including, for 2013, payments amounting to $790 million for Amendment 69 and settlements with the Israeli tax authorities. See note 16.

Net change in operating assets and liabilities:

	Year ended December 31,		
	2014	2013	2012
Accounts receivable net of sales reserves and allowances	$ 710	$ 85	$ 936
Accounts payable and accruals and other current liabilities	(614)	378	(19)
Inventories	230	399	(511)
Other current assets	(36)	106	(54)
Inventory step-up	—	—	62
	$ 290	$ 968	$ 414

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

TEVA PHARMACEUTICAL INDUSTRIES LIMITED
Notes to Consolidated Financial Statements

NOTE 1—SIGNIFICANT ACCOUNTING POLICIES:

a. General:

Operations

Teva Pharmaceutical Industries Limited (the "Parent Company"), headquartered in Israel, together with its subsidiaries and associated companies (the "Company", "Teva" or the "Group"), is engaged in the development, manufacturing, marketing and distribution of generic, specialty, and other pharmaceutical products. The majority of the Group's revenues are in the United States and Europe. The Group's main manufacturing facilities are located in Israel, Hungary, United States, Germany, Canada, Japan, Ireland, the United Kingdom, the Czech Republic, Croatia, Italy and India.

Accounting principles

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

Functional currency

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

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

The financial statements of subsidiaries in a highly inflationary economy are remeasured as if the functional currency was the U.S. dollar, Teva's reporting currency, using a translation rate determined by the country's official rate. A highly inflationary economy is one that has cumulative inflation of approximately 100 percent or more over a 3-year period.

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported years. Actual results could differ from those estimates.

As applicable to these consolidated financial statements, the most significant estimates and assumptions relate to uncertain tax positions, valuation allowances, assessment of impairment of intangible assets and goodwill, purchase price allocation on acquisitions, contingencies, restructuring and sales and reserves allowances.

b. Principles of consolidation:

The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries and Variable Interest Entities ("VIEs") for which the Company is considered the primary

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

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

The Company includes the results of operations of an acquired business from the date of acquisition.

c. Investee companies:

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

d. Cash and cash equivalents:

All highly liquid investments, which include short-term bank deposits and money market instruments, that are not restricted as to withdrawal or use, and investment in short-term debentures, the period to maturity of which did not exceed three months at the time of investment, are considered to be cash equivalents.

e. Inventories:

Inventories are valued at the lower of cost or market. Cost of raw and packaging materials and purchased products is determined mainly on a "moving average" basis. Cost of finished products and products in process is calculated assuming normal manufacturing capacity of the production facilities and determined as follows: the raw and packaging materials component—mainly on a "moving average" basis; the capitalized production costs component—mainly on an average basis over the production period.

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

f. Investment in securities:

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

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

The Company considers available evidence in evaluating potential impairments of its investments, including the duration and extent to which fair value is less than cost, and for equity securities, the Company's ability and intent to hold the investment for the length of time necessary to allow for the recovery of the market value. For

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

g. Long-lived assets:

Teva's long-lived, non-current assets are comprised mainly of goodwill, identifiable intangible assets and property, plant and equipment. Teva reviews its long-lived assets and performs detailed testing whenever potential impairment indicators are present. In addition, the Company performs impairment testing at the end of each year for goodwill and identifiable indefinite life intangible assets.

Starting in 2015, the Company will change its annual goodwill impairment testing date from December 31 to October 1 of each year. This change will allow Teva to complete the annual goodwill impairment test prior to the end of the annual reporting period, and thereby better align impairment testing procedures with the Company's budget and forecasting processes and with year-end financial reporting. Accordingly, management considers this accounting change preferable. We do not expect this change to have a material effect on our valuation, nor to accelerate, delay, avoid, or trigger an impairment charge or result in adjustments to previously issued financial statements.

Goodwill

Goodwill reflects the excess of the consideration paid or transferred plus the fair value of contingent consideration and any non-controlling interest in the acquiree at the acquisition date over the fair values of the identifiable net assets acquired. The goodwill impairment test is performed according to the following principles:

- An initial qualitative assessment of the likelihood of impairment may be performed. If this step does not result in a more likely than not indication of impairment, no further impairment testing is required. If it does result in a more likely than not indication of impairment, the impairment test is performed.
- In step one of the impairment test, Teva compares the fair value of the reporting units to the carrying value of net assets allocated to the reporting units. If the fair value of the reporting unit exceeds the carrying value of the net assets allocated to that unit, goodwill is not impaired, and no further testing is required. Otherwise, Teva must perform the second step of the impairment test to measure the amount of the impairment.
- In the second step, the reporting unit's fair value is allocated to all the assets and liabilities of the reporting unit, including any unrecognized intangible assets, in a hypothetical analysis that simulates the business combination principles to derive an implied goodwill value. If the implied fair value of the reporting unit's goodwill is less than its carrying value, the difference is recorded as an impairment.

Identifiable intangible assets

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

Definite life intangible assets consist mainly of acquired product rights and other rights relating to products for which marketing approval was received from the U.S. Food and Drug Administration ("FDA") or the

equivalent agencies in other countries. These assets are amortized using mainly the straight-line method over their estimated period of useful life, or based on economic effect models, if more appropriate, which is determined by identifying the period in which substantially all of the cash flows are expected to be generated. Amortization of acquired developed products is recorded under cost of sales. Amortization of marketing and distribution rights is recorded under selling and marketing expenses.

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

Indefinite life intangible assets are mainly comprised of research and development in-process. Teva monitors development for any triggering events. Annually or when triggering events are present, Teva determines the fair value of the asset based on discounted cash flows on and records an impairment loss if book value exceeds fair value.

Research and development in-process acquired in a business combination is capitalized as an indefinite life intangible asset until the related research and development efforts are either completed or abandoned. In the reporting period where they are treated as indefinite life intangible assets, they are not amortized but rather are monitored and tested for impairment. Upon completion of the related research and development efforts, management determines the useful life of the intangible assets and amortizes them accordingly. In case of abandonment, the related research and development assets are impaired.

Property, plant and equipment

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

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

h. Contingencies:

The Company and its subsidiaries are involved in various patent, product liability, commercial, government investigations, environmental claims and other legal proceedings that arise from time to time in the ordinary course of business. Except for income tax contingencies or contingent consideration acquired in a business combination, Teva records accruals for these types of contingencies to the extent that Teva concludes their occurrence is probable and that the related liabilities are estimable. When accruing these costs, the Company will recognize an accrual in the amount within a range of loss that is the best estimate within the range. When no amount within the range is a better estimate than any other amount, the Company accrues for the minimum amount within the range. Teva records anticipated recoveries under existing insurance contracts that are virtually certain of occurring at the gross amount that is expected to be collected. Legal costs are expensed as incurred.

i. Uncertain tax positions:

Teva recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position.

The tax benefit recognized in the financial statements for a particular tax position is based on the largest benefit that is more likely than not to be realized. We regularly re-evaluate our tax positions based on developments in our tax audits, statute of limitations expirations, changes in tax laws and new information that can affect the technical merits and change the assessment of our ability to sustain the tax benefit. In addition, the Company classifies interest and penalties recognized in the financial statements relating to uncertain tax position under the income taxes line item.

j. Treasury shares:

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

k. Stock-based compensation:

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

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

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

l. Revenue recognition:

The Company recognizes revenues from product sales, including sales to distributors when persuasive evidence of an arrangement exists, delivery has occurred, the selling price is fixed or determinable and collectability is reasonably assured. This generally occurs when products are shipped and title and risk and rewards for the products are transferred to the customer.

Revenues from product sales are recorded net of provisions for estimated chargebacks, rebates, returns, prompt pay discounts and other deductions, such as shelf stock adjustments, which can be reasonably estimated. When sales provisions are not considered reasonably estimable by Teva, the revenue is deferred to a future period when more information is available to evaluate the impact.

Provisions for chargebacks, rebates including Medicaid and other governmental program discounts and other promotional items, such as shelf stock adjustments, are included in "SR&A" under "current liabilities." These provisions are recognized concurrently with the sales of products. Prompt payment discounts are netted against "accounts receivable."

Calculations for these deductions from sales are based on historical experience and the specific terms in the individual agreements. Chargebacks and rebates are the largest components of sales reserves and allowances. Provisions for chargebacks are determined using historical chargeback experience and expected chargeback levels and wholesaler sales information for new products, which are compared to externally obtained distribution channel reports for reasonableness. Rebates are recognized based on contractual obligations in place at the time

of sales with consideration given to relevant factors that may affect the payment as well as historical experience for estimated market activity. Shelf-stock adjustments are granted to customers based on the existing inventory of a customer following decreases in the invoice or contract price of the related product and are estimated based on expected market performance. Teva records a reserve for estimated sales returns by applying historical experience of customer returns to the amounts invoiced and the amount of returned products to be destroyed versus products that can be placed back in inventory for resale.

Revenue resulting from the achievement of milestone events stipulated in agreements is recognized when the milestone is achieved. Milestones are based upon the occurrence of a substantive element specified in the contract or as a measure of substantive progress towards completion under the contract.

Revenues from licensees, sales of licensed products and technology are recorded in accordance with the contract terms, when third-party sales can be reliably measured and collection of the funds is reasonably assured.

Revenues include royalty income and income from services, which amounted to $167 million, $182 million and $438 million in the years ended December 31, 2014, 2013 and 2012, respectively.

m. Research and development:

Research and development expenses are charged as incurred. Participations and grants in respect of research and development expenses are recognized as a reduction of research and development expenses as the related costs are incurred, or as the related milestone is met. Upfront fees received in connection with cooperation agreements are deferred and recognized over the period of the applicable agreements as a reduction of research and development expenses.

Advance payments for goods or services that will be used or rendered for future research and development activities are deferred and capitalized. Such amounts are recognized as an expense as the related goods are delivered or the services are performed.

Research and development in-process acquired as part of an asset purchase, which has not reached technological feasibility and has no alternative future use, is expensed as incurred.

n. Shipping and handling costs:

Shipping and handling costs, which are included in selling and marketing expenses, amounted to $151 million, $232 million and $230 million for the years ended December 31, 2014, 2013 and 2012, respectively.

o. Advertising expenses:

Advertising expenses are charged to income as incurred. Advertising expenses for the years ended December 31, 2014, 2013 and 2012 were $302 million, $321 million and $337 million, respectively.

p. Deferred income taxes:

Deferred income taxes are determined utilizing the “asset and liability” method based on the estimated future tax effects of temporary differences between the financial accounting and tax basis of assets and liabilities under the applicable tax laws, and on tax rates anticipated to be in effect when the deferred income taxes are expected to be paid or realized. A valuation allowance is provided if, based upon the weight of available

evidence, it is more likely than not that a portion of the deferred income tax assets will not be realized. In determining whether a valuation allowance is needed, we consider all available evidence, including historical information, long range forecast of future taxable income and evaluation of tax planning strategies. Amounts recorded for valuation allowance can result from a complex series of judgments about future events and can rely on estimates and assumptions. Deferred income tax liabilities and assets are classified as current or non-current based on the classification of the related asset or liability for financial reporting, or according to the expected reversal dates of the specific temporary differences where appropriate.

Deferred tax has not been provided on the following items:

(1) Taxes that would apply in the event of disposal of investments in subsidiaries, as it is generally the Company's intention to hold these investments, not to realize them.

(2) Amounts of tax-exempt income generated from the Company's current Approved Enterprises and unremitted earnings from foreign subsidiaries retained for reinvestment in the Group. See note 16f.

q. Earnings per share:

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

In computing diluted earnings per share, basic earnings per share are adjusted to take into account the potential dilution that could occur upon: (i) the exercise of options and non-vested RSUs and PSUs granted under employee stock compensation plans and one series of convertible senior debentures, using the treasury stock method; and (ii) the conversion of the remaining convertible senior debentures using the "if-converted" method, by adding to net income interest expense on the debentures and amortization of issuance costs, net of tax benefits, and by adding the weighted average number of shares issuable upon assumed conversion of the debentures.

r. Concentration of credit risks:

Most of Teva's cash and cash equivalents (which along with investment in securities amounted to $2.6 billion at December 31, 2014) were deposited with financially sound European, U.S. and Israeli banks and financial institutions and were comprised mainly of cash deposits.

The pharmaceutical industry, particularly in the U.S., has been significantly affected by consolidation among managed care providers, large pharmacy chains, wholesaling organizations and other buyer groups. The U.S. market constitutes approximately 52.5% of Teva's consolidated revenues and a relatively small portion of total trade accounts after netting amounts in "SR&A". The exposure of credit risks relating to other trade receivables is limited, due to the relatively large number of group customers and their wide geographic distribution. Teva performs ongoing credit evaluations of its customers for the purpose of determining the appropriate allowance for doubtful accounts and generally does not require collateral. An appropriate allowance for doubtful accounts is included in the accounts and netted against accounts receivable.

s. Derivatives and hedging:

The Group carries out transactions involving derivative financial instruments (mainly forward exchange contracts, written and purchased currency options, cross-currency swap contracts and interest rate swap contracts). The transactions are designed to hedge the Company's currency and interest rate exposures.

The Company does not enter into derivative transactions for trading purposes.

Derivatives that do not qualify for hedge accounting are recognized on the balance sheet at their fair value, with changes in the fair value recognized as a component of "financial expenses—net" in the statements of income. The cash flows associated with these derivatives are reflected as cash flows from operating activities in the consolidated statements of cash flows.

Derivatives that qualify as a fair value hedge are recognized on the balance sheet at their fair value, with changes in the fair value reported with the carrying amount of the hedged asset or liability.

For derivatives that qualify as cash-flow hedge, the effective portion of these derivatives' fair value is initially reported as a component of other comprehensive income.

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

t. Fair value measurement:

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

The accounting standard establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable inputs that are based on inputs not quoted on active markets, but corroborated by market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible and considers credit risk in its assessment of fair value.

u. Collaborative arrangements:

A Collaborative agreements are contractual arrangements in which the parties are active participants to the arrangement and are exposed to the significant risks and rewards that are dependent on the ultimate commercial success of the endeavor. See note 2.

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

v. Segment reporting:

The Company's business includes two reporting segments: generic and specialty medicines. The generics segment develops, manufactures, sells and distributes generic or branded generic medicines as well as active pharmaceutical ingredients ("API"). The specialty segment engages in the development, manufacture, sale and distribution of branded specialty medicines such as those for central nervous system and respiratory indications, as well as those marketed in the women's health, oncology and other specialty businesses. See note 21.

w. Restructuring:

Restructuring charges are initially recorded at fair value, and recognized in connection with restructuring programs designed to reduce the cost structure, increase efficiency and enhance competitiveness. Judgment is used when estimating the impact of restructuring plans, including future termination benefits and other exit costs to be incurred when the actions take place. Costs for one-time termination benefits in which the employee is required to render service until termination in order to receive the benefits are recognized ratably over the future service period. Actual results could vary from these estimates.

x. Reclassifications:

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

y. Recently issued accounting pronouncements:

In August 2014, the Financial Accounting Standards Board ("FASB") issued amended guidance related to disclosure of uncertainties about an entity's ability to continue as a going concern. The new guidance requires management to evaluate whether there is substantial doubt about the entity's ability to continue as a going concern and, as necessary, to provide related footnote disclosures. The guidance has an effective date of December 31, 2016. Teva believes that the adoption of this new standard will not have a material impact on its consolidated financial statements.

In May 2014, the FASB issued guidance on revenue from contracts with customers that will supersede most current revenue recognition guidance, including industry-specific guidance. The underlying principle is that an entity will recognize revenue upon the transfer of goods or services to customers in an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The guidance is effective for the interim and annual periods beginning on or after December 15, 2016 (early adoption is not permitted). The guidance permits the use of either a retrospective or cumulative effect transition method. Teva is currently evaluating the potential effect of the amended guidance on its consolidated financial statements.

In April 2014, the FASB issued amended guidance related to discontinued operations. The new guidance limits the presentation of discontinued operations to business circumstances when the disposal of the business operation represents a strategic shift that has had or will have a major effect on operations and financial results. This guidance is effective for fiscal years beginning January 1, 2015. Teva believes that the adoption of this new standard will not materially impact its consolidated financial statements.

NOTE 2—CERTAIN TRANSACTIONS:

a. Business transactions:

Labrys Biologics, Inc.:

On July 17, 2014, Teva fully acquired Labrys Biologics, Inc. ("Labrys") for an upfront cash payment of $207 million and up to $625 million in contingent payments upon achievement of certain milestones. Labrys is a development stage biotechnology company focused on treatments for chronic migraine and episodic migraine.

At the time of the acquisition, the potential additional payments were evaluated and recorded at a fair value of $251 million. Additionally, as part of the transaction, $125 million were placed in an escrow fund and booked as a current asset, as funds will be disbursed once a milestone event is reached.

Pro forma information giving effect to the acquisition has not been provided as the results would not be material.

NuPathe Inc.:

On February 21, 2014, Teva completed the acquisition of NuPathe Inc. ("NuPathe"). NuPathe's leading product is Zecuity®, a prescription migraine patch approved by the FDA for the acute treatment of migraine with or without aura in adults.

Teva purchased all of NuPathe's shares for consideration of $163 million and up to $130 million in contingent payments upon the achievement of sales-based milestones for Zecuity®. At the time of the acquisition, these potential additional payments were evaluated and recorded at a fair value of $106 million, based on the probability of achieving these milestones.

Pro forma information giving effect to the acquisition has not been provided as the results would not be material.

b. Significant collaborative agreements:

The Company has entered into alliances and other arrangements with third parties to acquire rights to products it does not have, to access markets it does not operate in and to otherwise share development costs or business risks. The Company's most significant agreements of this nature are summarized below.

With Takeda:

Teva and Takeda Pharmaceutical Company Limited ("Takeda") have entered into agreements allowing Takeda to commercialize Teva's innovative treatments for Parkinson's disease and multiple scleroses (marketed globally under the product names "Copaxone®" and "Azilect®") in Japan. Under these agreements, Teva may be entitled to certain development, regulatory and sales-based milestones or royalty payments. The financial effects of these agreements were not material to our consolidated financial results.

With The Procter & Gamble Company ("P&G"):

In November 2011, Teva formed PGT Healthcare, a consumer healthcare joint venture with The Procter & Gamble Company ("P&G"). Headquartered in Geneva, Switzerland, the joint venture focuses on branded OTC medicines in categories such as cough/cold and allergy, digestive wellness, vitamins, minerals and supplements,

analgesics and skin medications, and operates in all markets outside North America. Its leading brands are Vicks®, Metamucil®, Pepto-Bismol®, and ratiopharm. PGT Healthcare's strengths include P&G's strong brand-building, consumer-led innovation and go-to-market capabilities; Teva's broad geographic reach, experience in R&D, regulatory and manufacturing expertise and extensive portfolio of products, and each company's scale and operational efficiencies.

Teva owns 49% of the joint venture, and P&G holds a controlling financial interest of 51%. The Company recognizes profits of the joint venture based on Teva's ownership percentage. The joint venture has certain independent operations and contracts for other services from its two partners in an effort to leverage their scale and capabilities and thereby maximize efficiencies. Such services include research and development, manufacturing, sales and distribution, administration and other services, provided under agreements with the joint venture. The partners have certain rights to terminate the joint venture after seven years and earlier under other circumstances.

In July 2014, Teva sold its U.S. OTC plants, which were purchased as part of the agreement, back to P&G.

c. Agreements with related parties:

In December 2012, Teva entered into a collaborative development and exclusive worldwide license agreement with Xenon for its compound XEN402. XEN402 is currently in clinical development for a variety of painful disorders. Under the agreement, Teva paid Xenon an upfront fee of $41 million. In addition, Teva may be required to pay development, regulatory and sales-based milestones of up to $335 million. Xenon is also entitled to royalties on sales and has an option to participate in commercialization in the United States. As required by the agreement, in November 2014, Teva invested an additional $10 million in Xenon in connection with its initial public offering. Dr. Michael Hayden, Teva's President of Global R&D and Chief Scientific Officer, is the founder, a minority shareholder and a member of the board of directors of Xenon. In order to avoid potential conflicts of interest, Teva has established certain procedures to exclude Dr. Hayden from any involvement in Teva's decision-making related to Xenon.

In September 2011, Teva entered into an agreement with CoCrystal Discovery, Inc. (now CoCrystal Pharmaceuticals, Inc.), a company focusing on the discovery and development of novel therapeutics, utilizing an innovative drug discovery technology. Under the agreement, Teva agreed to fund the company's R&D by investing up to two tranches of $7.5 million each per target (the latter one being discretionary). The first tranche was invested by Teva in 2011. We terminated this agreement effective as of November 2014. Dr. Phillip Frost, our Chairman of the Board of Directors until December 2014 and a member of our Board of Directors until February 4, 2015, and Prof. Roger Kornberg, who was a member of Teva's Board of Directors until August 2013, are both direct and indirect shareholders in and members of the board of directors of CoCrystal Pharmaceuticals. Prof. Roger Kornberg is also Chief Scientific Officer of CoCrystal Pharmaceuticals.

CTG Weld Limited, a privately owned contract research organization, has rendered services to Teva in connection with clinical trials since 2002. In 2011, Chaim Hurvitz, a member of our Board of Directors until July 2014, invested in, and became a member of the board of directors of CTG Weld. In 2014, 2013 and 2012, Teva paid CTG Weld approximately €0.6 million, €0.8 million and €1.3 million, respectively, in connection with various clinical studies.

Teva leases 13,500 square feet of office space located in Miami, Florida from an entity controlled by Dr. Frost Teva's Chairman of the Board until December 2014 and a director until February 4, 2015. The term of the lease extends until April 2015, with Teva options to renew for two additional three-year terms. Annual rent was $305,000 until April 1, 2012, $412,000 until March 31, 2013, $431,442 until March 31, 2014 and is currently $448,700 until March 31, 2015, increasing 4% per year for each renewal term. The office space includes offices Teva provided Dr. Frost in his capacity as Chairman of the Board.

NOTE 3—FAIR VALUE MEASUREMENT:

Financial items carried at fair value as of December 31, 2014 and 2013 are classified in the tables below in one of the three categories described in note 1t:

	December 31, 2014 (U.S. $ in millions)			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents:				
Money markets	$ 10	$—	$ —	$ 10
Cash deposits and other	2,216	—	—	2,216
Escrow fund	125	—	—	125
Investment in securities:				
Auction rate securities	—	—	13	13
Equity securities	66	—	—	66
Structured investment vehicles	—	96	—	96
Other, mainly debt securities	73	—	1	74
Derivatives:				
Asset derivatives—options and forward contracts	—	82	—	82
Asset derivatives—cross-currency swaps	—	20	—	20
Liabilities derivatives—options and forward contracts	—	(54)	—	(54)
Liabilities derivatives—interest rate swaps	—	(43)	—	(43)
Contingent consideration*	—	—	(630)	(630)
Total	$2,490	$101	$(616)	$1,975

	December 31, 2013 (U.S. $ in millions)			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents:				
Money markets	$ 9	$ —	$ —	$ 9
Cash deposits and other	1,029	—	—	1,029
Investment in securities:				
Auction rate securities	—	—	18	18
Equity securities	70	—	—	70
Structured investment vehicles	—	89	—	89
Other	29	—	1	30
Derivatives:				
Asset derivatives—options and forward contracts	—	28	—	28
Asset derivatives—interest rate swaps	—	2	—	2
Liability derivatives—options and forward contracts	—	(17)	—	(17)
Liability derivatives—interest rate and cross-currency swaps	—	(436)	—	(436)
Contingent consideration*	—	—	(366)	(366)
Total	$1,137	$(334)	$(347)	$ 456

* Contingent consideration represents either liabilities or assets recorded at fair value in connection with acquisitions and the sale of our animal health unit.

Teva determined the fair value of the liability or asset of contingent consideration based on a probability-weighted discounted cash flow analysis. This fair value measurement is based on significant unobservable inputs

in the market and thus represents a Level 3 measurement within the fair value hierarchy. The fair value of the contingent consideration is based on several factors, such as: the cash flows projected from the success of unapproved product candidates; the probability of success for product candidates including risks associated with uncertainty regarding achievement and payment of milestone events; the time and resources needed to complete the development and approval of product candidates; the life of the potential commercialized products and associated risks of obtaining regulatory approvals in the U.S. and Europe and the discount rate for fair value measurement.

The contingent consideration is evaluated quarterly or more frequently if circumstances dictate. Changes in the fair value of contingent consideration are recorded in earnings under impairments, restructuring and others.

Significant changes in unobservable inputs, mainly the probability of success and cash flows projected, could result in material changes to the contingent consideration liability.

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

	December 31,	
	2014	2013
	(U.S. $ in millions)	
Fair value at the beginning of the period	$(347)	$ (98)
Amount realized	(5)	(16)
Changes in contingent consideration:		
Cephalon acquisition	(35)	(12)
MicroDose acquisition	140	(232)
Sale of animal health unit	(5)	8
Contingent consideration resulting from:		
NuPathe acquisition	(112)	—
Labrys acquisition	(252)	—
Other net change to fair value:		
Included in earnings—financial expense—net	—	1
Included in accumulated other comprehensive loss	—	2
Fair value at the end of the period	$(616)	$(347)

Financial instruments not measured at fair value

Teva's financial instruments consist mainly of cash and cash equivalents, investments in securities, current and non-current receivables, short-term credit, accounts payable and accruals, long-term loans and other long-term senior notes and loans, convertible senior debentures and derivatives.

The fair value of the financial instruments included in working capital and non-current receivables approximates their carrying value. The fair value of long-term bank loans mostly approximates their carrying value, since they bear interest at rates close to the prevailing market rates.

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

	Estimated fair value*	
	December 31,	
	2014	2013
	(U.S. $ in millions)	
Senior notes included under long-term liabilities	$(7,776)	$(8,656)
Senior notes and convertible senior debentures included under short-term liabilities	(1,731)	(1,308)
Fair value at the end of the period	$(9,507)	$(9,964)

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

NOTE 4—INVESTMENT IN SECURITIES:

a. Available-for-sale securities:

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

At December 31, 2014 and 2013, the fair value, amortized cost and gross unrealized holding gains and losses of such securities are as follows:

	Fair value	Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses
		(U.S. $ in millions)		
December 31, 2014	$259	$266	$19	$26
December 31, 2013	$216	$213	$25	$22

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

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

	December 31,	
	2014	2013
	(U.S. $ in millions)	
Other non-current assets	$176	$179
Other current assets	73	28
Cash and cash equivalents, mainly money market funds	10	9
	$259	$216

b. Contractual maturities:

The contractual maturities of debt securities are as follows:

	December 31, 2014
	(U.S. $ in millions)
2015	$ 83
2016	1
2017	—
2018	—
2019	—
2020 and thereafter	109
	$193

NOTE 5—INVENTORIES:

Inventories, net of reserves, consisted of the following:

	December 31,	
	2014	2013
	(U.S. $ in millions)	
Finished products	$2,268	$2,567
Raw and packaging materials	1,279	1,576
Products in process	638	715
Materials in transit and payments on account	186	195
	$4,371	$5,053

NOTE 6—PROPERTY, PLANT AND EQUIPMENT:

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

	December 31,	
	2014	2013
	(U.S. $ in millions)	
Machinery and equipment	$4,893	$4,633
Buildings	2,653	2,635
Computer equipment and other assets	1,391	1,310
Payments on account	571	716
Land*	372	446
	9,880	9,740
Less—accumulated depreciation	3,345	3,105
	$6,535	$6,635

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

Depreciation expenses were $464 million, $458 million and $428 million in the years ended December 31, 2014, 2013 and 2012, respectively. During the years ended December 31, 2014, 2013 and 2012, Teva had impairments of property, plant and equipment in the amount of $163 million, $61 million and $190 million, respectively. See note 19.

NOTE 7—GOODWILL:

The changes in the carrying amount of goodwill for the year ended December 31, 2014 was as follows:

	Generics	Specialty	Other	Total
		(U.S. $ in millions)		
Balance as of January 1, 2014	$9,088	$8,668	$1,225	$18,981
Changes during year:				
Goodwill acquired	—	183	—	183
Translation differences and other	(358)	(349)	(49)	(756)
Balance as of December 31, 2014	$8,730	$8,502	$1,176	$18,408

As of December 31, 2014, 2013 and 2012, the Company determined that there was no impairment with respect to goodwill.

NOTE 8—IDENTIFIABLE INTANGIBLE ASSETS:

Identifiable intangible assets consisted of the following:

	Original amount net of impairment		Accumulated amortization		Amortized balance	
			December 31,			
	2014	2013	2014	2013	2014	2013
			(U.S. $ in millions)			
Product rights	$ 9,606	$10,037	$5,343	$4,601	$4,263	$5,436
Trade names	243	270	54	55	189	215
Research and development in process	1,060	825	—	—	1,060	825
Total	$10,909	$11,132	$5,397	$4,656	$5,512	$6,476

Product rights and trade names are assets presented at amortized cost. These assets represent a portfolio of pharmaceutical products from various categories with a weighted average life of approximately 10 years. Amortization of intangible assets amounted to $1,036 million, $1,180 million and $1,272 million in the years ended December 31, 2014, 2013 and 2012, respectively.

Teva's in process research and development are assets that have not yet been approved in major markets. Teva's in process research and development is comprised mainly of the following assets: LBR-101 (Labrys)—$439 million; Revascor® (Cephalon)—$258 million; Reslizumab (formerly known as Cinquil®, Cephalon)—$215 million; and LAMA/LABA (MicroDose)—$62 million. In-process research and development carry intrinsic risks that the asset might not succeed in advanced phases and will be impaired in future periods.

Impairment of identifiable intangible assets amounted to $224 million, $393 million and $858 million in the years ended December 31, 2014, 2013 and 2012, respectively, and are recorded in earnings under impairments, restructuring and others. See note 19.

As of December 31, 2014, the estimated aggregate amortization of intangible assets for the years 2015 to 2019 is as follows: 2015—$796 million; 2016—$677 million; 2017—$650 million; 2018—$609 million and 2019—$489 million.

NOTE 9—SHORT-TERM DEBT:

a. Short-term debt:

	December 31,	
	2014	2013
	(U.S. $ in millions)	
Banks and financial institutions	$ 46	$ 458
Convertible debentures (see note 13)	530	530
Current maturities of long-term liabilities	1,185	816
Total	$1,761	$1,804

Short-term debt has an earliest date of repayment within 12 months.

Bank loans had a weighted average interest rate of 1.1% and 0.9% at December 31, 2014 and 2013, respectively.

b. Line of credit:

In December 2012, the Company entered into a five-year $3.0 billion unsecured syndicated credit facility, which replaced the previous $2.5 billion facility. As of December 31, 2014, the credit facility remained unutilized.

NOTE 10—SALES RESERVES AND ALLOWANCES:

Sales reserves and allowances consisted of the following:

	December 31,	
	2014	2013
	(U.S. $ in millions)	
Rebates	$2,842	$2,242
Chargebacks	1,129	1,114
Medicaid	1,099	848
Returns	593	573
Other	186	141
	$5,849	$4,918

NOTE 11—LONG-TERM EMPLOYEE-RELATED OBLIGATIONS:

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

	December 31,	
	2014	2013
	(U.S. $ in millions)	
Accrued severance obligations	$146	$132
Defined benefit plans	188	149
Total	$334	$281

As of December 31, 2014 and 2013, the Group had $146 million and $156 million, respectively, deposited in funds managed by financial institutions that are earmarked by management to cover severance pay liability mainly in respect of Israeli employees. Such deposits are not considered to be "plan assets" and are therefore included in long-term investments and receivables.

Most of the change resulted from actuarial updates, as well as from exiting from several defined benefit plans in several countries.

The Company expects to contribute approximately $126 million in 2015 to the pension funds and insurance companies in respect of its severance and pension pay obligations.

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

b. Terms of arrangements:

Israel

Israeli law generally requires payment of severance pay upon dismissal of an employee or upon termination of employment in certain other circumstances. The Parent Company and its Israeli subsidiaries make ongoing deposits into employee pension plans to fund their severance liabilities. According to the general collective pension agreement in Israel, Company deposits with respect to employees who were employed by the Company after the agreement took effect are made in lieu of the Company's severance liability, therefore no obligation is provided for in the financial statements. Severance pay liabilities with respect to employees who were employed by the Parent Company and its Israeli subsidiaries prior to the collective pension agreement effective date, as well as employees who have special contractual arrangements, are provided for in the financial statements based upon the number of years of service and the latest monthly salary.

Europe

Many of the employees in the Company's European subsidiaries are entitled to a retirement grant when they leave. In the consolidated financial statements, the liability of the subsidiaries is accrued, based on the length of service and remuneration of each employee at the balance sheet date. Other employees in Europe are entitled to a pension according to a defined benefit scheme providing benefits based on final or average pensionable pay or according to a hybrid pension scheme that provides retirement benefits on a defined benefit and a defined contribution basis. Independent certified actuaries value these schemes and determine the rates of contribution payable. Pension costs for the defined benefit section of the scheme are accounted for on the basis of charging the expected cost of providing pensions over the period during which the subsidiaries benefit from the employees' services. The Company uses December 31 as the measurement date for defined benefit plans.

North America

The Company's North American subsidiaries mainly provide various defined contribution plans for the benefit of their employees. Under these plans, contributions are based on specified percentages of pay. Additionally, a multi-employer plan is maintained in accordance with various union agreements.

Latin America

The majority of the employees in Latin America are entitled to severance under local law. The severance payments are calculated based on service term and employee remuneration, and accruals are

maintained to reflect these amounts. In some Latin American countries it is Teva practice to offer retirement health benefits to employees who met the service term requirements. Based on the specific plan requirements and benefits accruals are maintained to reflect the estimated amounts or if future plans are modified.

The Company expects to pay the following future minimum benefits to its employees: $8 million in 2015; $10 million in 2016; $10 million in 2017; $12 million in 2018; $10 million in 2019 and $57 million between 2020 to 2024. These amounts do not include amounts that might be paid to employees who cease working with the Company before their normal retirement age.

NOTE 12—SENIOR NOTES AND LOANS:

a. Senior notes and loans consisted of the following:

	Weighted average interest rate as of December 31, 2014	December 31,	
		2014	2013
	%	(U.S. $ in millions)	
Senior notes (1)(2)(3)	2.9	$ 8,335	$ 9,517
Loans, mainly from banks (4)(5)	1.2	1,401	1,671
Debentures (5)	7.2	15	15
		9,751	11,203
Less—current portion (included under "short-term debt")		(1,185)	(816)
		$ 8,566	$10,387

1. Senior notes as of December 31, 2014 are effectively denominated (taking into consideration cross currency swap agreements) in the following currencies: U.S. dollar 58%, euro 37% and Swiss franc 5%. The senior notes bear floating and fixed interest ranging from 1.5% to 6.15%.
2. In March 2014, the Company repaid at maturity $750 million principal amount comprised of $500 million of LIBOR + 0.5% floating rate senior notes and $250 million of 1.7% senior notes, both issued in March 2011.
3. The above includes derivative instruments defined as hedge accounting- see note 17.
4. The balance as of December 31, 2014 and 2013 is mainly comprised of:
   - A ¥100.5 billion senior unsecured fixed rate term loan agreement for five and seven years, bearing interest of 0.99% and 1.42%, respectively (approximately $0.8 billion).
   - A ¥35 billion senior unsecured floating rate term loan agreement for five years, borrowed in December 2013, bearing interest of JPY LIBOR + 0.3% (approximately $0.3 billion).
   - Loan from the European Investment Bank (EIB) in the amount of $148 million and $168 million, respectively (denominated in Euro). The loan bears interest determined on the basis of EURIBOR + 1%. The loan was fully repaid in January 2015.
   - Debt raised in Japan in the amount of $118 million and $207 million, respectively, mainly related to the Taiyo acquisition comprised of bank loans, capital leases and other loans.

5. Certain loan agreements and debentures contain restrictive covenants, mainly the requirement to maintain certain financial ratios. As of December 31, 2014, the Company met all financial covenants.

6. In January 2014, Teva entered into a term loan facility agreement under which Teva can draw up to $1.0 billion with a term of five years. Teva did not utilize the facility and the agreement was terminated in December 2014.

b. The Company and certain subsidiaries entered into negative pledge agreements with certain banks and institutional investors. Under the agreements, the Company and such subsidiaries have undertaken not to register floating charges on assets in favor of any third parties without the prior consent of the banks, to maintain certain financial ratios and to fulfill other restrictions, as stipulated by the agreements.

c. The required annual principal payments of long-term debt as of December 31, 2014, starting with the year 2016, are as follows:

	December 31, 2014
	(U.S. $ in millions)
2016	$ 978
2017	568
2018	779
2019	1,517
2020 and thereafter	4,724
	$8,566

NOTE 13—CONVERTIBLE SENIOR DEBENTURES:

Convertible senior debentures amounted to $530 million principal amount at both December 31, 2014 and 2013.

The convertible debentures at December 31, 2014 consist of the 0.25% convertible senior debentures due 2026. These convertible senior debentures include a "net share settlement" feature according to which the principal amount will be paid in cash and in case of conversion, only the residual conversion value above the principal amount will be paid in Teva shares. Due to the "net share settlement" feature, exercisable at any time, these convertible senior debentures are classified in the balance sheet under short-term debt. The earliest redemption by its holders is February 1, 2016.

NOTE 14—COMMITMENTS AND CONTINGENCIES:

a. Commitments:

Operating leases:

As of December 31, 2014, minimum future rentals under operating leases of buildings, machinery and equipment for periods in excess of one year were as follows: 2015—$139 million; 2016—$114 million; 2017—$96 million; 2018—$79 million; 2019—$69 million; 2020 and thereafter—$145 million.

The lease fees expensed in each of the years ended December 31, 2014, 2013 and 2012 were $153 million, $117 million and $132 million, respectively, of which less than $0.5 million was to related parties in each of the years ended December 31, 2014, 2013 and 2012.

Royalty commitments:

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

Milestone commitments:

The Company is committed to paying milestone payments, usually as part of business transactions. Such payments are contingent upon the achievement of certain regulatory milestones and sales targets. As of December 31, 2014, were all milestones and targets, for compounds in Phase II and more advanced stages of development, to be achieved, the total contingent payments could reach an aggregate of up to approximately $2.4 billion.

b. Contingencies:

General

From time to time, Teva and/or its subsidiaries are subject to claims for damages and/or equitable relief arising in the ordinary course of business. In addition, as described below, in large part as a result of the nature of its business, Teva is frequently subject to litigation. Teva believes that it has meritorious defenses to all actions brought against it and vigorously pursues the defense or settlement of each such action. Except as described below, Teva does not currently have a reasonable basis to estimate the loss, or range of loss, that is reasonably possible with respect to matters disclosed in this note.

Teva records a provision in its financial statements to the extent that it concludes that a contingent liability is probable and the amount thereof is estimable. Based upon the status of these cases, management's assessments of the likelihood of damages, and the advice of counsel, no provisions have been made regarding the matters disclosed in this note, except as noted below. Litigation outcomes and contingencies are unpredictable, and excessive verdicts can occur. Accordingly, management's assessments involve complex judgments about future events and often rely heavily on estimates and assumptions.

Based on currently available information, Teva believes that none of the proceedings brought against it described below is likely to have a material adverse effect on its financial condition. However, if one or more of such proceedings were to result in final judgments against Teva, such judgments could be material to its results of operations and cash flow in a given period. In addition, Teva incurs significant legal fees and related expenses in the course of defending its positions even if the facts and circumstances of a particular litigation do not give rise to a provision in the financial statements.

In connection with third-party agreements, Teva may under certain circumstances be required to indemnify, and may be indemnified by, in unspecified amounts, the parties to such agreements against third-party claims. Teva's agreements with third parties may require Teva to indemnify them, or require them to indemnify Teva, for the costs and damages incurred in connection with product liability claims, in specified or unspecified amounts.

Except as otherwise noted, all of the litigation matters disclosed below involve claims arising in the United States. All third-party sales figures given below are based on IMS data.

Intellectual Property Litigation

From time to time, Teva seeks to develop generic versions of patent-protected pharmaceuticals for sale prior to patent expiration in various markets. In the United States, to obtain approval for most generics prior to the expiration of the originator's patents, Teva must challenge the patents under the procedures set forth in the Hatch-Waxman Act of 1984, as amended. To the extent that Teva seeks to utilize such patent challenge procedures, Teva is and expects to be involved in patent litigation regarding the validity, enforceability or infringement of the originator's patents. Teva may also be involved in patent litigation involving the extent to which its product or manufacturing process techniques may infringe other originator or third-party patents.

Additionally, depending upon a complex analysis of a variety of legal and commercial factors, Teva may, in certain circumstances, elect to market a generic version even though litigation is still pending. This could be before any court decision is rendered or while an appeal of a lower court decision is pending. To the extent Teva elects to proceed in this manner, it could face substantial liability for patent infringement if the final court decision is adverse to Teva.

The general rule for damages in patent infringement cases in the United States is that the patentee should be compensated by no less than a reasonable royalty, and it may also be able in certain circumstances to be compensated for its lost profits. The amount of a reasonable royalty award would be calculated based on the sales of Teva's generic product. The amount of lost profits would be based on the lost sales of the branded product. The launch of an authorized generic and other generic competition may be relevant to the damages calculation. In addition, the patentee may seek consequential damages as well as enhanced damages of up to three times the profits lost by the patent holder for willful infringement, although courts have typically awarded much lower multiples.

Teva is also involved in litigation regarding patents in other countries where it does business, particularly in Europe, where Teva has in recent years increased the number of launches of its generic versions of branded pharmaceuticals prior to the expiration of the innovator's patents. The laws concerning generic pharmaceuticals and patents differ from country to country. Damages for patent infringement in Europe may include lost profits or a reasonable royalty, but enhanced damages for willful infringement are generally not available.

In June 2013, Teva settled its pantoprazole patent litigation with Wyeth and agreed to pay $1.6 billion, which was completed on October 1, 2014. Teva has sought insurance coverage to defray such amount, and in 2014, Teva recovered approximately $200 million from certain of its insurance carriers. Management believes it may have up to approximately $250 million in additional coverage, subject to recovery from the other insurance carriers, which are currently disputing both their obligation to cover and the claimed limits of coverage.

In September 2012, Teva launched its 10, 20, 30, 40, 50, and 60 mg methylphenidate ER products, which are the AB-rated generic versions of UCB's Metadate CD® capsules, which had annual sales of approximately $154 million for the twelve months ended September 2012. In December 2012, UCB sued Teva in the United States District Court for the Northern District of Georgia for infringement of UCB's formulation patent, which expires in October 2020. No trial date has been scheduled. Teva's motion for summary judgment of non-infringement is pending before the Court. Were UCB ultimately to be successful in its allegation of patent infringement, Teva could be required to pay damages relating to past sales of its methylphenidate ER products and enjoined from selling its methylphenidate ER products until patent expiry.

Product Liability Litigation

Teva's business inherently exposes it to potential product liability claims, and in recent years the number of product liability claims asserted against Teva has increased. Teva maintains a program of insurance, which may

include commercial insurance, self-insurance (including direct risk retention), or a combination of both approaches, in amounts and on terms that it believes are reasonable and prudent in light of its business and related risks. However, Teva sells, and will continue to sell, pharmaceuticals that are not covered by insurance; in addition, it may be subject to claims for which insurance coverage is denied as well as claims that exceed its policy limits. Product liability coverage for pharmaceutical companies is becoming more expensive and increasingly difficult to obtain. As a result, Teva may not be able to obtain the type and amount of commercial insurance it desires, or any commercial insurance on reasonable terms, in all of its markets.

Teva and/or its subsidiaries have been named as defendants in approximately 4,000 product liability lawsuits brought against them and other manufacturers by approximately 4,400 plaintiffs claiming injuries (including allegations of neurological disorders, such as tardive dyskinesia) from the use of metoclopramide (the generic form of Reglan®). Certain of these claims are covered by insurance. For over 20 years, the FDA-approved label for metoclopramide has contained warning language about the risk of tardive dyskinesia, and that the risk of developing the disorder increases with duration of treatment and total cumulative dose. In February 2009, the FDA announced that manufacturers of metoclopramide would be required to revise the label, including the addition of a "black box" warning about the risk of tardive dyskinesia resulting from long-term usage. The cases of approximately 500 of the plaintiffs have been dismissed or otherwise resolved to date. Teva expects to be dismissed from at least some of the remaining cases on the basis that some plaintiffs cannot demonstrate that they used a Teva product.

Approximately 40% of the plaintiffs are parties to cases against Teva that are part of a mass tort proceeding in the Philadelphia Court of Common Pleas. These cases have been stayed pending resolution of Teva's petition for *certiorari*, which was filed with the United States Supreme Court on December 16, 2014.

In addition, there are mass tort proceedings under way in state courts in California and New Jersey. In the California litigation, which now includes about half of the total plaintiffs, the defendants' motion to dismiss has been denied. In the New Jersey proceeding, the trial court granted the defendants' motion to dismiss, on federal preemption grounds, all claims other than those based on an alleged failure to timely update the label. The appellate court affirmed that decision, and Teva has sought leave to appeal to the New Jersey Supreme Court. All of the cases in the New Jersey proceeding with respect to the generic defendants have been stayed pending resolution of the appeal. Four or five cases outside the mass tort jurisdictions in which Pliva, Inc. is a defendant are or may be scheduled for trial in 2015.

Competition Matters

As part of its generic pharmaceuticals business, Teva has challenged a number of patents covering branded pharmaceuticals, some of which are among the most widely-prescribed and well-known drugs on the market. Many of Teva's patent challenges have resulted in litigation relating to Teva's attempts to market generic versions of such pharmaceuticals under the federal Hatch-Waxman Act. Some of this litigation has been resolved through settlement agreements in which Teva obtained a license to market a generic version of the drug, often years before the patents expire. Occasionally, Teva and its subsidiaries have been named as defendants in cases that allege antitrust violations arising from such settlement agreements. Teva believes that its settlement agreements are lawful and serve to increase competition, and intends to defend them vigorously. However, the plaintiffs in these cases typically allege (1) that Teva received something of value from the innovator in exchange for an agreement to delay generic entry, and (2) that they would have realized significant savings if there had been no settlement and competition had commenced earlier. These cases seek various forms of injunctive and monetary relief, including damages based on the difference between the brand price and what the generic price allegedly would have been, and disgorgement of profits, trebled under the relevant statutes, plus attorneys' fees

and costs. The damages allegedly caused by the alleged delays in generic entry generally depend on the size of the branded market and the length of the alleged delay, and can be substantial, particularly where the alleged delays are lengthy or branded drugs with sales in the billions of dollars are involved. Nonetheless, as in the modafinil opt-out case described below, many such cases may be resolved through settlement for amounts considerably less than the damages initially alleged.

On June 17, 2013, the United States Supreme Court held, in *Federal Trade Commission v. Actavis, Inc*. (the "AndroGel case"), that a rule of reason test should be applied in analyzing whether such settlements potentially violate the federal antitrust laws. The Supreme Court held that a trial court must analyze each agreement in its entirety in order to determine whether it violates the antitrust laws. This new test may lead to increased scrutiny of Teva's patent settlements, additional administrative action by the Federal Trade Commission ("FTC"), and an increased risk of liability in Teva's currently pending antitrust litigations.

In April 2006, certain subsidiaries of Teva were named in a class action lawsuit filed in the United States District Court for the Eastern District of Pennsylvania. The case alleges that the settlement agreements involving finished modafinil products (the generic version of Provigil®) that Cephalon, Inc., a Teva subsidiary ("Cephalon"), entered into with various generic pharmaceutical companies in late 2005 and early 2006 were unlawful because they had the effect of excluding generic competition. The first lawsuit was brought by King Drug Company of Florence, Inc. on behalf of itself and as a proposed class action on behalf of any other person or entity that purchased Provigil® directly from Cephalon from January 2006 until the alleged unlawful conduct ceases. The first generic modafinil product was launched in March 2012. Similar allegations have been made in a number of additional complaints, including those filed on behalf of proposed classes of direct and indirect purchasers, by an individual indirect purchaser, by certain retail chain pharmacies and by Apotex, Inc. Annual sales of Provigil® were approximately $500 million at the time of the settlement agreements, and approximately $1 billion when the first generic modafinil product was launched in March 2012.

In February 2008, following an investigation, the FTC sued Cephalon, alleging that Cephalon violated Section 5 of the Federal Trade Commission Act, which prohibits unfair or deceptive acts or practices in the marketplace, by unlawfully maintaining a monopoly in the sale of Provigil® and improperly excluding generic competition. In March 2010, the District Court denied defendants' motions to dismiss the federal antitrust claims and some of the related state law claims. No fines or penalties have been asserted against Cephalon to date and no provision has been recorded for this matter. The FTC has indicated that it intends to seek disgorgement of profits as an equitable remedy.

Teva has settled with certain of the retail chain pharmacies (representing approximately half of the direct purchases of Provigil® from Cephalon) and, given the significant similarities in the claims asserted and damages claimed by certain other purchaser plaintiffs, has concluded that a provision for certain other parts of the litigation is warranted. Accordingly, in 2013 management recorded a charge of $495 million in the financial statements covering both the settlement and the litigation with other parties. Management expects that the settlement demands of the remaining parties could be significantly higher, and there can be no assurance that Teva will be able to reach settlements on terms comparable to the initial settlement.

In October 2011, the District Court hearing the antitrust cases described above, as well as patent claims brought by plaintiff Apotex, issued its decision regarding Apotex's invalidity claims, finding a Cephalon patent to be invalid based on obviousness, among other things, and unenforceable based on inequitable conduct. In March 2012, the District Court ruled that Apotex's product does not infringe Cephalon's patent. On April 8, 2013, the United States Court of Appeals for the Federal Circuit affirmed the District Court's rulings of invalidity and inequitable conduct. The plaintiffs in the antitrust case filed motions for summary judgment asking the

District Court (1) to apply the inequitable conduct and invalidity findings to the antitrust cases in an effort to establish antitrust liability, and (2) to find a conspiracy between and among Cephalon and the generic companies. Teva opposed those motions and moved for summary judgment, asserting that the FTC's case against Cephalon is moot and that the conspiracy claims should be dismissed. In addition, all defendants moved for summary judgment on the grounds that there were no impermissible payments from Cephalon to the generic defendants. On March 13, 2014, the District Court denied, in part, plaintiffs' motion for summary judgment to apply the inequitable conduct and invalidity findings to the antitrust case to establish antitrust liability. On July 29, 2014, the District Court denied Cephalon's motion to dismiss the FTC's case as moot, and granted the FTC's motion that Cephalon is precluded from raising arguments about the merits of the patent case or the strength of the patent in the FTC case. This ruling applies only in the FTC's case. On June 23, 2014, the District Court granted defendants' summary judgment motion that there was no conspiracy between and among Cephalon and the generic defendants. On August 19, 2014, the District Court denied Apotex's motion for partial summary judgment seeking a ruling that Cephalon possessed monopoly power, holding that the motion raised fact issues that must be resolved at trial. Defendants' summary judgment motion that none of the settlement agreements contained an impermissible reverse payment was denied on January 28, 2015. Management has recorded a provision in the financial statements for the Apotex litigation.

In April 2011, the European Commission opened a formal investigation against both Cephalon and Teva to assess whether the 2005 settlement agreement between the parties might have had the object or effect of hindering the entry of generic modafinil. The opening of proceedings indicates that the Commission will investigate the case as a matter of priority, but does not mean that there has been a definitive finding of violation of law.

Barr Laboratories, Inc., a subsidiary of Teva ("Barr"), is a defendant in actions in California, Florida and Kansas alleging that a January 1997 patent litigation settlement agreement between Barr and Bayer Corporation was anticompetitive and violated state antitrust and consumer protection laws. In the California case, the trial court granted defendants' summary judgment motions, and the California Court of Appeal affirmed in October 2011. The trial court approved a $74 million class settlement with Bayer, and the California Supreme Court has received supplemental briefs addressing the effect of the AndroGel case on plaintiffs' appeal of the grant of summary judgment for the remaining defendants in this case. Based on the plaintiffs' expert testimony in a prior federal multidistrict litigation, estimated sales of ciprofloxacin in California were approximately $500 million during the alleged damages period. In the Kansas action, class certification briefing concluded on August 22, 2014 and the court heard oral argument on plaintiffs' class certification motion on December 15, 2014 before taking it under advisement; no schedule has been set in the Florida action.

In December 2011, three groups of plaintiffs sued Wyeth and Teva for alleged violations of the antitrust laws in connection with their settlement of patent litigation involving extended release venlafaxine (generic Effexor® XR) entered into in November 2005. The cases were filed by a purported class of direct purchasers, by a purported class of indirect purchasers and by certain chain pharmacies. The plaintiffs claim that the settlement agreement between Wyeth and Teva unlawfully delayed generic entry. On October 7, 2014, the court granted Teva's motion to dismiss in the direct purchaser cases and requested briefing on the impact of its ruling for the indirect purchaser cases. The parties have submitted proposed orders that would dismiss all claims against Teva so that all plaintiffs can proceed to appeal. Certain plaintiffs have filed notices of appeal. Annual sales of Effexor® XR were approximately $2.6 billion at the time of settlement and at the time generic versions were launched in July 2010.

In February 2012, two purported classes of direct-purchaser plaintiffs sued GlaxoSmithKline ("GSK") and Teva for alleged violations of the antitrust laws in connection with their settlement of patent litigation involving

lamotrigine (generic Lamictal®) entered into in February 2005. In August 2012, a purported class of indirect purchaser plaintiffs filed a nearly identical complaint against GSK and Teva. The plaintiffs claim that the settlement agreement unlawfully delayed generic entry and seek unspecified damages. In December 2012, the District Court dismissed the cases. On January 24, 2014, the District Court denied the direct purchaser plaintiffs' motion for reconsideration and affirmed its original dismissal of the cases. The direct purchaser plaintiffs have appealed this ruling. Oral argument for the appeal was held on November 20, 2014. Annual sales of Lamictal® were approximately $950 million at the time of the settlement, and approximately $2.3 billion at the time generic competition commenced in July 2008.

Starting in September 2012, plaintiffs in numerous cases, including overlapping purported class actions, sued AstraZeneca and Teva, as well as Ranbaxy and Dr. Reddy's, for violating the antitrust laws by entering into settlement agreements to resolve the esomeprazole (generic Nexium®) patent litigation. Teva entered into its settlement agreement in January 2010. These cases were consolidated and transferred to the United States District Court for the District of Massachusetts. On November 24, 2014, Teva agreed to settle with all plaintiffs on all claims. On December 5, 2014, the jury returned a verdict in favor of AstraZeneca and Ranbaxy, finding that their settlement agreement was not the cause of delay for the entry of generic Nexium®.

On June 18, 2014, two groups of end payors who opted out of the action in the District of Massachusetts filed complaints in the Philadelphia Court of Common Pleas (the "Philadelphia Actions") with allegations nearly identical to those in the District of Massachusetts action. Proceedings in the Philadelphia Actions are stayed pending resolution of the action in the District of Massachusetts. Annual sales of Nexium® were approximately $6.3 billion at the time the Teva settlement agreement was entered into, and annual sales are currently approximately $6 billion.

In April 2013, purported classes of direct purchasers of and end payors for Niaspan® (extended release niacin) sued Teva and Abbott for violating the antitrust laws by entering into a settlement agreement in April 2005 to resolve patent litigation over the product. A multidistrict litigation has been established in the United States District Court for the Eastern District of Pennsylvania. Teva and Abbott's motion to dismiss was denied on September 8, 2014. Annual sales of Niaspan® were approximately $416 million at the time of the settlement and approximately $1.1 billion at the time generic competition commenced in September 2013.

Since July 2013, numerous lawsuits have been filed in several federal courts by purported classes of end payors for, and direct purchasers of, Solodyn® ER (minocycline hydrochloride) against Medicis, the innovator, and several generic manufacturers, including Teva. The lawsuits allege, among other things, that the settlement agreements between Medicis and the generic manufacturers violated the antitrust laws. Teva entered into its agreement with Medicis in March 2009. A multidistrict litigation has been established in the United States District Court for the District of Massachusetts. On September 12, 2014, plaintiffs filed an amended complaint that did not name Teva as a defendant. Annual sales of Solodyn® ER were approximately $380 million at the time Teva settled, and approximately $765 million at the time generic competition entered the market on a permanent basis in November 2011.

Since November 2013, numerous lawsuits have been filed in several federal courts by purported classes of end payors for, and direct purchasers of, Aggrenox® (dipyridamole/aspirin tablets) against Boehringer Ingelheim ("BI"), the innovator, and several Teva entities. The lawsuits allege, among other things, that the settlement agreement between BI and Barr entered into in August 2008 violated the antitrust laws. A multidistrict litigation has been established in the United States District Court for the District of Connecticut. Oral argument on Teva and BI's motion to dismiss was held on October 27, 2014. Annual sales of Aggrenox® were approximately $340 million at the time of the settlement, and are approximately $470 million at the current time.

Since January 2014, numerous lawsuits have been filed in the United States District Court for the Southern District of New York by purported classes of end payors for ACTOS® and ACTO*plus* Met® (pioglitazone and pioglitazone plus metformin) against Takeda, the innovator, and several generic manufacturers, including Teva. The lawsuits allege, among other things, that the settlement agreements between Takeda and the generic manufacturers violated the antitrust laws. Teva entered into its agreement with Takeda in December 2010. Defendants' motions to dismiss are pending, and argument has been set for early February. At the time of the settlement, annual sales of ACTOS® were approximately $3.7 billion and annual sales of ACTO*plus* Met® were approximately $500 million. At the time generic competition commenced in August 2012, annual sales of ACTOS® were approximately $2.8 billion and annual sales of ACTO*plus* Met® were approximately $430 million.

On September 8, 2014, the FTC sued AbbVie Inc. and certain of its affiliates ("AbbVie") and Teva in the United States District Court for the Eastern District of Pennsylvania alleging that they violated the antitrust laws when they entered into a settlement agreement to resolve the AndroGel® patent litigation and a supply agreement under which AbbVie would supply authorized generic product for TriCor® to Teva. The FTC alleges that Teva agreed to delay the entry of its generic testosterone gel product in exchange for entering into the TriCor supply agreement. Defendants' motions to dismiss, which were filed on November 12, 2014, are pending.

Government Investigations and Litigation Relating to Pricing and Marketing

Teva is involved in government investigations and litigation arising from the marketing and promotion of its specialty pharmaceutical products in the United States. Many of these investigations originate through what are known as *qui tam* complaints, in which the government reviews a complaint filed under seal by a whistleblower (a "relator") that alleges violations of the federal False Claims Act. The government considers whether to investigate the allegations and will, in many cases, issue subpoenas requesting documents and other information, including conducting witness interviews. The government must decide whether to intervene and pursue the claims as the plaintiff. Once a decision is made by the government, the complaint is unsealed. If the government decides not to intervene, then the relator may decide to pursue the lawsuit on his own without the active participation of the government.

Under the federal False Claims Act, the government (or relators who pursue the claims without the participation of the government in the case) may seek to recover up to three times the amount of damages in addition to a civil penalty of $5,500 to $11,000 for each allegedly false claim submitted to the government for payment. Generally speaking, these cases take several years for the investigation to be completed and, ultimately, to be resolved (either through litigation or settlement) after the complaint is unsealed. In addition, some states have pursued investigations under state false claims statutes or consumer protection laws, either in conjunction with a government investigation or separately. There is often collateral litigation that arises from public disclosures of government investigations, including the filing of class action lawsuits by third party payors alleging fraud-based claims or by shareholders alleging violations of the securities laws.

A number of state attorneys general and others have filed various actions against Teva and/or certain of its subsidiaries in the United States relating to reimbursements or drug price reporting under Medicaid or other programs. Such price reporting is alleged to have caused governments and others to pay inflated reimbursements for covered drugs. Teva and its subsidiaries have reached settlements in most of these cases, and remain parties to litigation in Illinois. A provision for the cases has been included in the financial statements. Trial in the Illinois case concluded in the fourth quarter of 2013, and post-trial briefing has been submitted and is under consideration. The State of Illinois is seeking approximately $100 million in compensatory damages. Any such damages ultimately awarded by the court are subject to automatic trebling. In addition, the state is seeking

unspecified statutory penalties that could range, depending on the method used for calculation, from a de minimis amount to well over $100 million. Teva denies any liability, and will argue that even if the court finds liability, compensatory damages and penalties should be significantly less than the amount sought by the state.

Several *qui tam* complaints have been unsealed in recent years as a result of government decisions not to participate in the cases. The following is a summary of certain government investigations, *qui tam* actions and related matters.

In December 2009, the United States District Court for the District of Massachusetts unsealed a complaint alleging that numerous drug manufacturers, including certain Teva subsidiaries, violated the federal False Claims Act in connection with Medicaid reimbursement for certain vitamins, dietary supplements and DESI products that were allegedly ineligible for reimbursement. The Department of Justice declined to join in the matter. The defendants, including Teva, filed a motion to dismiss, which was granted on February 25, 2013. The plaintiffs' deadline to appeal the dismissal has not yet expired.

In September 2013, the State of Louisiana filed a complaint seeking unspecified damages against 54 pharmaceutical companies, including several Teva subsidiaries. The complaint asserts that each of the defendants allegedly defrauded the state by falsely representing that its products were FDA-approved drugs, which allegedly caused the state Medicaid program to pay millions of dollars in reimbursement claims for products that it would not otherwise have covered.

Cephalon has received and responded to subpoenas related to Treanda®, Nuvigil® and Fentora®. In March 2013, a federal False Claims Act complaint filed against Cephalon in the United States District Court for the Southern District of New York was unsealed. The case was transferred to the Eastern District of Pennsylvania. The complaint alleges off-label promotion of Treanda® and Fentora®. On October 9, 2014, the District Court granted Cephalon's motion to dismiss the Fentora claims; Cephalon's motion to dismiss the Treanda claims remains pending. In January 2014, a separate federal False Claims Act complaint that had been filed in the United States District Court for the Eastern District of Pennsylvania was served on Cephalon. The complaint alleges off-label promotion of Fentora®, Nuvigil® and Provigil®. Cephalon filed motions to dismiss, and on October 9, 2014, the District Court dismissed the Fentora claims, stayed its decision on the Provigil claims, and denied Cephalon's motion to dismiss as to two of the Nuvigil claims. Cephalon's motion to dismiss the Nuvigil and Provigil claims remain pending.

Cephalon is a defendant in a putative class action filed in the United States District Court for the Eastern District of Pennsylvania in which plaintiffs, third party payors, allege approximately $700 million in losses resulting from the promotion and prescription of Actiq® for uses not approved by the FDA despite the availability of allegedly less expensive pain management drugs that were more appropriate for patients' conditions. A hearing on the plaintiffs' motion for class certification was held in July 2013. If the court grants certification, a jury trial will be scheduled. Cephalon is defending a separate putative class action law suit with similar off-label claims involving Provigil® and Gabitril® brought by the American Federation of State, County and Municipal Employees, District Council 47 Health and Welfare Fund.

In July 2014, the court granted Cephalon and Teva's motion to dismiss an action brought by certain Travelers entities that was filed in the Eastern District of Pennsylvania alleging off-label marketing of Actiq® and Fentora®. The plaintiffs' motion to amend the judgment and file a second amended complaint was denied on September 24, 2014, and the plaintiffs are currently appealing. Cephalon is also a defendant in a lawsuit filed by the State of South Carolina alleging violations of the state's unfair trade practices law and common law in connection with the alleged off-label promotion of Actiq®, Provigil® and Gabitril®.

On May 21, 2014, counsel for Santa Clara County and Orange County, purportedly on behalf of the People of California, filed a complaint in the Superior Court for Orange County, California against Teva and Cephalon, along with several other pharmaceutical companies, contending that defendants allegedly engaged in off-label promotion in the sale of opioids, including Actiq® and Fentora®. On June 2, 2014, the City of Chicago filed a similar complaint against Teva and Cephalon in the Circuit Court of Cook County, Illinois, which has been removed to the Northern District of Illinois. Both complaints assert claims under state law based upon alleged off-label promotion in the sale of opioids, and both seek a variety of damages, including restitution, civil penalties, disgorgement of profits, treble damages, attorneys' fees and injunctive relief. Neither complaint specifies the exact amount of damages at issue. Teva and Cephalon have not yet responded to the complaint in the California action and have filed a motion to dismiss in the Chicago action.

On January 8, 2014, Teva received a civil investigative demand from the United States Attorney for the Southern District of New York seeking documents and information from January 1, 2006 related to sales, marketing and promotion of Copaxone® and Azilect®. The demand states that the government is investigating possible civil violations of the federal False Claims Act. Teva is complying with the subpoena.

For several years, Teva has been conducting a voluntary worldwide investigation into business practices that may have implications under the U.S. Foreign Corrupt Practices Act ("FCPA"). Teva has engaged outside counsel to assist in its investigation, which was prompted by the receipt, beginning in 2012, of subpoenas and informal document requests from the SEC and the Department of Justice ("DOJ") to produce documents with respect to compliance with the FCPA in certain countries. Teva has provided and will continue to provide documents and other information to the SEC and the DOJ, and is cooperating with these agencies in their investigations of these matters. In the course of its investigation, which is continuing, Teva has identified certain business practices and transactions in Russia, certain European countries, certain Latin American countries and other countries in which it conducts business, which likely constitute violations of the FCPA and/or local law. In connection with its investigation, Teva has also become aware that Teva affiliates in certain countries under investigation provided to local authorities inaccurate or altered information relating to marketing or promotional practices. Teva has brought and continues to bring these issues to the attention of the SEC and the DOJ. Teva cannot predict at this time the impact on the Company as a result of these matters, which may include material fines in amounts that are not currently estimable, limitations on the Company's conduct, the imposition of a compliance monitor and/or other civil and criminal penalties.

Shareholder Litigation

On December 18, 2013, a putative class action securities lawsuit was filed in the United States District Court for the Southern District of New York on behalf of purchasers of Teva's securities between January 1, 2012 and October 29, 2013. The complaint alleges that Teva and certain directors and officers violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, and that the individual defendants violated Section 20 of the Exchange Act, by making false and misleading statements that failed to disclose the existence of significant internal discord between Teva's board of directors and senior management concerning execution of Teva's strategies, including implementation of a cost reduction program. On July 8, 2014, an amended complaint was filed, changing the starting date of the alleged class period to August 1, 2013. On October 17, 2014, Teva filed a motion to dismiss the complaint. The plaintiff is seeking unspecified compensatory damages and reimbursement for litigation expenses.

Other Litigation

In January 2013, GSK filed a lawsuit against Teva for violations of the Lanham Act in the marketing of its Budeprion XL 300 mg product. The lawsuit alleges that Teva made false representations in claiming that

Budeprion XL 300 mg was bioequivalent to GSK's Wellbutrin® XL 300 mg and "implicitly communicated" that the product was as safe and efficacious as GSK's product. At the time Teva began selling Budeprion XL 300 mg, annual sales of Wellbutrin® XL 300 mg were approximately $1 billion. In April 2013, Teva filed a motion to dismiss the complaint on the grounds that GSK cannot retroactively challenge through the Lanham Act a determination of bioequivalence made by the FDA, and that Teva's alleged statements were not false or misleading as a matter of law. On March 10, 2014, the motion was denied, and Teva's motion for reconsideration was denied on July 18, 2014.

Environmental Matters

Teva is party to a number of environmental proceedings, or has received claims, including some brought pursuant to the Comprehensive Environmental Response, Compensation and Liability Act (commonly known as the Superfund law) or other national, federal, provincial or state and local laws imposing liability for alleged noncompliance with various environmental laws and regulations or for the investigation and remediation of releases of hazardous substances and for natural resource damages. Many of these proceedings and claims seek to require the generators of hazardous wastes disposed of at a third-party-owned site, or the party responsible for a release of hazardous substances into the environment that impacted a site, to investigate and clean up the site or to pay for such activities, including for oversight by governmental authorities, the response costs associated with such oversight and any related damages to natural resources. Teva has received claims, or has been made a party to these proceedings, along with other potentially responsible parties, as an alleged generator of wastes that were disposed of or treated at third-party waste disposal sites, or as a result of an alleged release from one of Teva's facilities or former facilities that may have adversely impacted the environment.

In many of these cases, the government or private litigants allege that the responsible parties are jointly and severally liable for the investigation and cleanup costs. Although the liability among the responsible parties, under certain circumstances, may be joint and several, these proceedings are frequently resolved so that the allocation of cleanup and other costs among the parties reflects the relative contributions of the parties to the site conditions and takes into account other pertinent factors. Teva's potential liability varies greatly at each of the sites in the proceedings or for which claims have been asserted; for some sites the costs of the investigation, cleanup and natural resource damages have not yet been determined, and for others Teva's allocable share of liability has not been determined. At other sites, Teva has been paying a share of the costs, the amounts of which have not been, and are not expected to be, material. Teva has taken an active role in identifying those costs, to the extent they are identifiable and estimable, which do not include reductions for potential recoveries of cleanup costs from insurers, indemnitors, former site owners or operators or other potentially responsible parties. In addition, enforcement proceedings relating to alleged federal and state regulatory violations at some of Teva's facilities have resulted, or may result, in the imposition of significant penalties (in amounts not expected to materially adversely affect Teva's results of operations) and the recovery of certain state costs and natural resource damages, and have required, or may require, that corrective measures and enhanced compliance measures be implemented.

NOTE 15—EQUITY:

a. Share capital:

As of December 31, 2014, there were 957 million ordinary shares issued (December 31, 2013—947 million). Teva shares are traded on the Tel-Aviv Stock Exchange ("TASE") and, in the form of American Depositary Shares, each of which represents one ordinary share, on the New York Stock Exchange ("NYSE") in the United States.

Share repurchase program

In October 2014, Teva's board of directors authorized the Company to increase its share repurchase program up to $3 billion of its ordinary shares and American Depositary Shares. As of December 31, 2014, $2.5 billion remain available for repurchases. This repurchase authorization has no time limit. Repurchases may be commenced or suspended at any time or from time to time.

The following table summarizes the shares repurchased and the amount Teva spent on these repurchases:

	Year ended December 31,		
	2014	2013	2012
	(in millions)		
Amount spent on shares repurchased	$500	$ 497	$1,161
Number of shares repurchased	8.7	12.8	28.1

b. Stock-based compensation plans:

Stock-based compensation plans are comprised of employee stock option plans, RSUs, PSUs, and other equity-based awards to employees, officers and directors. The purpose of the plans is to enable the Company to attract and retain qualified personnel and to motivate such persons by providing them with equity participation in the Company.

On June 29, 2010, the Teva Long-Term Equity-Based Incentive Plan was approved by the shareholders, under which 70 million equivalent share units, including options exercisable into ordinary shares, RSUs and PSUs, were approved for grant. As of December 31, 2014, 23 million equivalent share units remained available for future awards.

In the past, Teva had various employee stock and incentive plans under which stock options and other share-based awards were granted. Stock options and other share-based awards granted under such prior plans continue in accordance with the terms of the respective plans.

The vesting period of the outstanding options, RSUs and PSUs is generally from 1 to 4 years from the date of grant. The rights of the ordinary shares obtained from the exercise of options, RSUs or PSUs are identical to those of the other ordinary shares of the Company. The contractual term of these options is primarily for seven years in prior plans and ten years for options granted under the 2010 plan described above.

Status of options

A summary of the status of the options as of December 31, 2014, 2013 and 2012, and changes during the years ended on those dates, is presented below (the number of options represents ordinary shares exercisable in respect thereof).

	Year ended December 31,					
	2014		2013		2012	
	Number (in thousands)	Weighted average exercise price	Number (in thousands)	Weighted average exercise price	Number (in thousands)	Weighted average exercise price
Balance outstanding at beginning of year	32,481	$45.05	36,580	$44.40	33,298	$44.92
Changes during the year:						
Granted	6,935	48.60	1,701	38.37	7,231	40.50
Exercised	(11,423)	45.05	(2,797)	32.17	(704)	33.36
Forfeited	(1,260)	46.11	(3,003)	45.51	(3,245)	44.76
Balance outstanding at end of year	26,733	45.91	32,481	45.05	36,580	44.40
Balance exercisable at end of year	12,632	47.16	17,082	47.30	14,230	44.30

The weighted average fair value of options granted during the years was estimated by using the Black-Scholes option-pricing model:

	Year ended December 31,		
	2014	2013	2012
Weighted average fair value	$9.3	$6.6	$7.4

The fair value of these options was estimated on the date of grant, based on the following weighted average assumptions:

	Year ended December 31,		
	2014	2013	2012
Dividend yield	2.9%	3.3%	2.6%
Expected volatility	25%	23%	24%
Risk-free interest rate	1.9%	2.1%	1.3%
Expected term	6 years	9 years	8 years

The expected term was estimated based on the weighted average period the options granted are expected to be outstanding taking into consideration the current vesting of options and the historical exercise patterns of existing options. The expected volatility assumption used is based on a blend of the historical and implied volatility of the Company's stock. The risk-free interest rate used is based on the yield of U.S. Treasuries with a maturity closest to the expected term of the options granted. The dividend yield assumption reflects the expected dividend yield based on historical dividends and expected dividend growth.

The following tables summarize information at December 31, 2014 regarding the number of ordinary shares issuable upon (1) outstanding options and (2) vested options:

(1) Number of ordinary shares issuable upon exercise of outstanding options

Range of exercise prices	Balance at end of period (in thousands)	Weighted average exercise price	Weighted average remaining life	Aggregate intrinsic value (in thousands)
	Number of shares	$	Years	$
$35.11 - $40.10	4,686	38.65	8.07	88,370
$40.11 - $45.10	7,365	41.96	6.11	114,519
$45.11 - $50.10	9,909	48.60	7.98	88,293
$50.11 - $55.10	4,134	52.42	2.73	21,042
$55.11 - $60.10	475	59.48	2.99	—
$60.11 - $65.00	164	64.31	2.15	—
Total	26,733	45.91	6.54	312,224

(2) Number of ordinary shares issuable upon exercise of vested options

Range of exercise prices	Balance at end of period (in thousands)	Weighted average exercise price	Weighted average remaining life	Aggregate intrinsic value (in thousands)
	Number of shares	$	Years	$
$35.11 - $40.10	1,896	38.81	7.98	35,460
$40.11 - $45.10	3,267	41.87	4.78	51,093
$45.11 - $50.10	3,170	48.72	5.76	27,869
$50.11 - $55.10	3,711	52.57	2.18	18,331
$55.11 - $60.10	425	59.74	2.15	—
$60.11 - $65.00	163	64.31	2.15	—
Total	12,632	47.16	4.62	132,753

The aggregate intrinsic value in the above tables represents the total pre-tax intrinsic value, based on the Company's closing stock price of $57.51 on December 31, 2014, less the weighted average exercise price in each range. This represents the potential amount receivable by the option holders had all option holders exercised their options as of such date. The total number of in-the-money options exercisable as of December 31, 2014 was 12 million.

The total intrinsic value of options exercised during the years ended December 31, 2014, 2013 and 2012 was $74 million, $19 million and $6 million, respectively, based on the Company's average stock price of $51.57, $38.99 and $41.63 during the years then ended, respectively.

Status of non-vested RSUs

The fair value of RSUs and PSUs is estimated based on the market value of the Company's stock on the date of award, less an estimate of dividends that will not accrue to RSU and PSU holders prior to vesting.

The following table summarizes information about the number of RSUs and PSUs issued and outstanding:

	Year ended December 31,					
	2014		2013		2012	
	Number (in thousands)	Weighted average grant date fair value	Number (in thousands)	Weighted average grant date fair value	Number (in thousands)	Weighted average grant date fair value
Balance outstanding at beginning of year	2,512	$40.48	3,744	$41.04	3,093	$43.23
Granted	1,342	46.09	289	35.80	1,320	38.00
Vested	(1,146)	41.55	(1,222)	41.04	(519)	45.65
Forfeited	(242)	40.05	(299)	40.98	(150)	43.97
Balance outstanding at end of year	2,466	43.05	2,512	40.48	3,744	41.04

The Company has expensed compensation costs, net of estimated forfeitures, based on the grant-date fair value. For the years ended December 31, 2014, 2013 and 2012, the Company recorded stock-based compensation costs as follows:

	Year ended December 31,		
	2014	2013	2012
	(U.S. $ in millions)		
Employee stock options	$47	$40	$58
RSUs and PSUs	38	24	24
Total stock-based compensation expense	85	64	82
Tax effect on stock-based compensation expense	14	14	13
Net effect	$71	$50	$69

The total unrecognized compensation cost before tax on employee stock options and RSUs (along with PSUs) amounted to $87 million and $77 million, respectively, at December 31, 2014, and is expected to be recognized over a weighted average period of approximately 1 year.

c. Dividends and accumulated other comprehensive income (loss):

1. Dividends are declared in New Israeli Shekels ("NIS"), and paid in NIS and USD. Dividends paid per share in the years ended December 31, 2014, 2013 and 2012 were $1.34, $1.28 and $1.03, respectively. Subsequent to December 31, 2014, the Company declared an additional dividend of 1.33 NIS per share in respect of the fourth quarter of 2014.

   Commencing in April 2015, Teva's dividends will be declared and paid in U.S. dollars.

2. The components of accumulated other comprehensive loss attributable to Teva are presented in the table below:

	December 31,		
	2014	2013	2012
	(U.S. $ in millions)		
Currency translation adjustment	$(1,283)	$ 151	$175
Unrealized loss on defined benefit plans, net	(93)	(50)	(92)
Unrealized gain (loss) on derivative financial instruments, net	40	(197)	(93)
Unrealized gain (loss) from available-for-sale securities, net	(7)	5	(7)
Accumulated other comprehensive loss attributable to Teva	$(1,343)	$ (91)	$ (17)

The following tables present the changes in the components of accumulated other comprehensive loss for the year ended December 31, 2014 and 2013:

		Year ended December 31, 2014				
Components of accumulated other comprehensive loss	Description of the reclassification to the statement of income	Other comprehensive income (loss) before reclassifications	Amounts reclassified to the statement of income	Net other comprehensive income (loss) before tax	Corresponding income tax	Net other comprehensive income (loss) after tax
Currency translation adjustment	Currency translation adjustment, reclassified to general and administrative expenses	$(1,429)	$(5)	$(1,434)	$—	$(1,434)
Unrealized gain (loss) from available-for-sale securities	Loss on marketable securities, reclassified to financial expenses—net	(12)	2	(10)	(2)	(12)
Unrealized gain (loss) from derivative financial instruments	Gain on derivative financial instruments, reclassified to net revenues	240	(3)	237	—	237
Unrealized gain (loss) on defined benefit plans	Gain on defined benefit plans, reclassified to various statement of income items**	(55)	(2)	(57)	14	(43)
Total accumulated other comprehensive income (loss)		$(1,256)	$(8)	$(1,264)	$ 12	$(1,252)

Components of accumulated other comprehensive loss	Description of the reclassification to the statement of income	Year ended December 31, 2013: Other comprehensive income (loss) before reclassifications	Amounts reclassified to the statement of income	Net other comprehensive income (loss) before tax	Corresponding income tax	Net other comprehensive income (loss) after tax
Currency translation adjustment	Currency translation adjustment, reclassified to financial expenses—net	$ (46)	$17	$ (29)	$ 5	$ (24)
Unrealized gain (loss) from available-for-sale securities	Gain on marketable securities, reclassified to financial expenses—net	18	(6)	12	*	12
Unrealized gain (loss) from derivative financial instruments	Loss on derivative financial instruments, reclassified to net revenues	(111)	7	(104)	*	(104)
Unrealized gain (loss) on defined benefit plans	Loss on defined benefit plans, reclassified to various statement of income items**	20	24	44	(2)	42
Total accumulated other comprehensive income (loss)		$(119)	$42	$ (77)	$ 3	$ (74)

* Represents an amount of less than $0.5 million.

** Affected cost of sales, research and development expenses, selling and marketing expenses and general and administrative expenses.

NOTE 16—INCOME TAXES:

a. Income before income taxes is comprised of the following:

	Year ended December 31, 2014	2013	2012
	(U.S. $ in millions)		
The Parent Company and its Israeli subsidiaries	$2,139	$1,303	$ 1,660
Non-Israeli subsidiaries	1,499	(53)	159
	$3,638	$1,250	$ 1,819

b. Income taxes:

	Year ended December 31,		
	2014	2013	2012
	(U.S. $ in millions)		
In Israel	$ 147	$ 197	$ 5
Outside Israel	444	(240)	(142)
	$ 591	$ (43)	$ (137)
Current	$ 879	$ 1,096	$ 564
Deferred	(288)	(1,139)	(701)
	$ 591	$ (43)	$ (137)

	Year ended December 31,		
	2014	2013	2012
	(U.S. $ in millions)		
Income before income taxes	$ 3,638	$ 1,250	$ 1,819
Statutory tax rate in Israel	26.5%	25%	25%
Theoretical provision for income taxes	$ 964	$ 313	$ 455
Increase (decrease) in effective tax rate due to:			
The Parent Company and its Israeli subsidiaries—			
Mainly tax benefits arising from reduced tax rates under benefit programs	(524)	(535)	(520)
Amendment 69 payments and finalization of prior years' tax audits, net of decrease of related uncertain tax positions	—	248	—
Non-Israeli subsidiaries	88	(275)	(83)
Increase in other uncertain tax positions—net	63	206	11
Effective consolidated income taxes	$ 591	$ (43)	$ (137)

The effective tax rate is the result of a variety of factors, including the geographic mix and type of products sold during the year, different effective tax rates applicable to non-Israeli subsidiaries that have tax rates above Teva's average tax rates, the impact of impairment, restructuring and legal settlement charges and adjustments to valuation allowances on deferred tax assets on such subsidiaries.

c. **Deferred income taxes:**

	Year ended December 31,	
	2014	2013
	(U.S. $ in millions)	
Short-term deferred tax assets—net:		
Inventory related	$ 383	$ 405
Sales reserves and allowances	357	321
Provision for legal settlements	229	235
Provisions for employee-related obligations	66	81
Carryforward losses and deductions (*)	59	179
Other	78	75
	1,172	1,296
Valuation allowance—in respect of carryforward losses and deductions that may not be utilized	(213)	(249)
	$ 959	$ 1,047

* The amount in 2014 is shown after reduction for unrecognized tax benefits of $143 million, where we have net operating loss carryforwards, similar tax losses, and/or tax credit carryforwards that are available, under the tax law of the applicable jurisdiction, to offset any additional income taxes that would result from the settlement of a tax position. For additional information, see below.

	Year ended December 31,	
	2014	2013
	(U.S. $ in millions)	
Long-term deferred tax assets (liabilities)—net:		
Intangible assets	$(1,098)	$(1,412)
Carryforward losses and deductions(*)(**)	1,043	1,415
Property, plant and equipment	(218)	(181)
Provisions for employee related obligations	39	19
Other	(21)	60
	(255)	(99)
Valuation allowance—in respect of carryforward losses and deductions that may not be utilized	(458)	(542)
	$ (713)	$ (641)
	$ 246	$ 406

* The amount in 2014 is shown after reduction for unrecognized tax benefits of $150 million, see above.

** This amount represents the tax effect of gross carryforward losses and deductions with the following expirations: 2016-2017—$192 million; 2018-2024—$302 million; 2025 and thereafter—$194 million. The remaining balance—$505 million—can be utilized with no expiration date.

The deferred income taxes are reflected in the balance sheets among:

	December 31,	
	2014	2013
	(U.S. $ in millions)	
Current assets—deferred income taxes	$ 993	$ 1,084
Current liabilities—other current liabilities	(34)	(37)
Other non-current assets	388	606
Long-term liabilities—deferred income taxes	(1,101)	(1,247)
	$ 246	$ 406

Deferred taxes have not been provided for tax-exempt profits earned by the Company from Approved Enterprises through December 31, 2014 (except to the extent released due to payments made in 2013 under Amendment 69 of the Investment Law, as described below), as the Company intends to permanently reinvest these profits and does not currently foresee a need to distribute dividends out of these earnings. For the same reason, deferred taxes have not been provided for distributions of income from the Company's foreign subsidiaries. See Note 16g.

d. Adoption of new accounting standard

The Company adopted ASU 2013-11 on January 1, 2014. As a result, we changed the presentation of certain unrecognized tax benefits, where Teva has net operating loss carryforwards, similar tax losses, and/or a tax credit carryforwards that are available, under the tax law of the applicable jurisdiction, to offset any additional income taxes that would result from the settlement of the tax position. Those unrecognized tax benefits are now presented as a reduction of the deferred tax assets for such net operating loss/tax credit carryforwards. Accordingly, the Company reduced its reserve for uncertain tax positions and deferred tax assets by $293 million as of December 31, 2014 in accordance with ASU 2013-11.

e. Uncertain tax positions:

The following table summarizes the activity of Teva's gross unrecognized tax benefits:

	Year ended December 31,		
	2014	2013	2012
	(U.S. $ in millions)		
Balance at the beginning of the year	$665	$ 903	$ 907
Increase (decrease) related to prior year tax positions, net	38	29	(10)
Increase related to current year tax positions	51	176	151
Decrease related to settlements with tax authorities and lapse of applicable statutes of limitations	(38)	(461)	(146)
Other	(3)	18	1
Balance at the end of the year	$713	$ 665	$ 903

Uncertain tax positions, mainly of a long-term nature, included accrued potential penalties and interest of $87 million, $75 million and $144 million, at December 31, 2014, 2013 and 2012, respectively. The total amount of interest and penalties in the consolidated statements of income was a net increase of $12 million for the year ended December 31, 2014, a net release of $69 million for the year ended December 31, 2013 and a net increase of $29 million for the year ended December 31, 2012. Substantially all the above uncertain tax benefits, if recognized, would reduce Teva's annual effective tax rate. Teva does not expect uncertain tax positions to change significantly over the next 12 months, except in the case of settlements with tax authorities, the likelihood and timing of which is difficult to estimate.

f. Tax assessments:

We file income tax returns in various jurisdictions with varying statutes of limitations. The Parent Company and its subsidiaries in Israel have received final tax assessments through tax year 2007.

In 2013, Teva settled the 2005-2007 income tax assessments with the Israeli tax authorities, paying $213 million. No further taxes are due in relation to these years. Certain guidelines which were set pursuant to the

agreement reached in relation to the 2005-2007 assessment will also be implemented in the audit of tax years 2008-2011, and are reflected in the provisions.

Following the audit of Teva's 2008 Israeli corporate tax returns, the Israeli tax authorities issued a tax assessment decree for 2008 and tax assessment for 2009-2010, challenging the Company's positions on several issues. Teva has protested the assessment. The Company believes it has adequately provided for these items and that any adverse results would have an immaterial impact on Teva's financial statements.

The Company's subsidiaries in North America and Europe have received final tax assessments mainly through tax year 2005.

g. Basis of taxation:

The Company and its subsidiaries are subject to tax in many jurisdictions, and a certain degree of estimation is required in recording the assets and liabilities related to income taxes. The Company believes that its accruals for tax liabilities are adequate for all open years. The Company considers various factors in making these assessments, including past history, recent interpretations of tax law, and the specifics of each matter. Because tax regulations are subject to interpretation and tax litigation is inherently uncertain, these assessments can involve a series of complex judgments regarding future events.

Most of the Parent Company's industrial projects and those of several of its Israeli subsidiaries have been granted "Approved Enterprise" status under the Israeli Law for the Encouragement of Capital Investments ("Investment Law"). For the vast majority of such Approved Enterprises, the companies elected to apply for alternative tax benefits—i.e., the waiver of government grants in return for tax exemptions on undistributed income. Upon distribution of such exempt income, the distributing company will be subject to corporate tax at the rate ordinarily applicable to the Approved Enterprise's income. Such tax exemption on undistributed income applies for a limited period of between two to ten years, depending upon the location of the enterprise. During the remainder of the benefits period (generally until the expiration of ten years), a corporate tax rate not exceeding 25% is applied. One Approved Enterprise of an Israeli subsidiary enjoyed special benefits under the "Strategic Investment Track"; income accrued under this track during the benefits period was exempt from tax, and dividends distributed from such income are also exempt from Israeli tax.

Teva is a foreign investors company, or FIC, as defined by the Israeli Investment Law. Under the incentives regime that applied to Teva until 2013, FICs were entitled to further reductions in the tax rate normally applicable to Approved Enterprises. Depending on the foreign ownership in each tax year, the tax rate ranged between 10% (when foreign ownership exceeded 90%) to 25% (when the foreign ownership was below 49%).

Pursuant to Amendment 69 to the Israeli Investment Law ("Amendment 69"), a company that elected by November 11, 2013 to pay a reduced corporate tax rate as set forth in that amendment (rather than the tax rate applicable to Approved Enterprise income) with respect to undistributed exempt income accumulated by the company until December 31, 2011 is entitled to distribute a dividend from such income without being required to pay additional corporate tax with respect to such dividend. A company that has so elected must make certain qualified investments in Israel over the five-year period commencing in 2013. A company that has elected to apply the amendment cannot withdraw from its election.

During 2013, Teva applied the provisions of Amendment 69 to certain exempt profits accrued prior to 2012 by Teva and one of its Israeli subsidiaries. Consequently, the Company paid $577 million corporate tax on exempt income of $9.4 billion. Part of this income was distributed as dividends during 2013, while the remainder is available to be distributed as dividends in future years with no additional corporate tax liability. As a result,

Teva was required to invest $286 million in its industrial enterprises in Israel over a five year period. Such investment may be in the form of the acquisition of industrial assets (excluding real estate assets), investment in R&D in Israel, or payroll payments to new employees to be hired by the enterprise. Teva already fully invested the required amount in 2013.

The amount of tax-exempt profits earned by the Company from Approved Enterprises through December 31, 2013 that were not released under Amendment 69 is approximately $9.7 billion, and the tax that would have been payable had the Company distributed dividends out of that income is approximately $1.5 billion. However, deferred taxes have not been provided for such tax-exempt income, as the Company intends to permanently reinvest these profits and does not currently foresee a need to distribute dividends out of these earnings (see note 1p).

Likewise, the Company intends to reinvest, rather than distribute, the income of its foreign subsidiaries. An assessment of the tax that would have been payable had the Company's foreign subsidiaries distributed their income to the Company is not practicable because of the multiple levels of corporate ownership and multiple tax jurisdictions involved in each hypothetical dividend distribution.

Income not eligible for Approved Enterprise benefits is taxed at a regular rate, which was 26.5% in 2014.

Under Amendment 68 to the Israeli Investment Law ("Amendment 68"), which Teva started applying in 2014, upon an irrevocable election made by a company, a uniform corporate tax rate will apply to all qualifying industrial income of such company ("Industrial Company"), as opposed to the previous law's incentives, which were limited to income from Approved Enterprises during their benefits period. Under the law, when the election is made, the uniform tax rate (for 2014 and on) will be 9% in areas in Israel designated as Development Zone A and 16% elsewhere in Israel. The profits of these Industrial Companies will be freely distributable as dividends, subject to a withholding tax of 20% or lower, under an applicable tax treaty. "Special Industrial Companies" that meet more stringent criteria (significant investment, R&D or employment thresholds) will enjoy further reduced tax rates of 5% in Zone A and 8% elsewhere. In order to be classified as a "Special Industrial Company", the approval of three governmental authorities in Israel is required.

Teva is currently examining its eligibility to be regarded as a "Special Industrial Company" under the new law.

The Parent Company and its Israeli subsidiaries elected to compute their taxable income in accordance with Income Tax Regulations (Rules for Accounting for Foreign Investors Companies and Certain Partnerships and Setting their Taxable Income), 1986. Accordingly, the taxable income or loss is calculated in U.S. dollars. Applying these regulations reduces the effect of U.S. dollar—NIS exchange rate on the Company's Israeli taxable income.

Non-Israeli subsidiaries are taxed according to the tax laws in their respective country of residence. Certain manufacturing subsidiaries operate in several jurisdictions outside Israel, some of which benefit from tax incentives such as reduced tax rates, investment tax credits and accelerated deductions.

NOTE 17—DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES:

a. Foreign exchange risk management:

The Company enters into forward exchange contracts in non-functional currencies and purchases and writes non-functional currency options in order to hedge the currency exposure on identifiable balance sheet items. In

addition, the Company takes steps to reduce exposure by using "natural" hedging. The Company also acts to offset risks in opposite directions among the companies in the Group. The currency hedged items are usually denominated in the following main currencies: the euro (EUR), Hungarian forint (HUF), British pound (GBP), new Israeli shekel (NIS), Canadian dollar (CAD), Croatian kuna (HRK), Russian ruble (RUB), Czech koruna (CZK), Swiss franc (CHF) and Japanese yen (JPY). The writing of options is part of a comprehensive currency hedging strategy.

The counterparties to the derivatives are comprised mainly of major banks and, in light of the current financial environment, the Company is monitoring the associated inherent credit risks. The Company does not enter into derivative transactions for trading purposes.

Teva operates in certain territories where the official exchange rates deviate significantly from unofficial market rates and remittance of cash outside the country is limited. As a result, Teva is exposed to a potential income statement devaluation loss on its total monetary balances in these territories, which, as of December 31, 2014, amounted to approximately $274 million.

b. Derivative instrument disclosure:

The following table summarizes the notional amounts for hedged items, when transactions are designated as hedge accounting:

	December 31,	
	2014	2013
	(U.S. $ in millions)	
Interest rate swap—fair value hedge*	$1,750	$2,500
Cross currency swap—cash flow hedge	1,875	1,875
Forecasted transactions—cash flow hedge	280	300

* In October 2014, Teva terminated an interest rate swap agreement, designated as a fair value hedge, with respect to $500 million notional amount.

The following table summarizes the classification and fair values of derivative instruments:

	Fair value			
	Designated as hedging instruments		Not designated as hedging instruments	
Reported under	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
	U.S. $ in millions			
Asset derivatives:				
Other current assets:				
Cross currency swaps—cash flow hedge	$ 14	$ —	$	$
Interest rate swaps—fair value hedge	—	2		
Option and forward contracts—cash flow hedge	14	3		
Option and forward contracts			68	25
Other non-current assets:				
Cross currency swaps—cash flow hedge	6	—		
Liability derivatives:				
Other current liabilities:				
Option and forward contracts—cash flow hedge	(1)	(8)		
Option and forward contracts			(53)	(9)
Senior notes and loans:				
Cross currency swaps—cash flow hedge	—	(203)		
Interest rate swaps—fair value hedge	(43)	(233)		

Derivatives on foreign exchange contracts hedge Teva's balance sheet items from currency exposure but are not designated as hedging instruments for accounting purposes. With respect to such derivatives, gains of $85 million, gains of $76 million and losses of $45 million were recognized under financial expenses—net for the years ended December 31, 2014, 2013 and 2012, respectively. Such gains and losses offset the revaluation of the balance sheet items also booked under financial expenses—net.

With respect to the interest rate and cross-currency swap agreements, gains of $41 million, $35 million and $18 million were recognized under financial expenses—net for the years ended December 31, 2014, 2013 and 2012, respectively. Such gains mainly reflect the differences between the fixed interest rate and the floating interest rate.

c. Securitization:

In April 2011, Teva established an accounts receivable securitization program with BNP Paribas Bank ("BNP Paribas"). Under the program, Teva sells, on an ongoing basis, certain accounts receivable and the right to the collections on those accounts receivable to BNP Paribas.

Once sold to BNP Paribas, the accounts receivable and rights to collection are separate and distinct from Teva's own assets. These assets are unavailable to Teva's creditors should Teva become insolvent. BNP Paribas has all the rights ensuing from the sale of the securitized accounts receivable, including the right to pledge or exchange the assets it received. Consequently, the accounts receivable in Teva's consolidated balance sheets is presented net of the securitized receivables.

As of December 31, 2014 and 2013, the balance of Teva's securitized assets sold amounted to $585 million and $590 million, respectively. Gains and losses related to these transactions were immaterial for the three years ended December 31, 2014.

The following table summarizes the net balance outstanding due to outstanding securitization programs:

	As of and for the year ended December 31,	
	2014	2013
	(U.S. $ in millions)	
Sold receivables at the beginning of the year	$ 590	$ 535
Proceeds from sale of receivables	4,287	3,662
Cash collections (remitted to the owner of the receivables)	(4,202)	(3,635)
Effect of currency exchange rate changes	(90)	28
Sold receivables at the end of the year	$ 585	$ 590

NOTE 18—FINANCIAL EXPENSES- NET:

	Year ended December 31,		
	2014	2013	2012
	(U.S. $ in millions)		
Interest expenses and other bank charges	$300	$314	$355
Foreign exchange losses—net	30	8	25
Income from investments	(24)	(32)	(26)
Other	7	109	32
Total finance expense—net	$313	$399	$386

NOTE 19—IMPAIRMENTS, RESTRUCTURING AND OTHERS:

Impairments, restructuring and others consisted of the following:

	Year ended December 31,		
	2014	2013	2012
	(U.S. $ in millions)		
Impairment of long-lived assets (see also notes 6 and 8)	$387	$524	$1,071
Restructuring	246	201	221
Other	17	63	(33)
Total	$650	$788	$1,259

Impairments

In determining the estimated fair value of the long-lived assets, Teva utilized a discounted cash flow model. The key assumptions within the model related to forecasting future revenue and operating income, an appropriate weighted average cost of capital, and an appropriate terminal value based on the nature of the long-lived asset. The Company's updated forecasts of net cash flows for the impaired assets reflect, among other things, the following: (i) for research and development in-process assets, the impact of changes to the development programs, the projected development and regulatory timeframes and the risks associated with these assets; and

(ii) for product rights, pricing and volume projections as well as patent life and any significant changes to the competitive environment.

Impairment of long-lived assets in 2014 amounted to $387 million, comprised of:

1. Property, plant and equipment—$163 million, based on management decisions regarding their expected use as a result of our planned plant rationalization, which triggered a reassessment of fair value. In 2013 and 2012, property, plant and equipment impairment was $61 million and $190 million, respectively.
2. Identifiable intangible assets—$224 million:
    a. Product rights impairments of $116 million were recorded due to current market conditions and supply chain challenges in various Teva markets. Impairments of product rights for the year ended December 31, 2013 were $227 million and $233 million for 2012.
    b. In-process R&D impairments of $108 million are comprised mainly of a $102 million impairment of MDT-637 development project following the negative results of Phase II trial. Impairment of in-process R&D for the year ended December 31, 2013 amounted to $166 million and $625 million for 2012.

Restructuring

For the year ended December 31, 2014, Teva recorded $246 million of restructuring expenses, compared to $201 million for the year ended December 31, 2013 and $221 million for 2012. These expenses are primarily incurred in various initiatives as part of cost saving efforts.

NOTE 20—LEGAL SETTLEMENTS AND LOSS CONTINGENCIES:

Legal settlements and loss contingencies for 2014 amounted to a gain of $111 million, compared to an expense of $1.5 billion in 2013. The 2014 balance is comprised mainly of insurance proceeds relating to the settlement of the pantoprazole patent litigation. The 2013 expenses are composed mainly of additional charges of $930 million relating to the settlement of the pantoprazole patent litigation and $495 million relating to the modafinil antitrust litigation.

NOTE 21 – SEGMENTS:

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

Teva's other activities include the over-the-counter ("OTC") medicines business, distribution activity mainly in Israel and Hungary and medical devices. The OTC activity is primarily conducted through a joint venture with P&G, which combines Teva's production capabilities and market reach with P&G's marketing expertise and expansive global platform.

Teva's chief executive officer, who is the chief operating decision maker ("CODM"), reviews financial information prepared on a consolidated basis, accompanied by disaggregated information about revenues and contributed profit by the two identified reportable segments, namely generic and specialty medicines, and revenues by geographical markets.

The accounting policies of the individual segments are the same as those described in the summary of significant accounting policies in note 1 to the consolidated financial statements.

Segment profit is comprised of gross profit for the segment, less S&M and R&D expenses related to the segment. Segment profit does not include G&A expenses, amortization and certain other items.

Teva manages its assets on a total company basis, not by segments, as many of its assets are shared or commingled. Teva's CODM does not regularly review asset information by reportable segment, and therefore Teva does not report asset information by reportable segment.

During 2014, the classification of certain of our products was changed, in line with the Company's strategy. The comparable figures have been conformed to reflect the revised classification for all periods.

Teva's chief executive officer is reviewing the Company's strategy and organizational structure on a continuing basis. Any changes in strategy may lead to a reevaluation of Teva's current segments and goodwill assignment. In connection with such organizational changes, effective July 1, 2014, Teva appointed a new President of Global Generic Medicines to lead all of its generic and OTC businesses. Going forward, Teva will continue to evaluate the impact of management changes on its segment reporting.

a. Segment information:

	Generics			Specialty		
	Year ended December 31,			Year ended December 31,		
	2014	2013	2012	2014	2013	2012
	(U.S.$ in millions)			(U.S.$ in millions)		
Revenues	$9,814	$9,902	$10,385	$8,560	$8,388	$8,150
Gross profit	4,247	4,079	4,518	7,457	7,274	7,173
R&D expenses	517	492	485	881	883	793
S&M expenses	1,582	1,919	1,971	2,001	1,864	1,686
Segment profit	$2,148	$1,668	$ 2,062	$4,575	$4,527	$4,694

	2014	2013	2012
	U.S.$ in millions		
Generic medicines profit	$2,148	$1,668	$2,062
Specialty medicines profit	4,575	4,527	4,694
Total segment profit	6,723	6,195	6,756
Profit of other activities	226	242	197
Total profit	6,949	6,437	6,953
Amounts not allocated to segments:			
Amortization	1,036	1,180	1,272
General and administrative expenses	1,217	1,239	1,238
Impairments, restructuring and others	650	788	1,259
Legal settlements and loss contingencies	(111)	1,524	715
Other unallocated amounts	206	57	264
Consolidated operating income	3,951	1,649	2,205
Financial expenses—net	313	399	386
Consolidated income before income taxes	$3,638	$1,250	$1,819

b. Segment revenues by geographic area:

	Year ended December 31,		
	2014	2013	2012
	(U.S.$ in millions)		
Generic Medicine			
United States	$ 4,418	$ 4,172	$ 4,381
Europe*	3,148	3,362	3,482
Rest of the World	2,248	2,368	2,522
Total Generic Medicine	9,814	9,902	10,385
Specialty Medicine			
United States	6,110	6,025	5,857
Europe*	1,898	1,854	1,575
Rest of the World	552	509	718
Total Specialty Medicine	8,560	8,388	8,150
Other Revenues			
United States	106	264	200
Europe*	777	772	741
Rest of the World	1,015	988	841
Total Other Revenues	1,898	2,024	1,782
Total Revenues	$20,272	$20,314	$20,317

* All members of the European Union, Switzerland, Norway, Albania and the countries of former Yugoslavia.

c. Net revenues from specialty medicines were as follows:

	Year ended December 31,		
	2014	2013	2012
	(U.S. $ in millions)		
CNS	$5,575	$5,545	$5,464
Copaxone®	4,237	4,328	3,996
Azilect®	428	371	330
Nuvigil®	388	320	347
Respiratory	957	964	856
ProAir®	478	429	406
Qvar®	286	328	297
Oncology	1,180	1,005	860
Treanda®	767	709	608
Women's health	504	510	448
Other Specialty	344	364	522
Total Specialty Medicines	$8,560	$8,388	$8,150

The data presented have been conformed to reflect the revised classification of certain of our products for all periods.

A significant portion of our revenues, and a higher proportion of our profits, come from the manufacture and sale of patent-protected pharmaceuticals. Many of our specialty medicines are covered by several patents that expire at different times. Nevertheless, once patent protection has expired, or has been lost prior to the expiration

date as a result of a legal challenge, we no longer have patent exclusivity on these products, and subject to regulatory approval, generic pharmaceutical manufacturers are able to produce similar (or purportedly similar) products and sell them for a lower price. The commencement of generic competition, even in the form of non-equivalent products, can result in a substantial decrease in revenues for a particular specialty medicine in a very short time. Any such expiration or loss of intellectual property rights could therefore significantly adversely affect our results of operations and financial condition.

In particular, we rely heavily on sales of Copaxone®, our leading specialty medicine. A key element of our business strategy for Copaxone® is the continued migration of current daily Copaxone® 20 mg/mL patients to the three-times-a-week 40 mg/mL version introduced in 2014, and the maintenance of patients on that new version. Any substantial reduction in the number of patients taking Copaxone®, whether due to the introduction of generic competition or to the increased use of oral medicines or other competing products, would likely have a material adverse effect on our financial results and cash flow.

In 2014, Copaxone® revenues in the United States, which include revenues from both Copaxone® 20 mg/mL and the new Copaxone® 40 mg/mL product, amounted to $3.1 billion in the U.S. (approximately 29% of our total 2014 U.S. revenues) and approximately $1.1 billion in markets outside the U.S. (approximately 12% of our total 2014 non-U.S. revenues).

Our multiple sclerosis franchise includes our Copaxone® products and laquinimod (a developmental compound for the treatment of multiple sclerosis). The profitability of our multiple sclerosis franchise is comprised of Copaxone® revenues and cost of goods sold as well as S&M and R&D expenses related to our MS franchise. It does not include G&A expenses, amortization and non-recurring items. Our MS franchise profitability was 75.1%, 75.6% and 74.5% in 2014, 2013 and 2012, respectively.

d. Supplemental data—major customers:

The percentages of total consolidated revenues for the years ended December 31, 2014, 2013 and 2012 to one customer were 18%, 17% and 16%, respectively. The percentage of total consolidated revenues for another customer accounted for 17% and 13% for the years ended December 31, 2014 and 2013, respectively. Most of Teva's revenues from these customers were made in the United States. The balance due from the Company's largest customer accounted for 31% of the gross trade accounts receivable at December 31, 2014. Sales reserves and allowances on these balances are recorded in current liabilities (refer to note 1l).

e. Property, plant and equipment—by geographical location were as follows:

	December 31,		
	2014	2013	2012
	(U.S. $ in millions)		
Israel	$1,949	$1,834	$1,649
United States	691	852	896
Hungary	520	526	498
Croatia	515	479	415
Japan	446	492	644
Germany	367	403	367
Other	2,047	2,049	1,846
Total property, plant and equipment	$6,535	$6,635	$6,315

NOTE 22—EARNINGS PER SHARE:

The net income attributable to Teva and the weighted average number of shares used in computation of basic and diluted earnings per share for the years ended December 31, 2014, 2013 and 2012 are as follows:

	2014	2013	2012
	(U.S. $ in millions, except share data)		
Net income attributable to Teva	$3,055	$1,269	$1,963
Interest expense on convertible senior debentures, and issuance costs, net of tax benefits	*	*	*
Net income used for the computation of diluted earnings per share	$3,055	$1,269	$1,963
Weighted average number of shares used in the computation of basic earnings per share	853	849	872
Add:			
Additional shares from the assumed exercise of employee stock options and unvested RSUs and PSUs	3	1	1
Weighted average number of additional shares issued upon the assumed conversion of convertible senior debentures	2	*	*
Weighted average number of shares used in the computation of diluted earnings per share	858	850	873

* Represents an amount of less than 0.5 million.

In computing dilutive earnings per share for the years ended December 31, 2014, 2013 and 2012, no account was taken of the potential dilution of the assumed exercise of employee stock options, amounting to 1 million, 7 million and 6 million weighted average shares, respectively, since they had an anti-dilutive effect on earnings per share.

Report of Independent Registered Public Accounting Firm on Financial Statement Schedule

To the Shareholders of
Teva Pharmaceutical Industries Limited

Our audits of the consolidated financial statements and of the effectiveness of internal control over financial reporting referred to in our report dated February 9, 2015 appearing in the 2014 Annual Report to the Shareholders of Teva Pharmaceutical Industries Limited also included an audit of Financial Statement Schedule II—Valuation and Qualifying Accounts—listed in Item 18 of this Form 20-F. In our opinion, the schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

Tel-Aviv, Israel
February 9, 2015

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

TEVA PHARMACEUTICAL INDUSTRIES LIMITED
SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS
Three Years Ended December 31, 2014
(U.S. $ in millions)

Column A	Column B	Column C		Column D	Column E
	Balance at beginning of period	Charged to costs and expenses	Charged to other accounts	Deductions	Balance at end of period
Allowance for doubtful accounts:					
Year ended December 31, 2014	$187	$ 22	$(18)	$ (42)	$149
Year ended December 31, 2013	$145	$ 44	$ 3	$ (5)	$187
Year ended December 31, 2012	$116	$ 32	$ 5	$ (8)	$145
Allowance in respect of carryforward tax losses:					
Year ended December 31, 2014	$791	$128	$ —	$(248)	$671
Year ended December 31, 2013	$726	$182	$ —	$(117)	$791
Year ended December 31, 2012	$452	$384	$ 2	$(112)	$726

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Teva Pharmaceutical Finance Netherlands II B.V.

€1,300,000,000 1.250% Senior Notes due 2023

€700,000,000 1.875% Senior Notes due 2027

OFFERING MEMORANDUM

March 25, 2015

Joint Lead Managers

BARCLAYS

BNP PARIBAS

HSBC

MORGAN STANLEY

Passive Bookrunners

CITIGROUP

GOLDMAN SACHS INTERNATIONAL

MIZUHO SECURITIES