TEVA PHARMACEUTICAL INDUSTRIES LIMITED
(Exact name of Registrant as specified in its charter)
Not Applicable
(Translation of Registrant’s name into English)
ISRAEL
(Jurisdiction of incorporation or organization)
5 Basel Street
P.O. Box 3190
Petach Tikva 4951033, Israel
(Address of principal executive offices)
Eyal Desheh
Acting President and Chief Executive Officer
Teva Pharmaceutical Industries Limited
5 Basel Street
P.O. Box 3190
Petach Tikva 4951033, Israel
Tel: 972-3-914-8171
Fax: 972-3-914-8678
(Name, telephone, e-mail and/or facsimile number and address of Company contact person)
Securities registered or to be registered pursuant to Section 12(b) of the Act.
Title of each class
American Depositary Shares, each representing one Ordinary Share
Name of each exchange on which registered
New York Stock Exchange
Securities registered or to be registered pursuant to Section 12(g) of the Act.
None
Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.
None
Indicate the number of outstanding shares of each of the issuer’s classes of capital or common stock as of the close of the period covered by the annual report.
946,868,125 Ordinary Shares
711,965,389 American Depositary Shares
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐
If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes ☐ No ☒
Note—Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.
Indicate by check mark whether the registrant (1) has filed all reports required to be filed pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐
Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:
☒ US GAAP
☐ International Financial Reporting Standards as issued by the International Accounting Standards Board
☐ Other
If “Other” has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.
☐ Item 17
☐ Item 18
If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒
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INTRODUCTION AND USE OF CERTAIN TERMS

Unless otherwise indicated, all references to the “Company,” “we,” “our” and “Teva” refer to Teva Pharmaceutical Industries Limited and its subsidiaries, and references to “revenues” refer to “net revenues”. References to “U.S. dollars,” “U.S.$” and “$” are to the lawful currency of the United States of America, and references to “NIS” are to New Israeli shekels. References to “MS” are to Multiple Sclerosis. Market data, including both sales and share data, is based on information provided by IMS Health Inc., a provider of market research to the pharmaceutical industry (“IMS”), unless otherwise stated. References to “ROW” are to Rest of the World markets. References to “P&G” are to The Procter & Gamble Company and references to “PGT” are to PGT Healthcare LLP, the joint venture we formed with P&G.

FORWARD-LOOKING STATEMENTS

This annual report 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 or incorporated by reference in this report, 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 report, those described under “Item 3—Key Information—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 report, whether as a result of new information, future events or otherwise. You are advised, however, to consult any additional disclosures we make in our reports on Form 6-K filed with the U.S. Securities and Exchange Commission (“SEC”). Please also see the cautionary discussion of risks and uncertainties under “Item 3: Key Information—Risk Factors” starting on page 5 of this report. This discussion is provided as permitted by the Private Securities Litigation Reform Act of 1995.
PART I

ITEM 1: IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

Not Applicable.

ITEM 2: OFFER STATISTICS AND EXPECTED TIMETABLE

Not Applicable.

ITEM 3: KEY INFORMATION

SELECTED FINANCIAL DATA

The Israeli Securities Law allows Israeli companies, such as Teva, whose securities are listed both on the Tel Aviv Stock Exchange and on certain stock exchanges in the U.S. (including the New York Stock Exchange), to report exclusively under the rules of the SEC and generally accepted accounting principles in the United States (“U.S. GAAP”). Except as otherwise indicated, all financial statements and other financial information included in this annual report are presented solely under U.S. GAAP.

The following selected operating data for each of the years in the three-year period ended December 31, 2013 and selected balance sheet data at December 31, 2013 and 2012 are derived from our audited consolidated financial statements set forth elsewhere in this report, which have been prepared in accordance with U.S. GAAP. The selected operating data for each of the years in the two-year period ended December 31, 2010 and selected balance sheet data at December 31, 2011, 2010 and 2009 are derived from our audited financial statements not appearing in this report, which have also been prepared in accordance with U.S. GAAP.

The selected financial data should be read in conjunction with our consolidated financial statements, related notes and other financial information included in this report.

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.
## Operating Data

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<tr>
<th></th>
<th>For the year ended December 31,</th>
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<tbody>
<tr>
<td>U.S. dollars in millions (except per share amounts)</td>
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<tr>
<td>Net revenues</td>
<td>20,314</td>
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<tr>
<td>Cost of sales</td>
<td>9,607</td>
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<tr>
<td>Gross profit</td>
<td>10,707</td>
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<tr>
<td>Research and development expenses</td>
<td>1,427</td>
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<tr>
<td>Selling and marketing expenses</td>
<td>4,080</td>
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<tr>
<td>General and administrative expenses</td>
<td>1,239</td>
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<td>Legal settlements and loss contingencies</td>
<td>1,524</td>
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<td>Impairments, restructuring and others</td>
<td>788</td>
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<tr>
<td>Operating income</td>
<td>1,649</td>
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<tr>
<td>Financial expenses—net</td>
<td>399</td>
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<tr>
<td>Income before income taxes</td>
<td>1,250</td>
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<tr>
<td>Income taxes</td>
<td>(43)</td>
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<tr>
<td>Share in losses of associated companies—net</td>
<td>40</td>
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<tr>
<td>Net income</td>
<td>1,253</td>
</tr>
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<td>Net income (loss) attributable to non-controlling interests</td>
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<td>Net income attributable to Teva</td>
<td>1,269</td>
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<td>Earnings per share attributable to Teva:</td>
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<tr>
<td>Basic ($)</td>
<td>1.49</td>
</tr>
<tr>
<td>Diluted ($)</td>
<td>1.49</td>
</tr>
<tr>
<td>Weighted average number of shares (in millions):</td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>849</td>
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<tr>
<td>Diluted</td>
<td>850</td>
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## Balance Sheet Data

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<tr>
<td>(U.S. dollars in millions)</td>
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<tr>
<td>Financial assets (cash, cash equivalents and marketable securities)</td>
<td>1,245</td>
</tr>
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<td>Working capital (operating assets minus liabilities)</td>
<td>2,493</td>
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<td>Total assets</td>
<td>47,508</td>
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<td>Short-term debt, including current maturities</td>
<td>1,804</td>
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<tr>
<td>Long-term debt, net of current maturities</td>
<td>10,387</td>
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<tr>
<td>Total debt</td>
<td>12,191</td>
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<tr>
<td>Total equity</td>
<td>22,636</td>
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Dividends

We have paid dividends on a regular quarterly basis since 1986. Our dividend policy is regularly reviewed by the Board of Directors based upon conditions then existing, including our earnings, financial condition, capital requirements and other factors. Our ability to pay cash dividends may be restricted by instruments governing our debt obligations. Dividends are declared and paid in NIS. Dividends are converted into U.S. dollars and paid by the depositary of our American Depositary Shares ("ADSs") for the benefit of owners of ADSs, and are subject to exchange rate fluctuations between the NIS and the U.S. dollar between the declaration date and the date of actual payment.

Dividends paid by an Israeli company to shareholders residing outside Israel are generally subject to withholding of Israeli income tax at a rate of up to 25%. Such tax rates apply unless a lower rate is provided in a treaty between Israel and the shareholder’s country of residence. In our case, the applicable withholding tax rate will depend on the particular Israeli production facilities that have generated the earnings that are the source of the specific dividend and, accordingly, the applicable rate may change from time to time. A 15% tax will be withheld on the dividend declared for the fourth quarter of 2013.

The following table sets forth the amounts of the dividends declared in respect of each period indicated prior to deductions for applicable Israeli withholding taxes (in cents per share).

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<td>1st interim</td>
<td>32.0</td>
<td>26.3</td>
<td>23.2</td>
<td>18.8</td>
<td>14.5</td>
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<tr>
<td>2nd interim</td>
<td>32.2</td>
<td>25.0</td>
<td>23.5</td>
<td>18.1</td>
<td>15.1</td>
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<td>3rd interim</td>
<td>32.6</td>
<td>25.7</td>
<td>21.9</td>
<td>19.3</td>
<td>15.9</td>
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<tr>
<td>4th interim</td>
<td>34.3</td>
<td>31.1</td>
<td>26.8</td>
<td>21.8</td>
<td>18.7</td>
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</table>
RISK FACTORS

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

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

Our financial results depend upon our ability to commercialize additional generic and specialty pharmaceutical products, particularly during this period of transition when our leading specialty medicine, Copaxone®, faces increasing competition. 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 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 G&A expenses, amortization and non-recurring items. Our MS franchise profitability was $3.3 billion, $3.0 billion and $2.8 billion in 2013, 2012 and 2011, respectively. Profitability of our multiple sclerosis franchise as a percentage of Copaxone® revenues was 76%, 74% and 79% in 2013, 2012 and 2011, respectively.

Although Copaxone® remains the leading therapy for multiple sclerosis to date, it faces intense competition from existing injectable products, such as Avonex®, Betaseron®, Extavia®, Rebif® and Tysabri®, and from oral treatments, such as Gilenya®, which was introduced in 2010 by Novartis, Genzyme’s Aubagio®, which was introduced in 2012, and Biogen’s Tecfidera®, which was introduced in 2013. These new oral treatments provide especially intense competition in light of their substantial convenience in comparison to injectables such as Copaxone®. Also, our patents on Copaxone® have been challenged, and as a result we may face generic competition in the United States as early as May 2014. In addition, our business strategy for Copaxone® relies heavily on the successful introduction of a three-times-a-week product and the migration of a substantial percentage of current daily Copaxone® patients to 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 could 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.

Beginning in 2012, we received 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. We have provided and will continue to provide documents and other information to the SEC and the
DOJ, and are cooperating with the government in their investigations of these matters. We are also conducting a
voluntary worldwide investigation into certain business practices that may have FCPA implications and have
engaged independent counsel to assist in the investigation. In the course of our investigation, which is
continuing, we have identified issues in Russia, certain Eastern European countries, certain Latin American
countries and other countries where we conduct business that could rise to the level of FCPA violations and/or
violations of local law. We have brought 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 beyond those described above. Our investigation is expected to continue
through the end of 2014 and may continue beyond that date.

Due to the ongoing nature of these investigations, at this time we cannot predict any likely outcomes in
these matters, and accordingly we 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 December 2012, we announced a cost reduction program intended to result in $2 billion in cost reductions by the end of 2017, with half of that targeted by the end of 2014. As part of this program, we are reducing our employee headcount by approximately 10%. 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 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 U.S. Food and Drug Administration (“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.

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 we continue to expand our portfolio of available products (including products sold by companies we have acquired), we have experienced a significant increase in both the number of product liability claims asserted against us and the number of products attracting personal injury claims. For example, during 2010 and 2011, juries awarded approximately $800 million in compensatory and punitive damages against us and our distributors related to claims involving our propofol product. We expect the potential for product liability claims to increase further if recently proposed regulations that permit companies to change the labeling of their generic products take effect.

Many of the products we sell are not covered by insurance, and even those that are covered are subject to a very high deductible and/or self-insured retention. Product liability coverage for pharmaceutical companies, including us, continues to become more expensive and increasingly difficult to obtain and accordingly the trend is to seek coverage only for catastrophic liability. In addition, where claims are made under insurance policies, insurers may reserve the right to deny coverage on various grounds.

Our patent settlement agreements, which are important to our business, 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, and in 2013 we recorded a provision of $495 million in connection with certain modafinil antitrust litigation, including amounts paid to settle certain of the claims. However, there can be no assurance that such amount will be sufficient to settle the matter with the remaining plaintiffs.

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 2013, over 48% of our revenues came from sales outside the United States, a percentage that we expect to increase as we expand our non-U.S. operations. As a result, we are subject to significant foreign currency risks, including repatriation restrictions in certain countries. An increasing amount 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. 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 2013 we recorded sales and expenses in 37 other currencies. Approximately 55% of our operating costs in 2013 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 patents covering Copaxone®, our leading specialty medicine, Azilect®, Fentora®, Nuvigil®, ProAir® HFA and Treanda®. 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, data 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. Recent healthcare reform legislation may increase the number of patients who have insurance coverage for our products, but provisions such as the assessment of a 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 competition and 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.

**Uncertainties related to our recent management changes may adversely affect our business, strategy and financial results.**

In January 2014, we announced the appointment of Erez Vigodman as our President and Chief Executive Officer, effective February 11, 2014. Mr. Vigodman is our fifth CEO since 2007 and the fourth since 2012. As a result of these frequent management transitions, we may face uncertainties regarding our future business strategy and direction. These uncertainties may cause or result in disruption of our business or distraction of our employees and management; difficulty in recruiting, hiring, motivating, and retaining talented and skilled personnel, including current members of management; and difficulty in negotiating, maintaining, or consummating business or strategic relationships or transactions. If we are unable to mitigate these or other potential risks, our revenue, operating results, and financial condition may be adversely impacted.

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

Over the last eight years, our short- and long-term indebtedness has increased from approximately $2.1 billion to approximately $12.2 billion. As a result, our principal and interest payment obligations have increased substantially, as have our costs relating to financing activities. The degree to which we are leveraged could affect our ability to obtain additional financing for working capital, acquisitions, refinancing of existing debt 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, due in part to the continuing effects of the unstable economic environment, capital markets have been more volatile in recent times. Such volatility may adversely affect our ability to obtain financing on favorable terms at a time when we face the 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.

**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 2013, we added new senior management personnel,
including a new strategy officer, among others, and in early 2014 we named a new chief executive officer, who is the fourth person to lead our company since 2012. 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.

*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.

We also rely on complex shipping arrangements throughout the various facilities of our supply chain spectrum. 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 greater 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 more well-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.

**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 significant 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 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. 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.

*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, Pricing and Other Investigations” in Note 14 to our consolidated financial statements.

*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 2013 accounted for 17% 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.

*The large amount of intangible assets and goodwill 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 and goodwill, 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 and identifiable intangible assets on our consolidated balance sheet has increased significantly in recent years to $25.5 billion as a result of our acquisitions, and may increase further following future acquisitions. For example, in 2013, we recorded identifiable intangible assets impairment charges of $393 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.
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 might 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 might 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 legislation in all countries where we have manufacturing facilities relating to patents. Modifications of such legislation or court decisions regarding such legislation may adversely affect us and may impact our ability to export product-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.
ITEM 4: INFORMATION ON THE COMPANY

Introduction

Teva Pharmaceutical Industries Limited is a fully-integrated global pharmaceutical company. Our business includes two primary segments: generic medicines and specialty medicines, as well as certain additional activities that are not part of these segments. As the world’s largest generic company with an established specialty medicines portfolio, Teva is strategically positioned to benefit from the current changes in the global healthcare environment.

Teva’s business strategy seeks to capitalize on the growing global need for medicines, and evolving market, economic and legislative dynamics. These dynamics include the aging population, increased spending on pharmaceuticals in emerging markets, economic pressure on governments and private payors to provide cost-effective healthcare solutions, legislative and regulatory reforms, unmet patient needs, an increase in patient awareness and the growing importance of over-the-counter (“OTC”) medicines.

We believe that our targeted strategy, dedicated leadership and employees, world-leading generics expertise and portfolio, global reach, integrated R&D capabilities and global infrastructure and scale position us to take advantage of opportunities created by these dynamics. These strengths are expressed across our business, as follows:

- Teva is a leader in the global generic medicines industry, with a leading position in the United States and in Europe. We also have a significant presence in Canada, are growing in Russia and Latin America, established a major presence in Japan and entered the South Korean market.

- Our broad technological capabilities enable us to provide an unparalleled array of generic products. These capabilities include solid dose manufacturing, formulation expertise, complex active pharmaceutical ingredients (“APIs”) and injectable, inhalation and other delivery devices.

- We are also one of the world’s leading manufacturers of APIs, with operations around the globe, and we produce APIs not only for our own use but also for many other pharmaceutical companies.

- We have a specialty pharmaceutical business with a growing late-stage pipeline, focused on the central nervous system and respiratory therapeutic areas, with selective investments in oncology, women’s health and other areas that fit with our strategy.

- We are in the process of expanding our central nervous system, respiratory, oncology, women’s health and other specialty businesses, by focusing on new therapeutic entities (“NTEs”), which are known molecules that are formulated, delivered or used in a novel way to address specific patient needs. We are leveraging our strength in integrated generic and specialty R&D, our scalable production network, market access and knowledge to create a substantial opportunity for growth in this area.

- We have an important and growing 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 2013, approximately 50% of our revenues were generated from generic medicines, including APIs sold to third parties. Approximately 40% of our revenues were generated from specialty medicines, primarily Copaxone®, Treanda®, Azilect®, Nuvigil®, ProAir® HFA and Qvar® and others. Our remaining revenues were generated from our other activities, primarily our joint venture with P&G, and our Hungarian and Israeli distribution services for third parties.

In 2013, we generated approximately 42% of our generic revenues in the United States, approximately 35% in Europe (which for the purpose of this report includes all European Union (“EU”) member states, Norway, Switzerland, Albania and the countries of former Yugoslavia) and approximately 23% in our ROW markets (primarily Japan, Canada, Latin America, Israel and Russia).
For a three year breakdown of our revenues by segment and by geography, see “Item 5—Operating and Financial Review and Prospects—Results of Operations.”

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

Strategy

Our strategy is based on our commitment to tailoring our generic, specialty and other activities to the needs of individual markets and to providing relevant options for patients, physicians and customers. We recognize that fundamental changes are required to meet the changing demands of a global healthcare landscape. We continuously seek to meet the needs of all of our stakeholders by leveraging our geographic reach, focused specialty medicines portfolio, integrated R&D programs, leading manufacturing and distribution capabilities and pricing flexibility to achieve a balanced and integrated approach to all our activities.

The key elements of our strategy consist of the following:

- **Accelerating our growth platforms.** In our generics business, we are focusing on high-value medicines, medicines with higher barriers to entry and branded generics. In the United States, we are working to establish a leadership position in high-value generics by pursuing first-to-market opportunities and developing complex generic products, as well as by concentrating on high-margin, low competition products. We expect to continue to pursue Paragraph IV patent challenge opportunities, where available. In Europe, we are focusing on profitable growth, leveraging the synergies with our specialty and OTC medicines. In our ROW markets, we use our global footprint, broad portfolio, branded generics and market knowledge to help ensure sustainable and profitable growth. In all markets, we work closely with our customers to strengthen and maintain high value, mutually beneficial relationships.

- **Extending our global presence.** In countries where we already have a strong presence, such as Russia and Japan, we are enhancing and refining our portfolio to meet local needs, and seek to further increase our presence in order to achieve market leadership. In other markets, we will seek to grow our existing business to obtain a critical mass. We will also expand our early stage businesses in markets such as South Korea and China and seek to enter new markets such as Brazil and certain Southeast Asia markets, either through partnerships or direct investment in the local markets. In our specialty business, we are continuing the global expansion of our existing products into new markets, leveraging on our proven success, technologies, patient understanding and capabilities. For OTC medicines, we have been increasing the presence of our joint venture with P&G in emerging markets, and are expanding existing local brands into new geographies.

- **Protecting and expanding our core specialty franchises.** We are vigorously protecting and extending our multiple sclerosis (“MS”) franchise, including through the development of three times a week, 40 mg Copaxone®, and exploring opportunities to expand into other neurodegenerative and central nervous system (“CNS”) diseases. Our intent remains, as always, to provide patients with the best and safest treatments for their diseases. Building on our record of supporting and helping patients with chronic conditions, we will also enhance our presence in pain treatment with our current and new opioid-based products and investigate other non-opioid alternatives. In the respiratory therapeutic area, we will improve the life cycle of our current products, develop existing molecules on our innovative multi-dose powder inhaler platform, and investigate new technological platforms and disease areas. In addition, we will make selective investments in women’s health, oncology and other areas.

- **Developing New Therapeutic Entities.** As part of our strategy to expand our specialty business, we are focusing on NTEs, which are known molecules that are formulated, delivered or used in a novel
way to address specific patient needs. As a result of our strength in integrated generic and specialty R&D, our scalable production network and market access and knowledge, we believe this area represents a substantial opportunity for growth. We are also seeking to improve our existing medicines and make them more convenient and potentially more efficacious.

- **Executing strategic business development transactions.** Our approach to business development is highly strategic, disciplined, and focused on enhancing our core specialty franchises (primarily in the CNS and respiratory therapeutic areas), and making selective investments in new or growing geographies. We will balance investment in growth with return to investors, and allocate our capital resources accordingly. In addition, we will continue to divest assets that are not part of our core strategy.

- **Reducing our operating costs.** In December 2012, we announced a cost reduction program intended to result in $2 billion in cost reductions by the end of 2017, with half of that targeted by the end of 2014. As part of that program, we are reducing our employee headcount by approximately 10%. We are focusing particular attention on improving our procurement systems by leveraging our purchasing power and improving our production network, supply chain, and resources deployment processes.

**Transaction highlights**

- **NuPathe Inc.:** In January 2014, we entered into a definitive agreement to purchase NuPathe Inc. (“NuPathe”). This transaction is expected to close in late February 2014. NuPathe’s leading product is Zecuity®, the first and only prescription migraine patch approved by the FDA for the acute treatment of migraine with or without aura in adults.

- **MicroDose Therapeutx:** In July 2013, we acquired MicroDose Therapeutx, Inc. (“MicroDose”), a pharmaceutical and drug delivery company focused on inhalation technologies and products for lung diseases and infections.

- **Sale of Animal Health Unit:** In January 2013, we sold our U.S.-based animal health business, exiting the business.

- **South Korea Business Venture:** In December 2012, we formed a business venture in South Korea with Handok Pharmaceutical Co., Ltd. (“Handok”). We are responsible for manufacturing and supplying a wide range of generic and innovative medicines, and Handok is responsible for sales and marketing, distribution, and regulatory affairs.

- **XEN402:** In December 2012, we entered into a collaborative development and exclusive worldwide license agreement with Xenon Pharmaceuticals Inc. (“Xenon”) for its compound XEN402. XEN402 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.

- **Neurosearch A/S Assets:** In October 2012, we acquired from Neurosearch A/S (“NeuroSearch”), a Danish company, the rights, assets and obligations relating to Huntexil® (pridopidine/ACR16), a drug candidate being developed for the symptomatic treatment of hand movement, balance and gait disturbances in Huntington’s disease.

- **PGT Healthcare:** In November 2011, we formed a consumer health care joint venture with P&G, combining our OTC pharmaceutical businesses in all markets outside North America. We manufacture products to supply the joint venture’s markets as well as P&G’s existing North American OTC business. We own 49% of the joint venture, and P&G owns 51%. As of December 2012, the OTC products of Cephalon (Mepha) were included in the joint venture.

- **Cephalon:** In October 2011, we acquired Cephalon, Inc. (“Cephalon”), a global biopharmaceutical company with a marketed portfolio and pipeline of specialty products. This acquisition helped to diversify our specialty portfolio and enhance our innovative pipeline.
• **Japanese Transactions:** In September 2011, we acquired the remaining shares in Taisho and the remaining 50% of our Japanese joint venture with Kowa Company Ltd. that we did not already own. In July 2011, we acquired Taiyo for $1.1 billion in cash. Taiyo had developed a large portfolio of generic products in Japan, with over 550 marketed products, and had advanced production facilities. Since April 2012, the majority of our Japan-based companies have operated under a single company known as Teva Seiyaku.

• **Corporación Infarmasa:** In January 2011, we acquired Corporación Infarmasa, a company in Peru with over 500 branded and unbranded generic pharmaceuticals.

• **Laboratoire Théramex:** In January 2011, we acquired Laboratoire Théramex, whose product portfolio included a variety of women’s health products sold in over 50 countries, primarily in Europe.

**Our Segments**

We operate our business in two segments:

• generic products, which includes chemical and therapeutic equivalents of originator pharmaceuticals in a variety of dosage forms, including tablets, capsules, ointments, creams, liquids, injectables and inhalants, as well as our API business; and

• specialty products, which includes several core franchises, most significantly medicines for CNS disorders (with a strong emphasis on MS, neurodegenerative disorders, and pain) and respiratory medicines, as well as other areas such as oncology and women’s health. Our specialty business also includes our emerging NTE activity.

In addition to these two 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.

**Generic Medicines**

Generic pharmaceuticals are the chemical and therapeutic equivalents of originator pharmaceuticals and are typically sold at prices substantially below those of 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 U.S. FDA inspections, and must receive regulatory approval prior to their sale in any given country. In the United States, the world’s largest generic market, generic pharmaceuticals 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 and invalidated or otherwise circumvented.

We develop, manufacture and sell generic pharmaceutical products in a variety of dosage forms, including tablets, capsules, ointments, creams, liquids, injectables and inhalants. 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 pharmaceuticals 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 pharmaceuticals, economic pressure on governments to provide less expensive healthcare solutions, legislative and regulatory reforms and a shift of decision-making power to payors, should lead to continued expansion in the global generic pharmaceuticals market, as well as increasing competition in this market.

In markets such as the United States, the Netherlands and Israel, generic pharmaceuticals are 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 drugs 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 and Kazakhstan, some Asian and Latin American countries as well as certain European markets, generics are sold under brand names alongside the originator brand. In many of these “branded generic” markets, pharmacists dispense the specific pharmaceutical product 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, France, Italy and Spain, are hybrid markets with elements of both approaches.

We have an integrated global R&D function, encompassing both our generic R&D organization, which has capabilities in a wide range of dosage forms and therapeutic areas as well as in specialized product families, and our specialty R&D organization.

Through coordinated global research and development activities, we seek to establish leadership in high-value generics, both by pursuing first-to-market opportunities and by developing complex generic products. Our generic product development strategy is to establish a leadership position in high-barrier, complex products, while continuing to pursue Paragraph IV patent challenge opportunities in the United States 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 intellectual property restrictions. We actively seek opportunities to 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 or to otherwise share development costs or litigation risks, or to resolve patent barriers to entry.

Our position in the generics market is supported by 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.

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, buying groups and managed care providers. Our growth strategy focuses on complex generic products that provide added value to our patients and customers, utilizing new and advanced technologies.

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

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 customer-centric approach to research and development, sales, and operations, has provided mutual strategic advantages to our customers. We are committed to the success of our customers in this segment and focus closely on them as important business partners.

Competitive Landscape. In the United States, we are subject to intense competition in the generic drug market from other domestic and foreign 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 and cost-effective production, our customer service and the breadth of our product line. We believe we have a focused and competitive pricing strategy.

Europe

Europe, which we define as the 28 countries in the European Union, Norway, Switzerland, Albania and the countries of former Yugoslavia, is a diverse region with a population of over 500 million people. Despite their diversity, the European markets share many characteristics that allow us to leverage our pan-European presence and broad portfolio.

We are the leading generic pharmaceutical company in Europe overall, and a market-leading company in most countries, serving patients in all European countries. 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.

Our strategy in Europe is to focus on growth through sustainable and profitable business, meeting the needs of our customers and their patients. We leverage our global strengths with local relationships, seeking profitable business and market leadership by offering a comprehensive portfolio, partnership capabilities and competitive pricing, according to market circumstances.

The pharmaceutical market in each European country has distinct prescribing and dispensing habits, varying pricing and reimbursement mechanisms and different product ranges. Most markets are generally characterized by highly developed, government-funded healthcare and social planning, in which most healthcare is funded—and often directly managed and provided by the public sector.

The generic market in Europe is characterized by a slow transition from branded generics, where the physician plays a key decision-making role in choosing the supplier of a generic drug, towards a generic model...
where the key decision maker is the pharmacist. This transition is likely to take many years to complete. In the meantime, generic penetration in European countries varies widely, driven by government policy or reimbursement mechanisms, rather than by patient or healthcare professional preference.

Some European countries, such as Germany, the United Kingdom, the Netherlands, Poland and the Czech Republic, have relatively high levels of generic penetration of over 50% in volume. Other markets in Southern Europe have not yet attained such a high level of generic penetration but are moving in this direction. In 2013, the European generic pharmaceutical market grew overall, due to continuing government action in some markets with lower generic penetration rates that drove increases in generic market share. However, these measures were accompanied in some markets by aggressive price reductions via tendering or the application of reference pricing. Despite the economic crisis of the past two years, Europe remains a fundamentally affluent region with a growing need for quality healthcare for its aging population. The financial crisis, which led to government spending reductions, also resulted in growth for generic pharmaceuticals in many countries since generics were used to help contain healthcare costs.

Pricing and reimbursement mechanisms in Europe are typically set by government regulation and are used to regulate or influence market behaviors, for example, by encouraging the use of generics. In many markets, such as Spain, Germany, Italy and Finland, reimbursement for generic prescription pharmaceuticals is usually based on the price of a reference (or comparable) branded pharmaceutical. Other markets, such as Austria, require the price of a new generic product to be a certain percentage lower than the originator brand. In the United Kingdom, retail generic pricing is set by the market, but reimbursement is determined by regulations based on pharmacy purchase profit.

In 2013, several generic manufacturers, including ourselves, declined to participate in certain hospital tenders, and the market experienced product shortages in some instances. The tender market continues to be volatile, but we participate where doing so aligns with our strategy of taking a selective approach to competing for business, focusing on pursuing sustainable, profitable business and not business at any price.

Our largest European generic markets are described below:

**Germany** is the largest European pharmaceutical market. We have a product portfolio of approximately 450 molecules, and our ratiopharm brand continues to be a leader in the retail generics market. We compete selectively and successfully for health insurance tenders, a key element of the German retail generics market. In 2013, we focused strongly on a selective approach to this market, where we competed on the basis of winning sustainable and profitable business.

In **France**, we have a portfolio of over 300 molecules. We are strongly focused on a selective approach to generate sustainable and profitable business that is customer centered.

In the **United Kingdom**, we are the largest supplier by volume to the National Health Service. We have a portfolio of more than 315 molecules and supply one in six prescriptions dispensed, focusing on independent retail pharmacies.

In **Italy**, we have a generic portfolio of over 220 molecules. Our business in Italy continues to be the generic market leader, supplying about a fifth of the country’s generic medicines’ needs.

In **Spain**, our generic product portfolio has approximately 210 molecules. The Spanish market was characterized in 2013 by continuing pricing and reimbursement reforms, and the introduction of tendering in Andalucía, Spain’s largest region. We remain committed to our strategy of competing for sustainable and profitable business, rather than for market share alone.

**Competitive Landscape.** The generic market in Europe is very competitive, with the main factors being price, time to market, reputation, customer service and breadth of product line. In addition, brand pharmaceutical companies try to prevent or delay approval of generic equivalents by employing various tactics.
In Germany, there is a high rate of generic penetration with a relatively large number of competitors of varying sizes and capabilities. Tenders are an important feature of the German market, operated by approximately 200 statutory healthcare funds across Germany, and are a result of reforms initiated by the government that have shifted the market from a physician-influenced branded model to a payor-influenced substitution model, representing a key opportunity for generics. Although tenders in Germany do not represent the majority of all pharmaceutical purchasing, they are a significant market influence and have contributed to pricing pressure in the German retail market.

In France there is an increasingly competitive landscape, with many competitors and strong pricing pressure. In 2012, the government introduced a new “Tiers Payant” scheme designed to increase generic penetration, in which co-payment increases for the patient if a branded product prescription is chosen instead of an available generic version. This immediately increased generic market penetration.

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 leading to very strong price-led competition although pricing is heavily influenced by the “Category M” scheme that limits pharmacies’ reimbursement profit.

In Italy, there is a relatively low but growing rate of generic penetration with an increasing level of influence, and ability to substitute, by the pharmacist. The market consists of 20 semi-autonomous regional governments and is influenced by regional independent pharmacy groups. The market environment continued to be challenging for much of 2013, but stabilized somewhat in the latter part of the year. Government reforms to encourage generic penetration have been slower than expected, but the government austerity program and its consequent encouragement of generic penetration is beginning to offset the reduction in growth in the overall Italian pharmaceutical market.

In Spain, the generic pharmaceutical market largely consists of domestic companies. Growth in this market stalled for part of 2013 due to the continuing economic situation, but overall government and regional reforms have bolstered the use of generic medicines.

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 Japan, Russia, Latin America, Canada and Israel. 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 markets and Latin American markets. We consider Japan, Russia and the Latin American countries to be “emerging” generics markets that are characterized by rapid growth and relatively high sales of branded generics and OTC products, while Canada and Israel are “mature” generics markets that have higher generic penetration rates and therefore lower growth rates. We intend to expand our ROW market presence by growing our early stage businesses in markets such as South Korea. We further seek to enter new markets or enhance our existing presence in countries such as China, Brazil and Southeast Asia, either via partnership or by creating a direct presence.

Below are details of our operations in our larger ROW markets:

Japan

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.), which includes production and R&D capabilities, as well as a strong sales and marketing team.

Japan is the second largest pharmaceutical market in the world, with annual sales of approximately $100 billion in 2013. 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 by approximately 10% in 2014 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. At present, almost half of all generic drugs is sold in pharmacies, a quarter is dispensed by hospitals, and a quarter is sold by physicians.

Generic drugs are distributed by large national wholesalers, which distribute as well as promote both branded and generic products, and by hanshas, or small agents, specializing in the sale of generics. Direct sales remain extremely limited due to the highly fragmented nature of the market. Teva continues to establish strategic partnerships with key national and regional wholesalers and top hanshas in order to ensure distribution to all customer segments.

**Competitive Landscape.** The Japanese generic pharmaceutical market is still relatively fragmented but is consolidating. The four leading generic pharmaceutical companies now capture approximately half of the market in volume. The market is being further transformed by new business models such as joint ventures between branded and generics companies, pharmacy chains and wholesalers pursuing a backward integration strategy as well as local branded companies venturing into the generics business. The market is being further transformed by the entry of branded and generic global companies.

**Russia**

In Russia, which is primarily a branded generic market, we market a diverse portfolio of branded generic products, as well as OTC pharmaceutical products and specialty products. We have a portfolio of approximately 130 products sold to both retail and hospital channels. We are currently one of the largest pharmaceutical companies in Russia.

The Russian government seeks to encourage the use of generic products in order to reduce the cost of pharmaceuticals. Russian pharmaceutical law is currently under review and undergoing continual changes, with the goal of increasing access and controlling pricing of products. The government is further seeking to encourage local production of pharmaceuticals by providing incentives for domestic or localized foreign producers.

**Competitive Landscape.** The Russian market includes large local manufacturers as well as international pharmaceutical companies, both generic and innovative. As part of Russia’s 2020 pharmaceutical strategy, companies with a local manufacturing presence will receive favorable treatment. We are building a manufacturing facility in Yaroslavl, Russia, which is expected to be operational by 2015.

**Latin America**

We market a broad portfolio of generic medicines in most Latin American countries. Our products are generally manufactured in our facilities in Mexico, Chile, Argentina and Peru. We have a strong presence in most of the major markets. During 2013, we maintained our leadership position in Argentina, Chile, Peru and other Latin American countries and continued to build our presence in Mexico by adding new therapeutic classes, launching and registering new products, and strengthening the performance of our existing product portfolio.

According to IMS, total pharmaceutical retail sales in the region exceeded $75 billion in 2013 and are expected to continue to grow at a double-digit rate in the near future. Brazil, Mexico, Chile and Argentina are the largest pharmaceutical markets in the region, with substantial local manufacturing and, due to the historical absence of effective patent protections for innovative drugs, a history of reliance on generic and branded generic medicines.
We intend to further expand our operations in Latin America, taking advantage of the expected increases in spending on healthcare (and on pharmaceuticals in particular), stronger regional economic performance and growing populations by leveraging our strong local presence, seasoned sales forces, comprehensive product portfolio in a wide range of therapeutic areas, and manufacturing expertise.

*Competitive Landscape.* In Latin America, the pharmaceutical market is generally fragmented, with no single company enjoying market leadership in the region. Local generic companies predominate, especially in Brazil, Argentina and Chile. These local companies, as well as multinational brand companies, compete with our local operations in all of the markets. Our strengths in the region include our comprehensive range of products, which cover a wide range of therapeutic categories, strong sales forces and the opportunity to leverage our global product portfolio.

**Canada**

In Canada, we manufacture and market prescription pharmaceuticals and continue to be one of the two leading generic pharmaceutical companies in terms of prescriptions and sales. Our generic product portfolio includes over 300 products in various dosage forms and packaging sizes.

Our generic sales force in Canada markets 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 chain customers in Canada represent approximately half the market (in terms of value). Our customer base continues to change as the number of non-aligned independent community pharmacies join pharmacy banner store groups or sell their operations to larger chain drug operators. These larger corporate accounts work closely with selected suppliers, listing products as part of a chain-wide formulary. In 2013, Canada’s largest national grocer, Loblaw, purchased the largest national pharmaceutical retail chain, Shoppers Drug Mart. Collectively, these two customers comprise 26% of the generic retail market.

We continue to experience increased government regulation on pricing, including a price reduction to 20% of brand reference price in the province of British Columbia as of April 1, 2014 and potentially, a reduction in price to 18% of the referenced brand product in 2014 for an additional ten products. This is in addition to the six products that were reduced to 18% of the brand price in April 2013. We pursue exception pricing on products that have become unprofitable as a result of government-imposed price reform.

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.

*Competitive Landscape.* In Canada, the competitive landscape continues to intensify with the increasing presence of multinational companies. The five major generic companies (including Teva) are either subsidiaries of global manufacturers or privately held, Canadian-owned firms. These top 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; however, our strategy is to become a key supplier to these retail chains and add value through our core supply chain competency.

**Israel**

We are a leading provider of professional healthcare products and services in the Israeli market. In addition to generic and specialty pharmaceutical products, we sell and distribute a wide range of healthcare products and services in Israel. Our distribution company provides logistical support and distributes third-party products.
The Israeli generic pharmaceutical market is a full substitution market (by regulation) and is dominated by four government mandated health funds which provide an extensive range of healthcare services, including pharmaceuticals, to all citizens. Prices for our products in Israel, and particularly for our generic portfolio, are significantly affected by pricing regulations and governmental policies, as well as the structure of the market. Israeli pricing regulations use a reference pricing mechanism which takes into account pricing in several European countries, leading to relatively low prices.

**Competitive Landscape.** Generic competition, which has increased in recent years, is expected to continue, with additional pressure on prices coming from the health funds and other institutional buyers.

### Specialty Medicines

Our specialty medicines business, which is focused on delivering innovative solutions to patients and providers via medicines, devices and services in all key regions and markets around the world, includes several core therapeutic areas, most significantly medicines for CNS disorders (with a strong emphasis on MS, neurodegenerative disorders, and pain) and respiratory medicines. We also have specialty products in oncology, women’s health and other areas. Our specialty business also includes our emerging 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 branded and generic pharmaceutical companies. We believe that our primary competitive advantage is our integrated R&D organization, the body of scientific evidence substantiating the safety and efficacy of our various medicines, physician and patient experience with our medicines, and our medical and marketing capabilities, which are tailored to product and market needs.

The United States is currently our primary market for specialty medicines. Our specialty medicines organization in the United States focuses on our therapeutic areas, with sales and marketing professionals within each area who seek to address the needs of patients and healthcare professionals. We are able to tailor our patient support, payor relations and medical affairs functions to the unique characteristics of each therapeutic area and product.

We have built a specialized capability in the United States to help patients comply with their treatments, ensure timely delivery of medicines and assist in securing reimbursement. This program, known as “Patient Services and Solutions” reflects the importance of supporting patients with the assistance of Web-based and other tools and is a critical part of our success in this market. We believe this capability provides us with an important competitive advantage in the specialty medicines market. We are in the process of expanding this program to other regions and other diseases.

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

**Central Nervous System**

Our CNS portfolio 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.

**Copaxone®** (glatiramer acetate injection), our largest specialty medicine, is the leading multiple sclerosis therapy worldwide and is approved in more than 50 countries, including the United States, all European countries, Russia, Canada, major Latin American markets, Australia and Israel. 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 III 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.

At the beginning of 2012, we completed the phased assumption from Sanofi of marketing and distribution responsibilities for Copaxone® in all European countries, Australia and New Zealand. Sanofi is entitled to receive 6% of the in-market sales of Copaxone® in each applicable country in Europe for two years following our assumption of responsibilities in that country. Although we have recorded higher revenues as a result of these changes, we also became responsible for certain marketing and administrative expenses, which are no longer shared with Sanofi.

In January 2014, the FDA approved our supplemental New Drug Application (sNDA) for Copaxone® 40 mg/mL administered three times a week. This new formulation will allow for a less frequent dosing regimen administered subcutaneously for patients with relapsing forms of multiple sclerosis (MS). We also filed for marketing authorization in the EU, Canada, Russia, Australia and other markets globally, with approvals expected over the next several months.

Patient enrollment is complete for the GLatiramer Acetate low frequenCy safety and patIent ExpeRience (GLACIER) study, a Phase IIIb, open-label, randomized, multi-center, parallel-arm study to assess the safety, tolerability and patient experience of Copaxone® 40 mg/mL three times a week as compared to the currently approved 20 mg/1mL once daily dose. The GLACIER study includes 200 patients with RRMS from 30 U.S. sites who have been on glatiramer acetate injection 20 mg/1mL once daily for at least six months prior to screening. Preliminary results are expected in early 2014.

Copaxone®, our leading specialty medicine, was responsible for a significant portion of our revenues in 2013, and a significantly higher percentage contribution to our profits and cash flow from operations during such period. Copaxone® faces competition from existing injectable products, such as the four beta-interferons Avonex®, Betaseron®, Extavia®, and Rebif® as well as from Tysabri®, a monoclonal antibody. In addition, 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 Gilenya®, which was introduced in 2010 by Novartis, Biogen’s Tecfidera®, which was launched in the United States in the second quarter of 2013, and Genzyme’s Aubagio®, which has been approved in some markets, including the United States, continue to present especially intense competition due to the convenience of oral administration.

Our U.S. Orange Book patents covering Copaxone® expire in May 2014. As a result, generic competition to the 20mg product in the United States may begin as early as May 2014, assuming FDA approval. We have patents expiring in May 2015 in most of the rest of the world. A number of our competitors in the U.S., including Momenta/Sandoz, Mylan/Natco and Synthon, have filed ANDAs for purported generic versions of Copaxone® challenging our patents.

The FDA is enjoined from granting final approval to any purported generics prior to May 24, 2014, and 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
A 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.

On December 6, 2013, we filed a citizen’s petition requesting that the FDA refuse to approve any Abbreviated New Drug Application (“ANDA”) for a purported generic version of Copaxone® without scientific data demonstrating that (1) the proposed generic product contains the identical active ingredient as Copaxone®, (2) the immunogenicity risks associated with the proposed generic product are no greater than the risks associated with Copaxone®, including a demonstration that the risks of alternating or switching between the two products are no greater than remaining on Copaxone® and (3) the proposed generic product is bioequivalent to Copaxone®. This citizen’s petition includes 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.

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. Currently, Azilect® is approved for marketing in 45 countries. We market Azilect® jointly with Lundbeck in certain key European countries. We exclusively market Azilect® in the United States and certain other markets, while Lundbeck exclusively markets Azilect® in the remaining European countries and certain other markets.

Azilect® is protected in the United States by several patents that will expire between 2016 and 2027. We hold European patents covering Azilect® that will expire in 2014. Supplementary Protection Certificates have been granted in a number of European countries with respect to the patent expiring in 2014, extending its term to 2019. Azilect® has data exclusivity protection in EU countries until 2015. Azilect® is subject to various patent challenges in the United States and Canada. In 2013, a court upheld the validity of our U.S. patent and barred the launch of one competitor’s generic version of Azilect® until the patent expires in February 2017. An appeal is pending. Certain other competitors are permitted under a settlement agreement to launch their generic versions shortly prior to expiry of the same patent.

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.

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

Nuvigil® (armodafinil), the R-isomer of modafinil, is indicated for the treatment of excessive sleepiness associated with narcolepsy, OSA and SWD. It was launched in June 2009.

Following the results of the third Phase III clinical trial of Nuvigil® as adjunctive therapy for treating major depressive episodes in adults with bipolar I disorder, Teva decided not to proceed with regulatory filings for Nuvigil® for this indication.
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, the latest of which expires in 2024, with a pediatric extension. In April 2013, we prevailed in patent litigation against several other generic companies in the United States with respect to our polymorph patent that expires in 2024, which has been appealed by generic challengers.

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

Our CNS portfolio also includes Fentora® (fentanyl buccal tablet) and 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) for relief of muscle spasm in acute, painful, musculoskeletal conditions. An extended release hydrocodone with potential abuse deterrent properties is in Phase III clinical development, with results expected in mid-2014.

Oncology Products

Our oncology product line is led by Treanda®, Synribo® and Granix® in the United States and by Tevagrastim®/Ratiograstim® outside the United States. Our oncology portfolio also includes several development programs, including custirsen sodium.

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 September 2013, the FDA approved a new, easier to use, liquid formulation of Treanda®.

In October 2012, we received a complete response letter from the FDA addressing our sNDA for the use of Treanda® as a first-line treatment of patients with NHL in combination with rituximab. Although the BRIGHT study had met its endpoint of non–inferiority, the FDA requested additional data, specifically progression-free survival data, which was not available from this trial. No further registration trials are planned in the United States.

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 also hold rights to Treanda® in certain other countries.

Tevagrastim® (also marketed as Ratiograstim® or Granix® tbo-filgrastim) is a Granulocyte Colony Stimulating Factor (“G-CSF”) based medicine that stimulates the production of white blood cells and is primarily used to reduce the risk of infections in oncology patients receiving chemotherapy. It is also marketed as Ratiograstim® and Biograstim® in the EU and as Granix® (tbo-filgrastim) in the United States.

Filgrastim was the first biosimilar G-CSF to be approved by the EU in September 2008. Based on clinical trials, filgrastim has been approved in the EU for multiple indications and is available in most European countries.

In the United States, the product was the first new G-CSF to be approved in more than ten years and was approved via a Biologics License Application by the FDA in 2012. Granix® is not considered a biosimilar in the
United States and is not interchangeable with Neupogen®. The product launched in November 2013. The product is also approved and available in Japan and certain other ROW markets.

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

Lonquex® (lipegfilgrastim) a novel glycoPEGylated long-acting G-CSF, was granted approval by the European Medicines Agency and launched in November 2013 in Germany. The product was submitted for approval in Russia. It is indicated for the reduction in the duration of neutropenia and incidence of febrile neutropenia in adult patients treated with cytotoxic chemotherapy for malignancy (with the exception of chronic myeloid leukemia and myelodysplastic syndromes).

Lonquex® is protected by patents expiring in 2024 in Europe, with the potential for patent term extensions. In the United States, Lonquex® is protected by patents expiring in 2026.

Eporatio® (erythropoietin) stimulates the production of red blood cells and is indicated for the treatment of renal anemia or chemotherapy-induced anemia. Clinical trials have demonstrated that Eporatio® has an efficacy and safety profile equivalent to that of Roche’s NeoRecormon®. Eporatio® is approved in all 27 EU member states, Norway, Switzerland and Iceland.

Synribo® (omacetaxine mepesuccinate for injection) was granted accelerated approval by the FDA on October 26, 2012, for the treatment of adult patients with chronic phase or accelerated phase chronic myeloid leukemia (“CML”) with resistance and/or intolerance to two or more tyrosine kinase inhibitors. Synribo® provides a new treatment option in the CML treatment landscape and is administered subcutaneously. It is dosed twice daily for 14 consecutive days of a 28-day cycle at treatment induction, and twice daily for seven consecutive days of a 28-day cycle during maintenance once a response is achieved. It was launched in the United States in November 2012. We have granted marketing rights for Synribo® to Hospira in Europe, the Middle East and certain African countries.

Synribo® is protected by new chemical entity exclusivity until October 2017 and by orphan drug exclusivity until October 2019. It is also covered by patents in the United States expiring in 2019 and 2023. A term extension has been requested for the patent expiring in 2023.

Respiratory Products

Teva is committed to achieving a leading presence in the respiratory market by delivering a range of medicines for asthma, chronic obstructive pulmonary disease (“COPD”) and allergic rhinitis. 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, COPD, allergic rhinitis and respiratory syncytial virus. 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 to expand our development portfolio with a new chemical entity for treatment of RSV infection and innovative inhaler technology.

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 in the United States only and is the leading quick relief inhaler, is protected by various patents expiring between 2014 and 2028. It is subject to patent challenges in the United States.

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, capturing 31.9% of the market. We market QVAR®, which is manufactured by 3M, directly in the United States and major European markets. QVAR® is protected by various patents in the United States expiring in 2014 and 2015.

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.

Qnasl® Nasal Aerosol (beclomethasone dipropionate HFA in a nasal actuator) is a synthetic corticosteroid medication indicated for the treatment of seasonal and year-round nasal allergy symptoms in adults and adolescents 12 years of age and older. It is administered as a nonaqueous spray propelled by HFA. This medicine was launched in 2012 in the United States, and is currently being studied in a Phase III trial for a pediatric indication. Qnasl® is protected by various patents in the United States expiring between 2014 and 2027.

Major competitors of Qnasl® are Veramyst® (fluticasone furoate) and Flonase® (fluticasone propionate) by GlaxoSmithKline, Rhinocort Aqua® (budesonide) by AstraZeneca, Nasonex® (mometasone) by Schering and Omnaris® and Zetonna® (ciclesonide) by Dainippon Sumitomo.

Women’s Health Products

Currently, our women’s health product line focuses on several therapeutic areas, including oral and non-oral forms of contraception (including emergency contraception), intrauterine contraception, hormone therapy treatments for menopause/perimenopause, and therapies for use in infertility and urinary incontinence.

Below is a description of our main women’s health products:

Emergency Oral Contraception

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. In June 2013, it became the first emergency contraceptive FDA-approved 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.

Extended Regimen Combined Oral Contraception

Quartette™ (levonorgestrel/ethinyl estradiol and ethinyl estradiol) tablets are extended-regimen oral contraceptives approved for the prevention of pregnancy. Quartette™ is the only extended-regimen oral contraceptive with an ascending dose of estrogen. Quartette™ is marketed in the United States.
Quartette™ is protected by patents expiring in 2025 and 2029, as well as regulatory exclusivity expiring in March 2016.

Seasonique® and LoSeasonique® (levonorgestrel/ethinyl estradiol tablets and ethinyl estradiol tablets) are extended-cycle oral contraceptives, originally launched in the United States in 2004 and in 2009 respectively. The products face generic competition in the United States. We are currently looking to expand the market for these products in European and Latin American countries.

**Combined Oral Contraception**

Zoely® is a 28-day regimen combination contraceptive oral pill (consisting of 24 active pills and 4 placebo pills). Zoely® is the first and only monophasic contraception combining E2 physiological estrogen (17ß-estradiol) with NOMAC (nomegestrol acetate) progestin, which has a strong anti-gonadotropic activity, having minimal effect on metabolism and less impact on metabolic and haemostasis parameters than currently marketed products.

Zoely® is a joint development between Théramex (a Teva subsidiary) and Merck & Co. We hold both trademark rights worldwide as well as the marketing rights for Zoely® in several European countries. In addition, we have non-exclusive rights in some emerging markets such as Brazil. Zoely® is protected by patents in Europe until 2017, while supplementary protection certificates extending to 2022 have been granted by several European countries. A phase IV program has been initiated recently, including a large post-marketing surveillance study in collaboration with Merck Sharp & Dohme.

**Non-Oral, Non Hormonal Contraception**

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.

**Menopause Hormonal Treatment**

Enjuvia® (synthetic conjugated estrogens) is an oral treatment of moderate to severe vasomotor symptoms associated with menopause. Enjuvia® is a plant-derived formulation of ten synthetic conjugated estrogens, including sodium D8,9 dehydroestrone sulfate, and is available in five dosage strengths. The Enjuvia® delivery system allows slow release of estrogens over several hours due to its Surelease® technology. We have Orange Book listed patents for Enjuvia® expiring in 2021.

**Other Products**

We also market the following products in some European markets: Orocal®, a calcium supplement for the treatment of osteoporosis with or without D-vitamin; Colpotrophine®, for vaginal atrophy; Lutenyl®, for menopause; Monazol®, for fungal dermatitis; Estreva®, for estrogen deficiencies; Antadys®, for dysmenorrhea; and Leeloo Gé®, an oral contraceptive.

**Competitive Landscape.** The oral contraceptives market is highly competitive and fragmented. The main competitors to our women’s health line include Yasmin® and Yaz® franchise from Bayer, which was recently expanded to include the Yaz Flex® flexible dosage regimen oral contraceptive, launched in Australia in September 2012 and expected to be launched in Europe in 2014. In addition, there are other competing forms of contraceptives, such as intrauterine devices, patches and vaginal hormonal contraceptive rings.

In the intrauterine device (“IUD”) market, Bayer’s hormonal IUD Mirena® is the market leader with a lower dosed follow-on product (called Jaydess® in Europe and Skylla® in the United States). Actavis (Watson) has increased its women’s health portfolio with the acquisitions of Warner-Chilcott and Uteron Pharma; it has
marketing authorizations for both markets and distribution agreement with Medicines360 in the United States to market a hormonal IUD with expected launch in 2014. NuvaRing® from Merck is a vaginal hormonal contraceptive ring, and we expect the competitive landscape to continue evolving towards non-oral deliveries.

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 the branded OTC medicines of the two companies in categories such as cough/cold and allergy, digestive wellness, vitamins, minerals and supplements, analgesics and skin medications, and operates in markets outside North America. Its leading brands are Vicks®, Metamucil®, Pepto-Bismol®, and ratiopharm. The joint venture also develops new brands for certain global markets. We own 49% and P&G holds 51% of the joint venture.

PGT’s strengths include P&G’s strong brand-building, consumer-led innovation and go-to-market capabilities; our broad geographic reach, experience in R&D, regulatory and manufacturing expertise and extensive portfolio of products, and each company’s scale and operational efficiencies. It intends to introduce the partners’ product and brand portfolios into additional countries and to expand into new OTC categories (such as prescription products that have become OTC products).

**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 full breadth of our business, including generic medicines (finished goods and API), specialty pharmaceuticals, new therapeutic entities (“NTEs”), which are known molecules that are formulated, delivered or used in a novel way to address unmet patient needs, and OTC medicines. All research and development activities, except for API, have been integrated into a single unit, Teva Global R&D.

One 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, India, Mexico, Europe and Latin America, 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.

Over the past several years, our generic R&D capabilities have expanded 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 for generic drugs. We have more than one thousand generic products in our pipeline (each product being equivalent to a molecule, dosage form and market combination).

In addition, Teva’s 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.
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, chemical and biological (fermentation), which are of interest to the generic drug industry, as well as for our proprietary drugs. Our facilities include a large center in Israel (synthetic products and peptides), a large center in Hungary (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 API). 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.

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 range from the discovery of new compounds, preclinical studies (including toxicology, pharmacokinetics, pharmacodynamics and pharmacology studies) to clinical pharmacology and the design, execution and analysis of clinical trials. We conduct these activities for both small molecules and biologics. Our specialty R&D activities also include process development.

Our specialty pipeline includes product candidates in several therapeutic areas, with a focus on CNS and respiratory products, with selective innovation in areas such as oncology. We intend to continue to supplement our specialty pipeline, as necessary, by in-licensing or acquiring products including small molecules and biologics, focused in critical therapeutic areas, to create a robust and sustainable pipeline.

Below is a table listing selected pipeline products in clinical development:

<table>
<thead>
<tr>
<th>Project / Compound</th>
<th>Potential Indication</th>
<th>Route of Administration</th>
<th>Clinical Phase (month and year of entering Phase III)</th>
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<tbody>
<tr>
<td>CNS</td>
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<tr>
<td>Laquinimod</td>
<td>RRMS, progressive forms of MS</td>
<td>Oral</td>
<td>US—III (Nov 2007) EU—reviewing EMA decision</td>
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<td>Extended release hydrocodone</td>
<td>Chronic pain</td>
<td>Oral</td>
<td>III (Oct 2010)</td>
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<td>TV-7820 (pridopidine)</td>
<td>Motor disorders</td>
<td>Oral</td>
<td>II</td>
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<tr>
<td>TV-45070 (XEN 402)</td>
<td>Painful disorders</td>
<td>Oral and topical</td>
<td>II</td>
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<td>RESPIRATORY</td>
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<tr>
<td>DuoResp® Spiromax® (budesonide &amp; formoterol)</td>
<td>Asthma/COPD</td>
<td>Oral inhalation</td>
<td>EU—submitted</td>
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<tr>
<td>QVAR® Breath Actuated Inhaler (beclomethasone)</td>
<td>Asthma/COPD</td>
<td>Oral inhalation</td>
<td>III (Dec 2013)</td>
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<td>Albuterol MDPI</td>
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<td>Oral inhalation</td>
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<td>Pediatric allergic rhinitis</td>
<td>Nasal inhalation</td>
<td>III (Oct 2012)</td>
</tr>
<tr>
<td>Reslizumab</td>
<td>Severe asthma with eosinophilia</td>
<td>Intravenous</td>
<td>III (Feb 2010)</td>
</tr>
<tr>
<td>Fluticasone &amp; salmeterol Multi Dose Powder Inhaler (“MDPI”)</td>
<td>Asthma</td>
<td>Oral inhalation</td>
<td>II</td>
</tr>
<tr>
<td>Fluticasone MDPI</td>
<td>Asthma</td>
<td>Oral inhalation</td>
<td>II</td>
</tr>
<tr>
<td>Teva-MicroDose RSV</td>
<td>Respiratory syncytial virus</td>
<td>Oral inhalation</td>
<td>II</td>
</tr>
</tbody>
</table>
Fluticasone & salmeterol HFA
Metered Dose Inhaler .......... Asthma/COPD Oral inhalation I (Bioequivalence)

LAMA Breath Actuated Inhaler .... COPD Oral inhalation I

**ONCOLOGY**
Balugrastim
(albumin fused G-CSF) ............... Neutropenia Subcutaneous EU—submitted

Custirsen/TV-1011 (OGX-011) ...... Non-small cell lung cancer Intravenous III (Oct 2012)

**WOMEN'S HEALTH**
Ovaleap®
(XM17, follitropin alfa) ............. Female infertility; anovulation; assisted reproductive techniques; hypogonadism Subcutaneous EU—approved

Milprosa®
(progesterone vaginal ring ) ....... Luteal support for in vitro fertilization Vaginal Ring US—submitted

LeCette®
(Desogestrel and ethinyl estradiol) .. 28-day oral contraceptive Oral US—submitted

**CARDIOVASCULAR**
Revascor®
(mesenchymal precursor cells) ...... Congestive heart failure Intracardiac injection III (Jan 2014)

Revascor®
(mesenchymal precursor cells) ...... Acute myocardial infarction Intracardiac injection I

**OTHER**
Laquinimod ............... Crohn’s disease Oral II

**CNS**
Laquinimod is a once-daily, orally administered immunomodulatory compound being developed for treatment of relapsing-remitting 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 III studies, in both of which the observed safety and tolerability profile of laquinimod was considered favorable. A third Phase III study of laquinimod, was initiated in February 2013, with the primary endpoint of impact on disability progression.

In June 2012, we submitted a Marketing Authorization Application to the European Medicines Agency (“EMA”). In January 2014, EMA announced its conclusion that the risk-benefit profile of laquinimod is not favorable. We intend to request a re-examination of this opinion. In August 2012, we submitted a New Drug Submission to Health Canada.

Based on data from the Phase III studies conducted to date, we are planning 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.

Laquinimod is currently in Phase II evaluation for Crohn's Disease.
Laquinimod is protected by patents expiring in 2019 worldwide, with potential for extensions in various markets.

**Extended Release Hydrocodone** is our formulation of hydrocodone, an opioid analgesic, utilizing our OraGuard™ technology, with potentially abuse-deterrent properties methods, including resistance to crushing and dose dumping when taken with alcohol. A Phase III study was completed in August 2011, but did not demonstrate a statistically significant difference between the hydrocodone and placebo treatment groups. A statistically significant difference was demonstrated in change from baseline to week 12 in mean weekly average WPI score, a secondary endpoint. A newly designed Phase III study was initiated in March 2013 and results are expected during the first half of 2014. We intend to file with the FDA in late 2014.

**TV-7820 (pridopidine)** is an oral small molecule dopamine stabilizer being developed for the symptomatic treatment of motor disorders (including Huntington’s disease, or “HD”), which we licensed from Neurosearch A/S in late 2012. Phase II clinical development is planned to begin in early 2014.

Pridopidine is protected by patents expiring in 2020 worldwide.

**TV-45070 (XEN 402)** 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 II 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 II development for a variety of pain-related, neuropathic and inflammatory disorders. A first study of the topical formulation in an inflammatory disorder will be initiated in early 2014.

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

**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®/Airmax®, a novel inhalation-driven multi-dose powder inhaler (“MDPI”);
- 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.

Our proprietary MDPI device (Spiromax®) is protected by patents expiring in 2021.

**DuoResp® Spiromax®** is a combination of budesonide and formoterol utilizing our proprietary Spiromax® device. Results of our studies confirm that we have demonstrated bio-equivalence to the marketed product (Symbicort® Turbohaler®). An application for marketing authorization was submitted in Europe in January 2013. Approval is expected in 2014.

**QVAR® BAI** (beclomethasone) is an oral aerosol corticosteroid in development for the treatment of asthma delivered using our advanced breath-actuated inhaler. The Phase III clinical program was initiated in December 2013.
**Albuterol MDPI** 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. Results of two safety and efficacy studies have confirmed the safety, efficacy, pharmacokinetic and pharmacodynamic profile of albuterol MDPI. The Phase III program is ongoing with the new drug application (“NDA”) filing planned for 2014.

**QNASL®** (beclomethasone HFA Nasal) is a nasal aerosol corticosteroid indicated for the treatment of adult and adolescent perennial allergic rhinitis (PAR) and seasonal allergic rhinitis (SAR). We are currently conducting a Phase III program to gain a pediatric indication. We plan to file a sNDA in 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. We are investigating reslizumab in Phase III studies as a possible treatment for severe asthma with eosinophilia. Results of these studies are expected in 2014.

**Fluticasone & salmeterol MDPI** 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 II trials were completed in 2013, and initiation of the Phase III program is planned for 2014.

**Fluticasone MDPI** 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 II trials were completed in 2013, and initiation of the Phase III program is planned for 2014.

**Teva-MicroDose RSV** is a transformational innovative inhaled delivery technology being developed for the treatment of respiratory syncytial virus (“RSV”) infection. RSV is the most frequent cause of hospitalization of infants and young children in industrialized countries. The molecule in development is an inhalable small molecule anti-viral fusion inhibitor that acts by targeting and blocking the viral fusion protein. Teva-MicroDose is designed to be a unique type of nebulizer that is both small and portable and allows fast dosing without the need for dose preparation. Phase II clinical trials were initiated in 2013.

**Fluticasone & salmeterol HFA MDI** is designed to be comparable to Advair®/Seretide® HFA, delivered in a well established press-and-breath device. We expect to complete clinical studies in 2014.

**Long-Acting Muscarinic Antagonist** (“LAMA”) BAI is an oral aerosol LAMA in development for the treatment of COPD, delivered using our advanced breath-actuated inhaler. We completed a phase I study in 2013 and plan to enter Phase II as well as initiate a Japanese bridging study in 2014.

**Oncology**

**Balugrastim** (albumin fused G-CSF) is a long-acting G-CSF using albumin-fusion technology initially developed by Human Genome Sciences to prolong plasma half-life. Balugrastim is designed to provide clinical efficacy and safety profiles comparable to Neulasta®. The U.S. balugrastim biologics license application (“BLA”) was withdrawn in October 2013 from the FDA review process following ongoing consultation with the agency in preparation for the late cycle review meeting, pending the provision of additional confirmatory data.

We submitted balugrastim for registration in Europe in April 2013.

**Custirsen/TV-1011 (OGX-011)** is an antisense drug. In December 2009, Teva and OncoGenex entered into a global license and collaboration agreement to develop and commercialize custirsen/TV-1011 (OGX-011). Custirsen was developed by Isis Pharmaceuticals Inc. and licensed to OncoGenex, and is designed to inhibit the
production of clusterin, a protein associated with cancer treatment resistance. Custirsen was developed to increase the efficacy of chemotherapeutic drugs and may have broader market potential to treat various indications and disease stages.

In November 2012, enrollment was completed in a large Phase III randomized trial of custirsen in combination with docetaxel and prednisone in the initial chemotherapy treatment of patients with castrate-resistant prostate cancer. Results are expected in 2014. Enrollment is ongoing for two additional Phase III studies: a randomized trial of custirsen in combination with cabazitaxel and prednisone for the second-line treatment of patients with castrate-resistant prostate cancer, and a randomized trial of custirsen in combination with docetaxel for the second-line treatment of patients with non-small-cell lung cancer.

Custirsen is protected by patents expiring in 2020 in Europe and in 2021 in the United States.

Women’s Health

Ovaleap® (XM17, follitropin alfa) is a biosimilar product to Gonal-f® for the treatment of female infertility. The product was approved for marketing in Europe in September 2013.

Milprosa® (progesterone vaginal ring) is a silicone-based, flexible ring designed to be dosed weekly for luteal support for in vitro fertilization. Clinical studies indicated that Milprosa® is not inferior to the approved progesterone gel and is safe and well-tolerated, with a profile consistent with the known profile of progesterone. We filed an NDA with the FDA in 2010 and received a complete response letter in 2011 requiring a safety/efficacy study in women over 34 years old prior to approval or as a post-marketing commitment. We plan to file a complete response to the FDA’s letter in 2014.

Milprosa® is protected by patents expiring in 2030 in the United States, with patents pending in Europe.

LeCette® is a 28-day oral contraceptive with a 21-day regimen of desogestrel and ethinyl estradiol followed by a 7-day regimen of ethinyl estradiol alone. Phase III clinical development was completed in 2013 and an NDA was filed during September 2013.

In clinical trials, LeCette® has demonstrated a safety profile similar to that of other 28-day oral contraceptives.

LeCette® is protected by patents expiring in 2022 in the United States.

Cardiovascular

Revascor® (mesenchymal precursor cells) 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 II trial of Revascor® for patients with congestive heart failure were announced. Based on these Phase II results, and timely finalization of the chemistry and manufacturing controls requirements, we initiated a Phase III study in early January 2014. This study will include an interim analysis after an initial cohort of patients has completed six months of follow-up.
New Therapeutic Entities (“NTEs”)

A strategic area of focus of Teva Global R&D is the development of new therapeutic entities. 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 (for use in HIV, for example), 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. NTEs that have achieved significant commercial successes include J&J’s Duregesic® fentanyl patch, Purdue’s Oxycontin® and Lundbeck’s Namenda® for Alzheimer’s disease.

The successful development of NTEs requires access to a wide range of specialty and generic R&D capabilities: an understanding of medical needs, clinical and regulatory development, formulation know-how and special technologies, intellectual property and access to a large portfolio of generic molecules. The integration of our specialty and generic R&D groups into a single organizational unit—Teva Global R&D—creates an infrastructure that includes the entire range of capabilities required for the development of NTEs.

This organization is supported by a dedicated process for generating and screening ideas for NTEs. Drawing on a wide range of internal and external sources, we are generating more than 100 NTE ideas per year, of which we expect ten to be approved for development each year. At the end of 2013, 15 NTE products are part of the Teva portfolio, including:

- Four abuse deterrent tablets containing various opioids, for the treatment of pain, using our proprietary abuse deterrent OraGuard™ technology which deters against various tampering methods including crushing and dose dumping when taken with alcohol;
- Once-a-month and once-every-three-months injections of risperidone for the treatment of schizophrenia;
- Adasuve® (loxapine) inhalation powder, an in-licensed inhaled antipsychotic for the treatment of acute agitation associated with schizophrenia or bipolar I disorder, will be launched in the United States in early 2014;
- A once-a-day fixed combination of a prostaglandin agonist and a beta blocker, for the treatment of glaucoma;
- Four fixed-dose combinations of several antiretrovirals for the treatment of HIV; and
- Additional projects for the treatment of Crohn’s Disease, Parkinson’s disease and dependence.

These products incorporate various technological abilities and formulation specialties such as tamper-deterrence, delayed release and rapid release, which will form the basis for future development of NTEs.

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. Therefore, we believe that rewards from an NTE have the potential to be sustained over long periods.

We believe that the combination of our integrated organization, dedicated processes and the extensive efforts to develop NTEs, together with their favorable risk/reward profiles, will provide us with significant opportunities to enhance our CNS, respiratory, oncology and women’s health pipeline.
Terminated Projects

During 2013, we also terminated the development of the following projects:

• *Nuvigil®* (armodafinil), the R-isomer of modafinil, for bipolar disorder.
• *Obatoclax*, a Pan Bel-2 inhibitor with particular potency for the dominant protein Mel-1.
• *Oxybutynin vaginal ring* (DR-3001), a silicone-based, flexible ring designed to be dosed once a month to treat overactive bladder.
• *Laquinimod* for the treatment of lupus arthritis.

Operations

We believe that our global infrastructure provides us with the following capabilities:

• 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 requirements (both therapeutic and commercial) of patients, customers and healthcare providers.

Pharmaceutical Production

We operate 50 finished dosage pharmaceutical plants in North America, Europe, Latin America, Asia and Israel with two additional sites currently under construction. These plants manufacture solid dosage forms, sterile injectables, liquids, semi-solids, inhalers and medical devices. In 2013, Teva produced approximately 64 billion tablets and capsules and over 700 million sterile units. 26 of our plants are FDA approved, and 31 of our plants have EMA approval.

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 and the Czech Republic comprise a significant percentage of our production capacity.

We strive to optimize our manufacturing network, in order to maintain our goal of supplying high quality, cost-competitive products on a timely basis to all of our customers globally. In addition, we also use several external contract manufacturers to achieve operational and cost benefits.

During 2013, 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 and in our global sterile manufacturing centers in Hungary and Croatia. In addition, our state-of-the-art logistics center in Shoham, Israel began to operate during 2012, significantly increasing our technological and logistical capabilities. We constantly review these capabilities and our capacity utilization to ensure that they align with our ability to deliver the highest quality, best in class and most efficient 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 are listed below:

<table>
<thead>
<tr>
<th>Facility Location</th>
<th>Total Number of Site Employees</th>
<th>Principal Market(s) Served</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ulm, Germany</td>
<td>2,198</td>
<td>Europe and other non-U.S. markets</td>
</tr>
<tr>
<td>Debrecen, Hungary</td>
<td>1,851</td>
<td>Europe and other non-U.S. markets</td>
</tr>
<tr>
<td>Kfar Saba, Israel</td>
<td>1,772</td>
<td>North America, Europe and other markets</td>
</tr>
<tr>
<td>Zagreb, Croatia</td>
<td>1,678</td>
<td>North America, Europe and other markets</td>
</tr>
<tr>
<td>Opava, Czech Republic</td>
<td>1,422</td>
<td>North America, Europe and other markets</td>
</tr>
<tr>
<td>Takayama, Japan</td>
<td>1,153</td>
<td>Asia</td>
</tr>
<tr>
<td>Godollo, Hungary</td>
<td>1,101</td>
<td>North America, Europe and other markets</td>
</tr>
<tr>
<td>Haarlem, Netherlands</td>
<td>847</td>
<td>North America, Europe and other markets</td>
</tr>
<tr>
<td>Toronto, Canada</td>
<td>767</td>
<td>North America and Europe</td>
</tr>
<tr>
<td>Jerusalem, Israel</td>
<td>660</td>
<td>North America and Europe</td>
</tr>
<tr>
<td>Krakow, Poland</td>
<td>584</td>
<td>North America, Europe and other markets</td>
</tr>
<tr>
<td>Forest, VA, U.S.</td>
<td>552</td>
<td>North America</td>
</tr>
<tr>
<td>Maipu, Santiago, Chile</td>
<td>535</td>
<td>Latin America</td>
</tr>
<tr>
<td>Waterford, Ireland</td>
<td>470</td>
<td>North America, Europe and other markets</td>
</tr>
<tr>
<td>Runcorn, U.K.</td>
<td>460</td>
<td>North America, Europe and other markets</td>
</tr>
<tr>
<td>Sellersville, PA, U.S.</td>
<td>406</td>
<td>North America</td>
</tr>
<tr>
<td>Irvine, CA, U.S.</td>
<td>388</td>
<td>North America</td>
</tr>
<tr>
<td>Cincinnati, OH, U.S.</td>
<td>380</td>
<td>North America</td>
</tr>
</tbody>
</table>

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 have 21 API production facilities located in Israel, Hungary, Italy, the United States, the Czech Republic, India, Mexico, Puerto Rico, Monaco, China and Croatia. We produce approximately 300 APIs in various therapeutic areas. Our API intellectual property portfolio includes over 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 2013, 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 2013, we continued to restructure and strengthen our environment, health and safety (“EHS”) efforts. We have designed and are implementing a global EHS management system to align, streamline and enhance our EHS performance. We hired senior managers responsible for EHS, sustainability and occupational safety, and formed a Corporate EHS Committee consisting of global senior executives who will have oversight of all material EHS matters in Teva and a Global EHS Management team to guide and direct our EHS efforts.

We have drafted 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 aligned with internationally recognized standards to assure full compliance; and
- **Reduce impact:** we are working to optimize our operations to streamline processes and 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. Some examples of recent efforts include:

- Six upgraded waste water treatment plant projects in China, Croatia, India, Israel and Italy;
- Three upgraded air emissions control projects in Croatia and Israel;
- Three ground water and soil remediation projects based on historic contamination in Hungary, Israel and Italy; and
- Numerous projects at API plants to assure compliance with Pollutant Release and Transfer Register and Extended Producer Responsibility legislation.

Five of our production sites are externally certified to ISO14001.

We believe that we are in substantial compliance with all applicable environmental, health and safety requirements.

Organizational Structure

In 2013, we announced the formation of a global Specialty Medicines group, which is responsible globally for our specialty medicines business, which strives to bring patients and customers medicines adapted to their needs. Our generic medicines business is managed by geographic location; however, as a whole, the generic medicines business is managed by Teva’s CEO.

In addition, our activities are conducted by three global divisions, Teva Global Operations (“TGO”), Teva Global R&D and Quality, and by global support functions including finance, legal, information system, business development, human resources and communications.

TGO’s responsibilities include manufacturing and commercialization of APIs, manufacturing of pharmaceuticals, procurement and supply chain. Teva Global R&D is responsible for our overall research and development of generic medications, NTEs and specialty products.

As of December 31, 2013, we are organized into four commercial units, by region: (1) the Americas, (2) Europe, (3) Eastern Europe, Middle East, Israel and Africa, and Asia-Pacific (“EMIA-APAC”), and (4) Japan and South Korea. Within the regions, the individual countries are responsible for all commercial activity, including the sale and distribution of both generic and specialty medicines.
Our worldwide operations are conducted through a network of global subsidiaries primarily located in North America, Europe, Latin America, Asia and Israel. We have direct operations in approximately 60 countries, as well as 50 finished dosage pharmaceutical manufacturing sites, with two additional sites currently under construction, in 25 countries, 21 API sites and more than 20 pharmaceutical R&D centers. The following sets forth, as of December 31, 2013, our principal operating subsidiaries in terms of aggregate total revenues:

<table>
<thead>
<tr>
<th>Name of Subsidiary*</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>Teva Canada Limited</td>
<td>Canada</td>
</tr>
<tr>
<td>Teva Santé SAS</td>
<td>France</td>
</tr>
<tr>
<td>ratiopharm GmbH</td>
<td>Germany</td>
</tr>
<tr>
<td>Teva GmbH</td>
<td>Germany</td>
</tr>
<tr>
<td>TEVA Pharmaceutical Works Private Limited Company</td>
<td>Hungary</td>
</tr>
<tr>
<td>Teva Italia S.r.l.</td>
<td>Italy</td>
</tr>
<tr>
<td>Teva Seiyaku</td>
<td>Japan</td>
</tr>
<tr>
<td>Teva Limited Liability Company</td>
<td>Russia</td>
</tr>
<tr>
<td>Teva Pharma S.L.</td>
<td>Spain</td>
</tr>
<tr>
<td>Teva UK Limited</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>Teva Pharmaceuticals USA, Inc.</td>
<td>United States</td>
</tr>
</tbody>
</table>

* All the listed subsidiaries are 100% held by Teva.

In addition to the subsidiaries listed above, we have operations in several other locations, including China, India, Turkey and other emerging and smaller markets.

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, 2013:

<table>
<thead>
<tr>
<th>Facility Location</th>
<th>Square Feet (in thousands)</th>
<th>Main Function</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ramat Hovav</td>
<td>1,355</td>
<td>API manufacturing and R&amp;D</td>
</tr>
<tr>
<td>Kfar Saba</td>
<td>738</td>
<td>Pharmaceutical manufacturing, research laboratories, warehousing, and offices</td>
</tr>
<tr>
<td>Shoham Logistics Center</td>
<td>538</td>
<td>Distribution center</td>
</tr>
<tr>
<td>Jerusalem (3 sites)</td>
<td>522</td>
<td>Pharmaceutical manufacturing, research laboratories and offices</td>
</tr>
<tr>
<td>Netanya (3 sites)</td>
<td>503</td>
<td>API manufacturing, pharmaceutical warehousing, laboratories, distribution center and offices</td>
</tr>
<tr>
<td>Petach Tikva</td>
<td>335</td>
<td>Corporate headquarters</td>
</tr>
<tr>
<td>Ashdod</td>
<td>130</td>
<td>Manufacturing of hospital supplies</td>
</tr>
<tr>
<td>Assia—Petach Tikva</td>
<td>118</td>
<td>R&amp;D laboratories</td>
</tr>
</tbody>
</table>

United States

<table>
<thead>
<tr>
<th>Facility Location</th>
<th>Square Feet (in thousands)</th>
<th>Main Function</th>
</tr>
</thead>
<tbody>
<tr>
<td>North Wales area, PA (4 sites)</td>
<td>808</td>
<td>Teva USA headquarters, warehousing and distribution center</td>
</tr>
<tr>
<td>Greensboro, SC</td>
<td>500</td>
<td>Manufacturing, packaging and offices</td>
</tr>
<tr>
<td>Forest, VA</td>
<td>408</td>
<td>Manufacturing, packaging and offices</td>
</tr>
<tr>
<td>Irvine, CA (8 sites)</td>
<td>342</td>
<td>Pharmaceutical manufacturing and R&amp;D laboratories</td>
</tr>
<tr>
<td>Phoenix, AZ (2 sites)</td>
<td>336</td>
<td>Manufacturing, packaging and offices</td>
</tr>
<tr>
<td>Facility Location</td>
<td>Square Feet (in thousands)</td>
<td>Main Function</td>
</tr>
<tr>
<td>------------------------</td>
<td>-----------------------------</td>
<td>-------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Cincinnati, OH ..........</td>
<td>305</td>
<td>Pharmaceutical manufacturing, R&amp;D laboratories and packaging</td>
</tr>
<tr>
<td>Miami, FL (3 sites)</td>
<td>223</td>
<td>Manufacturing, R&amp;D laboratories, warehousing and offices</td>
</tr>
<tr>
<td>Kutztown, PA</td>
<td>211</td>
<td>Warehousing</td>
</tr>
<tr>
<td>Sellersville, PA</td>
<td>206</td>
<td>Pharmaceutical manufacturing, packaging and R&amp;D laboratories</td>
</tr>
<tr>
<td>Frazer, PA</td>
<td>194</td>
<td>Manufacturing, packaging and offices</td>
</tr>
<tr>
<td>Salt Lake City, UT</td>
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<td>Offices</td>
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<tr>
<td>Pomona, NY</td>
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<td>Pharmaceutical manufacturing and R&amp;D laboratories</td>
</tr>
<tr>
<td>Guayama, Puerto Rico</td>
<td>170</td>
<td>API manufacturing</td>
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<tr>
<td>West Chester, PA</td>
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<td>Mexico, MO</td>
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<td><strong>Canada</strong></td>
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<tr>
<td>Toronto, Ontario</td>
<td>335</td>
<td>Offices, pharmaceutical packaging, warehousing, distribution center and laboratories</td>
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<tr>
<td>Stouffville, Ontario</td>
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<td>Pharmaceutical manufacturing and R&amp;D laboratories</td>
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<td>Pharmaceutical manufacturing and warehousing</td>
</tr>
<tr>
<td><strong>Europe</strong></td>
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<td></td>
</tr>
<tr>
<td>Debrecen, Hungary (3 sites)</td>
<td>2,549</td>
<td>Pharmaceutical manufacturing, API manufacturing, R&amp;D laboratories and warehousing</td>
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<tr>
<td>Ulm, Germany (2 sites)</td>
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<td>Opava, Czech Republic</td>
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<td>Pharmaceutical and API manufacturing, warehousing and distribution center</td>
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<tr>
<td>Krakow, Poland</td>
<td>939</td>
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</tr>
<tr>
<td>Zagreb, Croatia (5 sites)</td>
<td>869</td>
<td>Pharmaceutical manufacturing, packaging and warehousing, API manufacturing and R&amp;D laboratories</td>
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<tr>
<td>Weiler, Germany</td>
<td>425</td>
<td>Pharmaceutical manufacturing and packaging</td>
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<tr>
<td>Waterford, Ireland (2 sites)</td>
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<td>Pharmaceutical manufacturing, warehousing and packaging</td>
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<tr>
<td>Savski Marof, Croatia</td>
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<td>API manufacturing</td>
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<tr>
<td>Sajababony, Hungary</td>
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<tr>
<td>Zaragoza, Spain (3 sites)</td>
<td>325</td>
<td>Pharmaceutical manufacturing, R&amp;D laboratories</td>
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<td>Kutno, Poland</td>
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<td>Pharmaceutical manufacturing, warehousing and packaging</td>
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<tr>
<td>Glasshoughton, England</td>
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<td>Warehousing and distribution center</td>
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<td>Runcorn, England (2 sites)</td>
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<td>Pharmaceutical manufacturing, warehousing, laboratories and offices</td>
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<tr>
<td>Haarlem, The Netherlands</td>
<td>232</td>
<td>Laboratories</td>
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<tr>
<td>Gödöllő, Hungary</td>
<td>211</td>
<td>Pharmaceutical manufacturing, hospital supplies manufacturing, R&amp;D laboratories, distribution center, packaging and warehousing</td>
</tr>
<tr>
<td>Facility Location</td>
<td>Square Feet (in thousands)</td>
<td>Main Function</td>
</tr>
<tr>
<td>----------------------------------------</td>
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<td>-------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Dublin, Ireland (2 sites)</td>
<td>188</td>
<td>Marketing, manufacturing</td>
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<td>Santhiā, Italy</td>
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<td>API manufacturing, R&amp;D laboratories and warehousing</td>
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<td>Eastbourne, England</td>
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<td>Warehousing and packaging</td>
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<td>Vienna, Austria</td>
<td>113</td>
<td>Warehousing &amp; offices</td>
</tr>
<tr>
<td>Vilnius, Lithuania (2 sites)</td>
<td>97</td>
<td>Pharmaceutical manufacturing and R&amp;D laboratories</td>
</tr>
<tr>
<td><strong>Asia</strong></td>
<td></td>
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<tr>
<td>Gajraula (U.P.), India</td>
<td>1,200</td>
<td>API manufacturing</td>
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<td>Takayama, Japan</td>
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<tr>
<td>Hangzhou, China</td>
<td>609</td>
<td>API manufacturing</td>
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<tr>
<td>Malanpur, India</td>
<td>302</td>
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<td>285</td>
<td>Pharmaceutical manufacturing and R&amp;D laboratories</td>
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<tr>
<td>Teda, China</td>
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<td>Marketing, manufacturing, warehousing and R&amp;D Laboratories, offices, API manufacturing</td>
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<td>Ahmedabad, India</td>
<td>183</td>
<td>OTC manufacturing, packaging, warehousing and laboratories</td>
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<td>Kasukabe, Japan</td>
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<td>Pharmaceutical manufacturing</td>
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<tr>
<td>Koka, Japan</td>
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<td>Pharmaceutical manufacturing</td>
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<tr>
<td>Nagoya, Japan (2 sites)</td>
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<tr>
<td><strong>Latin America</strong></td>
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<tr>
<td>Santiago, Chile</td>
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<td>Pharmaceutical manufacturing, warehousing and R&amp;D laboratories</td>
</tr>
<tr>
<td>Mexico City, Mexico</td>
<td>240</td>
<td>Pharmaceutical manufacturing, warehousing and R&amp;D laboratories</td>
</tr>
<tr>
<td>Lima, Peru (3 sites)</td>
<td>221</td>
<td>Pharmaceutical manufacturing, warehousing and R&amp;D laboratories</td>
</tr>
<tr>
<td>Munro, Argentina</td>
<td>155</td>
<td>Pharmaceutical manufacturing, warehousing, R&amp;D laboratories and packaging</td>
</tr>
</tbody>
</table>

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 and products 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 before a company may market new products. The FDA conducts pre-approval and post-approval reviews and plant inspections to implement these requirements. Generally the generic drug development and the ANDA review process takes about three to five years.

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 all 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 initiation proceedings to revoke those registrations. In certain circumstances, violations could lead to criminal prosecution.

The Drug Price Competition and Patent Term Restoration Act of 1984 (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 ANDAs. One such provision allows a five-year period of market exclusivity period for NDAs involving new chemical entities and a three-year period of market exclusivity for NDAs (including different dosage forms) containing new clinical(s) trial essential to the approval of the application. The Orphan Drug Act of 1983 grants seven years of exclusive marketing rights to a specific drug for a specific orphan indication. The term “orphan drug” refers, generally, to a product 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, a generic applicant 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. 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. When this occurs, the FDA generally may not approve the ANDA until the earlier of 30 months or a court decision finding the patent invalid, not infringed or unenforceable. Submission of an ANDA 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 begun in the FDA Modernization Act of 1997. This pediatric exclusivity program provides a six-month period of market exclusivity both to certain listed patents and to regulatory exclusivities for all formulations of an active ingredient, if the sponsor performs and submits pediatric studies acceptable to the FDA on any one single dosage form 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, including if the product is not marketed within 75 days of a final court decision. 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 enhanced review metrics 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, payments to supplement the appropriations that the agency receives from Congress, for brand products and a new user fee program 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. 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 FDA review before triggering a forfeiture. This provision sunsets at the end of the five-year timeframe established by the statute. However, for the applications to which this applies, the benefit is significant. Prospectively, the FDA will continue to collect the newly created user fees applicable to generic products, funding new resources and with the goal of improving future ANDA review times.

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 the authority to control drug marketing and labeling, to require post-approval studies, to establish active surveillance systems, and to make clinical trial operations 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 identical except for small exceptions explicitly designated by statute. If the rule were to become final as proposed, Teva’s potential product liability exposure could increase. Comments on the proposed rule must be submitted by March 13, 2014.

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 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 (“BPCI”), 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 of 2010 (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 health care 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 promulgated, 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 for states with additional manufacturer rebates to the states 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 through a centralized procedure involving the EMA, a mutual recognition procedure which requires submission of applications in other member states following approval by a so-called reference member state, or a decentralized procedure that entails simultaneous submission of applications to chosen member states.

During 2013, 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.

The implementation of 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 implementation of new European pharmacovigilance legislation has changed our global pharmacovigilance obligations. These new requirements are intended to improve patient safety. However, they increased our administrative burden and therefore costs, and there are proposals from the European Commission to introduce fees that industry pays for the simplification and maintenance of the European pharmacovigilance system as well as fees for the assessment of pharmacovigilance reports, study protocols and referrals. The principle of the proposal has been agreed, but the actual financial proposals are currently in the last stage of discussion and will most probably be implemented for 2014. This will lead to further increased costs in 2014.

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 2013, 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 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 2013, 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 either six or ten years (the period is selected by each country) from the date of the first market authorization of the original product in the EU. The 2005 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 lodged 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 fifteen years. Previously, longer extensions had been available; for example, French and Italian patents granted before the current SPC legislation came into force were extended by up to eight and eighteen years, respectively.

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

**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 60%-70% of the equivalent branded drug prices (to be revised in April 2014), 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 scheduled for April 2014, is likely to further increase generic penetration.

**Russia**

The Russian government is implementing its 2020 pharmaceutical sector strategy, which 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, as of January 1, 2010, EDL manufacturers must perform annual price review calculated according to the methodology of the Ministry of Health. The law does not regulate prices for non-essential medicines. The legislation also includes safety measures, including obligatory GMP requirements, to be implemented by January 1, 2015, with the goal of ensuring production of high-quality pharmaceuticals and, from July 2013, stipulates prescription by INN. Customs duties for pharmaceuticals were amended effective September 2013.

**Israel**

The Israeli Ministry of Health requires pharmaceutical companies to conform to internationally recognized standards, such as GMP, which were recently changed significantly to meet EU standards. Other legal requirements prohibit the manufacturing, importation and marketing of any medicinal product unless it is approved in accordance with these requirements and strict pharmacovigilance procedures and regulations.

**Latin America**

Historically in Latin America, the regulatory requirements for product approval were low and there has been limited enforcement of patents and other intellectual property rights. For instance, in most of the Latin American countries bioequivalence testing was not mandatory for generic approval, but the requirement is currently changing. Moreover, in recent years, Latin America has seen increased enforcement of intellectual property and data protection rights through the acceptance of trade agreements with the United States and other developed countries. The market has also been characterized by an increased demand for high-quality pharmaceutical products, as the major markets in the region have adopted more stringent regulations governing pharmaceutical product safety and quality. Nevertheless, pricing pressures for pharmaceutical products, which are subject to direct or indirect price controls, in many countries in Latin America, are expected to continue to exert political and budgetary constraints that may foster the continued growth of generics and may have a negative impact on pricing. With respect to biosimilars or follow-on biologics, new regulatory pathways for approval are in development in the region.
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 regulations (representing 60% of the Canadian market) also include certain limitations related to 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 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.

ITEM 4A: UNRESOLVED STAFF COMMENTS

None
ITEM 5: OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Introduction

Overview

We are a fully integrated global pharmaceutical company, with extensive R&D, manufacturing and distribution capabilities. Our business includes two primary segments: generic medicines and specialty medicines, as well as certain additional activities that are not part of these segments, such as our joint venture with Procter & Gamble for the sale of OTC products. As the world’s largest generic company with an established specialty medicines portfolio, we are strategically positioned to benefit from current changes in the global healthcare environment.

We operate in pharmaceutical markets worldwide, with major operations in the United States, Europe and other markets.

Our business strategy seeks to capitalize on the growing global need for medicines and evolving market, economic and legislative dynamics. These dynamics include the aging population, increased spending on pharmaceuticals in emerging markets, economic pressure on governments and private payors to provide cost-effective healthcare solutions, legislative and regulatory reforms, unmet patient needs, an increase in patient awareness and the growing importance of OTC medicines.

We believe that our targeted strategy, dedicated leadership employees, world-leading generics expertise and portfolio, global reach, integrated R&D capabilities and global infrastructure and scale position us to take advantage of opportunities created by these dynamics.

Strategy

The key elements of our strategy consist of:

• Accelerating our growth platforms by focusing on high-value generics, generics with higher barriers to entry and branded generics;

• Extending our global presence by enhancing and refining our portfolio and increasing our presence in order to achieve market leadership in existing markets, and expanding in various emerging markets, including in Latin America and Asia;

• Protecting and expanding our core specialty franchises of CNS, respiratory and pain treatment, as demonstrated by the recent approval of thee-times-a-week Copaxone® 40 mg/ml. We will also make selective investments in women’s health, oncology and other areas;

• Developing new therapeutic entities (“NTEs”) as part of our strategy to expand our specialty business. NTEs are known molecules that are formulated, delivered or used in a novel way to address specific patient needs. We currently have 15 NTE products in our development pipeline;

• Executing strategic business development transactions by focusing on enhancing our core specialty franchises and making selective investments in new or growing geographies. We will also continue to divest assets that are not part of our core strategy; and

• Reducing our operating costs by $2 billion in cost reductions by the end of 2017, with half of that targeted by the end of 2014. We are focusing particular attention on improving our procurement systems by leveraging our purchasing power and improving our production network, supply chain, and resources deployment processes.
Segments

We operate our business in two segments:

• **Generic products**, which include chemical and therapeutic equivalents of originator pharmaceuticals in a variety of dosage forms, including tablets, capsules, ointments, creams, liquids, injectables and inhalants. 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 products**, which include several core franchises, most significantly medicines for CNS disorders such as Copaxone®, Azilect® and Nuvigil®; oncology medicines such as Treanda®; respiratory medicines such as ProAir® HFA and QVAR®, as well as other areas such as women’s health. Our specialty business also includes our emerging NTE activity.

In addition to these two 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.

Highlights

Significant highlights of 2013 included:

• Our revenues 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.

• Our generic medicines segment generated revenues of $9.9 billion and profitability of $1.7 billion, down 5% and 20%, respectively. The decline in revenues was mainly due to lower sales in the United States and ROW markets. Profitability was affected by product mix and increasing costs.

• Our specialty medicines segment generated revenues of $8.4 billion and profitability of $4.6 billion, up 3% and down 3%, respectively. Specialty revenues were up mainly due to higher sales of Copaxone®, Treanda® and Azilect®, which were partially offset by the decline in Provigil® sales. Profitability was impacted by higher R&D and S&M expenses.

• G&A expenses amounted to $1.2 billion and net financial expenses amounted to $399 million, in line with last year.

• Legal settlements and loss contingencies for the year amounted to $1.5 billion, primarily due to the pantoprazole settlement, compared to $715 million for 2012. Impairments, restructuring and others amounted to $788 million for the year, compared to $1.3 billion in 2012.

• Operating income amounted to $1.6 billion, a decrease of $556 million compared to 2012, mainly due to higher legal settlements and loss contingencies, partially offset by lower impairments, restructuring and others.

• Cash flow from operating activities amounted to $3.2 billion, a decrease of $1.3 billion compared to 2012.

• Net income attributable to Teva in 2013 amounted to $1.3 billion, compared to $2.0 billion in 2012.

• In 2013, we paid $577 million in Israeli corporate tax on previously exempt income of $9.4 billion, applying the provisions of Amendment 69 to certain exempt profits accrued prior to 2012.

• In January 2014, we entered into a definitive agreement to purchase NuPathe Inc. for approximately $144 million to be paid at closing, plus additional cash payments of up to $130 million in sales milestones for Zecuity®. Zecuity® is the first and only prescription migraine patch approved by the FDA for the acute treatment of migraine with or without aura in adults. This transaction is expected to close in late February 2014.

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• In January 2014, the U.S. Food and Drug Administration approved our sNDA for Copaxone® 40mg/mL, a higher dose of Copaxone® with a three times a week dosing regimen for patients with RRMS.

Changes in Senior Management

Erez Vigodman will become our President and Chief Executive Officer on February 11, 2014, succeeding Eyal Desheh, who will return to his previous position as Group Executive Vice President and Chief Financial Officer. Mr. Desheh has served as Acting President and Chief Executive Officer following Dr. Jeremy Levin, who stepped down as President and Chief Executive Officer on October 30, 2013.

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:

<table>
<thead>
<tr>
<th>Percentage of Net Revenues</th>
<th>Year Ended December 31,</th>
<th>Percentage Change Comparison</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net revenues</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Gross profit</td>
<td>52.7%</td>
<td>52.4%</td>
</tr>
<tr>
<td>Research and development (R&amp;D) expenses</td>
<td>7.0%</td>
<td>6.7%</td>
</tr>
<tr>
<td>Selling and marketing (S&amp;M) expenses</td>
<td>20.1%</td>
<td>19.1%</td>
</tr>
<tr>
<td>General and administrative (G&amp;A) expenses</td>
<td>6.1%</td>
<td>6.1%</td>
</tr>
<tr>
<td>Legal settlements and loss contingencies</td>
<td>7.5%</td>
<td>3.5%</td>
</tr>
<tr>
<td>Impairments, restructuring and others</td>
<td>3.9%</td>
<td>6.2%</td>
</tr>
<tr>
<td>Operating income</td>
<td>8.1%</td>
<td>10.8%</td>
</tr>
<tr>
<td>Financial expenses—net</td>
<td>2.0%</td>
<td>1.9%</td>
</tr>
<tr>
<td>Income before income taxes</td>
<td>6.1%</td>
<td>8.9%</td>
</tr>
<tr>
<td>Income taxes</td>
<td>(0.2)%</td>
<td>(0.7)%</td>
</tr>
<tr>
<td>Share in losses of associated companies—net</td>
<td>0.2%</td>
<td>0.2%</td>
</tr>
<tr>
<td>Net loss attributable to non-controlling interests</td>
<td>(0.1)%</td>
<td>(0.3)%</td>
</tr>
<tr>
<td>Net income attributable to Teva</td>
<td>6.2%</td>
<td>9.7%</td>
</tr>
</tbody>
</table>

* Represents an amount of less than 0.05%.

Segment Information

The following table presents segment revenues and profitability for the past three years:

<table>
<thead>
<tr>
<th>Generics</th>
<th>Year Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>U.S.$ in millions/% of Segment Revenues</td>
</tr>
<tr>
<td></td>
<td>2013</td>
</tr>
<tr>
<td>Revenues</td>
<td>$9,906</td>
</tr>
<tr>
<td>Gross profit</td>
<td>4,095</td>
</tr>
<tr>
<td>R&amp;D expenses</td>
<td>494</td>
</tr>
<tr>
<td>S&amp;M expenses</td>
<td>1,945</td>
</tr>
<tr>
<td>Segment profitability*</td>
<td>$1,656</td>
</tr>
</tbody>
</table>
### Generic Medicines Segment

**Revenues**

Our generic medicines segment includes sales of generic medicines as well as API sales to third parties. Revenues from our generic medicines amounted to $9.9 billion, a decline of $479 million, or 5%, in 2013 compared to 2012. In local currency terms, sales decreased 3%.

Our largest market for generics is the United States, with revenues of $4.2 billion, down $200 million from 2012, represented 42% of total generics revenues in 2013. Revenues of generic medicines in Europe amounted to $3.5 billion, flat compared to 2012. In local currency terms, European sales decreased 2%. Revenues of generic medicines in Europe represented 35% of total generics revenues in 2013. In our ROW markets, revenues from generic medicines in 2013 amounted to $2.2 billion, a decrease of 11% compared to 2012. In local currency terms, ROW sales decreased 1%. Revenues from generic medicines in ROW markets represented 23% of total generics revenues in 2013.

API sales to third parties in 2013 amounted to $692 million, a decrease of 13% compared to 2012. In local currency, sales decreased 12%. The decrease resulted from lower sales in each of our three geographical areas, the United States, Europe and our ROW markets.

**Comparison of 2012 to 2011.** In 2012, revenues from generic medicines amounted to $10.4 billion, an increase of 2% compared to $10.2 billion in 2011. In local currency terms, revenues increased 5%. U.S. revenues were $4.4 billion, an increase of 11% from 2011. Revenues from generic medicines in Europe amounted to $3.5 billion, a decrease of 11% from 2011. Generic medicines revenues in our ROW markets in 2012 were $2.5 billion, an increase of 9% from 2011.

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

<table>
<thead>
<tr>
<th>Year Ended December 31,</th>
<th>Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>U.S.$ in millions</td>
</tr>
<tr>
<td>United States</td>
<td>$4,181</td>
</tr>
<tr>
<td>Europe*</td>
<td>3,485</td>
</tr>
<tr>
<td>Rest of the World</td>
<td>2,240</td>
</tr>
<tr>
<td>Total Generic Medicines</td>
<td>$9,906</td>
</tr>
</tbody>
</table>

* All members of the European Union, Switzerland, Norway, Albania and the countries of former Yugoslavia.
§ Less than 0.5%. 

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* Segment profitability is comprised of gross profit for the segment, less S&M and R&D expenses related to the segment. Segment profitability does not include G&A expenses, amortization and non-recurring items. See note 21 of our consolidated financial statements and “Operating Income” below for additional information.
United States Generic Medicines Revenues

In 2013, we led the U.S. generic market in total prescriptions and new prescriptions, with total prescriptions of approximately 523 million, representing 15.3% 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, specifically, with a focus on complex generics and other high-barrier products that we believe will create more value for patients and customers, strong emphasis on customer service, the breadth of our product line, our commitment to quality and regulatory compliance and cost-effective production.

Revenues from generic medicines in the United States during 2013 amounted to $4.2 billion, down 5% compared to $4.4 billion in 2012. The decrease resulted mainly from a decline in sales of the generic version of Lexapro® (escitalopram oxalate) for which we had exclusive rights in the first half of 2012, the lack of royalties related to the sales of the generic equivalent of Lipitor® (atorvastatin) under our agreement with Ranbaxy, which we received in the first half of 2012, and a decline in sales of the generic version of Actos® (pioglitazone) and Actoplus met® (pioglitazone/metformin), which were launched in the third quarter of 2012. These decreases were partially offset by higher sales of the generic version of Pulmicort® (budesonide inhalation) and the generic version of Adderall® (amphetamine salts), the exclusive launch of niacin ER, the generic equivalent of Niaspan®, as well as products that were sold in 2013 that were not sold in 2012.

Among the most significant generic products we sold in the United States in 2013 were generic versions of Pulmicort® (budesonide inhalation), Adderall® (mixed amphetamine salts), Niaspan® (niacin ER), Adderall XR® (mixed amphetamine salts ER), Tricor (fenofibrate), Accutane® (isotretinoin, which we market as Claravis™), Provigil® (modafinil) and Catapres-TTS (clonidine transdermal patch).

Comparison of 2012 to 2011. Total generic sales in the United States in 2012 amounted to $4.4 billion, up from $4.0 billion in 2011. The main contributors to this increase were launches of key products during 2012 as well as higher royalties related to sales of the generic equivalent of Lipitor® (atorvastatin).

Products. In 2013, we launched generic versions of the following 21 branded products in the United States (listed by date of launch):

<table>
<thead>
<tr>
<th>Generic Name</th>
<th>Brand Name</th>
<th>Launch Date</th>
<th>Total Annual U.S. Market at Time of Launch $ millions (IMS)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carbamazepine ER capsules 100, 200 &amp; 300 mg</td>
<td>Carbatrol®</td>
<td>Jan-2013</td>
<td>$ 100</td>
</tr>
<tr>
<td>Rizatriptan benzoate tablets 5 &amp; 10 mg</td>
<td>Maxalt®</td>
<td>Feb-2013</td>
<td>$ 348</td>
</tr>
<tr>
<td>Propofol injectable emulsion 10 mg/ml 20 mL vial</td>
<td>Diprivan®</td>
<td>Mar-2013</td>
<td>$ 92</td>
</tr>
<tr>
<td>Oxymorphone tablets 5 &amp; 10 mg</td>
<td>Opana®</td>
<td>Apr-2013</td>
<td>$ 61</td>
</tr>
<tr>
<td>Fluoxetine / olanzapine capsules 25 mg / 3 mg</td>
<td>Symbyax®</td>
<td>Apr-2013</td>
<td>$ 11</td>
</tr>
<tr>
<td>Levalbuterol inhalation solution 0.31, 0.63 &amp; 1.25 mg</td>
<td>Xopenex®</td>
<td>Apr-2013</td>
<td>$ 402</td>
</tr>
<tr>
<td>Topotecan injection 1 mg/mL, 4 mg</td>
<td>**</td>
<td>May-2013</td>
<td>—</td>
</tr>
<tr>
<td>Sildenafil tablets 20 mg</td>
<td>Revatio®</td>
<td>May-2013</td>
<td>$ 275</td>
</tr>
<tr>
<td>Etoposide injection 20 mg/mL***</td>
<td>VePesid®</td>
<td>May-2013</td>
<td>$ 8</td>
</tr>
<tr>
<td>Leucovorin injection 350 mg vial***</td>
<td>Wellcovorin® I.V.</td>
<td>May-2013</td>
<td>$ 8</td>
</tr>
<tr>
<td>Acitretin capsules 10, 17.5 &amp; 25 mg</td>
<td>Soriatane®</td>
<td>Jul-2013</td>
<td>$ 133</td>
</tr>
<tr>
<td>Temozolomide capsules 5, 20, 100, 140, 180 &amp; 250 mg</td>
<td>Temodar®</td>
<td>Aug-2013</td>
<td>$ 430</td>
</tr>
<tr>
<td>500/30/500 mg</td>
<td>Prevpak® Kit</td>
<td>Sep-2013</td>
<td>$ 75</td>
</tr>
<tr>
<td>Niacin ER tablets 500, 750 &amp; 1000 mg</td>
<td>Niaspan® ER</td>
<td>Sep-2013</td>
<td>$1,121</td>
</tr>
<tr>
<td>Adenosine injection 3 mg/mL 20 &amp; 30 mL vials</td>
<td>Adenoscan®</td>
<td>Sep-2013</td>
<td>$ 63</td>
</tr>
<tr>
<td>Paricalcitol capsules 1, 2 &amp; 4 mg</td>
<td>Zemplar®</td>
<td>Sep-2013</td>
<td>$ 115</td>
</tr>
<tr>
<td>Rabeprazole sodium DR tablets</td>
<td>Aciphex®</td>
<td>Nov-2013</td>
<td>$ 830</td>
</tr>
<tr>
<td>Tobramycin inhalation solution</td>
<td>Tobi®</td>
<td>Nov-2013</td>
<td>$ 345</td>
</tr>
<tr>
<td>Dexamethasone trinitrate ER capsules 40 mg</td>
<td>Focalin XR®</td>
<td>Nov-2013</td>
<td>$ 26</td>
</tr>
<tr>
<td>Imiquimod cream 5%</td>
<td>Aldara®</td>
<td>Dec-2013</td>
<td>$ 146</td>
</tr>
<tr>
<td>Duloxetine ER capsules 20, 30 &amp; 60 mg</td>
<td>Cymbalta®</td>
<td>Dec-2013</td>
<td>$5,432</td>
</tr>
</tbody>
</table>
We expect that our generic medicines revenues in the U.S. will continue to benefit from our strong generic pipeline, which, as of January 24, 2014, had 133 product registrations awaiting FDA approval, including 36 tentative approvals. Collectively, these 133 products had U.S. sales in 2013 exceeding $81 billion. Of these applications, 97 were “Paragraph IV” applications challenging patents of branded products. We believe we are first to file with respect to 53 of these products, the branded versions of which had U.S. sales of more than $40 billion in 2013. 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 2013 we received, in addition to 17 final generic drug approvals, eight tentative approvals which remain tentative at December 31, 2013. 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:

<table>
<thead>
<tr>
<th>Generic Name</th>
<th>Brand Name</th>
<th>Total U.S. Annual Branded Market $ millions (IMS)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valsartan tablets 40, 80, 160 &amp; 320 mg</td>
<td>Diovan®</td>
<td>$2,069</td>
</tr>
<tr>
<td>Guanfacine ER tablets</td>
<td>Intuniv®</td>
<td>$ 496</td>
</tr>
<tr>
<td>Entecavir tablets 0.5 &amp; 1 mg</td>
<td>Baraclude®</td>
<td>$ 301</td>
</tr>
<tr>
<td>Varenicline tablets 0.5 &amp; 1 mg</td>
<td>Chantix®</td>
<td>$ 377</td>
</tr>
<tr>
<td>Paricalcitol injection 2 mcg/ml and 5 mcg/ml</td>
<td>Zemplar®</td>
<td>$ 202</td>
</tr>
<tr>
<td>Dexmethylphenidate ER capsules 15, 25, 30 &amp; 35 mg</td>
<td>Focalin XR®</td>
<td>$ 399</td>
</tr>
<tr>
<td>Darunavir tablets 75, 150, 400 &amp; 600 mg</td>
<td>Prezista®</td>
<td>$ 517</td>
</tr>
<tr>
<td>Ethinyl estradiol / norethindrone acetate tablets</td>
<td>Loestrin 24 FE®</td>
<td>$ 425</td>
</tr>
</tbody>
</table>

* The figures given are for the twelve months ended December 31, 2013.

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 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 2013 amounted to $3.5 billion, in line with 2012. In local currency terms, revenues decreased 2%, mainly due to lower sales of API to third parties. During 2013, the euro and the Hungarian forint strengthened against the dollar, while the British pound weakened.
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 France, Spain, Italy, Germany 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.

We continue to monitor activities in the European countries which, based on our internal assessment, are still experiencing economic stress, and are taking action to limit our exposure in these countries.

As of December 31, 2013, Teva had received 993 generic approvals in Europe relating to 173 compounds in 340 formulations, including 2 European Medicines Agency (“EMA”) approvals valid in all EU member states. In addition, Teva had approximately 1,632 marketing authorization applications pending approval in 31 European countries, relating to 207 compounds in 414 formulations, including 3 applications pending with the EMA. We 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. We register generic products in countries that are part of our European market region, but are not EU members, with the applicable authorities in these countries.

Listed below are generic revenues highlights for 2013 in our most significant European operations in terms of size:

- **Germany:** Generic revenues in 2013 decreased 5%. In local currency terms, generic revenues decreased 8% compared to 2012. This decrease is due to our strategic focus on sustainable and profitable business, leading to lower participation in the tender market, and due to the limited number of new products launched during the year.

- **France:** Generic revenues in 2013 increased 2%. In local currency terms, generic revenues decreased 1% compared to 2012, due primarily to increased competition.

- **United Kingdom:** Our generic revenues in 2013 increased 2%, or 4% in local currency terms, compared to 2012. This was mainly due to our commercial initiatives and our ability to respond quickly to shortages in the market. We maintained our position as the largest generic pharmaceutical company in the U.K.

- **Italy:** Generic revenues in 2013 increased 21%. In local currency terms, generic revenues increased 16%. The increase is primarily the result of improvements in our supply management.

- **Spain:** Generic revenues in 2013 decreased 1%. In local currency terms, generic revenues decreased 4%, primarily due to the introduction of a tender business model in Andalucía, which reduced sales, partially offset by new launches and increased sales in other regions. We maintained our leadership in the generic market.

**ROW Generic Medicines Revenues**

ROW markets include all countries other than the United States and those in our European region. We began including, as of January 1, 2013, certain South Eastern European countries in “Europe”. The comparable revenues in 2012 and 2011 have been presented according to the new definition.

Our ROW region includes both pure generic markets, such as Canada and Israel, and markets in which generic medicines are sold under brand names, such as Russia, Ukraine and several Asian and Latin American countries. Sales of branded generic medicines usually generate higher gross margins, but involve higher marketing expenditures than non-branded generics.

In our ROW markets, generics revenues amounted to approximately $2.2 billion, a decrease of 11% compared to 2012. The decrease was mainly due to lower revenues in Japan, Canada and certain Latin America
markets, partially offset by higher revenues in Russia. In local currency terms, revenues decreased 1%. We consider Japan, Russia and the Latin American countries to be the major “emerging” generics markets, which are characterized by rapid growth and relatively high revenues of branded generics, while Canada and Israel are “mature” generics markets that have higher generic penetration rates and therefore lower growth rates. Generic medicines revenues in our emerging generics markets in 2013 amounted to $1.7 billion, a decrease of 11% from $1.9 billion in 2012. Revenues in our mature generics markets amounted to $564 million for the year, a decrease of 11% compared to 2012.

Below are our revenues in these markets which represent approximately 87% of total revenues in the generic ROW markets:

In Japan, our generic revenues in 2013 decreased 20%, or 3% in local currency terms, compared to 2012. Our results in Japan mainly reflect certain quality and supply issues, which resulted in product shortages during the year. The Japanese generics market as a whole is expected to grow continuously, bolstered by new government incentives to increase generic penetration. In recent months, we have enhanced remediation efforts to address the operational difficulties.

In Latin America, revenues of our generic medicines decreased 5%, yet increased 11% in local currency terms, compared to 2012. The increase in local currency terms was primarily driven by volume growth accomplished through focused marketing programs promoting our generic and branded generic medicines, as well as price increases. We achieved growth in most markets and continued to defend our market share across the region.

We continue to expect revenues to be adversely affected by drug price legislation in certain Latin American markets in the near future. Revenues may be further adversely affected by exchange rate fluctuations in certain Latin American markets which may significantly reduce our sales in the region.

Our generic medicines revenues in Russia in 2013 grew 6%, or 11% in local currency terms, as compared to 2012. The growth 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, slightly increasing our market share.

In Canada, where we are one of the two leading generic pharmaceutical companies, generic revenues decreased 13% in 2013, or 10% in local currency terms, compared to 2012. The decrease was primarily due to price reforms, partially offset by sales from new generic product launches.

Generic medicines revenues in Israel in 2013 increased 3% compared to 2012. In local currency terms, revenues decreased 2% due to lower sales of API to third parties.

Comparison of 2012 to 2011. In 2012, generic medicines revenues in the ROW markets in 2012 were $2.5 billion, an increase of 9% compared to 2011. The increase was mainly due to the inclusion of a full year of revenues of Taiyo in Japan, and the further consolidation of our activities in the country, as well as growth in certain Latin America markets, partially offset by lower revenues in Canada, Russia and Israel. In local currency terms, revenues grew 11%.

Generic Medicines Gross Profit

In 2013 gross profit from our generic medicines segment amounted to $4.1 billion, a decrease of $423 million, or 9%, compared to $4.5 billion in 2012. The lower gross profit was mainly a result of a change in the composition of revenues in the United States and Canada, mainly royalties related to sales in the United States of the generic equivalent of Lipitor® (atorvastatin) under the agreement with Ranbaxy, higher charges related to inventories, a decrease in profits from API sales to third parties, as well as lower sales of other generic medicines, partially offset by sales of higher profitability products in the United States.
Gross profit margin for our generic medicines segment in 2013 decreased to 41.3%, from 43.5% in 2012. This 2.2% decrease in gross margin was mainly a result of the change in the composition of revenues in the United States and Canada (which decreased gross margin by 1.6 points), the higher charges related to inventories (which decreased gross margin by 1.1 points), the decrease of API sales to third parties and lower sales of other generic medicines (which, in the aggregate, decreased gross margin by 3.4 points), partially offset by sales of higher profitability products in the United States (which increased gross margin by 3.9 points).

Comparison of 2012 to 2011. Generic medicines segment gross profit amounted to $4.5 billion in 2012, compared to $4.6 billion in 2011. Gross profit margins were 43.5% in 2012, compared to 45.2% in 2011.

Generic Medicines R&D Expenses

Research and development expenses relating to our generic medicines for 2013 were $494 million, an increase of 2% compared to $485 million in 2012. As a percentage of segment revenues, R&D expenses were 5.0% in 2013, compared to 4.7% in 2012.

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 legal 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 2013 amounted to $1.9 billion, a slight decrease of 1% compared to $2.0 billion in 2012, mainly due to lower expenses in Europe, partially offset by higher royalty payments in the United States mainly related to higher sales of our generic versions of Pulmicort® (budesonide inhalation).

As a percentage of segment revenues, selling and marketing expenses increased to 19.6% in 2013 from 19.0% in 2012.


Generic Medicines Profitability

The profitability 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 profitability does not include general and administrative expenses, amortization and non-recurring items. See note 21 of our consolidated financial statements and “Operating Income” below for additional information.

Profitability of our generic medicines segment amounted to $1.7 billion in 2013, compared to $2.1 billion in 2012. The decrease was due to factors previously discussed, primarily lower revenues and lower gross profit, which were partially offset by a reduction in selling and marketing expenses.

Generic medicines profitability as a percentage of generic medicines revenues was 16.7% in 2013, down from 19.9% in 2012. The decrease was mainly due to lower gross margin (2.2 points) and higher S&M expenses as percentage of generic medicines revenues (0.6 points), as well as higher R&D expenses as a percentage of generic medicines revenues (0.3 points).

Comparison of 2012 to 2011. Generics profitability amounted to $2.1 billion in 2012, the same as in 2011. As a percentage of revenues, generic profitability as a percentage of generic medicines revenues amounted in 2012 to 19.9%, down from 20.2% for 2011.
Specialty Medicines Segment

**Revenues**

Specialty medicines revenues in 2013 amounted to $8.4 billion, an increase of 3% compared to 2012. In the United States, our specialty medicines revenues amounted to $6.0 billion, an increase of 3% from 2012. Specialty medicines revenues in Europe amounted to $1.7 billion, an increase of 8% from 2012. In local currency terms, specialty medicines revenues in Europe grew 6%. ROW revenues were $670 million, a decrease of 7%, or 3% in local currency terms, compared to 2012. Our specialty medicines segment also includes our NTE development program, although we have not yet realized any revenues from this program.

**Comparison of 2012 to 2011.** In 2012, specialty medicines revenues amounted to $8.2 billion, compared to $6.5 billion in 2011. United States revenues were $5.9 billion, an increase of 22% from 2011. Specialty medicines revenues in Europe amounted to $1.6 billion, an increase of 42% over 2011. Specialty medicines revenues in our ROW markets in 2012 were $718 million, an increase of 24% over 2011. The increase was mainly due to the acquisition of Cephalon in October 2011.

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**

<table>
<thead>
<tr>
<th></th>
<th>U.S. $ in millions</th>
<th>Year ended December 31,</th>
<th>Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Specialty Medicines</strong></td>
<td>$8,402</td>
<td>$8,150</td>
<td>$6,493</td>
</tr>
<tr>
<td><strong>Central Nervous System (“CNS”)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CNS</td>
<td>$5,505</td>
<td>$5,464</td>
<td>$4,412</td>
</tr>
<tr>
<td>Copaxone®</td>
<td>4,328</td>
<td>3,996</td>
<td>3,570</td>
</tr>
<tr>
<td>Azilect®</td>
<td>371</td>
<td>330</td>
<td>290</td>
</tr>
<tr>
<td>Nuvigil®</td>
<td>320</td>
<td>347</td>
<td>86</td>
</tr>
<tr>
<td>Provigil®</td>
<td>91</td>
<td>417</td>
<td>350</td>
</tr>
<tr>
<td><strong>Oncology</strong></td>
<td>982</td>
<td>860</td>
<td>268</td>
</tr>
<tr>
<td>Treanda®</td>
<td>709</td>
<td>608</td>
<td>131</td>
</tr>
<tr>
<td><strong>Respiratory</strong></td>
<td>905</td>
<td>856</td>
<td>878</td>
</tr>
<tr>
<td>ProAir®</td>
<td>429</td>
<td>406</td>
<td>436</td>
</tr>
<tr>
<td>Qvar®</td>
<td>328</td>
<td>297</td>
<td>305</td>
</tr>
<tr>
<td><strong>Women’s Health</strong></td>
<td>463</td>
<td>448</td>
<td>438</td>
</tr>
<tr>
<td><strong>Other Specialty</strong></td>
<td>547</td>
<td>522</td>
<td>497</td>
</tr>
<tr>
<td><strong>Total Specialty Medicines</strong></td>
<td>$8,402</td>
<td>$8,150</td>
<td>$6,493</td>
</tr>
</tbody>
</table>

**Central Nervous System (“CNS”)**

Our CNS specialty product line includes Copaxone®, Azilect®, Nuvigil®, Fentora® and several other medicines. In 2013, our CNS sales reached $5.5 billion, an increase of 1% over 2012, primarily due to higher Copaxone® and Azilect® revenues, partially offset by a decrease in revenues from Provigil® and Nuvigil®, following the introduction of generic modafinil in the United States in 2012.

**Copaxone®.** In 2013, Copaxone® (glatiramer acetate injection) continued to be the leading multiple sclerosis therapy in the U.S. and globally. Our sales of Copaxone® grew to $4.3 billion, an 8% increase compared to 2012 Teva sales and 7% over the in-market sales of the comparable period.

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.
Copaxone® revenues in the United States in 2013 increased 11% to $3.2 billion due to price increases of 4.9% in October 2012 and 9.9% in January 2013, in addition to a slight volume increase. Our U.S. market shares in terms of new and total prescriptions were 27.9% and 33.1%, respectively, according to December 2013 IMS data.

Revenues in the United States accounted for 75% of global Copaxone® revenues in 2013, an increase from 72% of global in-market sales in 2012.

In January 2014, the FDA approved our sNDA for Copaxone® 40mg/mL, a higher dose of Copaxone® with a three times a week dosing regimen for patients with RRMS.

Our business strategy for Copaxone® relies heavily on the successful introduction of a three-times-a-week product and the migration of a substantial percentage of current daily Copaxone® patients to 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.

Our Copaxone® revenues outside the United States amounted to $1.1 billion during the year, 2% higher than 2012. The increase mostly reflects higher revenues in Europe driven by volume growth, which were partially offset by lower revenues in our ROW markets, mostly due to the timing of tenders in Russia.

Non-U.S. in-market sales decreased 1% compared to 2012. The effect of foreign exchange fluctuations on revenues was immaterial. Sanofi is entitled to receive 6% of the in-market sales of Copaxone® in the applicable European countries for a period of two years from our assumption of the distribution and marketing responsibilities.

A purported generic glatiramer acetate was approved and launched in Argentina in the first quarter of 2013. We continue to express concern regarding the safety of purported generics without proven bioequivalence, specifically if launched in markets without strong pharmacovigilance programs. The launch did not materially affect our global sales of Copaxone®.

As part of a government tender procedure in Mexico, a local manufacturer was allowed to bid to provide a purported generic glatiramer acetate and was awarded a substantial part of the tender in 2013 and 2014. We are pursuing legal action seeking to revoke the local manufacturer approval. The award did not materially affect our global sales of Copaxone®.

Copaxone®, our leading innovative medicine, was responsible for $4.3 billion (including $3.2 billion in the U.S.), or approximately 21%, of our revenues in 2013, and a significantly higher percentage contribution to our profits and cash flow from operations during such period. Copaxone® faces competition from existing injectable products, such as the four beta-interferons Avonex®, Betaseron®, Extavia® and Rebif® as well as from Tysabri®, a monoclonal antibody. In addition, 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 Gilenya®, which was introduced in 2010 by Novartis, Biogen’s Tecfidera®, which was launched in the United States in the second quarter of 2013, and Genzyme’s Aubagio®, which has been approved in some markets, including the United States, continue to present especially intense competition due to the convenience of oral administration.

Our U.S. Orange Book patents covering Copaxone® expire in May 2014. As a result, generic competition to the 20mg product in the United States may begin as early as May 2014, assuming FDA approval. We have patents expiring in May 2015 in most of the rest of the world. A number of our competitors in the United States, including Momenta/Sandoz, Mylan/Natco and Synthon, have filed ANDAs for purported generic versions of Copaxone® challenging our patents.

The FDA is enjoined from granting final approval to any purported generics prior to May 24, 2014, and 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.
On December 6, 2013, we filed a citizen’s petition requesting that the FDA refuse to approve any ANDA for a purported generic version of Copaxone® without scientific data demonstrating that (1) the proposed generic product contains the identical active ingredient as Copaxone®, (2) the immunogenicity risks associated with the proposed generic product are no greater than the risks associated with Copaxone®, including a demonstration that the risks of alternating or switching between the two products are no greater than remaining on Copaxone® and (3) the proposed generic product is bioequivalent to Copaxone®. This citizen’s petition includes the results of a new gene expression analysis demonstrating significant differences between the biological impact of Copaxone® and a purported generic versions of Copaxone®, which may have unknown safety and efficacy ramifications for patients.

Comparison of 2012 to 2011. In 2012, in-market global sales of Copaxone® were approximately $4.0 billion, an increase of 3% over 2011. U.S. revenues in 2012 accounted for 72% of global in-market sales of Copaxone®.

Azilect®. We jointly market Azilect® (rasagiline tablets) with Lundbeck in certain key European countries. We exclusively market Azilect® in the United States and Germany and certain other markets, while Lundbeck exclusively markets Azilect® in the remaining European countries and certain other international markets.

Global in-market sales, which represent sales by Teva and Lundbeck to third parties, reached $493 million in 2013 compared to $420 million in 2012, an increase of 17%. Our sales of Azilect® amounted to $371 million, an increase of 12% compared to 2012. The increase in sales reflects both price increases and volume growth in the United States, as well as volume growth in Europe.

Comparison of 2012 to 2011. In 2012, in-market global sales of Azilect® were $420 million, an increase of 7% over 2011.

Nuvigil®. Our global Nuvigil® sales in 2013 amounted to $320 million, compared to $347 million in 2012. Nuvigil®’s market share in terms of total prescriptions of the U.S. wake category was 42.8% at the end of 2013.

Provigil®. Our sales of Provigil® in 2013 amounted to $91 million, compared to $417 million in 2012. Provigil® began to face generic competition in the United States in March 2012 and as a result, sales decreased substantially.

Oncology Products

Our specialty oncology product line includes Treanda®, Synribo®, and certain other products, as well as our biosimilar products indicated mainly for the treatment of side effects of oncology treatments. Sales of these products amounted to $982 million in 2013 as compared to $860 million in 2012. The increase resulted primarily from higher sales of Treanda® as well as higher sales of our biosimilar products. During the year, we launched new G-CSF products in both the United States and Europe.

Sales of Treanda® amounted to $709 million in 2013, compared to $608 million in 2012, primarily due to volume growth.

Comparison of 2012 to 2011. In 2012, sales of our oncology product line reached $860 million, an increase of 221% from $268 million in 2011, due to the acquisition of Cephalon.

Respiratory Products

Our respiratory product line includes our specialty respiratory products, mainly ProAir®, Qvar® and Qnasl®. Revenues from our specialty respiratory products increased 6% in 2013 to $905 million, primarily due to higher revenues in the United States, partially offset by lower sales in Europe.
ProAir® (albuterol HFA), which we sell only in the United States, is a short-acting beta-agonist (“SABA”) for the treatment of bronchial spasms linked to asthma or COPD and exercise-induced bronchospasm. ProAir® revenues in 2013 amounted to $429 million, an increase of 6% compared to 2012, mainly due to volume growth. ProAir® maintained its leadership in the SABA market, with a market share of 53.9% in terms of total number of prescriptions during the fourth quarter of 2013, an increase of 2.0 points compared to the fourth quarter of 2012.

Qvar® (beclomethasone dipropionate HFA) is an inhaled corticosteroid for long-term control of chronic bronchial asthma. Qvar® global sales in 2013 amounted to $328 million, an increase of 10% compared to 2012, due to increased sales mainly in the United States, driven by volume growth. Qvar® maintained its second-place position in the inhaled corticosteroids category in the United States, with a market share of 31.9% in terms of total number of prescriptions during the fourth quarter of 2013, an increase of 5.0 points compared to the fourth quarter of 2012.

Comparison of 2012 to 2011. In 2012, sales of our respiratory products amounted to approximately $856 million, compared to $878 million in 2011.

Women’s Health Products

Our women’s health product line includes our specialty women’s health products such as Paragard®, Plan B One-Step®, Zoely®, Enjuvia®, and the recently-launched QuartetteTM but does 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 $463 million in 2013, an increase of 3% from $448 million in 2012. The effect of foreign exchange fluctuations on revenues was negligible. The increase in revenues is mainly due to higher sales of women’s health products in Europe and Latin America, as well as the launch of QuartetteTM and Plan B One-Step® OTC in the United States in the third quarter, partially offset by lower sales of other products in the United States.

Comparison of 2012 to 2011. In 2012, sales of our women’s health products amounted to $448 million, an increase of 2% from $438 million in 2011.

Specialty Medicines Gross Profit

In 2013, gross profit from our specialty medicines segment amounted to $7.3 billion, an increase of 2% compared to $7.2 billion in 2012. The higher gross profit was mainly a result of higher sales of specialty medicines.

Gross profit margin for our specialty medicines segment in 2013 was 87.2% compared to 88.0% in 2012. The slight decrease in gross margin was mainly a result of the lower sales of Provigil® (which decreased gross margin by 0.4 points) and lower sales of other specialty medicines (which decreased gross margin by 0.6 points), partially offset by higher sales of Copaxone® (which increased gross margin by 0.2 points).

Comparison of 2012 to 2011. Specialty medicines segment gross profit amounted to $7.2 billion in 2012, compared to $5.6 billion in 2011.

Specialty Medicines R&D Expenses

Research and development expenses relating to our specialty medicines in 2013 were $909 million, an increase of 15% compared to $793 million in 2012, primarily as a result of increased investment in our NTEs and respiratory pipeline. As a percentage of segment revenues, R&D spending was 10.8% in 2013, compared to 9.7% in 2012, reflecting these increased investments. Our specialty R&D activities focus primarily on product candidates in the CNS and respiratory therapeutic areas, with selective focus on oncology and other areas that fit our strategy.
Specialty R&D expenditures include upfront and milestone payments for products in the development phase, the costs of discovery research, preclinical development, early- and late-clinical development and drug formulation, clinical trials, 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, from drug discovery through pre-launch marketing activities, including (a) early-stage projects in both discovery and preclinical phases; (b) middle-stage projects in clinical programs up to phase III; and (c) late-stage projects in phase III programs, including where an NDA is currently pending approval, and continuing for life cycle management 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 III, 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:

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Early stage: discovery and pre-clinical</td>
<td>$ 57 N/A</td>
<td>$ 76 N/A</td>
<td>$ 75 N/A</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Middle stage: clinical up to phase III</td>
<td>147 16</td>
<td>228 18</td>
<td>91 18</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Late stage: phase III and registration</td>
<td>396 16</td>
<td>324 19</td>
<td>291 28</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NTEs</td>
<td>19 14</td>
<td>1 —</td>
<td>0 —</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unallocated R&amp;D*</td>
<td>308 254</td>
<td>226</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total gross R&amp;D expenses**</td>
<td>927 883</td>
<td>683</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total net R&amp;D expenses</td>
<td>909 793</td>
<td>616</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* 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 includes full cost programs that are partially funded by third parties.

Specialty Medicines S&M Expenses

S&M expenses related to our specialty medicines in 2013 amounted to $1.9 billion, compared to $1.7 billion in 2012.

As a percentage of segment revenues, selling and marketing expenses increased to 22.0% in 2013 from 20.7% in 2012.

The increase was primarily due to higher expenditures related to launches of new products such as Lonquex® and Granix® during 2013, as well as preparation for additional product launches planned for 2014.

Comparison of 2012 to 2011. Specialty medicines S&M expenses in 2012 amounted to $1.7 billion, compared to $1.1 billion in 2011.
**Specialty Medicines Profitability**

The profitability 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 profitability does not include general and administrative expenses, amortization and non-recurring items. See note 21 of our consolidated financial statements and “Operating Income” below for additional information.

Profitability of our specialty medicines segment amounted to $4.6 billion in 2013, compared to $4.7 billion in 2012, a decrease of 3%. This is a result of the factors discussed above, namely higher R&D and S&M expenses, partially offset by higher gross profit.

Specialty medicines profitability as a percentage of segment revenues was 54.4% in 2013, down from 57.6% in 2012, a decrease of 3.2 points. The decline was mainly attributed to lower gross profit (0.8 points), higher R&D expenses as a percentage of specialty medicines revenues (1.1 points) and higher S&M expenses as a percentage of specialty medicines revenues (1.3 points), as discussed above.

Our multiple sclerosis 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 G&A expenses, amortization and non-recurring items. Our MS franchise profitability was $3.3 billion, $3.0 billion and $2.8 billion in 2013, 2012 and 2011, respectively. Profitability of our multiple sclerosis franchise as a percentage of Copaxone® revenues was 76%, 74% and 79% in 2013, 2012 and 2011, respectively.

Comparison of 2012 to 2011. Specialty medicines profitability amounted to $4.7 billion in 2012, compared to $3.9 billion in 2011, an increase of 20%. As a percentage of revenues, specialty medicines profitability was 57.6%, compared to 60.2% in 2011.

**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 2013 amounted to $1.2 billion, an increase of 24%, compared to $936 million in 2012. Our revenues related to PGT amounted to $910 million, an increase of 22%, compared to $747 million in the previous year. In local currency terms, revenues grew 26%. Revenues grew in all regions, partially offset by a small decrease in Latin America.

PGT’s in-market sales in 2013 amounted to $1.5 billion. This amount represents sales of the combined OTC portfolios of Teva and P&G outside North America. Sales grew in all regions in local currency terms due to increased commercial activities and price increases.

Revenues from OTC products in the United States to P&G, which commenced in the fourth quarter of 2011 pursuant to a manufacturing agreement, amounted to $254 million in 2013, as compared to $189 million in 2012.

Comparison of 2012 to 2011. In 2012, our OTC revenues were $936 million, an increase of 22% over 2011, primarily due to the contributions of the ratiopharm business.

**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 2013, we recorded sales of $841 million, similar to sales of $846 million in 2012.
Comparison of 2012 to 2011. In 2012, we recorded sales of $846 million, a slight decrease compared to sales of $858 million in 2011.

Teva Consolidated Results

Revenues

Revenues in 2013 amounted to $20.3 billion, flat compared to 2012. In local currency terms, revenues increased 1%. Our revenues were positively affected by higher sales of our specialty medicines and of our OTC products, mainly in our ROW markets, offset by lower revenues of our generic medicines. Please see “Generic Medicines Revenues” and “Specialty Medicines Revenues” above. Exchange rate movements during 2013 in comparison with 2012 negatively impacted overall revenues by approximately $166 million.

Comparison of 2012 to 2011. Revenues in 2012 amounted to $20.3 billion, compared to $18.3 billion in 2011, an increase of 11%.

Gross Profit

In 2013, gross profit amounted to $10.7 billion, an increase of 1% compared to 2012.

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, costs related to regulatory actions taken in facilities and inventory step-up charges, which decreased from $1.4 billion in 2012 to $1.2 billion in 2013.

Gross profit as a percentage of revenues was 52.7% in 2013, compared to 52.4% in 2012. The increase in gross profit as a percentage of revenues primarily reflects the lower amortization of purchased intangible assets, costs related to regulatory actions taken in facilities and inventory step-up charges (which increased gross profit as a percentage of revenues by 1.1 points), partially offset by lower profitability of our generic medicines segment (which decreased gross profit as a percentage of revenues by 0.8 points).

Comparison of 2012 to 2011. Gross profit increased in 2012 to $10.7 billion from $9.5 billion in 2011, an increase of 12%. Gross profit as a percentage of revenues was 52.4% in 2012, compared to 52.0% in 2011.

Research and Development (R&D) Expenses

Net research and development expenses for 2013, including the purchase of in-process R&D, were $1.4 billion, an increase of 5% compared to 2012. Specialty R&D expenses were $909 million and generic R&D expenses were $494 million in 2013, compared to $793 million and $485 million, respectively, in 2012. As a percentage of revenues, R&D spending was 7.0% in 2013, compared to 6.7% in 2012.

In 2013, we increased our R&D spending, primarily as a result of the factors previously discussed under “Generic Medicines—R&D Expenses” and “Specialty Medicines—R&D Expenses” above.

Comparison of 2012 to 2011. R&D expenses increased in 2012 to $1.4 billion from $1.1 billion in 2011, an increase of 24%.

Selling and Marketing (S&M) Expenses

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

In 2013, we increased 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 2012 to 2011. S&M expenses in 2012 amounted to $3.9 billion, an increase of 12% over 2011. As a percentage of revenues, S&M expenses increased from 19.0% in 2011 to 19.1% in 2012.

General and Administrative (G&A) Expenses

G&A expenses in 2013 amounted to $1.2 billion, similar to 2012. As a percentage of revenues, G&A expenses maintained a level of 6.1% in 2013, to the same as in 2012.

Comparison of 2012 to 2011. G&A expenses in 2012 amounted to $1.2 billion, an increase of 33% over 2011. As a percentage of revenues, G&A expenses increased to 6.1% for 2012 from 5.1% for 2011.

Legal Settlements and Loss Contingencies

Legal settlements and loss contingencies for 2013 amounted to $1.5 billion, compared to $715 million in 2012. The 2013 expenses are comprised mainly of an additional charge of $930 million relating to the settlement of the pantoprazole patent litigation and a charge of $495 million relating to the modafinil antitrust litigation.

Impairments, Restructuring and Others

Expenses for impairments, restructuring and others amounted to $788 million in 2013, compared to $1.3 billion for 2012.

Impairments

Impairment of long-lived assets for 2013 amounted to $524 million in 2013, comprised of:

1. Identifiable intangible assets—$393 million:
   a. Product rights impairment of $227 million, primarily comprised of a $112 million impairment based on current market conditions and supply chain challenges in Japan, product rights impairment of $41 million of multiple products in Europe, and a $23 million impairment of product rights for Cenestin® related to API constraints. Impairments of product rights in 2012 were $233 million.
   b. In-process R&D impairments amounted to $166 million, mainly comprised of a $99 million impairment of armodafinil (Nuvigil®) for the treatment of bi-polar disorder following the negative results of the third pivotal clinical trial and a $54 million impairment of Zoely® following negative Phase III trial results. In 2012, in-process R&D impairments amounted to $625 million.

2. Non-current investments—$70 million, mainly comprised of $25 million for Mediwound Ltd. and $15 million for Andromeda Biotech Ltd. In 2012, non-current investments impairment was $23 million.

3. Property, plant and equipment—$61 million, based on management decisions regarding their expected use, which triggered a reassessment of fair value. In 2012, property, plant and equipment impairment was $190 million.

The carrying value as of December 31, 2013 of Teva’s in-process R&D asset Revascor®, mesenchymal precursor cells, is $258 million. This drug candidate is in a Phase III trial for congestive heart failure. Adverse 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 $334 million.

Restructuring

In 2013, Teva recorded $201 million of restructuring expenses, compared to $221 million in 2012.

In October 2013, management announced the acceleration of its company-wide cost-savings plan, which includes several initiatives, including a reduction in the number of employees. Expenses for the corporate
restructuring program are estimated to be approximately $1.1 billion. Most costs are likely to be incurred throughout 2014, as the details of the plan are finalized and accounting criteria for expense recognition are met.

**Contingent Considerations**

An expense of $36 million was recorded against contingent consideration recorded in 2013, mainly in connection with the Cephalon acquisition. In 2012, a $40 million contingent consideration benefit was recorded as a result of impairing long-lived assets that decreased associated milestone payment liabilities, previously recorded in connection with the Cephalon acquisition.

**Operating Income**

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

The decrease in operating income was due to factors previously discussed, primarily higher expenses in connection with legal settlements and loss contingencies, and higher S&M expenses, changes in contingent consideration related to business combination as well as higher R&D expenses. This decrease was partially offset by lower impairments of long-lived assets and higher gross profit as well as lower restructuring expenses. Foreign exchange rate movements during 2013 in comparison with 2012 lowered our operating income by $126 million.

The decrease of 2.7 points in operating income as a percentage of revenues was mainly due to higher expenses in connection with legal settlement and loss contingencies (4.0 points) and higher selling and marketing margin (1.0 points), changes in contingent consideration related to business combination (0.4 points) as well as a higher R&D margin (0.3 points), partially offset by lower impairments of long-lived assets (2.7 points) as well as a higher gross margin (0.3 points).

**Comparison of 2012 to 2011**. Operating income in 2012 amounted to $2.2 billion, a decrease of 29% over 2011. As a percentage of revenues, operating income decreased to 10.8% in 2012 from 17.0% in 2011.

The following table presents a reconciliation of our segment profitability to Teva’s consolidated operating income for the past three years:

<table>
<thead>
<tr>
<th>Year ended December 31,</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(U.S.$ in millions)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Generic medicines profitability</td>
<td>$1,656</td>
<td>$2,062</td>
<td>$2,059</td>
</tr>
<tr>
<td>Specialty medicines profitability</td>
<td>4,567</td>
<td>4,694</td>
<td>3,907</td>
</tr>
<tr>
<td>Total segment profitability</td>
<td>6,223</td>
<td>6,756</td>
<td>5,966</td>
</tr>
<tr>
<td>Profitability of other activities</td>
<td>214</td>
<td>197</td>
<td>219</td>
</tr>
<tr>
<td>Total profitability</td>
<td>6,437</td>
<td>6,953</td>
<td>6,185</td>
</tr>
<tr>
<td>Amortization</td>
<td>1,180</td>
<td>1,272</td>
<td>707</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>1,239</td>
<td>1,238</td>
<td>932</td>
</tr>
<tr>
<td>Legal settlements and loss contingencies</td>
<td>1,524</td>
<td>715</td>
<td>471</td>
</tr>
<tr>
<td>Impairments, restructuring and others</td>
<td>788</td>
<td>1,259</td>
<td>430</td>
</tr>
<tr>
<td>Other unallocated amounts</td>
<td>57</td>
<td>264</td>
<td>536</td>
</tr>
<tr>
<td>Consolidated operating income</td>
<td>$1,649</td>
<td>$2,205</td>
<td>$3,109</td>
</tr>
</tbody>
</table>

**Financial Expenses-Net**

In 2013, financial expenses amounted to $399 million, compared to $386 million in 2012. The increase is mainly due to financial expenses in connection with early redemption of senior notes and others, partially offset by lower interest expense.
Comparison of 2012 to 2011. In 2012, financial expenses amounted to $386 million, compared to $153 million in 2011. The increase resulted from higher interest expense as we increased our debt to fund our 2011 acquisitions.

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, 2013, amounted to approximately $200 million.

Tax Rate

In 2013, we booked a tax benefit of $43 million, or 3% of pre-tax income of $1.3 billion. In 2012, the tax benefit amounted to $137 million, or 8% of pre-tax income of $1.8 billion. In 2011, the provision for taxes amounted to $127 million, or 4% of pre-tax income of $3.0 billion. The effective tax rate is the result of the geographic mix and type of products sold during the year, and a variety of factors, including different effective tax rates applicable to non-Israeli subsidiaries that have tax rates above Teva’s average tax rates (including the impact of impairment, restructuring and legal settlement charges on such subsidiaries). In addition, the mergers between subsidiaries and incentives programs to which our subsidiaries are entitled further contributed to the tax benefit for 2013.

The statutory Israeli corporate tax rate, which was 25% in 2013, was increased to 26.5% in 2014. However, our effective consolidated tax rates have historically been, and continue to be this year, considerably 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 on dividends distributed from other projects, the source of which is Approved Enterprise income, for certain periods, as described in “Item 10—Additional Information—Israeli Taxation.” 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. We expect that the tax rate in future years will be significantly higher than this year, as a result of the product mix projected for these years and the expiration of the Israeli incentives regime we currently benefit from.

Net Income

Net income attributable to Teva in 2013 was $1.3 billion, compared to $2.0 billion in 2012. This decrease was due to the factors previously discussed, primarily our lower operating income as well as lower tax benefits.

Comparison of 2012 to 2011. Net income attributable to Teva amounted to $2.0 billion in 2012, compared to $2.8 billion in 2011. This decrease was primarily due to our lower operating income.

Diluted Shares Outstanding and Earnings Per Share

The average weighted diluted shares outstanding used for the fully diluted share calculation for 2013, 2012 and 2011 was 850 million, 873 million and 893 million shares, respectively.

At December 31, 2013, 2012 and 2011, the share count for calculating Teva’s market capitalization was approximately 848 million, 857 million and 883 million shares, respectively. The decrease in number of shares outstanding is mainly due to shares repurchased pursuant to our share repurchase programs. For additional information, see “Item 16E–Purchases of Equity Securities by the Issuer and Affiliated Purchasers” below.

Diluted earnings per share amounted to $1.49 in 2013, a decrease of 34% compared to diluted earnings per share of $2.25 in 2012. Diluted earnings per share amounted to $3.09 in 2011.
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) affect our results. During 2013, the following main currencies relevant to our operations decreased in value against the U.S. dollar: the Russian ruble by 2%, the Canadian dollar by 3%, the British pound by 1% and the Japanese yen by 18%, while the following currencies increased in value against the U.S. dollar: the euro by 3%, the Israeli shekel by 7% and the Hungarian forint by 1% (each on an annual average compared to annual average basis).

As a result, exchange rate movements during 2013 in comparison with 2012 negatively impacted overall revenues by approximately $166 million and reduced our operating income by $126 million.

Liquidity and Capital Resources

Total balance sheet assets amounted to $47.5 billion at December 31, 2013, compared to $50.6 billion at December 31, 2012. Our total balance sheet assets at December 31, 2012 were unusually high as we issued $2.0 billion of debt at the end of 2012, which we then used in part to redeem $1.0 billion of debt in January 2013. In addition, intangible assets decreased mainly due to the amortization of product rights and impairments, as did inventories. This decrease was partially offset by an increase of property, plant and equipment and long term assets.

Inventory balances at December 31, 2013 amounted to $5.1 billion, compared to $5.5 billion at December 31, 2012. The decrease resulted from lower inventory balances mainly in the United States and Germany, as well as from foreign exchange fluctuations.

Accounts receivable at December 31, 2013, net of sales reserves and allowances (“SR&A”), were $420 million as compared to $638 million at December 31, 2012.

We continue to monitor activities in the European countries which, based on our internal assessment, are still experiencing economic stress, and are taking action to limit our exposure in these countries.

Accounts payables and accruals decreased to $3.3 billion at December 31, 2013, compared to $3.4 billion at December 31, 2012.

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 $2.5 billion at December 31, 2013, compared to $3.6 billion at December 31, 2012. The decrease in working capital is mainly due to the reduction in inventory levels as well as the net effects of charges and payments related to legal settlements and loss contingencies.

Investment in property, plant and equipment in 2013 amounted to $1.0 billion, compared to $1.1 billion in 2012. Depreciation amounted to $458 million in 2013, compared to $428 million in 2012. The increase in depreciation was mainly due to higher property, plant and equipment balances, as well as the different asset mix.

Cash and cash equivalents and short term and long term investments at December 31, 2013 amounted to $1.2 billion, as compared to $3.1 billion, at December 31, 2012 mainly due to debt repayment, payments made in connection with litigation settlements and tax related payments.

2013 Debt Movements

At December 31, 2013, our debt was $12.2 billion, a decrease of $2.5 billion from $14.7 billion at December 31, 2012, mainly due to debt prepayment.
In December 2013, we entered into a five-year Japanese yen 35 billion term loan credit agreement at Japanese LIBOR+0.3%. Shortly after signing the agreement, we drew down the entire amount available under the facility.

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 of $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.

2012 Debt Movements

In December 2012, we issued senior notes in an aggregate principal amount of $2.0 billion, comprised of $1.3 billion due 2022 bearing interest of 2.95% and $0.7 billion due 2020 bearing interest of 2.25%. The proceeds of these notes were used to pay down $0.7 billion of bank term loan at LIBOR+0.85% incurred in connection with the Cephalon acquisition and to redeem, in January 2013, $1.0 billion of 1.7% senior notes also issued in connection with the Cephalon acquisition.

In December 2012, we entered into a five-year $3.0 billion unsecured syndicated credit facility, which replaced the previous $2.5 billion facility.

In November 2012, we prepaid $0.3 billion of our three-year bank term loan, which we entered into in connection with the Cephalon acquisition.

In June and August 2012, we repaid an aggregate amount of $1.0 billion of a bank term loan at LIBOR plus 0.55% entered into in connection with the Cephalon acquisition.

In April 2012, we issued Swiss franc 450 million 1.5% senior notes due October 2018 and senior notes in an aggregate principal amount of euro 1 billion due 2019 bearing interest of 2.875%. The proceeds of these notes were used to repay the 1.5% senior notes due in June 2012, which were issued in connection with the ratiopharm acquisition, as well as the $500 million principal balance of our credit facility with HSBC.

In March 2012, we entered into a Japanese yen 100.5 billion senior unsecured fixed rate term loan credit agreement for terms of 5 and 7 years with 0.99% and 1.42% interest rates, respectively. In April 2012, we drew down the entire amount available under the facility and repaid the borrowings used to finance the acquisition of Taiyo.

Aggregate Debt

Our debt at December 31, 2013 is effectively denominated in the following currencies: U.S. dollar 52%, euro 30%, Japanese yen 13%, Swiss franc 4% and Canadian dollar 1%.

The portion of total debt classified as short term at December 31, 2013 was 15%, down from 20% at December 31, 2012 as a result of repayment of short term debt.

Our financial leverage decreased to 35% at December 31, 2013 from 39% in December 31, 2012.

Our average debt maturity remained stable at six years as of December 31, 2013.
In December 2012, we entered into a five-year $3.0 billion unsecured syndicated credit facility, which replaced an earlier $2.5 billion facility. As of December 31, 2013, we had $2.8 billion available under this facility. In early January 2014, we repaid the $0.2 billion drawn from this facility.

In January 2014, we entered into a $1.0 billion term loan agreement at LIBOR + 1.1% for a term of five years, with repayment in three tranches, after three, four and five years. We have until March 31, 2014 to draw funds under this facility.

Shareholders’ Equity

Our shareholders’ equity was $22.6 billion at December 31, 2013, compared to $22.9 billion at December 31, 2012. The decrease resulted primarily from dividend payments of $1.1 billion, as well as share repurchases of $0.5 billion, partially offset by net income attributed to Teva of $1.3 billion.

Exchange rates also had a significant impact on our balance sheet, as approximately 42% 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 2012, changes in currency rates had a negative impact of $24 million on our equity as of December 31, 2013, mainly due to the decrease in value against the U.S. dollar of: the Chilean peso by 10%, the Peruvian nuevo sol by 10%, the Russian ruble by 8%, the Canadian dollar by 6% and the Indian rupee by 13%. The negative impact was partly offset by the 4% increase in value of the euro against the U.S. dollar. All comparisons are on the basis of end of year rates.

Cash Flow

Cash flow generated from operating activities for 2013 amounted to $3,237 million, a decrease of approximately $1.3 billion from 2012. The decrease was mainly due to higher payments for legal and Israeli tax settlements, partially offset by improvements in working capital.

In January 2014, we paid an additional $200 million related to our pantoprazole settlement. The remaining $600 million will be paid during the balance of 2014.

Cash flow generated from operating activities in 2013, net of cash used for capital investments and dividends paid, amounted to approximately $1,220 million, a decrease of $1,518 million from 2012. The decrease resulted mainly from lower cash flow generated from operating activities, along with higher dividend payments.

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 2013 of NIS 1.21 (34.3 cents according to the rate of exchange on February 4, 2014) per share, an increase of 5% from NIS 1.15, which was the dividend declared for the third quarter of 2013. The dividend payment for the fourth quarter of 2013, which is expected to take place on March 10, 2014, will be made with respect to ADSs on the basis of the then current U.S. dollar-NIS exchange rate.

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 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, as a percentage of revenues and the change by item as a percentage of the amount for the comparable period, which we believe facilitates an understanding of the factors affecting our business. In these tables, we exclude the following amounts:

<table>
<thead>
<tr>
<th>Description</th>
<th>2013 U.S. dollars in millions</th>
<th>2012 U.S. dollars in millions</th>
<th>2011 U.S. dollars in millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amortization of purchased intangible assets</td>
<td>1,180</td>
<td>1,272</td>
<td>706</td>
</tr>
<tr>
<td>Expense in connection with legal settlements and reserves</td>
<td>1,524</td>
<td>715</td>
<td>471</td>
</tr>
<tr>
<td>Impairment of long-lived assets</td>
<td>524</td>
<td>1,071</td>
<td>201</td>
</tr>
<tr>
<td>Restructuring expenses</td>
<td>201</td>
<td>221</td>
<td>192</td>
</tr>
<tr>
<td>Costs related to regulatory actions taken in facilities</td>
<td>43</td>
<td>128</td>
<td>170</td>
</tr>
<tr>
<td>Changes in contingent consideration related to business combination</td>
<td>36</td>
<td>(40)</td>
<td>—</td>
</tr>
<tr>
<td>Acquisition and other expenses</td>
<td>27</td>
<td>7</td>
<td>37</td>
</tr>
<tr>
<td>Accelerated depreciation</td>
<td>9</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Purchase of research and development in process</td>
<td>5</td>
<td>73</td>
<td>15</td>
</tr>
<tr>
<td>Inventory step-up</td>
<td>—</td>
<td>63</td>
<td>352</td>
</tr>
<tr>
<td>Financial expenses related to early repayment of senior notes and other</td>
<td>110</td>
<td>32</td>
<td>—</td>
</tr>
<tr>
<td>Net of corresponding tax effect*</td>
<td>(673)</td>
<td>(798)</td>
<td>(465)</td>
</tr>
<tr>
<td>Minority interest changes related to impairments of co-owned assets</td>
<td>—</td>
<td>(36)</td>
<td>—</td>
</tr>
</tbody>
</table>

* Amount is net of $248 million for Amendment 69 and settlements with the Israeli tax authorities in 2013.

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, the corresponding non-GAAP amounts and related non-GAAP adjustments for the applicable periods:

<table>
<thead>
<tr>
<th></th>
<th>GAAP</th>
<th>Non-GAAP Adjustments</th>
<th>Non-GAAP</th>
<th>% of Net Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year ended December 31, 2013</td>
<td>U.S. dollars and shares in millions (except per share amounts)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>GAAP</td>
<td>Non-GAAP Adjustments</td>
<td>Non-GAAP</td>
<td>% of Net Revenues</td>
</tr>
<tr>
<td>Gross profit¹</td>
<td>10,707</td>
<td>1,188</td>
<td>11,895</td>
<td>59%</td>
</tr>
<tr>
<td>Operating income¹,²</td>
<td>1,649</td>
<td>3,549</td>
<td>5,198</td>
<td>26%</td>
</tr>
<tr>
<td>Net income attributable to Teva¹,²,³</td>
<td>1,269</td>
<td>2,986</td>
<td>4,255</td>
<td>21%</td>
</tr>
<tr>
<td>Earnings per share attributable to Teva—diluted⁴</td>
<td>1.49</td>
<td>3.52</td>
<td>5.01</td>
<td></td>
</tr>
<tr>
<td>(1) Amortization of purchased intangible assets</td>
<td>1,136</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Costs related to regulatory actions taken in facilities</td>
<td>43</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accelerated depreciation</td>
<td>9</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross profit adjustments</td>
<td>1,188</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(2) Expense in connection with legal settlements and reserves</td>
<td>1,524</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impairment of long-lived assets</td>
<td>524</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restructuring, acquisition and other expenses</td>
<td>269</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amortization of purchased intangible assets</td>
<td>44</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating income adjustments</td>
<td>3,549</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(3) Tax effect and other items</td>
<td>(673)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial expense</td>
<td>110</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income adjustments</td>
<td>2,986</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(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.
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
Expense in connection with legal settlements and reserves ... 715
Restructuring, acquisition 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

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.
<table>
<thead>
<tr>
<th></th>
<th>GAAP</th>
<th>Non-GAAP Adjustments</th>
<th>Non-GAAP</th>
<th>% of Net Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross profit(^1)</td>
<td>9,515</td>
<td>1,190</td>
<td>10,705</td>
<td>58%</td>
</tr>
<tr>
<td>Operating income(^1,2)</td>
<td>3,109</td>
<td>2,144</td>
<td>5,253</td>
<td>29%</td>
</tr>
<tr>
<td>Net income attributable to Teva(^1,2,3)</td>
<td>2,759</td>
<td>1,679</td>
<td>4,438</td>
<td>24%</td>
</tr>
<tr>
<td>Earnings per share attributable to Teva—diluted(^4)</td>
<td>3.09</td>
<td>1.88</td>
<td>4.97</td>
<td></td>
</tr>
</tbody>
</table>

(1) Amortization of purchased intangible assets ................ 668
Costs related to regulatory actions taken in facilities ........ 170
Inventory step-up ..................................... 352

(2) Expense in connection with legal settlements ............... 471
Restructuring, acquisition and other expenses .............. 244
Impairment of long-lived assets ........................... 201
Amortization of purchased intangible assets ................... 38

(3) Tax effect and other items .............................. (465)
Net income adjustments ..................................... 1,679

(4) The weighted average number of shares was 893 million for the year ended December 31, 2011. 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 2013 amounted to $630 million on pre-tax non-GAAP income of $4.9 billion. The provision for taxes in the comparable period of 2012 was $661 million on pre-tax income of $5.4 billion, and in 2011 was $592 million on pre-tax income of $5.1 billion. The non-GAAP tax rate for 2013 was 13%, as compared to 12% in 2012 and 2011. The annual non-GAAP effective tax rate for 2013 was primarily the result of the mix of products (both type and location of production) sold during the year. In general, we benefit more from tax incentives on products for which we also produce the API. In addition, tax benefits resulting from mergers between subsidiaries and tax incentives our subsidiaries are entitled to further reduced the tax expenses for 2013.

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. We expect that the tax rate in future years will be significantly higher than this year’s, as a result of the product mix projected for these years and the expiration of the Israeli incentives regime we currently enjoy.

Trend Information

The following factors are expected to have an effect on our 2014 results:

- a decrease in sales of Copaxone\(^\circledR\) as a result of changes in the competitive landscape, including the potential introduction of a purported generic version in the United States;
the impact of currency fluctuations on revenues and net income, as well as on various balance sheet
line items;

- substantial restructuring and impairment expenses relating to improvements in our production network,
supply chain and resource deployment processes; and

- an increase in specialty S&M expenses, as a result of several planned launches, including Copaxone®
40 mg/mL.

For additional information please see “Item 4—Information on the Company” and elsewhere in this Item 5.

**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 as defined in Item 5.E of Form 20-F.

**Aggregated Contractual Obligations**

The following table summarizes our material contractual obligations and commitments as of December 31,
2013:

<table>
<thead>
<tr>
<th>Payments Due by Period</th>
<th>Total</th>
<th>Less than 1 year</th>
<th>1-3 years</th>
<th>3-5 years</th>
<th>More than 5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term debt obligations, including estimated interest</td>
<td>$14,415</td>
<td>$1,607</td>
<td>$2,746</td>
<td>$1,948</td>
<td>$8,114</td>
</tr>
<tr>
<td>Operating lease obligations</td>
<td>452</td>
<td>117</td>
<td>170</td>
<td>89</td>
<td>76</td>
</tr>
<tr>
<td>Purchase obligations (including purchase orders)</td>
<td>1,731</td>
<td>1,720</td>
<td>11</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>$16,598</td>
<td>$3,444</td>
<td>$2,927</td>
<td>$2,037</td>
<td>$8,190</td>
</tr>
</tbody>
</table>

* Long term debt obligations mainly includes senior notes and convertible senior debentures as disclosed in
notes 12 and 13 to our consolidated financial statements.

The total amount of unrecognized tax benefits for uncertain tax positions was $665 million at December 31,
2013. Payment of these obligations would result from settlements with taxing 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, 2013, 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 $1.3 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.

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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 Sales Reserves and Allowances (“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.

Provisions for chargebacks, rebates including Medicaid and other governmental program discounts, rebates and other promotional items, such as shelf stock adjustments, are included in “sales reserves and allowances” 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 2013 and 2012 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 2013 and 2012 were estimated at approximately 24 months from the date of sale. Additionally, we consider specific factors such as levels of inventory in the distribution channel, product dating and expiration, size and maturity of launch, entrance of new competitors, changes in formularies or packaging and any changes to customer terms for determining the overall expected levels of returns.
Sales reserves and allowances (SR&A) for third-party sales of pharmaceutical products to U.S. customers at December 31, 2013 and 2012 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, 2013, with the balance primarily in Canada, Germany, and France.

<table>
<thead>
<tr>
<th>Sales Reserves and Allowances</th>
<th>Reserves included in Accounts Receivable, net (U.S. dollars in millions)</th>
<th>Rebates &amp; Other Sales Reserves and Allowances</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at December 31, 2011</td>
<td>$100 $1,065 $451 $1,899 $3,515</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provisions related to sales made in current year period</td>
<td>338 3,144 226 3,926</td>
<td>7,634</td>
<td></td>
</tr>
<tr>
<td>Provisions related to sales made in prior periods</td>
<td>— 32 (60) (11) (39)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credits and payments</td>
<td>(342) (3,006) (185) (3,619) (7,152)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at December 31, 2012</td>
<td>$96 $1,235 $432 $2,195 $3,958</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provisions related to sales made in current year period</td>
<td>342 2,895 210 4,156</td>
<td>7,603</td>
<td></td>
</tr>
<tr>
<td>Provisions related to sales made in prior periods</td>
<td>— (9) 63 (54) —</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credits and payments</td>
<td>(342) (3,091) (199) (3,854) (7,486)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at December 31, 2013</td>
<td>$96 $1,030 $506 $2,443 $4,075</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Reserves at December 31, 2013 increased by approximately $117 million from December 31, 2012. The most significant variance was an increase in rebates and other sales reserves of approximately $249 million primarily related to the impact of pricing actions during the year, higher rebates to customers related to growth in sales, as well as additional Medicaid and other governmental rebates related to U.S. healthcare reform, combined with a $74 million increase in returns primarily due to overall higher returns experience. Partially offsetting the increase in rebates and other sales reserves and returns is a decrease in chargebacks of $205 million related to the mix of products sold.

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 stated 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 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.

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 indicates that the qualitative assessment 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. Teva waived this step during this year’s annual testing and performed the first step of the test.

- In step one of the impairment test, Teva compares the fair value of the reporting units to the carrying value of 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. If the fair value is less than the carrying value of the reporting unit, 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.

Indefinite life intangible assets are mainly comprised of research and development in-process. When testing for impairment, Teva determines the fair value of the asset 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 tested for impairment. Upon completion of the related research and development efforts, management determines the remaining 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, 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.
# ITEM 6: DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

## Directors and Senior Management

The following tables set forth information regarding the executive officers and directors of Teva as of February 10, 2014:

## Executive Officers

<table>
<thead>
<tr>
<th>Name</th>
<th>Age</th>
<th>Executive Officer Since</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eyal Desheh(1)</td>
<td>61</td>
<td>2008</td>
<td>Acting President and Chief Executive Officer</td>
</tr>
<tr>
<td>Erez Vigodman(1)</td>
<td>54</td>
<td>2014</td>
<td>President and Chief Executive Officer-Designate, Director</td>
</tr>
<tr>
<td>Isaac Abravanel</td>
<td>59</td>
<td>2007</td>
<td>Group Executive Vice President, Teva Corporate in Israel and Global Community Alliances</td>
</tr>
<tr>
<td>Yaacov (Kobi) Altman(2)</td>
<td>45</td>
<td>2013</td>
<td>Acting Chief Financial Officer</td>
</tr>
<tr>
<td>Dipankar Bhattacharjee</td>
<td>53</td>
<td>2013</td>
<td>President and Chief Executive Officer, Generics Europe</td>
</tr>
<tr>
<td>Richard S. Egosi</td>
<td>51</td>
<td>2010</td>
<td>Group Executive Vice President, Chief Legal Officer and Company Secretary</td>
</tr>
<tr>
<td>Dr. Michael Hayden</td>
<td>62</td>
<td>2012</td>
<td>President of Global R&amp;D and Chief Scientific Officer</td>
</tr>
<tr>
<td>Erez Israeli</td>
<td>46</td>
<td>2012</td>
<td>Group Executive Vice President and Chief Business Process Officer</td>
</tr>
<tr>
<td>Dr. Rob Koremans</td>
<td>51</td>
<td>2012</td>
<td>President and Chief Executive Officer, Global Specialty Medicines</td>
</tr>
<tr>
<td>Prof. Itzhak Krinsky</td>
<td>61</td>
<td>2005</td>
<td>Chairman of Teva Japan, Chairman of Teva South Korea and Head of Business Development Asia Pacific</td>
</tr>
<tr>
<td>Dr. Carlo de Notaristefani</td>
<td>56</td>
<td>2012</td>
<td>President and Chief Executive Officer—Global Operations</td>
</tr>
<tr>
<td>Allan Oberman</td>
<td>56</td>
<td>2012</td>
<td>President and Chief Executive Officer of Teva Americas Generics</td>
</tr>
<tr>
<td>Mark Sabag</td>
<td>43</td>
<td>2013</td>
<td>Group Executive Vice President, Human Resources</td>
</tr>
<tr>
<td>Paul J. Sekhri</td>
<td>55</td>
<td>2013</td>
<td>Group Executive Vice President, Global Business Development and Chief Strategy Officer</td>
</tr>
<tr>
<td>Judith Vardi</td>
<td>55</td>
<td>2012</td>
<td>President and Chief Executive Officer of Teva EMIA and Asia Pacific</td>
</tr>
<tr>
<td>Frances M. Zipp(3)</td>
<td>55</td>
<td>2012</td>
<td>Group Executive Vice President and Global Head of Quality</td>
</tr>
</tbody>
</table>

(1) On February 11, 2014, Mr. Desheh is scheduled to step down as Acting President and Chief Executive Officer and resume his former position as Group Executive Vice President, Chief Financial Officer, and Mr. Vigodman is scheduled to assume the office of President and Chief Executive Officer.

(2) On February 11, 2014, Mr. Altman is scheduled to step down as Acting Chief Financial Officer and resume his former position as Senior Vice President and CFO Americas and Head of Finance Operations.

(3) Ms. Zipp is resigning her position effective February 14, 2014.
### Directors

<table>
<thead>
<tr>
<th>Name</th>
<th>Age</th>
<th>Director Since</th>
<th>Term Ends</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dr. Phillip Frost—Chairman</td>
<td>77</td>
<td>2006</td>
<td>2015</td>
</tr>
<tr>
<td>Amir Elstein—Vice Chairman</td>
<td>58</td>
<td>2009</td>
<td>2016</td>
</tr>
<tr>
<td>Roger Abravanel</td>
<td>67</td>
<td>2007</td>
<td>2015</td>
</tr>
<tr>
<td>Dr. Arie Belldegrun</td>
<td>63</td>
<td>2013</td>
<td>2016</td>
</tr>
<tr>
<td>Chaim Hurvitz</td>
<td>53</td>
<td>2010</td>
<td>2014</td>
</tr>
<tr>
<td>Prof. Richard A. Lerner</td>
<td>75</td>
<td>2012</td>
<td>2015</td>
</tr>
<tr>
<td>Prof. Moshe Many</td>
<td>85</td>
<td>1987</td>
<td>2016</td>
</tr>
<tr>
<td>Galia Maor</td>
<td>71</td>
<td>2012</td>
<td>2015</td>
</tr>
<tr>
<td>Joseph Nitzani(1)</td>
<td>67</td>
<td>2008</td>
<td>2014</td>
</tr>
<tr>
<td>Prof. Yitzhak Peterburg</td>
<td>63</td>
<td>2012</td>
<td>2016</td>
</tr>
<tr>
<td>Dan Propper</td>
<td>72</td>
<td>2012</td>
<td>2014</td>
</tr>
<tr>
<td>Prof. Dafna Schwartz(1)</td>
<td>63</td>
<td>2011</td>
<td>2014</td>
</tr>
<tr>
<td>Ory Slonim</td>
<td>71</td>
<td>2008</td>
<td>2014</td>
</tr>
<tr>
<td>Dan S. Suesskind</td>
<td>70</td>
<td>2010</td>
<td>2014</td>
</tr>
<tr>
<td>Erez Vigodman(2)</td>
<td>54</td>
<td>2009</td>
<td>2015</td>
</tr>
</tbody>
</table>

(1) Statutory independent director elected in accordance with the Israeli Companies Law.

(2) As mentioned above, on February 11, 2014, Mr. Vigodman is scheduled to assume the office of President and Chief Executive Officer, and will continue to serve on the Board of Directors.

### Executive Officers

**Eyal Desheh** became Acting President and Chief Executive Officer of Teva in October 2013. From 2012 to 2013, Mr. Desheh served as Group Executive Vice President, Chief Financial Officer and he will resume this role on February 11, 2014. 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.

**Erez Vigodman** will become Teva’s President and Chief Executive Officer on February 11, 2014, remaining on Teva’s Board of Directors, which he joined in 2009. From January 2010 to February 2014, he served as President and Chief Executive Officer of Makhteshim Agan Industries Ltd., the world’s leading generic crop protection (agrochemical) company. From 2001 through June 2009, Mr. Vigodman 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 and 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.

**Isaac Abravanel** became Group Executive Vice President, Teva Corporate in Israel and Global Community Alliances in September 2013. From 2012 to 2013, Mr. Abravanel served as Group Executive Vice President, Human Resources and Chief Integration Officer and, since January 2013, has served as Co-Chairman of the steering committee of PGT. From 2007 to 2012, Mr. Abravanel served as Teva’s Corporate Vice President, Human Resources, and from 2009 to 2012, he also served as Teva’s Chief Integration Officer. Prior to joining Teva, Mr. Abravanel was Deputy Chief Executive Officer of Bezeq Israel Telecommunications Co. Ltd. from 2005 to 2007, and from 2001 to 2005, he was Senior Vice President of Operations & Customer Service at Pelephone Communications Ltd. Mr. Abravanel received a B.A. and an M.A. in political science from Haifa University in 1988 and 1989, respectively.
Yaacov (Kobi) Altman became Acting Chief Financial Officer in October 2013. Mr. Altman has served at Teva since 2006 in various capacities, including as Head of Global Accounting, Corporate Vice President Finance and, most recently, as Senior Vice President and CFO Americas and Head of Finance Operations and he will resume this role on February 11, 2014. Prior to joining Teva, from 1999 to 2006, Mr. Altman served in various capacities at Amdocs Limited, including as Head of Finance of the U.S. Division from 2002 to 2006 and as Corporate Controller from 1999 to 2002. Mr. Altman received a B.A. in economics and accounting from Bar Ilan University in 1996 and an M.A. in economics from Bar Ilan University in 1998.

Dipankar Bhattacharjee became President and CEO, Generics Europe in April 2013. From 2009 to 2013, Mr. Bhattacharjee served as Chief Executive Officer, Teva UK Limited. Prior to joining Teva, he served for 15 years at Bausch + Lomb in various senior roles, including Vice President, Commercial in both Europe and Asia-Pacific regions, and Corporate Vice President and President, Asia Pacific Region. Mr. Bhattacharjee began his career at Nestlé SA and Bank of America. Mr. Bhattacharjee received a B.A. in Economics from St. Stephens College, University of Delhi in 1982, and a Masters degree in Management Studies from Jamnalal Bajaj Institute of Management Studies, University of Mumbai in 1984.

Richard S. Egosi became Group Executive Vice President, Chief Legal Officer and Company Secretary 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, PhD 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 FRCP in internal medicine from the University of British Columbia in 1984.

Erez Israeli became Group Executive Vice President and Chief Business Process Officer in 2012. From 2009 to 2012, Mr. Israeli served as President of Teva API. From 2006 to 2008, he served as Vice President Asia Operations of Teva API, and from 2002 to 2006, he served as Vice President Sales and Marketing of Teva API. Mr. Israeli received his B.A. in Economics and Business Administration from Bar-Ilan University and his M.B.A. in Finance from Bar-Ilan University.

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 Grunental 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.

Prof. Itzhak Krinsky became Chairman of Teva Japan, Chairman of Teva South Korea and Head of Business Development Asia Pacific in October 2012. From 2005 to 2012, Prof. Krinsky served as Corporate Vice
President—Corporate Business Development. Prior to joining Teva, Prof. Krinsky served as a managing director with the Silverfern Group, Inc. from 2003 to 2005, and managing director with Deutsche Bank (Bankers Trust) from 1998 to 2001, and as a managing director of Trenwith Securities, LLC, all investment banks in New York City. Prof. Krinsky was a Professor of Finance and Business Economics at the Michael G. DeGroote School of Business, McMaster University from 1983 to 2000. Prof. Krinsky received his B.A. and M.A. in economics from Tel Aviv University in 1976 and 1978, respectively, and his Ph.D. in economics from McMaster University in 1983.

Dr. Carlo de Notaristefani joined Teva as President and Chief Executive Officer—Global Operations in August 2012. Prior to joining Teva, from 2004 to 2012, 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.

Allan Oberman became President and Chief Executive Officer of Teva Americas Generics in November 2012, after serving as the head of Teva’s North America Generics division during 2012. From 2010 to 2012, Mr. Oberman served as President of Teva EMIA, where he had responsibility for Eastern Europe, Middle East, Israel and Africa. From 2008 to 2010, Mr. Oberman served as the Chief Operating Officer of the Teva International Group. From 2000 to 2008, Mr. Oberman served as the President and CEO of Novopharm Ltd., which is now Teva Canada. Prior to joining Teva, from 1996 to 2000, Mr. Oberman was the President of Best Foods Canada Inc. Mr. Oberman holds an M.B.A. from the Schulich School of Business, York University and a B.A. from the University of Western Ontario.

Mark Sabag was appointed 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.

Paul J. Sekhri joined Teva as Group Executive Vice President, Global Business Development and Chief Strategy Officer in June 2013. Mr. Sekhri previously served as Operating Partner and Head, Biotech Ops Group at TPG Biotech, the life science venture arm of the global private investment firm TPG. From 2004 to 2008, Mr. Sekhri founded and was President and Chief Executive Officer of Cerimon Pharmaceuticals. From 2003 to 2004, he was President and Chief Business Officer of Ariad Pharmaceuticals. Prior to such time, he held senior positions at Novartis Pharma AG, including as Senior Vice President and Head, Global Search and Evaluation and M&A. Before joining Novartis, he held managerial positions at Millipore Corporation and PerSeptive Biosystems. Mr. Sekhri completed postgraduate studies in clinical anatomy and neuroscience at the University of Maryland, School of Medicine in 1986 and received his B.S. degree from the University of Maryland in 1981.

Judith Vardi became President and Chief Executive Officer of Teva EMIA and Asia Pacific in 2012. From 2010 to 2012, Ms. Vardi served as Vice President and General Manager of Teva Latin America. Ms. Vardi has held a variety of other senior positions at Teva, including Vice President for the IMAT Region (Israel, Middle East, Africa, Turkey), General Manager of Teva Israel, and as Senior Director of Multiple Sclerosis Products in the Global Products Division. Ms. Vardi received a B.A. in statistics and an M.B.A. from the University of Maryland.

Frances M. Zipp became Teva’s Group Executive Vice President and Global Head of Quality in 2012. From 2008 to 2012, Ms. Zipp served as Executive Vice President, Corporate Quality. Prior to joining Teva, Ms. Zipp was the Senior Vice President of Quality at Barr Pharmaceuticals, and prior to that she was Senior Vice President.
of Global Operations and Administration and Global Quality for Wyeth Pharmaceuticals. In addition, Ms. Zipp has held various senior and technical roles related to drug development, quality, technical operations and regulatory affairs at Wyeth and Novartis (Ciba). Ms. Zipp holds a B.Sc. in chemistry from Duke University. Ms. Zipp is resigning her position effective February 14, 2014.

**Directors**

*Dr. Phillip Frost* has served as Chairman of the Board of Directors of Teva since March 2010, 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. Dr. Frost is Chairman of the Board and Chief Executive Officer of OPKO Health, Inc., a specialty pharmaceutical and diagnostics company and Chairman of the Board of Ladenburg Thalmann Financial Services, Inc. Dr. Frost serves as a director of Castle Brands Inc., TransEnterix, Inc. and BioZone Pharmaceuticals, Inc. (formerly Cocrystal Discovery Inc.). He is also a member of the Board of Trustees of Mount Sinai Medical Center and the Board of Trustees of the University of Miami. Dr. Frost received a B.A. in French literature from the University of Pennsylvania in 1957 and an M.D. from the Albert Einstein College of Medicine in 1961.

*Amir Elstein* has served as Vice Chairman of the Board of Directors of Teva from January 2014, after rejoining Teva’s Board of Directors in January 2009. 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 serves as Chairman of the Board of Tower Semiconductor Ltd., Chairman of the Board of Governance of the Jerusalem College of Engineering and Chairman of the Board of the Israel Democracy Institute. From 2010 to 2013, Mr. Elstein served as Chairman of the Board of Israel Corporation Ltd. 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 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.

*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 served as a director of COFIDE—Gruppo De Benedetti SpA from 2008 until 2013, as a director of Admiral Group plc. from 2012 to 2013, as a director of Banca Nazionale del Lavoro (a subsidiary of BNP Paribas) from 2006 to 2013 and as a director of Luxottica Group S.p.A. from 2006 to 2013. 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 in 1972.

*Dr. Arie Belldegrun* joined Teva’s Board of Directors in 2013. Dr. Belldegrun is the Director of the UCLA 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, where he has held the Roy and Carol Doumani Chair in Urologic Oncology since 2000. Dr. Belldegrun also serves as Executive Chairman and Founder of Kite Pharma, Inc., Executive Chairman of Arno Therapeutics, Inc., Chairman of TheraCoat Ltd., a director of SonaCare Medical Inc., Chairman of the Medical Advisory Board of Wilex AG 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 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 over 450 scientific publications. Dr. Belldegrun received his medical degree at the Hebrew...
University Hadassah Medical School and conducted his post-doctoral studies 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.

Chaim Hurvitz joined Teva’s Board of Directors in 2010. Mr. Hurvitz currently serves as CEO of CHealth, a private venture capital firm, a position he has held since May 2011. Previously, he was a member of Teva’s senior management, serving as the President of Teva International Group from 2002 until 2010, as President and CEO of Teva Pharmaceuticals Europe from 1992 to 1999 and as Vice President—Israeli Pharmaceutical Sales from 1999 to 2002. Mr. Hurvitz presently serves as a director of Aposense Ltd. He is a member of management of the Manufacturers Association of Israel and head of its pharmaceutical branch. He received a B.A. in political science and economics from Tel Aviv University in 1985.

Prof. Richard Alan Lerner, M.D. joined Teva’s Board of Directors in February 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. and Sequenom, 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.

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.

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.

Joseph Nitzani joined Teva’s Board of Directors in 2008, serving as a statutory independent director under Israeli law. Between 2001 and 2007, Mr. Nitzani held various management positions at Mizrahi-Tefachot Bank Ltd., most recently as Head of the Capital Markets 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, of Adanim Mortgage Bank from 2006 to 2008 and of Hadassah Medical Center from 1996 (as Chairman from June 2008) to 2010. 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.

Prof. Yitzhak Peterburg rejoined Teva’s Board of Directors in January 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 and as Director General of Clalit Health Services, the leading healthcare provider in Israel, from 1997 to 2002. He is a professor at the School of Business, Ben-Gurion University, and served as Chairman of the Board of Ap disillusion Ltd. from 2007 until 2010. Prof. Peterburg currently serves as a director on the board of Rosetta Genomics 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.

Dan Propper rejoined Teva’s Board of Directors in March 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. 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. Mr. Propper serves as Chairman of the Supervisory Council of the Bank of Israel; in February 2014 he announced his resignation from this position, effective upon the naming of a successor. 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.

Prof. Dafna Schwartz joined Teva’s Board of Directors in December 2011, serving as a statutory independent director under Israeli law. Since 1999, Prof. Schwartz has been a faculty member at Ben-Gurion University, where she is the head of the MBA track in Entrepreneurship and Hi-Tech Management at the Department of Business Administration and the director of the Bengis Center for Entrepreneurship and Hi-Tech Management, Faculty of Business and Management. Prof. Schwartz is an economic consultant in Israel and abroad. Prior to joining Ben-Gurion University in 1999, she was Director General of the Development Study Center. Prof. Schwartz currently serves as a member of the board of directors of Strauss Group Ltd. and Bank Hapoalim B.M. Previously, she served as a member of the board of directors of Oil Refineries Ltd. from 2007 to 2012, Rotem Industries Ltd. during 2012, Al-Bad Massuot Yitzhak Ltd. from 2010 to 2011 and from 1999 to 2004, Israel Discount Bank Ltd. from 2007 to 2010 and from 1995 to 2002 and others. Prof. Schwartz is a member of the National Council for Research and Development and of the EU Expert Group on: Policy Relevant Research on Entrepreneurship and SME’s. Prof. Schwartz received a B.A. in Economics from Tel Aviv University in 1973, an M.Sc. in Agricultural Economics and Management from the Hebrew University in 1977 and a Ph.D. in Economics from the Hebrew University in 1990.

Ory Slonim rejoined Teva’s Board of Directors in June 2008. The audit committee has designated Mr. Slonim as a designated independent director under Israeli law. 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. From 1993 to 2011, he served as a director and Chairman of the audit committee.
of U. Dori Group Ltd., from 2007 to 2012 he served as a director in Oil Refineries Ltd. and from 2008 to January 2013 he served as a director of Harel Insurance Investments and Financial Services 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 Risks Management Plans since 2005. In 2012, Mr. Slonim received the President of Israel Award of Distinction. Mr. Slonim received an LL.B. degree from the Hebrew University in 1968.

Dan S. Suesskind joined Teva’s Board of Directors in January 2010. The audit committee has designated Mr. Suesskind as a designated independent director under Israeli law. He was Teva’s Chief Financial Officer from 1977 until 2008. Mr. Suesskind previously served as a director of Teva from 1981 to 2001. Mr. Suesskind serves as a director of several companies, including Israel Corporation Ltd., Redhill Biopharma Ltd. and Syneron Medical Ltd. From 2004 to 2011 he served as a director of Ness Technologies Inc., from 2010 to March 2013 he served as a director of Gefen Biomed Investments Ltd. and from 2001 to November 2013 he served as a director of Migdal Insurance Company Ltd. Mr. Suesskind is one of the founders and a member of the steering committee of the Israeli Forum of Chief Financial Officers. Mr. Suesskind received a B.A. in economics and political science from the Hebrew University in 1965 and an M.B.A. from the University of Massachusetts in 1969.

The biography of Erez Vigodman, our President and Chief Executive Officer-Designate, and one of our directors, appears under “Executive Officers” above.

Compensation of Executive Officers and Directors

Certain Compensation-Related Requirements of the Israeli Companies Law

Prior to an amendment to the Israeli Companies Law, 1999 (the “Israeli Companies Law”) that became effective on December 12, 2012 (“Amendment 20”), the terms of office and employment of our office holders required the approval of the audit committee and the Board of Directors and, with respect to the terms of office and employment of directors, also the approval of the shareholders by a simple majority. The term “office holder,” as defined in the Israeli Companies Law, includes directors, the chief executive officer, other executive officers and any other manager directly subordinate to the chief executive officer.

Pursuant to Amendment 20, Teva was required to adopt a compensation policy regarding the terms of office and employment of its office holders, including compensation, equity-based awards, releases from liability, indemnification and insurance, severance and other benefits (“Terms of Office and Employment”). Our Compensation Policy for Executive Officers and Directors (the “Compensation Policy”) was approved by our shareholders at the 2013 annual general meeting of shareholders, held on August 27, 2013, following the favorable recommendation of the Compensation Committee and approval by the Board of Directors, and took effect thereafter.

Our Compensation Policy is designed to encourage pay for performance and align our executive officers’ interests with those of Teva and our shareholders. Its structure allows us to provide meaningful incentives that reflect both Teva’s short and long-term goals and performance, as well as the executive officer’s individual performance and impact on shareholder value, while providing compensation that is competitive in the global marketplace in which we recruit talent and providing for measures designed to reduce incentives to take excessive risks.

Pursuant to Amendment 20, any arrangement between the Company and its office holders must be consistent with the Compensation Policy. However, under certain circumstances, the Company may approve an arrangement that is not consistent with the Compensation Policy, if such arrangement is approved by a majority of the Company’s shareholders, provided that (i) such majority includes a majority of the votes cast by shareholders who are not controlling shareholders and who do not have a personal interest in the matter, present and voting (abstentions are disregarded), or (ii) the votes cast by shareholders who are not controlling...
shareholders and who do not have a personal interest in the matter who were present and voted against the arrangement constitute two percent or less of the voting power of the company.

In addition, pursuant to Amendment 20, the Terms of Office and Employment of Teva’s office holders require the approval of the Compensation Committee and the Board of Directors. The Terms of Office and Employment of directors (including those of a chief executive officer who is a director) further require the approval of the shareholders by a simple majority; with respect to a chief executive officer who is not a director, the approval of our shareholders by the special majority mentioned above is also required.

Under certain circumstances, if the Terms of Office and Employment of office holders who are not directors are not approved by the shareholders, the Compensation Committee and the Board of Directors may nonetheless approve such terms. In addition, amendment of existing Terms of Office and Employment of office holders who are not directors requires the approval of the Compensation Committee only, if the Compensation Committee determines that the amendment is not material.

**Aggregate Executive Compensation**

The aggregate compensation granted to our 15 current executive officers during or with respect to 2013 was $20,129,906, and with respect to the two executive officers whose service ended in 2013, $9,443,125 (all as reflected in our financial statements for the year ended December 31, 2013, including the annual cash bonuses for 2012 which were paid during 2013, but excluding (i) equity-based compensation and (ii) annual cash bonuses for 2013 which have not yet been determined).

For a discussion of the compensation granted to our five most highly compensated “senior office holders” (as such term is defined in the Israeli Securities Law, 1968) during or with respect to 2013, see “Individual Covered Executive Compensation” below, and for a discussion of the compensation paid to our directors during or with respect to 2013, see “Compensation of Directors” below.

In 2013, our 15 current executive officers exercised previously granted share options or restricted share units with a cash gain of $4,247,902.

In 2013, the two executive officers whose service ended in 2013 exercised previously granted share options or restricted share units with a cash gain of $434,553.

In 2013, options to purchase an aggregate of 561,650 ADSs were awarded to current executive officers at a weighted average exercise price of $37.72 per option and a weighted average grant date fair value of $6.87 per option, with expiration dates in 2023, as well as 110,088 restricted share units with a weighted average grant date fair value of $35.08 per restricted share unit. Accordingly, the aggregate grant date fair value of this equity compensation granted in 2013 is approximately $7.7 million. For general information regarding our equity-based incentive plans, see “Equity-Based Plans” below.

**Individual Covered Executive Compensation**

The table and summary below outline the compensation granted to our five most highly compensated senior office holders during or with respect to the year ended December 31, 2013, in the disclosure format of Regulation 21 of the Israeli Securities Regulations (Periodic and Immediate Reports), 1970. We refer to the five individuals for whom disclosure is provided herein as our “Covered Executives.” The summary below also contains information with respect to compensation provided to our Covered Executives after December 31, 2013 and prior to the date of this report.

For purposes of the table and the summary below, and in accordance with the abovementioned securities regulations, “compensation” includes base salary, bonuses, equity-based compensation, retirement or termination payments, benefits and perquisites such as car, phone and social benefits and any undertaking to provide such compensation.
### Summary Compensation Table

<table>
<thead>
<tr>
<th>Name and Principal Position(2)</th>
<th>Holdings in the Company (%)3</th>
<th>Base Salary ($)</th>
<th>Benefits and Perquisites ($)4</th>
<th>Cash Bonus ($)5</th>
<th>Equity-Based Compensation ($)6</th>
<th>Rent ($)7</th>
<th>Other ($)8</th>
<th>Total ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Executive Officers</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dr. Michael Hayden(9) ..........</td>
<td>—</td>
<td>1,000,000</td>
<td>790,043</td>
<td>666,650</td>
<td>644,009</td>
<td>106,274</td>
<td>—</td>
<td>3,206,976</td>
</tr>
<tr>
<td>President of Global R&amp;D and Chief Scientific Officer</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>Richard S. Egosi(10) ..........</td>
<td>*</td>
<td>800,000</td>
<td>521,378</td>
<td>794,400</td>
<td>887,732</td>
<td>—</td>
<td>—</td>
<td>3,003,509</td>
</tr>
<tr>
<td>Group Executive Vice President, Chief Legal Officer and Company Secretary</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prof. Itzhak Krinsky(11) ........</td>
<td>*</td>
<td>428,115</td>
<td>1,135,708</td>
<td>380,044</td>
<td>931,184</td>
<td>211,731</td>
<td>—</td>
<td>3,086,782</td>
</tr>
<tr>
<td>Chairman of Teva Japan, Chairman of Teva South Korea and Head of Business Development Asia Pacific</td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td><strong>Former Executive Officers</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dr. Jeremy Levin(12) ..........</td>
<td>*</td>
<td>1,242,139</td>
<td>847,681</td>
<td>1,203,125</td>
<td>1,374,934</td>
<td>66,318</td>
<td>2,433,349</td>
<td>7,167,546</td>
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<tr>
<td>Former President and Chief Executive Officer</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aharon Yaari(13) ..............</td>
<td>*</td>
<td>231,240</td>
<td>578,682</td>
<td>323,870</td>
<td>1,104,329</td>
<td>—</td>
<td>2,516,720</td>
<td>4,754,842</td>
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<tr>
<td>Former Group Executive Vice President, Institutional and Community Affairs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Less than 0.01%.

(1) All amounts reported in the table are in terms of cost to the Company.

(2) All current executive officers listed in the table are full-time employees of the Company. Cash compensation amounts denominated in currencies other than the U.S. dollar were converted into U.S. dollars at average conversion rate for 2013.

(3) The percentage reported in this column reflects the number of ordinary shares or ADSs as well as vested options and restricted share units held by the Covered Executive on February 1, 2014 based on information available to the Company.

(4) Amounts reported in this column include benefits and perquisites, including those mandated by applicable law. Such benefits and perquisites may include, to the extent applicable to the Covered Executive, payments, contributions and/or allocations for savings funds, pension, severance, vacation, car or car allowance, medical insurances and benefits, risk insurances (e.g., life, disability, accident), phone, convalescence pay, relocation, payments for social security, tax gross-up payments and other benefits and perquisites consistent with Teva’s guidelines.

With respect to Dr. Hayden and Dr. Levin, these amounts also include payments and benefits associated with their move to Israel, and with respect to Prof. Krinsky, with his move to Japan (generally to compensate for the high cost of living in Japan). Such associated payments may include payments such as family visitation travel expenses and medical insurance reimbursement for the Covered Executive and his family.

(5) Amounts reported in this column refer to the annual cash bonus for 2012, which was paid during 2013. Dr. Levin’s 2012 bonus payout was as previously approved by our shareholders at our 2013 annual shareholders meeting held on August 27, 2013. With respect to Mr. Egosi, Prof. Krinsky and Mr. Yaari, their bonuses were computed by multiplying their 2012 annual base salary with a performance factor that consisted of 70% business performance measures such as sales and operating profits and 30% individual performance measures. Dr. Hayden’s 2012 annual bonus was calculated in accordance with his employment terms and pro rata to his employment term during such year. For information regarding the annual cash bonuses for our Covered Executives for 2013, see discussion below under “Annual Cash Bonuses for 2013.”
(6) Amounts reported in this column represent the expense recorded in our financial statements for the year ended December 31, 2013 with respect to equity-based compensation. Assumptions and key variables used in the calculation of such amounts are discussed in Note 15 to our audited consolidated financial statements set forth elsewhere in this report.

(7) Amounts reported in this column refer to payment or reimbursement for rent and the cost of utilities for a family residence. For Dr. Hayden and Dr. Levin, such costs are associated with their move to Israel, and for Prof. Krinsky, such costs are associated with his move to Japan.

(8) Amounts reported in this column include payments made during 2013 and the value of the benefits recorded in our financial statements for the year ended December 31, 2013 in accordance with U.S. GAAP relating to termination of employment of our former Covered Executives. With respect to Dr. Levin, this amount includes also a one-time signing bonus of $1 million paid on February 1, 2013, which was conditioned upon his continuous employment through such date.

(9) Dr. Hayden

Following his appointment in 2012 as President of Global R&D and Chief Scientific Officer, Dr. Hayden received a cash bonus of $500,000. Dr. Hayden is entitled to two additional $500,000 cash bonuses, which will be paid on May 15, 2015 and May 15, 2016, respectively, subject to his continuous employment with the Company through such dates.

Upon his joining the Company in 2012, Dr. Hayden also received an option to purchase 275,000 Company shares (with an exercise price of $42.19 per share) and 54,455 restricted share units under the Company’s 2010 Long-Term Equity-Based Incentive Plan (the “2010 Plan”), none of which have vested as of the date of this report. The fair value of such equity-based compensation recorded in our financial statements for the year ended December 31, 2013 in accordance with U.S. GAAP is $644,009. For additional information with respect to the 2010 Plan, see “Equity-Based Plans” below.

Dr. Hayden’s employment terms generally require the parties to provide nine months’ notice of termination of employment other than in connection with a termination for cause, which notice period may be fully or partially waived by the Company in exchange for payment of the monthly base salary and benefits in respect of such waived period.

Upon termination, Dr. Hayden will generally be entitled to receive payments associated with termination as required pursuant to applicable law as well as certain accrued obligations, cash severance equal to his annual base salary (only if his employment is terminated without cause or if he resigns with good reason), a payment of $35,000 which he may use to purchase medical insurance, a make-up payment that, together with severance amounts accumulated in his pension insurance funds, equals the product of twice his monthly base salary and the number of his years of service, certain relocation benefits for him and his wife should he choose to move back to Canada within one year following termination, continued vesting of his equity-based awards generally until the first anniversary of the termination date and the extension of the exercise period for outstanding share options generally for an additional twelve month period following the first anniversary of the termination date. The extended vesting and exercisability of equity-based awards may be longer in certain circumstances. In the event of a termination for cause, or if Dr. Hayden resigns without good reason prior to attaining age 65 or without providing the required notice, Dr. Hayden may not be entitled to one or more of the above termination payments. In addition, in the event of termination without cause or resignation with good reason within one year following a merger (and as a result of such merger), Dr. Hayden will be entitled to an additional payment of six times his monthly base salary and to a six month extension of the aforementioned continued vesting and exercisability of his equity-based awards. All termination payments and benefits in excess of those required to be paid pursuant to applicable Israeli law are subject to the execution of a release of claims and shall immediately terminate, and Teva shall have no further obligations to Dr. Hayden with respect thereto, in the event that Dr. Hayden breaches his non-compete obligations (which apply for a period of twelve months following termination) or his confidentiality obligations (which apply indefinitely).

Teva has agreed to support certain academic and research activities associated with Dr. Hayden, by contributing up to $1 million in each of the first three years of his employment, subject to his continuous employment. Teva will be entitled to information rights and a right of first offer with respect to the results of such research activities. These research activities will be supported by Teva following Dr. Hayden’s recommendations.

(10) Mr. Egosi

In February and December 2009, Mr. Egosi was granted options to purchase 16,887 ordinary shares (with an exercise price of $44.33 per share) and 1,339 restricted share units, and options to purchase 105,001 ordinary shares (with an exercise price of $51.86 per share) and 25,301 restricted share units, respectively, under the 2005 Omnibus Long-Term Share Incentive Plan (the “2005 Plan”), of which all have vested as of the date of this report. The fair value of such
equity-based compensation recorded in our financial statements for the year ended December 31, 2013 in accordance with U.S. GAAP is $6,195 and $260,750, respectively. For additional information with respect to the 2005 Plan, see “Equity-Based Plans” below.

In November 2011, Mr. Egosi was granted options to purchase 198,003 ADSs (with an exercise price of $41.72 per share) and 31,428 restricted share units under the 2010 Plan, of which approximately 33% have vested as of the date of this report. The fair value of such equity-based compensation recorded in our financial statements for the year ended December 31, 2013 in accordance with U.S. GAAP is $620,787. For additional information with respect to the 2010 Plan, see “Equity-Based Plans” below.

Mr. Egosi’s employment terms generally require the parties to provide ninety days’ notice of termination of employment, other than in connection with a termination for cause.

Upon termination, Mr. Egosi will generally be entitled to receive payments associated with termination as required pursuant to applicable law and certain accrued obligations, including a partial bonus to be calculated in accordance with the provisions of his employment terms, cash severance equal to twice his annual base salary plus an amount equal to the last paid annual cash bonus, and payment of certain costs associated with medical insurance for 18 months. In the event of termination in circumstances such as death, disability, resignation without good reason, retirement or termination for cause, Mr. Egosi may not be entitled to one or more of the above termination payments, or may be entitled to reduced payments (for example, cash severance will be reduced to one times Mr. Egosi’s annual base salary if he resigns without good reason and to twice his annual base salary if his employment is terminated by reason of death or disability). In addition, Mr. Egosi may in the event of termination in certain circumstances be entitled to medical insurance for a longer period. In the event of termination without cause within one year following a change in control, Mr. Egosi will be entitled to an additional payment of $1.5 million.

In the event of a termination by the Company without cause or a resignation by Mr. Egosi with or without good reason, in each case prior to his reaching age 55, we are obligated to offer him suitable full-time non-executive employment in a legal advisory capacity, at our offices in North Wales, Pennsylvania, at his principal residence or at such other mutually agreed location, until Mr. Egosi reaches age 55, on terms and conditions to be agreed upon at such time. In such a circumstance, Mr. Egosi will be entitled to receive the payments and benefits upon termination described above, following termination of such non-executive employment.

All termination payments and benefits in excess of those required to be paid pursuant to applicable law are subject to the execution of a release of claims, and a portion of such payments is in consideration for Mr. Egosi’s non-compete obligations (which generally apply until the twelve month anniversary of his termination date), confidentiality obligations (which apply indefinitely) and other restrictive covenants. In the event Mr. Egosi’s employment is terminated for cause, the Company will have the discretion to determine whether he will receive a payment in consideration for his non-compete obligations.

(11) Prof. Krinsky

In December 2009, Prof. Krinsky was granted options to purchase 150,002 ordinary shares (with an exercise price of $51.86 per share) and 24,096 restricted share units under the 2005 Plan, of which all have vested as of the date of this report. The fair value of such equity-based compensation recorded in our financial statements for the year ended December 31, 2013 in accordance with U.S. GAAP is $310,397. For additional information with respect to the 2005 Plan, see “Equity-Based Plans” below.

In November 2011, Prof. Krinsky was granted options to purchase 198,000 ADSs (with an exercise price of $41.72 per share) and 31,428 restricted share units under the 2010 Plan, of which approximately 33% have vested as of the date of this report. The fair value of such equity-based compensation recorded in our financial statements for the year ended December 31, 2013 in accordance with U.S. GAAP is $620,787. For additional information with respect to the 2010 Plan, see “Equity-Based Plans” below.

Prof. Krinsky’s employment terms generally require the parties to provide three months’ notice of termination of employment, other than in connection with a termination for cause, which notice period may be fully or partially waived by the Company in exchange for payment of the monthly base salary and benefits in respect of such waived period.

Upon termination, Prof. Krinsky will generally be entitled to receive payments associated with termination as required pursuant to applicable law and a make-up payment that, together with severance amounts accumulated in his pension insurance funds, equals the product of twice his monthly base salary and the number of his years of service. Prof. Krinsky is also entitled to receive an amount equal to twelve times his monthly base salary in consideration for, and
conditioned upon, his non-compete obligations (which apply for a period of twelve months following termination). In the event of termination in circumstances such as death, disability, resignation, retirement or termination for cause, Prof. Krinsky may not be entitled to one or more of the above termination payments. In the event of termination without cause within one year following a merger (pursuant to which the Company is not the surviving entity) and as a result thereof, Prof. Krinsky will be entitled to an additional payment of $1.5 million.

(12) **Dr. Levin**

Dr. Levin’s service as President and Chief Executive Officer ceased on October 29, 2013. During the term of his employment with Teva, Dr. Levin was entitled to an annual base salary of $1.5 million.

Upon joining the Company in 2012, Dr. Levin was granted options to purchase 450,000 ADSs (with an exercise price of $46.04 per share) and 115,383 restricted share units under the 2010 Plan, of which approximately 33% have vested as of the date of this report. The fair value of such equity-based compensation recorded in our financial statements for the year ended December 31, 2013 in accordance with U.S. GAAP was $1,374,934. For additional information with respect to the 2010 Plan, see “Equity-Based Plans” below.

Pursuant to Dr. Levin’s employment terms, in connection with his termination of employment on October 29, 2013, Dr. Levin became entitled to receive payments in lieu of his nine month notice period, certain accrued obligations (including payment for accrued vacation time) and amounts required pursuant to applicable Israeli law in connection with termination of his employment, cash severance equal to twice his annual base salary, a payment of $75,000 which he may use to purchase medical insurance and a make-up payment that, together with severance amounts accumulated in his pension insurance funds, equals the product of twice his monthly base salary and the number of his years of service (including the notice period). These termination payments and benefits include payments made following December 31, 2013 and prior to the date of this report (in addition to the amounts presented in the table above). Dr. Levin is also entitled to continued vesting of his outstanding options and restricted share units for a period of twenty four months following termination (plus the notice period) and to an extension of the period during which he is entitled to exercise his vested and outstanding options of additional twelve months thereafter.

Dr. Levin will also be entitled to certain relocation benefits should he choose to move back to the U.S. within one year following his termination. All of the aforementioned termination payments and benefits (other than those required to be paid pursuant to applicable Israeli law) were provided following Dr. Levin’s execution of a release of claims and shall immediately terminate, and Teva shall have no further obligations to Dr. Levin with respect thereto, in the event that Dr. Levin breaches his non-compete obligations (which apply for a period of twelve months following his termination date) or confidentiality obligations (which apply indefinitely).

(13) **Mr. Yaari**

Mr. Yaari joined Teva in September 1981 and served in various positions, most recently as Group Executive Vice President, Institutional and Community Affairs. Mr. Yaari’s employment ceased on July 8, 2013.

Pursuant to his employment terms, Mr. Yaari was entitled, during the term of his employment in 2013, to an annual base salary of NIS 1.6 million (approximately $443,213 based on the average exchange rate for 2013).

In December 2009, Mr. Yaari was granted options to purchase 150,003 ordinary shares (with an exercise price of $51.86 per share) and 36,144 restricted share units under the 2005 Plan. The fair value of such equity-based compensation recorded in our financial statements for the year ended December 31, 2013 in accordance with U.S. GAAP is $372,468. For additional information with respect to the 2005 Plan, see “Equity-Based Plans” below.

In December 2010, Mr. Yaari was granted options to purchase 60,000 ordinary shares (with an exercise price of $49.11 per share) under the 2010 Plan. The fair value of such equity-based compensation recorded in our financial statements for the year ended December 31, 2013 in accordance with U.S. GAAP is $110,761. For additional information with respect to the 2010 Plan, see “Equity-Based Plans” below.

In November 2011, Mr. Yaari was granted options to purchase 165,003 ordinary shares (with an exercise price of $41.72 per share) and 39,285 restricted share units under the 2010 Plan. The fair value of such equity-based compensation recorded in our financial statements for the year ended December 31, 2013 in accordance with U.S. GAAP is $621,101. For additional information with respect to the 2010 Plan, see “Equity-Based Plans” below.
Pursuant to Mr. Yaari’s employment terms, he was entitled to nine months’ notice of termination. Six months of his services were waived by the Company (in exchange for payment of his monthly base salary and benefits in respect of such period) such that Mr. Yaari’s termination of employment became effective on July 8, 2013.

Upon termination of his employment, Mr. Yaari became entitled to the payment of amounts required pursuant to applicable Israeli law in connection with termination of his employment, payment for accrued vacation time and a make-up payment that, together with severance amounts accumulated in his pension insurance funds, equals the product of twice his last monthly base salary as an executive officer and the number of his years of service as an executive officer plus the product of one and a half times his last monthly base salary as a non-executive officer and the number of his years of service as a non-executive officer. Mr. Yaari’s options and restricted share units continue to vest in accordance with their original schedule, and his options remain exercisable in accordance with their original schedule. In accordance with the disclosure format of Regulation 21 of the Israeli Securities Regulations (Periodic and Immediate Reports), 1970, the amounts in the table above represent termination payments recognized in our financial statements for the year ended December 31, 2013 and do not include amounts recognized in previous years with respect to such termination payments. Mr. Yaari is also entitled to receive an amount equal to twelve times his monthly base salary, in consideration for, and conditioned upon, his non-compete obligations (which apply for a period of twelve months following his termination date). Approximately half of such payment was paid prior to December 31, 2013, and the balance of such payment will be paid in 2014.

All of the aforementioned termination payments and benefits (other than those required to be paid pursuant to applicable Israeli law) were provided following the execution of a release of claims by Mr. Yaari.

Annual Cash Bonuses for 2013

As provided in our Compensation Policy, annual cash bonuses are aimed to ensure that our executive officers are aligned in reaching Teva’s short- and long-term goals. Annual cash bonuses are therefore a strictly pay-for-performance element, as payout eligibility and levels are determined based on actual financial and operational results, as well as individual performance.

The Compensation Committee and the Board of Directors have approved the following annual cash bonus objectives and payout terms for 2013 for our Covered Executives who are current executives, consistent with the annual operating plan and the long-range plan approved by the Board of Directors, as well as our Compensation Policy.

- 70% of the 2013 annual cash bonus is based on overall company performance measures, using key performance indicators. These key performance indicators are comprised of: 20% targeted non-GAAP operating profit; 20% free cash flow before dividends; 10% targeted net revenues; 15% product quality measures; 10% customer service; 15% product pipeline milestones; and 10% personnel survey score.

- 20% of the 2013 annual cash bonus is based on business unit/cluster/regional performance measures. These performance measures are tailored to the specific characteristics of each unit and are aligned with the goals set forth in Teva’s annual operating plan and long-range plan.

- 10% of the 2013 annual cash bonus is based on an evaluation of each Covered Executive’s overall performance in 2013 by the Compensation Committee and the Board of Directors.

The payout terms for the annual cash bonus for 2013 are as follows:

<table>
<thead>
<tr>
<th>Level of Achievement of Performance Criteria(1)</th>
<th>% Achievement of Performance Criteria</th>
<th>Potential Annual Cash Incentive as a % of Annual Base Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Threshold</td>
<td>80% or Less</td>
<td>No annual cash bonus payment</td>
</tr>
<tr>
<td>Target</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Maximum Bonus</td>
<td>120%</td>
<td>200%</td>
</tr>
</tbody>
</table>

(1) Payouts for performance between threshold and maximum are determined linearly based on a straight-line interpolation of the applicable payout range (i.e., 5% for each percentile change in performance).
No additional payout would be made for performance in excess of 120% achievement of the performance criteria.

In addition, for 2013 “super-measures” were defined whereby (i) no bonus is payable to any executive officer if either non-GAAP operating profit or net revenues are less than 90% of the work plan targets (i.e., both must be met), and (ii) no amount over the target bonus is payable to any executive officer if either non-GAAP operating profit or net revenues are less than 105% of the work plan targets (i.e., both must be met).

The aggregate annual cash bonuses payable to our executive officers for 2013 may not exceed a maximum amount of 0.4% of our non-GAAP operating profit, or approximately $20.8 million.

The Compensation Committee and the Board of Directors, in special circumstances and as further described in the Compensation Policy, may modify the above measures. The Compensation Committee and the Board of Directors also have the right to reduce variable compensation granted to our Covered Executives.

Due to his termination of employment, Mr. Yaari is not entitled to an annual cash bonus with respect to 2013. The objectives and payout terms of Dr. Levin’s annual cash bonus for 2013 are as previously approved by our shareholders at our annual shareholders meeting held on August 27, 2013.

The award of the annual cash bonuses to our executive officers with respect to each year is made following the end of the fiscal year. As of the filing of this annual report, the award of the 2013 annual cash bonuses has not yet been determined.

**Equity-Based Plans**

As provided in our Compensation Policy, equity-based compensation is intended to reward future performance, as reflected by the market price of Teva’s ordinary shares or ADSs and/or other performance criteria, and is used to align our executive officers’ long-term interests with those of Teva and its shareholders, as well as to attract, motivate and retain executive officers for the long term.

**2010 Long-Term Equity-Based Incentive Plan**

The Company’s 2010 Long-Term Equity-Based Incentive Plan was approved by our shareholders at our 2010 annual meeting of shareholders (as amended, the “2010 Plan”). The 2010 Plan allows for the grant of share options, as well as restricted shares, restricted share units and other share-based awards. The 2010 Plan replaced the Company’s 2005 Plan (described below), and will terminate on June 28, 2015 (except with respect to awards outstanding on that date). The purpose of the 2010 Plan is to assist the Company in (a) attracting, retaining, motivating, and rewarding certain key employees, officers and directors of and consultants to the Company and its affiliates, and (b) promoting the creation of long-term value for shareholders of the Company by closely aligning the interests of such individuals with those of such shareholders.

Under the 2010 Plan, 70 million ordinary shares or ADSs were reserved for issuance. As of December 31, 2013, 29.4 million Company shares remain available for future awards. Over any three-year period, the average annual number of Company shares underlying awards granted under the 2010 Plan may not exceed 2% of the Company’s then outstanding shares.

The 2010 Plan generally provides that (i) the exercise price of each option may not be less than the fair market value of one share on the date of grant; (ii) the term of each option may not exceed ten years from the date of grant; (iii) subject to any acceleration of vesting in connection with a change in control of the Company (as defined in the 2010 Plan) or certain similar corporate transactions, no options, restricted shares or restricted share units granted under the 2010 Plan may vest or become exercisable—if subject to exercise—earlier than the first anniversary of the date of grant (or, in the case of directors, the second anniversary); (iv) any share underlying an award granted under the 2010 Plan that is not purchased or issued may be used for the grant of
additional awards under the 2010 Plan (provided that shares withheld in consideration for the payment of the exercise price or taxes relating thereto will constitute shares delivered); and (v) if a participant ceases to be employed by the Company or an affiliate, as applicable, for any reason other than death, disability, a qualifying retirement, or by the Company or such affiliate for cause, such participant’s vested options will remain exercisable for a period not extending beyond 90 days after the date of cessation of employment, and in no event beyond the option’s original expiration date, unvested restricted shares and unvested restricted share units will be forfeited for no consideration, and vested restricted share units will be settled in accordance with the settlement schedule set forth in the applicable award agreement. If a participant’s employment is terminated for cause, the participant resigns in circumstances where the Company or an affiliate, as applicable, is entitled to terminate such participant’s employment for cause, such participant’s options (both vested and unvested) will terminate immediately as of the termination date, unless prohibited by applicable law, and unvested restricted shares and restricted share units (both vested and unvested) will be forfeited for no consideration. In the event of termination due to death, disability or a qualifying retirement, the participant’s options, restricted shares and restricted share units will continue to vest, as if no termination had occurred, and, if applicable, will remain exercisable or settle in accordance with the schedule set forth in the applicable award agreement.

The options and restricted share units granted to our Covered Executives under the 2010 Plan vest in three equal annual installments commencing on the first or second anniversary of the grant date, subject to continued employment of the executive officer with the Company. According to the Compensation Policy, equity-based awards shall generally be granted on an annual basis. This represents a change from our previous practice of making larger grants on a less frequent basis to executive officers.

2005 Omnibus Long-Term Share Incentive Plan

The Company’s 2005 Omnibus Long-Term Share Incentive Plan (the “2005 Plan”) was approved by our shareholders at our 2005 annual general meeting of shareholders. The 2005 Plan allows for the grant of options to purchase Company shares, as well as performance shares, performance share units, restricted shares, restricted share units and other equity-based awards. The 2005 Plan was effective as of August 1, 2005 and terminated on July 31, 2010 (except with respect to awards outstanding on that date). The purpose of the 2005 Plan was to encourage officers and key employees of the Company and directors, officers and key employees of its subsidiaries and affiliates to acquire Company shares.

Under the 2005 Plan, 50 million ordinary shares or ADSs were reserved for issuance pursuant to awards granted. In any calendar year, the number of awards granted under the 2005 Plan was limited to 1.6% of the Company’s outstanding ordinary shares.

The 2005 Plan generally provides that: (i) the exercise price of each option may not be less than the fair market value of one share on the date of grant, (ii) generally the term of each option may not exceed nine years from the date of grant; (iii) generally, subject to any acceleration of vesting in connection with a change in control of the Company (as defined in the 2005 Plan) or certain similar corporate transactions, no options, restricted shares or restricted share units granted under the 2005 Plan may vest or become exercisable, if subject to exercise, earlier than the second anniversary of the date of grant; (iv) any share underlying an award granted under the 2005 Plan that is not purchased or issued may be used for the grant of additional awards under the 2005 Plan; and (v) if a participant ceases to be employed by the Company or a subsidiary or affiliate, as applicable, for any reason other than death, disability, retirement or cause, such participant’s options will remain exercisable, to the extent exercisable at the time of cessation of employment, for a period not extending beyond three months after the date of cessation of employment, and in no event beyond the option’s original expiration date, restricted shares and unvested restricted share units will be forfeited for no consideration, and vested restricted share units will be settled in accordance with the settlement schedule set forth in the applicable award agreement. If a participant’s employment is terminated for cause, or the participant resigns in circumstances where the Company or an affiliate, as applicable, is entitled to terminate such participant’s employment for cause, such participant’s options (both vested and unvested) will terminate immediately, unless prohibited by applicable law, and
restricted shares and restricted share units (both vested and unvested) will be forfeited for no consideration. In the event of termination due to death, disability or a retirement, the participant’s options, restricted shares, restricted share units, performance shares and performance share units will terminate as provided in the participant’s award agreement.

The options and restricted share units granted to our Covered Executives under the 2005 Plan vest in three equal annual installments on the second, third and fourth anniversary of the grant date, subject to continued employment of the executive officer with the Company.

As of December 31, 2013, approximately 32 million share options, with a weighted average exercise price of $45.05 per option, and approximately 2.5 million restricted share units, with a weighted average grant date fair value of $40.48 per unit, were outstanding under our equity-based incentive plans.

For information regarding aggregate equity-based compensation awarded in 2013 to current executive officers, see “Aggregate Executive Compensation” above.

Compensation of Directors

As approved by our shareholders at our 2012 annual shareholders meeting, effective as of September 2012, each of our directors, including our statutory independent directors and designated independent directors, but excluding our Chairman (and our former Vice Chairman until January 2014), are paid an annual fee in the NIS equivalent of $190,000 (based on an exchange rate on the date of the approval by shareholders) plus VAT (as applicable), plus a per meeting fee in the NIS equivalent of $2,000 (based on an exchange rate on the date of the approval by shareholders) plus VAT (as applicable). These payments are adjusted based on the Israeli Consumer Price Index (“CPI”). Erez Vigodman, our incoming President and Chief Executive Officer, will not receive any additional fees relating to his service as a director.

As approved by our shareholders at our 2012 annual meeting, effective as of September 2012, Dr. Phillip Frost, our Chairman of the Board, is paid an annual fee in the NIS equivalent of $900,000 (based on an exchange rate on the date of the approval by shareholders) plus VAT (as applicable) for such time as Dr. Frost continues to serve as Chairman of the Board of Directors. This payment is adjusted based on the CPI. Dr. Frost does not receive any meeting fees. Dr. Frost is also entitled to reimbursement for his out-of-pocket transportation costs related to the use of his airplane in connection with his participation in meetings of the Board of Directors and committees of the Board of Directors and other Company activities, up to an annual amount of $700,000, for such time as Dr. Frost continues to serve as Chairman of the Board of Directors. In addition, Dr. Frost is provided with an office and secretarial services.

As approved by our shareholders at our 2012 annual meeting, effective as of September 2012, Prof. Moshe Many, our Vice Chairman until January 2014, was paid an annual fee in the NIS equivalent of $400,000 (based on an exchange rate on the date of the approval by shareholders) plus VAT (as applicable) for such time as Prof. Many served as Vice Chairman of the Board of Directors. During such time, Prof. Many did not receive any meeting fees. In addition, Prof. Many was provided with an office and secretarial services.

Amir Elstein, our Vice Chairman of the Board since January 2014, is paid the same annual and meeting fees paid to other directors, as described above.

All members of our Board of Directors have voluntarily accepted a 10% reduction in their cash compensation (including both annual and per meeting fees), other than our Chairman of the Board, who has voluntarily accepted a 20% reduction in his cash compensation (i.e., his annual fee), for a period of one year effective as of October 1, 2013.

None of our directors have agreements with us relating to their service as directors that provide for benefits upon termination of service.
Under the Israeli Companies Law and related regulations, the compensation payable to statutory independent directors and designated independent directors is subject to certain further limitations. See “Statutory Independent Directors/Financial Experts” below.

**Director Remuneration for 2013**

The aggregate compensation paid to our directors (including the director whose service ended during the year, our Chairman and our former Vice Chairman) as a group during or with respect to 2013 was $5,573,412.

**Insurance, Indemnification and Release**

Teva purchases a directors’ and officers’ liability insurance policy for its directors and executive officers. In addition, Teva releases its directors and executive officers from liability and indemnifies them to the fullest extent permitted by law and its Articles of Association, as adopted by the Company’s shareholders at the 2012 Annual Meeting. For additional information, see “Item 10—Memorandum and Articles of Association—Insurance, Exemption and Indemnification of Directors and Executive Officers” below.

**Board Practices**

Our Board of Directors consists of 15 persons, of whom 11 have been determined to be independent within the meaning of applicable NYSE regulations. The Board of Directors includes two statutory independent directors as mandated under Israeli law and two designated independent directors (as further described below), who are subject to additional criteria to help ensure their independence. 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 the following directors to be independent under the NYSE rules: Dr. Phillip Frost, Chaim Hurvitz, Prof. Yitzhak Peterburg and Erez Vigodman, our President and Chief Executive Officer-Designate.

We have begun a review of our corporate governance structure, with an initial focus on the size and composition of our Board of Directors. As part of this review, we recently announced the intention to reduce the number of directors and to increase the number of directors with global healthcare industry experience.

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. The full document is available on our website at www.tevapharm.com.

**Annual Meetings.** We encourage our directors to attend annual shareholder meetings. Eleven of our directors attended our last annual shareholder meeting, held on August 27, 2013.

**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 includes 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. The Board and its
committees met more frequently in 2013, as they had an unusual number of significant matters to discuss, including regarding the implementation of our new strategy announced at the end of 2012, our cost reduction program, the search for a new chief executive officer and our new compensation policy required pursuant to Amendment 20. Information regarding the number of meetings of the Board and Board committees and attendance rates for 2013 is presented in the table below.

**Executive Sessions of the Board.** Selected members of management are typically invited by the Board of Directors to attend regularly scheduled Board of Directors meetings (or portions thereof). Our directors meet in executive session (i.e., without the presence of management) generally after each regularly scheduled meeting of the Board of Directors 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. Moshe Many.

**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” 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.

**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 Board 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. Prof. Dafna Schwartz and Joseph Nitzani currently serve in this capacity.

In addition to the statutory independent directors, under the Israeli Companies Law and regulations thereunder, 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 therein, provided such director has been designated as such by the audit committee. The audit committee has designated Ory Slonim and Dan S. Suesskind as Teva’s designated independent directors under Israeli law.

Israeli Law sets minimum and maximum amounts and other rules regarding compensation that may be paid to the statutory independent directors and the designated independent directors. Israeli law further provides that
the remuneration of these independent directors may be determined relative to that of other directors of the company, as is the case with Teva’s statutory independent directors and its designated independent directors.

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. Under relevant regulations, a director having financial and accounting expertise is a person who, due to his or her education, experience and talents, is highly skilled in respect of, and understands, business and accounting matters and financial reports, in a manner that enables him or her to have an in-depth understanding of the company’s financial information and to stimulate discussion in respect of the manner in which the financial data are presented. Under the regulations, a director having professional competence is a person who meets any of the following criteria: (i) has an academic degree in either economics, business administration, accounting, law or public administration; (ii) has a different academic degree or has completed higher education in an area relevant to the company’s business or in an area relevant to his or her position; or (iii) has at least five years of experience in any of the following, or has a total of five years of experience in at least two of the following: (a) a senior position in the business management of a corporation with a substantial scope of business, (b) a senior public position or a senior position in public service, or (c) a senior position in the main field of the company’s business.

Under Israeli law, at least one of the statutory independent directors is required to qualify as a financial and accounting expert, as determined by the board of directors. 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, Prof. Dafna Schwartz, Dan S. Suesskind and Erez Vigodman are financial and accounting experts under Israeli law.

Committees of the Board

Our Articles of Association provide that the Board of Directors may delegate its powers to one or more committees of the Board of Directors as it deems appropriate to the extent such delegation is permitted under the Israeli Companies Law. Each committee exercising powers delegated by the Board of Directors must 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 of Directors. Membership on these Board committees is presented in the table below.

We have adopted charters for all of our committees, formalizing the committees’ procedures and duties. These committee charters are available on our website at www.tevapharm.com.

Audit Committee

The Israeli Companies Law mandates the appointment of an audit committee comprising at least three independent 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.

Under the Israeli Companies Law, the audit committee is responsible for: (a) identifying flaws in the management of a company’s business and making recommendations to the board of directors as to how to correct them; (b) making determinations and considering providing approvals concerning certain related party transactions and actions involving conflicts of interest; (c) reviewing the internal auditor’s work program; (d) examining the company’s internal control structure and processes, the performance of the internal auditor and whether the internal auditor has the tools and resources required to perform his or her duties; (e) 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; (f) implementing procedures concerning employee complaints on flaws in the management of the company’s business and the protection to be provided to such employees; and (g) other matters relevant only to companies with controlling shareholders. We are not currently aware of any controlling shareholders, as such term is defined for purposes of the Israeli Companies Law. Furthermore, the audit committee discusses the financial statements and presents to the Board 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 our independent auditors. In addition, the audit committee is responsible for assisting the Board of Directors in monitoring our financial statements, the effectiveness of our internal controls and our 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; and 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 Ory Slonim and Dan S. Suesskind have been designated by the audit committee as designated independent directors under the Israeli Companies Law.

The Board of Directors has determined that Prof. Dafna Schwartz, Joseph Nitzani and Dan Suesskind are “audit committee financial experts,” as defined by applicable SEC regulations. See “Item 16A—Audit Committee Financial Expert” below.

**Human Resources and Compensation Committee**

Pursuant to Amendment 20, 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 that satisfy the criteria for remuneration applicable to the statutory independent directors. Teva’s human resources and compensation committee includes only independent directors, as defined by the SEC and NYSE regulations.

Under the Israeli Companies Law, the compensation committee is responsible for: (i) making recommendations to the board of directors with respect to the approval of the Compensation Policy and any extensions thereto; (ii) periodically reviewing the implementation of the Compensation Policy and providing the Board of Directors with recommendations with respect to any amendments or updates thereto; (iii) reviewing and resolving whether or not to approve arrangements with respect to the Terms of Office and Employment of office holders; and (iv) determining whether or not to exempt an arrangement with respect to the Terms of Office and Employment of a candidate for chief executive officer, who meets certain non-affiliation criteria, from shareholder approval. For additional information related to Teva’s Compensation Policy, see “Compensation” above.

In addition, and pursuant to the charter of Teva’s human resources and compensation committee, the committee oversees the management of Teva’s compensation and other human resources-related issues and otherwise carries out its responsibilities, and assists the Board of Directors in carrying out its responsibilities,
relating to these issues. The committee is also responsible for establishing annual and long-term performance goals and objectives for Teva’s executive officers, as well as reviewing Teva’s overall compensation philosophy and policies.

**Corporate Governance and Nominating Committee**

The role of the 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**

The role of the finance and investment committee is to assist the Board of Directors in fulfilling its responsibilities with respect to Teva’s financial and investment strategies and policies, including determining policies and guidelines on these matters and monitoring implementation. It is also authorized to approve certain financial transactions and review 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.

**Corporate Responsibility Committee**

The role of the corporate responsibility committee is to oversee, on behalf of the Board of Directors: (i) Teva’s commitment to being a responsible corporate citizen, (ii) Teva’s policies and practices for complying with laws, regulations and internal procedures, (iii) Teva’s policies and practices regarding issues that have the potential to seriously impact Teva’s business and reputation, (iv) Teva’s 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**

The 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 shall 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.
Current Members of Board Committees

<table>
<thead>
<tr>
<th>Name</th>
<th>Audit</th>
<th>Human Resources and Compensation</th>
<th>Corporate Governance and Nominating</th>
<th>Finance and Investment</th>
<th>Corporate Responsibility Committee</th>
<th>Science and Technology</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dr. P. Frost</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td></td>
<td>✓</td>
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<tr>
<td>A. Elstein</td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
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<tr>
<td>R. Abravanel</td>
<td>✓</td>
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<tr>
<td>A. Belldegrun</td>
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<td></td>
<td></td>
<td>✓*</td>
</tr>
<tr>
<td>C. Hurvitz</td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
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<tr>
<td>Prof. R. Lerner</td>
<td>✓</td>
<td></td>
<td></td>
<td>✓</td>
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<td>✓</td>
</tr>
<tr>
<td>Prof. M. Many</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✓*</td>
</tr>
<tr>
<td>Galia Maor</td>
<td>✓ ✓ ✓</td>
<td>✓ ✓</td>
<td></td>
<td></td>
<td></td>
<td>✓*</td>
</tr>
<tr>
<td>J. Nitzani</td>
<td>✓* ✓</td>
<td>✓+</td>
<td></td>
<td></td>
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<tr>
<td>Prof. Y. Peterburg</td>
<td></td>
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<td></td>
<td></td>
<td>✓*</td>
</tr>
<tr>
<td>Dan Propper</td>
<td>✓</td>
<td></td>
<td></td>
<td>✓</td>
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</tr>
<tr>
<td>Prof. D. Schwartz</td>
<td>✓+</td>
<td>✓*</td>
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<td></td>
<td></td>
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<tr>
<td>O. Slonim</td>
<td>✓</td>
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<td></td>
<td>✓*</td>
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<tr>
<td>D. S. Suesskind</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✓*</td>
</tr>
<tr>
<td>E. Vigodman</td>
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</tr>
</tbody>
</table>

Key: “✓” Member; “*” Chairperson; “+” Vice Chairperson;

Board and Committee Meetings

<table>
<thead>
<tr>
<th>Name of Body</th>
<th>No. of Meetings in 2013</th>
<th>Average Attendance Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Directors</td>
<td>16</td>
<td>93%</td>
</tr>
<tr>
<td>Audit Committee</td>
<td>13</td>
<td>91%</td>
</tr>
<tr>
<td>Human Resources and Compensation Committee</td>
<td>21</td>
<td>98%</td>
</tr>
<tr>
<td>Corporate Governance and Nominating Committee</td>
<td>8</td>
<td>88%</td>
</tr>
<tr>
<td>Finance and Investment Committee</td>
<td>12</td>
<td>91%</td>
</tr>
<tr>
<td>Corporate Responsibility Committee</td>
<td>3</td>
<td>90%</td>
</tr>
<tr>
<td>Science and Technology Committee</td>
<td>9</td>
<td>92%</td>
</tr>
</tbody>
</table>

In 2013, each current director attended at least 75% of the meetings of the Board and Board committees on which he or she served.
Employees

As of December 31, 2013, we employed approximately 45,000 full-time-equivalent employees. In certain countries, we are party to collective bargaining agreements with certain groups of employees. During 2013 we entered into new collective bargaining agreements with unionized employees at certain sites. Although we experienced some labor disputes at a few sites in 2013, these disputes have been resolved, and we consider our labor relations with our employees around the world to be good.

As part of our worldwide cost reduction program, we announced an intended reduction of our global workforce by approximately 10%, most of which are expected to be completed by the end of 2014.

<table>
<thead>
<tr>
<th>Geographic Area</th>
<th>December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
</tr>
<tr>
<td>Europe</td>
<td>19,811</td>
</tr>
<tr>
<td>United States</td>
<td>7,372</td>
</tr>
<tr>
<td>Rest of the World (excluding Israel)</td>
<td>10,599</td>
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<tr>
<td>Israel</td>
<td>7,163</td>
</tr>
<tr>
<td>Total</td>
<td>44,945</td>
</tr>
</tbody>
</table>

Share Ownership

As of December 31, 2013, our directors and executive officers as a group beneficially held 21,716,175 ordinary shares (representing approximately 2.3% of the outstanding shares as of such date). These figures include options to purchase ordinary shares that were vested on such date or that were scheduled to vest within the following 60 days. These figures also include 14,419,484 shares beneficially owned by Dr. Phillip Frost, representing approximately 1.5% of the outstanding shares. Dr. Frost is the only director or officer who held 1% or more of our outstanding shares as of December 31, 2013.

For information regarding equity awards granted to our executive officers, see “Compensation” above and, with respect to our stock-based compensation plans in general, see note 15 to our consolidated financial statements.
ITEM 7: MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

Major Shareholders

Based on information known to us, as of January 22, 2014, Capital Research & Management Co. beneficially owned 52,572,300 Teva shares, representing approximately 5.6% of Teva’s outstanding shares. To the best knowledge of Teva, as of February 10, 2014, 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, 2013, there were approximately 3,613 record holders of ADSs, whose holdings represented approximately 75.2% 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 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. 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 merged with Biozone 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. Dr. Phillip Frost, Chairman of the Board of Directors of Teva, 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 Biozone Pharmaceuticals. Prof. Kornberg is also Chief Scientific Officer of Biozone 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, invested in, and became a member of the board of directors of CTG Weld. In 2011, Teva engaged CTG Weld in connection with certain clinical studies, for overall payments of €2.1 million. In 2013 and 2012, Teva paid CTG Weld approximately €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. The term of the lease extends until April 2015, with options to renew for two additional three-year terms. Annual rent was $305,000 until April 1, 2012, $412,000 until March 31, 2013 and is currently $431,442 until March 31, 2014, increasing 4% per year for the remainder of the initial term and each renewal term. The office space includes offices we provide 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 process described in “Item 10—Conflicts of Interest—Approval of Related Party Transactions.”
ITEM 8: FINANCIAL INFORMATION

Consolidated Statements and Other Financial Information

See “Item 18—Financial Statements.”

Legal Proceedings

Teva is subject to various litigation and other legal proceedings. For a discussion of these matters, see “Contingencies” included in note 14b to our consolidated financial statements.

Dividend Policy

See “Item 3—Key Information—Selected Financial Data—Dividends.”

Significant Changes

No significant changes have occurred since December 31, 2013, except as otherwise disclosed in this annual report and in our consolidated financial statements.
ITEM 9: THE OFFER AND LISTING

ADSs

Teva’s American Depositary Shares (“ADSs”), which have been traded in the United States since 1982, were admitted to trade on the Nasdaq National Market in October 1987 and were subsequently traded on the Nasdaq Global Select Market. On May 30, 2012, Teva transferred the listing of its ADSs to the New York Stock Exchange (the “NYSE”). The ADSs are quoted under the symbol “TEVA”. J.P. Morgan Chase Bank serves as depositary for the shares. As of December 31, 2013, Teva had 711,965,389 ADSs outstanding. Each ADS represents one ordinary share.

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

<table>
<thead>
<tr>
<th>Period</th>
<th>High</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Last six months:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>January 2014</td>
<td>45.98</td>
<td>39.64</td>
</tr>
<tr>
<td>December 2013</td>
<td>41.45</td>
<td>38.97</td>
</tr>
<tr>
<td>November 2013</td>
<td>40.91</td>
<td>36.26</td>
</tr>
<tr>
<td>October 2013</td>
<td>41.74</td>
<td>36.65</td>
</tr>
<tr>
<td>September 2013</td>
<td>39.09</td>
<td>37.36</td>
</tr>
<tr>
<td>August 2013</td>
<td>40.75</td>
<td>38.03</td>
</tr>
<tr>
<td><strong>Last nine quarters:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q1 2014 (until January 31)</td>
<td>45.98</td>
<td>39.64</td>
</tr>
<tr>
<td>Q4 2013</td>
<td>41.74</td>
<td>36.26</td>
</tr>
<tr>
<td>Q3 2013</td>
<td>41.65</td>
<td>37.36</td>
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<tr>
<td>Q2 2013</td>
<td>40.48</td>
<td>37.42</td>
</tr>
<tr>
<td>Q1 2013</td>
<td>41.16</td>
<td>36.97</td>
</tr>
<tr>
<td>Q4 2012</td>
<td>42.83</td>
<td>36.63</td>
</tr>
<tr>
<td>Q3 2012</td>
<td>42.52</td>
<td>38.92</td>
</tr>
<tr>
<td>Q2 2012</td>
<td>46.38</td>
<td>37.40</td>
</tr>
<tr>
<td>Q1 2012</td>
<td>46.65</td>
<td>41.83</td>
</tr>
<tr>
<td><strong>Last five years:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>41.74</td>
<td>36.26</td>
</tr>
<tr>
<td>2012</td>
<td>46.65</td>
<td>36.63</td>
</tr>
<tr>
<td>2011</td>
<td>57.08</td>
<td>35.00</td>
</tr>
<tr>
<td>2010</td>
<td>64.95</td>
<td>46.99</td>
</tr>
<tr>
<td>2009</td>
<td>56.88</td>
<td>41.05</td>
</tr>
</tbody>
</table>

On January 31, 2014, the last reported sale price for our ADSs on the NYSE was $44.63 per ADS.

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

Ordinary Shares

Teva’s ordinary shares have been listed on the Tel Aviv Stock Exchange (TASE) since 1951. As of December 31, 2013, Teva had 946,868,125 ordinary shares outstanding, including ordinary shares underlying outstanding ADSs.
The following table sets forth, for the periods indicated, the high and low intraday sale prices of our ordinary shares on the TASE, in NIS and U.S. dollars. The translation into dollars is based on the daily representative rate of exchange published by the Bank of Israel.

On January 31, 2014, the last reported sale price of our ordinary shares on the TASE was NIS 156.80 per share. The TASE also quotes options on our ordinary shares.

<table>
<thead>
<tr>
<th>Period</th>
<th>High</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>NIS</td>
<td>U.S.$</td>
</tr>
<tr>
<td><strong>Last six months:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>January 2014</td>
<td>160.80</td>
<td>45.92</td>
</tr>
<tr>
<td>December 2013</td>
<td>145.00</td>
<td>41.47</td>
</tr>
<tr>
<td>November 2013</td>
<td>145.40</td>
<td>40.77</td>
</tr>
<tr>
<td>October 2013</td>
<td>146.80</td>
<td>41.53</td>
</tr>
<tr>
<td>September 2013</td>
<td>140.30</td>
<td>38.51</td>
</tr>
<tr>
<td>August 2013</td>
<td>144.00</td>
<td>40.26</td>
</tr>
<tr>
<td><strong>Last nine quarters:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q1 2014 (until January 31)</td>
<td>160.80</td>
<td>45.92</td>
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<td>Q4 2013</td>
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<td>41.53</td>
</tr>
<tr>
<td>Q3 2013</td>
<td>148.30</td>
<td>41.49</td>
</tr>
<tr>
<td>Q2 2013</td>
<td>147.90</td>
<td>40.30</td>
</tr>
<tr>
<td>Q1 2013</td>
<td>152.30</td>
<td>41.26</td>
</tr>
<tr>
<td>Q4 2012</td>
<td>163.70</td>
<td>42.66</td>
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<tr>
<td>Q3 2012</td>
<td>169.00</td>
<td>42.45</td>
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<tr>
<td>Q2 2012</td>
<td>174.30</td>
<td>46.05</td>
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<tr>
<td>Q1 2012</td>
<td>173.90</td>
<td>45.91</td>
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<tr>
<td><strong>Last five years:</strong></td>
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<td></td>
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<tr>
<td>2013</td>
<td>152.30</td>
<td>41.26</td>
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<tr>
<td>2012</td>
<td>174.30</td>
<td>46.05</td>
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<tr>
<td>2011</td>
<td>205.90</td>
<td>55.70</td>
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<tr>
<td>2010</td>
<td>242.70</td>
<td>64.95</td>
</tr>
<tr>
<td>2009</td>
<td>215.20</td>
<td>56.55</td>
</tr>
</tbody>
</table>
ITEM 10: ADDITIONAL INFORMATION

Memorandum and Articles of Association

Set forth below is a summary of certain provisions of Teva’s Memorandum of Association (the “Memorandum”) and Articles of Association (the “Articles”) and the Israeli Companies Law. This description does not purport to be complete and is qualified in its entirety by reference to the full text of the Memorandum and Articles, which are filed as exhibits to this report and incorporated by reference herein, and by Israeli law.

Register

Teva’s registration number at the Israeli registrar of companies is 52-001395-4.

Objectives and Purposes

Our Articles and Memorandum provide that our purpose is to engage in any lawful endeavor, including, without limitation, to carry on the business of chemists, drugs, manufacturer of, and dealership in pharmaceuticals.

Board of Directors

Teva’s board of directors consists of three classes of directors (not including the two statutory independent directors, who do not form part of any class). One of the classes is elected each year by the shareholders at Teva’s annual meeting for a term of approximately three years. Directors so elected cannot be removed from office by the shareholders until the expiration of their term of office, unless they violate their duties of care or loyalty.

Pursuant to the Israeli Companies Law, Teva is required to appoint at least two statutory independent directors. Such appointment is for an initial term of three years, which may be extended for additional three-year terms.

The holders of Teva’s ordinary shares representing a majority of the voting power represented at a shareholders’ meeting and voting at the meeting have the power to elect all of the directors up for election, provided that statutory independent directors must also receive the approval of a certain majority of the votes of the shareholders who are not controlling shareholders and do not have a personal interest in the matter (other than a personal interest which is not the result of an affiliation with a controlling shareholder).

In general, the Board formulates company policy and supervises the performance of the duties and operations of the chief executive officer. Subject to the provisions of the Israeli Companies Law and the Articles, any Teva power that has not been conferred upon another body may be exercised by the Board.

Neither Teva’s Memorandum or Articles, nor Israeli law, mandate retirement of directors at a certain age, or share ownership for a director’s qualification.

Conflicts of Interest

Approval of Related Party Transactions

The Israeli Companies Law requires that an “office holder” (as defined in the Israeli Companies Law) of a company promptly disclose any personal interest that he or she may have and all related material information known to him or her, in connection with any existing or proposed transaction of the company.

Pursuant to the Israeli Companies Law, any transaction with an office holder or in which the office holder has a personal interest must be brought before the audit committee, in order to determine whether such
transaction is an “extraordinary transaction” (defined as a transaction not in the ordinary course of business, not on market terms or likely to have a material impact on the company’s profitability, assets or liabilities).

Pursuant to the Articles and Teva policy, in the event the audit committee determines that the transaction is not an extraordinary transaction, the transaction will require only audit committee approval; if, however, it is determined to be an extraordinary transaction, Board approval is also required. Such a transaction may only be approved if it is determined to be in the best interests of Teva.

A person with a personal interest in the matter generally may not be present at meetings of the Board or certain committees where the matter is being considered and, if a member of the Board or a committee, may not vote on the matter.

Transactions with Controlling Shareholders

Under Israeli law, extraordinary transactions with a controlling shareholder or in which the controlling shareholder has a personal interest and any engagement with a controlling shareholder or a controlling shareholder’s relative with respect to their Terms of Office and Employment as an office holder or as another employee, generally require the approval of the audit committee (or with respect to Terms of Office and Employment, the human resources and compensation committee), the board of directors and the shareholders. If required, shareholder approval must include at least a majority of the shareholders who do not have a personal interest in the transaction and are present and voting at the meeting (abstentions are disregarded), or that the total shareholdings of the disinterested shareholders who vote against the transaction must not represent more than two percent of the voting rights in the company. Transactions for a period of more than three years generally need to be brought for approval in accordance with the above procedures every three years.

A shareholder that holds 25% or more of the voting rights in a company is considered a controlling shareholder for these purposes if no other shareholder holds more than 50% of the voting rights. If two or more shareholders are interested parties in the same transaction, their shareholdings are combined for the purposes of calculating percentages.

Approval of Director and Executive Officer Compensation

The Terms of Office and Employment of office holders, other than the chief executive officer and directors, require the approval of both Teva’s human resources and compensation committee and the Board. The Terms of Office and Employment of the chief executive officer and the directors require the approval of the human resources and compensation committee, the Board and shareholders. (See “Item 6—Directors, Senior Management and Employees—Compensation.”)

Insurance, Exemption and Indemnification of Directors and Executive Officers

Teva releases its directors and executive officers from liability and indemnifies them to the fullest extent permitted by law and its Articles, and provides them with indemnification and release agreements for this purpose, in the form approved at the 2012 annual general meeting of shareholders. Under the indemnification and release agreements, Teva’s undertaking to indemnify each director and executive officer for monetary liabilities imposed by a court judgment (including a settlement or an arbitrator’s award that were approved by a court) (i) shall be limited to matters that are connected or otherwise related to those events or circumstances set forth therein, and (ii) shall not exceed $200 million in the aggregate per director or executive officer. Under Israeli law, indemnification is subject to other limitations, including those described below. Subject to applicable law, the Company may also indemnify its directors and officers following specific events.

Teva’s directors and executive officers are also covered by directors’ and officers’ liability insurance.

The Israeli Companies Law provides that a company may not exempt or indemnify a director or an executive officer, or enter into an insurance contract, which would provide coverage for any liability incurred as
a result of any of the following: (i) a breach by the director and/or executive officer of his or her duty of loyalty unless, with respect to insurance coverage or indemnification, due to a breach of his or her duty of loyalty to the company committed in good faith and with reasonable grounds to believe that such act would not prejudice the interests of the company; (ii) a breach by the director and/or the executive officer of his or her duty of care to the company committed intentionally or recklessly (other than if solely done in negligence); (iii) any act or omission done with the intent of unlawfully realizing personal gain; or (iv) a fine, monetary sanction, forfeit or penalty imposed upon a director and/or executive officer. In addition, the Israeli Companies Law provides that directors and executive officers can only be exempted in advance with respect to liability for damages caused as a result of a breach of their duty of care to the company (but not for such breaches committed intentionally or recklessly, as noted above, or in connection with a distribution (as defined in the Companies Law)).

CEO and Center of Management

Under Teva’s Articles, Teva’s chief executive officer as well as the majority of the members of the Board are required to be residents of Israel, unless Teva’s center of management shall have been transferred to another country in accordance with the Articles. The Articles require that Teva’s center of management be in Israel, unless the Board otherwise resolves, with a supermajority of three-quarters of the participating votes.

Dividends

Dividends may only be distributed out of profits, provided that there is no reasonable concern that the distribution will prevent Teva from satisfying its existing and anticipated obligations when they become due. In accordance with the Israeli Companies Law and the Articles, the decision to distribute dividends and the amount to be distributed is made by the board of directors.

Description of Teva Shares

The par value of Teva’s ordinary shares is NIS 0.10 per share, and all issued and outstanding ordinary shares are fully paid and non-assessable. Holders of ordinary shares are entitled to participate equally in the payment of dividends and other distributions and, in the event of liquidation, in all distributions after the discharge of liabilities to creditors. All ordinary shares represented by the ADSs will be issued in registered form only. Ordinary shares do not entitle their holders to preemptive rights. Voting is on the basis of one vote per share.

Neither the Memorandum, nor the Articles or the laws of the State of Israel restrict the ownership or voting of Teva’s ordinary shares or ADSs by non-residents or persons who are not citizens of Israel, except with respect to citizens or residents of countries that are in a state of war with Israel.

Meetings of Shareholders

Under the Israeli Companies Law and the Articles, Teva is required to hold an annual meeting every year, no later than 15 months after the previous annual meeting. In addition, the Board is required to convene a special meeting of shareholders:

(i) upon the demand of two directors or one-quarter of the serving directors;

(ii) upon the demand of one or more shareholders holding not less than 5% of Teva’s issued share capital and 1% or more of its voting rights; and

(iii) upon the demand of one or more shareholders holding at least 5% of Teva’s voting rights;

provided that a demand by a shareholder for a shareholder meeting must set forth the items to be considered at that meeting and comply with all other requirements of the Articles and applicable law.
Pursuant to the Articles, such requirements to be included in the demand include, among others:

(i) the number of shares held by the demanding shareholder, directly or indirectly, and, if any of such shares are held indirectly, an explanation of how they are held and by whom;

(ii) if such demanding shareholder is not the holder of record of any such shares, a written statement from the holder of record or authorized bank, broker, depository or other nominee, as the case may be, indicating the number of shares the demanding shareholder is entitled to vote;

(iii) the demanding shareholder’s purpose in making the request;

(iv) any agreements, arrangements, understandings or relationships between the demanding shareholder and any other person with respect to any securities of Teva or the subject matter of the request;

(v) the complete text of the resolution that the demanding shareholder proposes to be voted upon; and

(vi) if the demanding shareholder wishes to include a statement in support of his or her proposal in Teva’s proxy statement, if provided or published, a copy of such statement.

If the board of directors receives a demand to convene a special meeting, it must announce the scheduling of the meeting within 21 days after the demand was delivered.

The agenda at a general meeting is determined by the Board. The agenda must also include proposals for which the convening of a special meeting was demanded, as well as any proposal requested by one or more shareholders who hold at least 1% of the voting rights of Teva, provided that all such demands must comply with the requirements of the Articles, the Israeli Companies Law and any other applicable law. Pursuant to the Articles, these requirements include requirements similar to those mentioned above with respect to a demand by a shareholder for a shareholders meeting.

Pursuant to the Israeli Companies Law, the regulations thereunder and our Articles, Teva is generally required to announce the convening of shareholder meetings at least 35 days in advance. Pursuant to the Articles, Teva is not required to deliver personal notices of a general meeting or of any adjournment thereof to any shareholder. However, Teva will publish its decision to convene a general meeting in a manner reasonably determined by Teva, including by publishing a notice in one or more daily newspapers in Israel or in one or more international wire services, and such notice will be deemed to have been duly given on the date of such publication. The shareholders entitled to participate and vote at the meeting are the shareholders as of the record date set forth in the decision to convene the meeting. Israeli regulations further require public companies to send voting cards and position papers to their shareholders if certain issues, as provided by the Israeli Companies Law, are included in the agenda of such meeting. Under our Articles, shareholder meetings are required to be convened in Israel, unless the Company’s center of management shall have been transferred to another country in accordance with the Articles.

The quorum required for a meeting of shareholders consists of at least two shareholders present in person or by proxy or represented by an authorized representative, who jointly hold 25% or more of Teva’s paid-up share capital. A meeting adjourned for lack of a quorum generally is adjourned to the same day in the following week at the same time and place or at another date, time and place as shall be set forth by the Board in a notice to all persons who are entitled to receive notice of general meetings. Should no legal quorum be present at such reconvened meeting a half hour following the time set for such meeting, the required quorum consists of any two shareholders present, in person or by proxy, who jointly hold 20% or more of Teva’s paid-up share capital.

A shareholder who intends to vote at a meeting must demonstrate ownership of shares in accordance with the Israeli Companies Law and the regulations thereunder. Under these regulations, a shareholder whose shares are registered with a member of the Tel Aviv Stock Exchange must provide Teva with an authorization from such member regarding his ownership as of the record date.
The Israeli Companies Law provides that resolutions on certain matters, such as amending a company’s articles of association, assuming the authority of the board of directors in certain circumstances, appointing auditors, appointing statutory independent directors, approving certain transactions, increasing or decreasing the registered share capital and approving most mergers, must be made by the shareholders at a general meeting. A company may determine in its articles of association certain additional matters in respect of which resolutions by the shareholders at a general meeting will be required.

Generally, under the Articles, shareholder resolutions (for example, resolutions for the appointment of auditors) are deemed adopted if approved by the holders of a simple majority of the voting rights represented at a general meeting in person or by proxy and voting, unless a different majority is required by law or pursuant to the Articles. Pursuant to the Israeli Companies Law and the Articles, certain resolutions (for example, resolutions amending many of the provisions of the Articles) require the affirmative vote of at least 75% of the shares voting in person or by proxy, and certain amendments of the Articles require the affirmative vote of at least 85% of the shares voting in person or by proxy, unless a lower percentage shall have been established by the Board by a majority of three-quarters of those directors voting at a meeting of the Board which shall have taken place prior to that general meeting.

Change of Control

Subject to certain exceptions, the Israeli Companies Law provides that a merger requires approval both by the board of directors and by the shareholders of each of the merging companies. Similarly, unless an Israeli court determines otherwise, a merger will not be approved if it is objected to by shareholders holding a majority of the voting rights participating and voting at the meeting (abstentions are disregarded), after excluding the shares held by the other party to the merger, by any person who holds 25% or more of the other party to the merger or by anyone on their behalf, including the relatives of or corporations controlled by these persons.

In approving a merger, the board of directors of both merging companies must determine that there is no reasonable concern that, as a result of the merger, the surviving company will not be able to satisfy its obligations to its creditors. Similarly, upon the request of a creditor of either party to the proposed merger, an Israeli court may prevent or delay the merger if it concludes that there exists a reasonable concern that, as a result of the merger, the surviving company will not be able to satisfy the obligations of the merging parties. A court may also issue other instructions for the protection of the creditors’ rights in connection with a merger. Further, a merger may not be completed unless at least (i) 50 days have passed from the time that the requisite proposals for the approval of the merger were filed with the Israeli registrar of companies; and (ii) 30 days have passed since the merger was approved by the shareholders of each party.

Under the Israeli Companies Law, subject to certain exceptions, an acquisition of shares in a public company must be made by means of a tender offer if, as a result of the acquisition, the purchaser would hold (i) 25% or more of the voting rights in the company if there is no other holder of 25% or more of the company’s voting rights; or (ii) more than 45% of the company’s voting rights if there is no other holder of more than 45% of the company’s voting rights. This rule does not apply to a purchase of shares in a “private placement” by the company that receives shareholder approval. The board of directors must provide the shareholders with its opinion as to the advisability of the purchase offer, or if it is unable to do so, may refrain from providing such opinion, provided that it reports the reasons for not so doing. The board of directors must also disclose any personal interest of any of its members in the proposed acquisition. The tender offer may be consummated only if (i) at least 5% of the company’s voting rights will be acquired; and (ii) the majority of the offerees who responded to the offer accepted the offer, excluding offerees who are controlling shareholders of the offerer, offerees who hold 25% or more of the voting rights in the company or who have a personal interest in accepting the tender offer, or anyone on their behalf or on behalf of the offerer including the relatives of or corporations controlled by these persons.
Exchange Controls

Non-residents of Israel who purchase ADSs with U.S. dollars or other non-Israeli currency will be able to receive dividends, if any, and any amounts payable upon the dissolution, liquidation or winding up of the affairs of Teva, in U.S. dollars at the rate of exchange prevailing at the time of conversion. Dividends to non-Israeli residents are subject to withholding. See “Israeli Taxation-Withholding Taxes on Dividends Distributed by Teva to Non-Israeli Residents” below.

Taxation

U.S. Taxation Applicable to Holders of Our Ordinary Shares and ADSs

U.S. Federal Income Tax Considerations

The following is a summary of material U.S. federal income tax consequences to U.S. Holders of ADSs who hold such securities as capital assets. For purposes of this summary, a “U.S. Holder” means a beneficial owner of an ADS that is for U.S. federal income tax purposes:

• a citizen or resident of the United States;

• a corporation (or another entity taxable as a corporation for U.S. federal income tax purposes) created or organized in the United States or under the laws of the United States or any political subdivision thereof;

• an estate, the income of which is subject to U.S. federal income tax regardless of its source; or

• a trust, if a U.S. court is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or if the trust was in existence on August 20, 1996 and has elected to continue to be treated as a U.S. person.

If an entity that is classified as a partnership for U.S. federal tax purposes holds ADSs, the U.S. federal income tax treatment of its partners will generally depend upon the status of the partners and the activities of the partnership. Entities that are classified as partnerships for U.S. federal tax purposes and persons holding ADSs through such entities should consult their own tax advisors.

This summary is based on the U.S. Internal Revenue Code of 1986, as amended (the “Code”), existing final, temporary and proposed regulations thereunder, judicial decisions and published positions of the Internal Revenue Service, and the treaty between the U.S. and Israel relating to income taxes, all as of the date of this annual report and all of which are subject to change (including changes in interpretation), possibly with retroactive effect. It is also based in part on representations by the depositary and assumes that each obligation under the deposit agreement and any related agreement will be performed in accordance with its terms.

This summary does not purport to be a complete analysis of all potential tax consequences of owning ADSs. In particular, this discussion does not take into account the specific circumstances of any particular investor (such as tax-exempt entities, certain insurance companies, broker-dealers, investors subject to the alternative minimum tax, investors that actually or constructively own 10% or more of Teva’s voting securities, investors that hold ordinary shares or ADSs as part of a straddle or hedging or conversion transaction, traders in securities that elect to mark to market, banks or other financial institutions, partnerships or other entities classified as partnerships for U.S. federal income tax purposes or investors whose functional currency is not the U.S. dollar), some or all of which may be subject to special rules. Investors are advised to consult their own tax advisors with respect to the tax consequences of the ownership of ADSs, including the consequences under applicable state and local law and federal estate tax law, and the application of foreign laws or the effect of nonresident status on U.S. taxation.

U.S. Holders of ADSs will be treated as owners of the ordinary shares underlying their ADSs. Accordingly, deposits and withdrawals of ordinary shares in exchange for ADSs will not be taxable events for U.S. federal income tax purposes.
The U.S. Treasury has expressed concerns that parties to whom ADSs are released may be taking actions that are inconsistent with the claiming of foreign tax credits for U.S. Holders of ADSs. Such actions would also be inconsistent with the claiming of the reduced rate of tax, described below, applicable to dividends received by certain non-corporate U.S. Holders. Accordingly, the analysis of the availability of foreign tax credits and the reduced tax rate for dividends received by certain non-corporate U.S. Holders, described below, could be affected by actions taken by parties to whom the ADSs are released.

**Taxation of Distributions to U.S. Holders**

The amount of any distribution paid to a U.S. Holder, including any Israeli taxes withheld from the amount of such distribution, will be subject to U.S. federal income taxation as ordinary income from sources outside the U.S. to the extent paid out of current or accumulated earnings and profits, as determined for U.S. federal income tax purposes. Subject to applicable limitations, dividends paid to non-corporate U.S. Holders are generally subject to tax at a maximum rate of 15% or 20%, in the case of taxpayers with annual taxable income which exceeds certain thresholds. To the extent that an amount received by a U.S. Holder exceeds that U.S. Holder’s allocable share of current and accumulated earnings and profits, such excess will be applied first to reduce that U.S. Holder’s tax basis in the shares and then, to the extent the distribution exceeds that U.S. Holder’s tax basis, will be treated as a capital gain. Any dividend received will not be eligible for the dividends-received deduction generally allowed to U.S. corporations in respect of dividends received from other U.S. corporations.

Dividends paid in NIS will be included in a U.S. Holder’s income in a U.S. dollar amount calculated by reference to the exchange rate in effect on the date of the U.S. Holder’s (or, in the case of ADSs, the depositary’s) receipt of the dividend, regardless of whether the payment is in fact converted into U.S. dollars. If the dividend is converted into U.S. dollars on the date of receipt, a U.S. Holder should generally not be required to recognize foreign currency gain or loss in respect of the dividend income. A U.S. Holder may have foreign currency gain or loss, which will be treated as income from sources within the U.S., if he or she does not convert the amount of such dividend into U.S. dollars on the date of receipt.

Subject to applicable limitations that may vary depending on a U.S. Holder’s circumstances, Israeli taxes withheld from dividends on Teva ADSs at the rate provided by the U.S.-Israel tax treaty will be creditable against a U.S. Holder’s U.S. federal income tax liability. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. The rules governing foreign tax credits are complex, and, therefore, U.S. Holders should consult their own tax advisor regarding the availability of foreign tax credits in their particular circumstances. Instead of claiming a credit, a U.S. Holder may elect to deduct such otherwise creditable Israeli taxes in computing taxable income, subject to generally applicable limitations.

**Taxation of the Disposition of ADSs**

Upon the sale or exchange of ADSs, a U.S. Holder will generally recognize capital gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the amount realized and the U.S. Holder’s tax basis determined in U.S. dollars in the ADSs. The gain or loss will generally be gain or loss from sources within the U.S. for foreign tax credit limitation purposes. In general, a capital gain realized by a non-corporate U.S. Holder is subject to tax at ordinary rates for ADSs held for one year or less and at the long-term capital gains rate (of up to 15% or 20%) for ADSs held for more than one year. A U.S. Holder’s ability to deduct capital losses is subject to limitations.

The surrender of ADSs in exchange for ordinary shares, or vice versa, will not be a taxable event for U.S. federal income tax purposes, and U.S. Holders will not recognize any gain or loss upon such an exchange.

**U.S. Information Reporting and Backup Withholding**

A U.S. Holder generally will be subject to information reporting with respect to dividends paid on, or proceeds from the sale or other disposition of, an ADS unless the U.S. Holder is a corporation or is included in
another category of exempt recipients. If it is not exempt, a U.S. Holder may also be subject to backup withholding with respect to dividends or proceeds from the sale or disposition of an ADS unless a taxpayer identification number is provided and the other applicable requirements of the backup withholding rules are complied with. Any amount withheld under these rules will be creditable against the U.S. Holder’s U.S. federal income tax liability or refundable to the extent that it exceeds such liability, provided that the required information is timely furnished to the Internal Revenue Service.

U.S. Holders should review the summary below under “Israeli Taxation” for a discussion of the Israeli taxes which may be applicable to them.

Israeli Taxation Applicable to Holders of Our Ordinary Shares and ADSs

Withholding Taxes on Dividends Distributed by Teva to Non-Israeli Residents

Dividends distributed by an Israeli company to non-Israeli residents are generally subject to 25% withholding tax, unless a lower rate is provided in a treaty between Israel and the shareholder’s country of residence. In the case of dividends distributed from taxable income attributable to an Approved Enterprise, the rate applied is 15%. When the dividends are distributed from income attributed to the Strategic Investment Track, the rate applied is 0%.

Under the U.S.-Israel tax treaty, the maximum Israeli tax and withholding tax on dividends paid to a holder of ordinary shares or ADSs who is a resident of the U.S. is generally 25%, but is reduced to 12.5% if the dividends are paid to a corporation that holds in excess of 10% of the voting rights of Teva, under certain circumstances. Dividends of an Israeli company derived from the income of an Approved Enterprise will still be subject to a 15% dividend withholding tax; provided that, if the dividend is attributable partly to income derived from an Approved Enterprise, and partly to other sources of income, the withholding rate will be a blended rate reflecting the relative portions of the two types of income. The withheld tax is the final tax in Israel on dividends paid to non-residents who do not conduct business in Israel. The rate of tax to be withheld on Teva’s dividends for the fourth quarter of 2013 is 15%.

A non-resident of Israel who has interest or dividend income derived from or accrued in Israel, from which tax was withheld, is generally exempt from the duty to file tax returns in Israel in respect of such income, provided such income was not derived from a business conducted in Israel by the taxpayer.

Capital Gains and Income Taxes Applicable to Non-Israeli Shareholders

Israeli law generally imposes a capital gains tax on the sale of securities and any other capital asset.

Gains on the sale of ordinary shares traded on a recognized stock exchange (including the Tel Aviv Stock Exchange and the NYSE) by non-Israeli tax resident investors will generally be exempt from Israeli capital gains tax.

In addition, the U.S.-Israel tax treaty exempts U.S. residents who hold an interest of less than 10% in an Israeli company, including Teva, and who did not hold an interest of 10% or more in the company at any time during the 12 months prior to a sale of their shares, from Israeli capital gains tax in connection with such sale. Certain other tax treaties to which Israel is a party also grant exemptions from Israeli capital gains taxes.

Taxation Applicable to the Company

Corporate Tax Rate

The regular corporate tax rate in Israel for 2013 was 25% and was increased to 26.5% in 2014 and onwards. However, Teva’s effective consolidated tax benefit rates (i.e., tax benefit as a percentage of pre-tax income) for
the years 2013 and 2012 were 3% and 8%, respectively, and the effective consolidated tax rate for 2011 was 4%, since a major portion of Teva’s income is derived from Approved Enterprises, which have a lower tax rate than the statutory rate. Consolidated tax rates are also affected by operations outside of Israel, where Teva has benefitted from lower tax rates.

The Company elected to compute its taxable income in accordance with the Israeli Income Tax Regulations (Rules for Accounting for Foreign Investors Companies and Certain Partnerships and Setting their Taxable Income), 1986. Accordingly, the Company’s taxable income or loss is calculated in U.S. dollar terms. Applying these regulations reduces the effect of foreign exchange rate fluctuations (of the NIS against the U.S. dollar) on the Company’s Israeli taxable income.

**Law for the Encouragement of Industry (Taxes), 1969 (the “Industry Encouragement Law”)**

Teva and certain of its Israeli subsidiaries currently qualify as “Industrial Companies” pursuant to the Industry Encouragement Law. As such, Teva and these subsidiaries qualify for certain tax benefits, including amortization of the purchase price of a good-faith acquisition of a patent or of certain other intangible property rights at a rate of 12.5% per annum and the right to file consolidated tax returns. Currently, Teva files consolidated tax returns together with certain Israeli subsidiaries. The tax laws and regulations provide that industrial enterprises such as those of Teva and its subsidiaries which qualify as “Industrial Companies” can claim special rates of depreciation of up to 40% on a straight-line basis for industrial equipment.

Eligibility for benefits under the Industry Encouragement Law is not subject to receipt of prior approval from any government authority. There can be no assurance that Teva or any of its Israeli subsidiaries that presently qualify as Industrial Companies will continue to qualify as such in the future, or that the benefits will be granted in the future.

**Law for the Encouragement of Capital Investments, 1959 (the “Investment Law”)**

**Incentives Applicable until 2013**

Under the incentives regime applicable to the Company until 2013, industrial projects of Teva and certain of its Israeli subsidiaries were eligible for “Approved Enterprise” status. The tax benefits derived from any such Approved Enterprise related only to taxable profits attributable to the specific program of investment to which the status was granted. In the event that Teva and its subsidiaries that have been granted Approved Enterprise status were operating under more than one approval, or in the event that their capital investments were only partly approved, their effective corporate tax rate was the result of a weighted combination of the various rates applicable.

Most of Teva’s projects in Israel have been granted Approved Enterprise status. The vast majority of those Approved Enterprises elected to apply for alternative tax benefits—the waiver of government grants in return for tax exemptions on undistributed income or reduced tax rates. Upon distribution of such exempt income, the distributing company is subject to corporate tax at the rate ordinarily applicable to the Approved Enterprise’s income. Such tax exemption on undistributed income applied 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 a period of ten years), a corporate tax rate not exceeding 25% applied.

Teva qualified as a foreign investors company, or FIC, under the incentives regime applicable until 2013. FICs were entitled to further reductions in the tax rate normally applicable to Approved Enterprises, depending on the level of foreign ownership. 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%).

Dividends paid by a company, the source of which dividends is income derived from the Approved Enterprise accrued during the benefits period, are generally taxed at a rate of 15% (which is withheld and paid by the company paying the dividend) if such dividends were paid during the benefits period or at any time up to 12 years thereafter. The 12-year limitation does not apply to a FIC.
Starting in April 2005, under Amendment 60 to the Investment Law, with a view to simplifying the bureaucratic process, an industrial project was automatically qualified for Approved Enterprise status and benefits if it met all of the eligibility criteria, with no need for prior approval from the Investment Center. Eligibility for the tax benefits is examined by the tax authorities as part of the tax audit of the Company’s annual tax returns.

Amendment 60 introduced the Strategic Investment Track, applicable to companies that had an Approved Enterprise in Development Zone A that met certain investment and revenue thresholds. Income accrued under this track during the benefits period was exempt from corporate tax. In addition, dividends distributed from such income are also exempt from Israeli tax. Teva has one approved program under this track.

**Amendment 69 to the Investment Law**

Pursuant to amendment 69 to the Investment Law ("Amendment 69"), a company that elected by November 11, 2013 to pay a corporate tax rate as set forth in that amendment (rather than the regular corporate tax rate applicable to Approved Enterprise income) with respect to undistributed exempt income accumulated by the company up until December 31, 2011 is entitled to distribute a dividend from such income without being required to pay additional corporate tax with respect to such dividend. A company that has so elected must make certain qualified investments in Israel over a five-year period commencing in 2013. The election is irrevocable.

During 2013, we applied the provisions of Amendment 69 to certain exempt profits we accrued prior to 2012. Consequently, we paid $577 million in 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.

The application of Amendment 69 to its tax exempt profits requires Teva to invest $286 million in its industrial enterprises in Israel over a 5-year period ending in 2017, in the acquisition of industrial assets (excluding real estate assets), investment in R&D in Israel or salaries paid to new employees who joined the enterprise, relative to the number of employees employed in the enterprise at the end of the 2011 fiscal year, excluding payroll payments to “office holders” (as defined in the Israeli Companies Law). Teva expects to meet this condition during the required period.

**The New Incentives Regime—Amendment 68 to the Investment Law**

Under Amendment 68 to the Investment Law ("Amendment 68"), which Teva intends to apply starting 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 (an “Industrial Company”), as opposed to the previous law’s incentives, which were limited to income from Approved Enterprises during the benefits period. Under the law, when the election is made, the uniform tax rate for 2014 and onwards 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. Certain “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 intends to apply the new incentives regime under Amendment 68 to its Approved Enterprises in Israel starting in 2014 and believes it will qualify as an “Industrial Company” under the new law.

**Taxation of Non-Israeli Subsidiaries**

Non-Israeli subsidiaries are generally taxed based upon tax laws applicable in their countries of residence. In accordance with the provisions of Israeli-controlled foreign corporation rules, certain income of a non-Israeli subsidiary, if the subsidiary’s primary source of income is passive income (such as interest, dividends, royalties,
rental income or income from capital gains), may be deemed distributed as a dividend to the Israeli parent company and consequently is subject to Israeli taxation. Once a dividend is actually distributed, the dividend income will be reduced in the amount of the deemed dividend on which tax was already paid.

**Documents on Display**

Teva files annual and special reports and other information with the SEC. You may inspect and copy such material at the public reference facilities maintained by the SEC, 100 F Street, N.E., Washington, D.C. 20549. You may also obtain copies of such material from the SEC at prescribed rates by writing to the Public Reference Section of the SEC, 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room.

The SEC maintains an Internet website at http://www.sec.gov that contains reports, proxy statements, information statements and other material that are filed through the SEC’s Electronic Data Gathering, Analysis and Retrieval (“EDGAR”) system. Teva began filing through the EDGAR system beginning on October 31, 2002.

Teva also files annual and special reports and other information with the Israeli Securities Authority through its fair disclosure electronic system called MAGNA. You may review these filings on the website of the MAGNA system operated by the Israeli Securities Authority at www.magna.isa.gov.il or on the website of the TASE at www.tase.co.il.

Teva’s ADSs are quoted on the New York Stock Exchange. Information about Teva is also available on its website at http://www.tevapharm.com. Such information on its website is not part of this annual report.

**ITEM 11: 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. Through our financial assets and liabilities, we are also exposed to interest rate risk.

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, the loan is 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 2013 were executed through international as well as 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 currencies other than the U.S. dollar (“balance sheet exposure”) in subsidiaries whose functional currency is the U.S. dollar. 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.

<table>
<thead>
<tr>
<th>Currency Pair</th>
<th>Net Exposure as of December 31, 2013 (in USD, millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>HUF/USD</td>
<td>448</td>
</tr>
<tr>
<td>CHF/USD</td>
<td>335</td>
</tr>
<tr>
<td>USD/CAD</td>
<td>242</td>
</tr>
<tr>
<td>USD/EUR</td>
<td>177</td>
</tr>
<tr>
<td>USD/RUB</td>
<td>166</td>
</tr>
<tr>
<td>EUR/CHF</td>
<td>153</td>
</tr>
<tr>
<td>USD/GBP</td>
<td>155</td>
</tr>
<tr>
<td>USD/HRK</td>
<td>59</td>
</tr>
<tr>
<td>EUR/GBP</td>
<td>52</td>
</tr>
<tr>
<td>EUR/RON</td>
<td>58</td>
</tr>
<tr>
<td>AUD/USD</td>
<td>55</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,900</strong></td>
</tr>
</tbody>
</table>

**Notes:**

1. The table presents only exposures above $50 million.
2. Net exposure is the sum of the absolute value figures.
3. The first currency in the table is the liability, the second is the asset.
4. Most of the functional currencies are the local currencies other than Israel, where Teva uses the U.S. dollar as the functional currency.
5. The above exposure does not include shareholders’ equity exposure.

**Cash Flow Exposure**

Total revenues amounted to $20.3 billion in 2013. Of these revenues, 54% were in U.S. dollars, 19% in euros and the rest in other currencies, none of which accounted for more than 4% of total revenues in 2013. In most currencies, we record expenses against these revenues.

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 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 2013, 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 2013 and 2014.

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, 2013, we had long and short forwards and currency option contracts with corresponding value of approximately $2.6 billion and $165 million, respectively. At December 31, 2012, we had long and short forwards and currency option contracts with corresponding values of $1.9 billion and $265 million, respectively.

The table below presents derivative instruments purchased to limit exposure to foreign exchange rate fluctuations for all exposure types, as of December 31, 2013.

<table>
<thead>
<tr>
<th>Currency</th>
<th>Cross Currency</th>
<th>Hedging Value*</th>
<th>Fair Value</th>
<th>2013 Weighted Average Cross Currency Prices or Strike Prices</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2013</td>
<td>2012</td>
<td>2013</td>
</tr>
<tr>
<td>Forward:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>USD</td>
<td>HUF</td>
<td>441</td>
<td>359</td>
<td>13.0</td>
</tr>
<tr>
<td>GBP</td>
<td>USD</td>
<td>142</td>
<td>175</td>
<td>(1.5)</td>
</tr>
<tr>
<td>Euro</td>
<td>USD</td>
<td>102</td>
<td>113</td>
<td>(0.5)</td>
</tr>
<tr>
<td>Canadian dollar</td>
<td>USD</td>
<td>229</td>
<td>288</td>
<td>1.0</td>
</tr>
<tr>
<td>Swiss franc</td>
<td>EUR</td>
<td>152</td>
<td>145</td>
<td>(1.0)</td>
</tr>
<tr>
<td>Swiss franc</td>
<td>USD</td>
<td>258</td>
<td>126</td>
<td>4.5</td>
</tr>
<tr>
<td>Romanian leu</td>
<td>EUR</td>
<td>63</td>
<td>68</td>
<td>0.5</td>
</tr>
<tr>
<td>Russian ruble</td>
<td>USD</td>
<td>165</td>
<td>246</td>
<td>(1.0)</td>
</tr>
<tr>
<td>Australian dollar</td>
<td>USD</td>
<td>55</td>
<td>—</td>
<td>(0.5)</td>
</tr>
<tr>
<td>Croatian kuna</td>
<td>USD</td>
<td>68</td>
<td>—</td>
<td>(0.5)</td>
</tr>
<tr>
<td>GBP</td>
<td>EUR</td>
<td>67</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Options:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Swiss franc</td>
<td>USD</td>
<td>63</td>
<td>—</td>
<td>0.5</td>
</tr>
<tr>
<td>Euro</td>
<td>USD</td>
<td>74</td>
<td>50</td>
<td>(0.5)</td>
</tr>
<tr>
<td>Czech koruna</td>
<td>USD</td>
<td>—</td>
<td>57</td>
<td>—</td>
</tr>
<tr>
<td>GBP</td>
<td>USD</td>
<td>—</td>
<td>95</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>1,879</td>
<td>1,722</td>
<td>14.0</td>
</tr>
</tbody>
</table>

* The table presents only hedging transactions with a value above $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”), and vice versa (“cash flow hedge”), thereby reducing overall interest expenses or hedging risks associated with interest rate fluctuations.

The below table presents the aggregate outstanding amounts which are subject to interest rate swaps, with and without a currency exchange element, as of December 31, 2013 and 2012.

<table>
<thead>
<tr>
<th>December 31, 2013/12</th>
<th>U.S. $ in millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest rate swap—cash flow hedge</td>
<td>$ —</td>
</tr>
<tr>
<td>Interest rate swap—fair value hedge</td>
<td>2,500</td>
</tr>
<tr>
<td>Cross currency swap—cash flow hedge</td>
<td>1,875</td>
</tr>
<tr>
<td>Total</td>
<td>$4,375</td>
</tr>
</tbody>
</table>

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.

Our indebtedness, the interest rate range it bears and its repayment schedule by currency as at December 31, 2013 are set forth in the table below in U.S. dollar equivalent terms, taking into account the above-described swap transactions.

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Rate:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>USD straight bonds</td>
<td>3,524</td>
<td>2.25%</td>
<td>7.20%</td>
<td>950</td>
<td>15</td>
<td>2,559</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Euro</td>
<td>3,452</td>
<td>2.36%</td>
<td>3.85%</td>
<td>1,117</td>
<td></td>
<td>2,335</td>
<td></td>
<td></td>
</tr>
<tr>
<td>JPY</td>
<td>1,168</td>
<td>0.88%</td>
<td>2.95%</td>
<td>66</td>
<td>45</td>
<td>35</td>
<td>648</td>
<td>20</td>
</tr>
<tr>
<td>USD convertible debentures*</td>
<td>530</td>
<td>0.25%</td>
<td>0.50%</td>
<td>530</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CHF</td>
<td>506</td>
<td>1.50%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Floating Rate:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>USD</td>
<td>2,258</td>
<td>0.64%</td>
<td>1.47%</td>
<td>960</td>
<td></td>
<td></td>
<td>1,298</td>
<td></td>
</tr>
<tr>
<td>Euro</td>
<td>168</td>
<td>1.29%</td>
<td></td>
<td></td>
<td>168</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JPY</td>
<td>409</td>
<td>0.328%</td>
<td>0.473%</td>
<td>76</td>
<td></td>
<td>333</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>176</td>
<td>2.50%</td>
<td>172</td>
<td>1</td>
<td></td>
<td></td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Total:</td>
<td>12,191</td>
<td>1,804</td>
<td>1,331</td>
<td>985</td>
<td>648</td>
<td>875</td>
<td>6,548</td>
<td></td>
</tr>
</tbody>
</table>

* 0.25% $530 convertible senior debentures were classified under short term debt.
ITEM 12D: DESCRIPTION OF TEVA AMERICAN DEPOSITARY SHARES

Fees and Charges Payable by ADS Holders

JPMorgan Chase Bank, N.A. serves as the depositary (the “depositary”) for Teva’s American Depositary Share (“ADS”) program. Pursuant to a deposit agreement among Teva, the depositary and the holders from time to time of ADSs, ADS holders may be required to pay the following fees to the depositary:

- any applicable taxes and other governmental charges;
- any applicable transfer or registration fees;
- certain cable, telex and facsimile transmission charges as provided in the deposit agreement;
- any expenses incurred in the conversion of foreign currency;
- a fee of $5.00 or less per 100 ADSs (or a portion of such amount of ADSs) for the delivery of ADSs in connection with the deposit of ordinary shares, distributions in ordinary shares on the surrender of ADSs or the distribution of rights on the ordinary shares;
- a fee of $0.02 or less per ADS for any cash distributions on the ordinary shares;
- a fee of $5.00 or less per 100 ADSs (or a portion of such amount of ADSs) for the distribution of securities on the ordinary shares (other than ordinary shares or rights thereon);
- a fee of $0.02 or less per ADS annually for depositary services performed by the depositary and/or the custodian (which may be charged directly to the owners or which may be withheld from cash distributions, at the sole discretion of the depositary); and
- a fee for the reimbursement of other expenses incurred by the depositary in connection with the ADS program (which fee shall be assessed on a proportionate basis to the holders of the ADSs).

Fees Payable by the Depositary to Teva

Pursuant to an agreement with the Company, the depositary has agreed to pay Teva, on an annual basis per contract year, (i) up to $1,300,000 of certain reimbursable expenses related to the ADS program (including listing fees, legal, audit and accounting fees, costs relating to investor relations activities and broker reimbursement expenses), (ii) 90% of the net issuance and cancellation fees collected by the depositary (i.e., net of custodian allocations and custody fees related to the depositary program) in excess of $1,700,000 and (iii) 85% of any cash dividend fee or annual administrative servicing fee collected under the deposit agreement. As a result, the depositary paid Teva an aggregate of approximately $1.25 million with respect to 2013, including fees waived.

ITEM 13: DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14: MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

None.
PART II

ITEM 15: CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures. Teva’s chief executive officer and chief financial officer, after evaluating the effectiveness of Teva’s disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) as of the end of the period covered by this annual report, have concluded that, as of such date, Teva’s disclosure controls and procedures were effective to ensure that the information required in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms, and such information is accumulated and communicated to its management, including its chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

(b) Report of Teva Management on Internal Control over Financial Reporting. Teva’s board of directors and management are responsible for establishing and maintaining adequate internal control over financial reporting. Teva’s internal control system was designed to provide reasonable assurance to Teva’s management and board of directors regarding the reliability of financial reporting and the preparation and fair presentation of its published consolidated financial statements.

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

Teva’s management assessed the effectiveness of the Company’s internal control over financial reporting as of December 31, 2013. In making this assessment, it used the criteria established in Internal Control—Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on such assessment, management has concluded that, as of December 31, 2013, Teva’s internal control over financial reporting is effective based on those criteria.

(c) Attestation Report of the Registered Public Accounting Firm. Teva’s internal control over financial reporting as of December 31, 2013 has been audited by Keselman & Kesselman, an independent registered public accounting firm in Israel and a member of PricewaterhouseCoopers International Limited (“PwC”), as stated in their report, which is included under “Item 18—Financial Statements” on page F-2 of this annual report.

(d) Changes in Internal Control over Financial Reporting. There were no changes to Teva’s internal control over financial reporting that occurred during the period covered by this annual report that have materially affected, or are reasonably likely to materially affect, Teva’s internal control over financial reporting.

ITEM 16: [RESERVED]

ITEM 16A: AUDIT COMMITTEE FINANCIAL EXPERTS

Teva’s Board of Directors has determined that Prof. Dafna Schwartz, Mr. Joseph Nitzani and Mr. Dan Suesskind members of its audit committee, are “audit committee financial experts”, as defined by applicable SEC regulations, and are independent in accordance with applicable SEC and NYSE regulations.

ITEM 16B: CODE OF ETHICS

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. 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.

**ITEM 16C: PRINCIPAL ACCOUNTANT FEES AND SERVICES**

**Policy on Pre-Approval of Audit and Non-Audit Services of Independent Auditors**

Teva’s audit committee is responsible for the oversight of its independent auditors’ work. The audit committee’s policy is to pre-approve all audit and non-audit services provided by PwC and other members of PricewaterhouseCoopers International Limited. These services may include audit services, audit-related services, tax services and other services, as further described below. The audit committee sets forth the basis for its pre-approval in detail, listing the particular services or categories of services which are pre-approved, and setting forth a specific budget for such services. Additional services may be pre-approved by the audit committee on an individual basis. Once services have been pre-approved, PwC and management then report to the audit committee on a periodic basis regarding the extent of services actually provided in accordance with the applicable pre-approval, and regarding the fees for the services performed. Such fees for 2013 and 2012 were pre-approved by the audit committee in accordance with these procedures.

**Principal Accountant Fees and Services**

Teva paid the following fees for professional services rendered by PwC and other members of PricewaterhouseCoopers International Limited, for the years ended December 31:

<table>
<thead>
<tr>
<th>Services</th>
<th>2013 (U.S. $ in thousands)</th>
<th>2012 (U.S. $ in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit Fees</td>
<td>$11,946</td>
<td>$11,949</td>
</tr>
<tr>
<td>Audit-Related Fees</td>
<td>917</td>
<td>1,125</td>
</tr>
<tr>
<td>Tax Fees</td>
<td>6,703</td>
<td>7,700</td>
</tr>
<tr>
<td>All Other Fees</td>
<td>1,256</td>
<td>1,342</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$20,822</strong></td>
<td><strong>$22,116</strong></td>
</tr>
</tbody>
</table>

The audit fees for the years ended December 31, 2013 and 2012 were for professional services rendered for the integrated audit of Teva’s annual consolidated financial statements and its internal control over financial reporting as of December 31, 2013 and 2012, review of consolidated quarterly financial statements, statutory audits of Teva and its subsidiaries, issuance of comfort letters, consents and assistance with review of documents filed with the SEC.

The audit-related fees for the years ended December 31, 2013 and 2012 were for services in respect of due diligence related to mergers and acquisitions, accounting consultations and audits in connection with acquisitions, employee benefit plan audits, internal control reviews, attest services that are not required by statute or regulation and consultations concerning financial accounting and reporting standards.

Tax fees for the years ended December 31, 2013 and 2012 were for services related to tax compliance, including the preparation of tax returns and claims for refund, and tax planning and tax advice, including assistance with tax audits and appeals, advice related to mergers and acquisitions, tax services for employee benefit plans and assistance with respect to requests for rulings from tax authorities.

All other fees for the years ended December 31, 2013 and 2012 were for general guidance related to accounting issues, the purchase of accounting research tools and human resources benchmarking data and providing assistance in respect of a risk management program relating to one of the Company’s products.
ITEM 16D: EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not Applicable.

ITEM 16E: PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

On December 21, 2011, our Board of Directors authorized us to repurchase up to an aggregate amount of $3 billion of our ordinary shares/ADSs. The repurchase program has no time limit. As of the end of 2013, we repurchased shares and ADSs for an aggregate amount of $1.7 billion, so that the outstanding amount available for purchase under this program is $1.3 billion.

During 2013, we repurchased approximately 12.8 million shares at a weighted average price of $38.87 per share, for an aggregate purchase price of $497 million. During 2012, we repurchased approximately 28.1 million shares at a weighted average price of $41.64 per share, for an aggregate purchase price of $1.2 billion. These purchases were pursuant to the December 2011 repurchase plan.

Set forth below is a summary of the shares repurchased by us during 2013 under the December 2011 program, and the approximate dollar value of securities that may yet be purchased under this program:

<table>
<thead>
<tr>
<th>Number of shares purchased during the month (in thousands)</th>
<th>Average price paid per share (U.S. dollars)</th>
<th>Total number of shares purchased (in thousands)</th>
<th>Approximate dollar value of securities remaining that may be purchased (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of December 31, 2012 . . . . . . . . . . . . . . . . . . .</td>
<td>28,104</td>
<td>$41.64</td>
<td>28,104</td>
</tr>
<tr>
<td>February 2013 . . . . . . . . . . . . . . . . . . . . . . . .</td>
<td>5,195</td>
<td>$38.43</td>
<td>33,299</td>
</tr>
<tr>
<td>May 2013 . . . . . . . . . . . . . . . . . . . . . . . . . . . .</td>
<td>7,599</td>
<td>$39.17</td>
<td>40,898</td>
</tr>
<tr>
<td>Total . . . . . . . . . . . . . . . . . . . . . . . . . . . . .</td>
<td>40,898</td>
<td>$40.77</td>
<td>40,898</td>
</tr>
</tbody>
</table>

ITEM 16F: CHANGE IN REGISTRANT’S CERTIFYING ACCOUNTANT

Not Applicable.

ITEM 16G: CORPORATE GOVERNANCE

Teva is in compliance with corporate governance standards as currently applicable to Teva under Israeli and U.S. law, SEC regulations and NYSE listing standards.

ITEM 16H: MINE SAFETY DISCLOSURE

Not Applicable.
### PART III

#### ITEM 17: FINANCIAL STATEMENTS

See “Item 18: Financial Statements.”

#### ITEM 18: FINANCIAL STATEMENTS

The following financial statements are filed as part of this annual report on Form 20-F:

<table>
<thead>
<tr>
<th>Financial Statement</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Report of Independent Registered Public Accounting Firm</td>
<td>F-2</td>
</tr>
<tr>
<td>Balance sheets</td>
<td>F-4</td>
</tr>
<tr>
<td>Statements of income</td>
<td>F-5</td>
</tr>
<tr>
<td>Statements of comprehensive income</td>
<td>F-6</td>
</tr>
<tr>
<td>Statements of changes in equity</td>
<td>F-7</td>
</tr>
<tr>
<td>Statements of cash flows</td>
<td>F-8</td>
</tr>
<tr>
<td>Notes to consolidated financial statements</td>
<td>F-10</td>
</tr>
</tbody>
</table>

**Financial Statement Schedule:**

<table>
<thead>
<tr>
<th>Financial Statement</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Report of Independent Registered Public Accounting Firm</td>
<td>S-1</td>
</tr>
<tr>
<td>Schedule II—Valuation and Qualifying Accounts</td>
<td>S-2</td>
</tr>
</tbody>
</table>
ITEM 19: EXHIBITS

1.1 Memorandum of Association (1)(2)
1.2 Amendment to Memorandum of Association (1)(3)
1.3 Articles of Association (1)(4)
2.1 Amended and Restated Deposit Agreement, dated November 5, 2012, among Teva Pharmaceutical Industries Limited, JPMorgan Chase Bank N.A., as depositary, and the holders from time to time of shares (5)
2.2 Form of American Depositary Receipt (5)
2.3 Senior Indenture, dated as of January 31, 2006, by and among Teva Pharmaceutical Finance Company LLC, Teva Pharmaceutical Industries Limited and The Bank of New York, as Trustee (6)
2.4 First Supplemental Senior Indenture, dated as of January 31, 2006, by and among Teva Pharmaceutical Finance Company LLC, Teva Pharmaceutical Industries Limited and The Bank of New York, as Trustee (6)
2.5 Second Supplemental Senior Indenture, dated as of January 31, 2006, by and among Teva Pharmaceutical Finance Company LLC, Teva Pharmaceutical Industries Limited and The Bank of New York, as Trustee (6)
2.6 Form of Global Debentures (included in Exhibits 2.4 and 2.5)
2.7 Senior Indenture, dated as of June 18, 2010, by and among Teva Pharmaceutical Finance II B.V., Teva Pharmaceutical Industries Limited and The Bank of New York Mellon, as Trustee (7)
2.8 First Supplemental Senior Indenture, dated as of June 18, 2010, by and among Teva Pharmaceutical Finance II B.V., Teva Pharmaceutical Industries Limited and The Bank of New York Mellon, as Trustee (7)
2.9 Form of Global Notes (included in Exhibit 2.8)
2.10 Senior Indenture, dated as of March 21, 2011, by and among Teva Pharmaceutical Finance III B.V., Teva Pharmaceutical Industries Limited and The Bank of New York Mellon (8)
2.11 First Supplemental Senior Indenture, dated as of March 21, 2011, by and among Teva Pharmaceutical Finance III B.V., Teva Pharmaceutical Industries Limited and The Bank of New York Mellon (8)
2.12 Form of Global Notes (included in Exhibit 2.11)
2.13 Senior Indenture, dated as of November 10, 2011, by and among Teva Pharmaceutical Finance IV, LLC, Teva Pharmaceutical Industries Limited and The Bank of New York Mellon (9)
2.15 Form of Global Notes (Included in Exhibit 2.14)
2.16 Senior Indenture, dated as of November 10, 2011, by and among Teva Pharmaceutical Finance Company B.V., Teva Pharmaceutical Industries Limited and The Bank of New York Mellon (9)

2.18 Forms of Global Notes (included in Exhibit 2.17)


2.20 Forms of Global Notes (included in Exhibit 2.19)

2.21 Senior Indenture, dated as of November 10, 2011, by and among Teva Pharmaceutical Finance IV B.V., Teva Pharmaceutical Industries Limited and The Bank of New York Mellon (9)

2.22 First Supplemental Senior Indenture, dated as of November 10, 2011, by and among Teva Pharmaceutical Finance IV B.V., Teva Pharmaceutical Industries Limited and The Bank of New York Mellon (9)

2.23 Form of Global Notes (included in Exhibit 2.22)


2.25 Form of Global Notes (included in Exhibit 2.23)

2.26 Permanent Global Certificate, dated as of April 25, 2012 and the Terms of the CHF 450,000,000 1.5 per cent Notes due 2018 (12)

2.27 Guarantee, dated as of April 25, 2012, by Teva Pharmaceutical Industries Limited (12)

2.28 Senior Unsecured Fixed Rate Japanese Yen Term Loan Credit Agreement dated as of March 28, 2012 among Teva Pharmaceutical Industries Limited, as guarantor, Teva Holdings GK, as initial borrower, Sumitomo Mitsui Banking Corporation, as administrative agent and the Lenders party thereto (13)

2.29 Senior Unsecured Revolving Credit Agreement dated as of December 18, 2012 among Teva Pharmaceutical Industries Limited, Teva Pharmaceuticals USA, Inc., Teva Finance Services B.V., Teva Finance Services II B.V. and Teva Capital Services Switzerland GMBH, as borrowers, Citibank, N.A., as administrative agent and HSBC Bank PLC, as documentation agent and the Lenders party thereto (14)

2.30 Term Loan Credit Agreement, dated as of January 8, 2014 among Teva Pharmaceutical Industries Limited and Teva Pharmaceuticals USA, Inc., as Borrower, Citibank, N.A., as Administrative Agent, and Citibank, N.A., London Branch, as Documentation Agent, Barclays Bank PLC and Citibank, N.A., London Branch, as Coordinating Bookrunners & Mandated Lead Arrangers, and BNP Paribas, Credit Suisse Securities (USA) LLC, Goldman Sachs Bank USA, HSBC Bank PLC and Morgan Stanley Senior Funding, Inc., as Bookrunners & Mandated Lead Arrangers

2.31 Global Assignment and Assumption dated as of February 4, 2014, among Teva Pharmaceutical Industries Limited, Barclays Bank PLC, Citibank, N.A., BNP Paribas Dublin Branch, Credit Suisse AG, Cayman Islands Branch, Goldman Sachs Bank USA, HSBC Bank plc and Morgan Stanley Bank,

2.32 Other long-term debt instruments: The registrant hereby undertakes to provide the Securities and Exchange Commission with copies upon request.

8 Subsidiaries of the Registrant

10 Consent of Kesselman & Kesselman

12(i) Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

12(ii) Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

13 Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

101 The following financial information from Teva Pharmaceutical Industries Limited’s Annual Report on Form 20-F for the year ended December 31, 2013 formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Statements of Income for the years ended December 31, 2013, 2012 and 2011; (ii) Consolidated Balance Sheets at December 31, 2013 and 2012; (iii) Consolidated Statements of Changes in Equity for the years ended December 31, 2013, 2012 and 2011; (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2013, 2012 and 2011; and (v) Notes to Consolidated Financial Statements, tagged as blocks of text. Users of this data are advised, in accordance with Rule 406T of Regulation S-T promulgated by the Securities and Exchange Commission, that this Interactive Data File is deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

1. English translation or summary from Hebrew original, which is the official version.
2. Incorporated by reference to Exhibit 3.1 to Teva’s Registration Statement on Form F-1 (Reg. No. 33-15736).
3. Incorporated by reference to Teva’s Form 6-K filed on July 28, 2011.
4. Incorporated by reference to Teva’s Form 6-K filed on November 1, 2012.
5. Incorporated by reference to Teva’s Registration Statement on Form F-6 (Reg. No. 333-184652).
7. Incorporated by reference to Teva’s Form 6-K filed on June 18, 2010.
8. Incorporated by reference to Teva’s Form 6-K filed on March 21, 2011.
9. Incorporated by reference to Teva’s Form 6-K filed on November 10, 2011.
10. Incorporated by reference to Teva’s Form 6-K filed on December 18, 2012.
11. Incorporated by reference to Teva’s Form 6-K filed on April 4, 2012.
12. Incorporated by reference to Teva’s Form 6-K filed on April 25, 2012.
13. Incorporated by reference to Teva’s Form 6-K filed on May 9, 2012.
SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

TEVA PHARMACEUTICAL INDUSTRIES LIMITED

By: /s/ Eyal Desheh
Name: Eyal Desheh
Title: Acting President and Chief Executive Officer

Date: February 10, 2014
TEVA PHARMACEUTICAL INDUSTRIES LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ................. F-2

CONSOLIDATED FINANCIAL STATEMENTS:

<table>
<thead>
<tr>
<th>Statement</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance sheets</td>
<td>F-4</td>
</tr>
<tr>
<td>Statements of income</td>
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</tr>
<tr>
<td>Statements of cash flows</td>
<td>F-8</td>
</tr>
<tr>
<td>Notes to consolidated financial statements</td>
<td>F-10</td>
</tr>
</tbody>
</table>
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders of

TEVA PHARMACEUTICAL INDUSTRIES LIMITED

We have completed integrated audits of Teva Pharmaceutical Industries Limited’s (the “Company”) consolidated financial statements and of its internal control over financial reporting as of December 31, 2013, in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our integrated audits, are presented below.

Consolidated financial statements

We have audited the consolidated balance sheets of Teva Pharmaceutical Industries Limited and its subsidiaries as of December 31, 2013 and 2012 and the related consolidated statements of income, of comprehensive income, of changes in equity and of cash flows for each of the three years in the period ended December 31, 2013.

These consolidated financial statements are the responsibility of the Company’s Board of Directors and management. Our responsibility is to express an opinion on these financial statements based on our integrated audits.

We conducted our audits in accordance with auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Company’s Board of Directors and management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above, present fairly, in all material respects, the financial position of Teva Pharmaceutical Industries Limited and its subsidiaries at December 31, 2013 and 2012, and the results of their operations, changes in comprehensive income, changes in equity and their cash flows for each of the three years in the period ended December 31, 2013, in conformity with accounting principles generally accepted in the United States of America.

Internal control over financial reporting

Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control-Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The Company’s Board of Directors and management are responsible for maintaining effective internal control over financial reporting and management is responsible for the assessment of the effectiveness of internal control over financial reporting included in the accompanying “Report of Teva Management on Internal Control Over Financial Reporting” appearing under Item 15(b). Our responsibility is to express an opinion on the effectiveness of the Company’s internal control over financial reporting based on our integrated audit. We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting includes 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 audit also includes performing such other
procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis
for our opinion.

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 10, 2014

/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,

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$1,038</td>
<td>$2,879</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>5,338</td>
<td>5,572</td>
</tr>
<tr>
<td>Inventories</td>
<td>5,053</td>
<td>5,502</td>
</tr>
<tr>
<td>Deferred income taxes</td>
<td>1,084</td>
<td>1,142</td>
</tr>
<tr>
<td>Other current assets</td>
<td>1,207</td>
<td>1,260</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>13,720</td>
<td>16,355</td>
</tr>
<tr>
<td><strong>Other non-current assets</strong></td>
<td>1,696</td>
<td>1,338</td>
</tr>
<tr>
<td>Property, plant and equipment, net</td>
<td>6,635</td>
<td>6,315</td>
</tr>
<tr>
<td>Identifiable intangible assets, net</td>
<td>6,476</td>
<td>7,745</td>
</tr>
<tr>
<td>Goodwill</td>
<td>18,981</td>
<td>18,856</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$47,508</td>
<td>$50,609</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LIABILITIES AND EQUITY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-term debt</td>
<td>$1,804</td>
<td>$3,006</td>
</tr>
<tr>
<td>Sales reserves and allowances</td>
<td>4,918</td>
<td>4,934</td>
</tr>
<tr>
<td>Accounts payable and accruals</td>
<td>3,317</td>
<td>3,376</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>1,926</td>
<td>1,572</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>11,965</td>
<td>12,888</td>
</tr>
<tr>
<td><strong>Long-term liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred income taxes</td>
<td>1,247</td>
<td>1,849</td>
</tr>
<tr>
<td>Senior notes and loans</td>
<td>10,387</td>
<td>11,712</td>
</tr>
<tr>
<td>Other taxes and long-term liabilities</td>
<td>1,273</td>
<td>1,293</td>
</tr>
<tr>
<td><strong>Total long-term liabilities</strong></td>
<td>12,907</td>
<td>14,854</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Commitments and contingencies, see note 14</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>24,872</td>
<td>27,742</td>
</tr>
</tbody>
</table>

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Equity:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Teva shareholders' equity:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ordinary shares of NIS 0.10 par value per share; December 31, 2013 and December 31, 2012:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>authorized 2,500 million shares; issued 947 million shares and 944 million shares, respectively</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>Additional paid-in capital</td>
<td>13,628</td>
<td>13,474</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>12,535</td>
<td>12,346</td>
</tr>
<tr>
<td>Accumulated other comprehensive loss</td>
<td>(91)</td>
<td>(17)</td>
</tr>
<tr>
<td>Treasury shares as of December 31, 2013 and December 31, 2012—99 million ordinary shares and 87 million ordinary shares, respectively</td>
<td>(3,557)</td>
<td>(3,085)</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>22,636</td>
<td>22,768</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non-controlling interests</strong></td>
<td>71</td>
<td>99</td>
</tr>
<tr>
<td><strong>Total liabilities and equity</strong></td>
<td>$47,508</td>
<td>$50,609</td>
</tr>
</tbody>
</table>

/s/ P. Frost
Chairman of the Board

/s/ E. Desheh
Acting President and Chief Executive 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)

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net revenues</td>
<td>$20,314</td>
<td>$20,317</td>
<td>$18,312</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>9,607</td>
<td>9,665</td>
<td>8,797</td>
</tr>
<tr>
<td>Gross profit</td>
<td>10,707</td>
<td>10,652</td>
<td>9,515</td>
</tr>
<tr>
<td>Research and development expenses</td>
<td>1,427</td>
<td>1,356</td>
<td>1,095</td>
</tr>
<tr>
<td>Selling and marketing expenses</td>
<td>4,080</td>
<td>3,879</td>
<td>3,478</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>1,239</td>
<td>1,238</td>
<td>932</td>
</tr>
<tr>
<td>Legal settlements and loss contingencies</td>
<td>1,524</td>
<td>715</td>
<td>471</td>
</tr>
<tr>
<td>Impairments, restructuring and others</td>
<td>788</td>
<td>1,259</td>
<td>430</td>
</tr>
<tr>
<td>Operating income</td>
<td>1,649</td>
<td>2,205</td>
<td>3,109</td>
</tr>
<tr>
<td>Financial expenses—net</td>
<td>399</td>
<td>386</td>
<td>153</td>
</tr>
<tr>
<td>Income before income taxes</td>
<td>1,250</td>
<td>1,819</td>
<td>2,956</td>
</tr>
<tr>
<td>Income taxes</td>
<td>(43)</td>
<td>(137)</td>
<td>127</td>
</tr>
<tr>
<td>Share in losses of associated companies—net</td>
<td>40</td>
<td>46</td>
<td>61</td>
</tr>
<tr>
<td>Net income</td>
<td>1,253</td>
<td>1,910</td>
<td>2,768</td>
</tr>
<tr>
<td>Net income (loss) attributable to non-controlling interests</td>
<td>(16)</td>
<td>(53)</td>
<td>9</td>
</tr>
<tr>
<td>Net income attributable to Teva</td>
<td>$1,269</td>
<td>$1,963</td>
<td>$2,759</td>
</tr>
</tbody>
</table>

Earnings per share attributable to Teva:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic</td>
<td>$ 1.49</td>
<td>$ 2.25</td>
<td>$ 3.10</td>
</tr>
<tr>
<td>Diluted</td>
<td>$ 1.49</td>
<td>$ 2.25</td>
<td>$ 3.09</td>
</tr>
</tbody>
</table>

Weighted average number of shares (in millions):

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic</td>
<td>849</td>
<td>872</td>
<td>890</td>
</tr>
<tr>
<td>Diluted</td>
<td>850</td>
<td>873</td>
<td>893</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of the financial statements.
<table>
<thead>
<tr>
<th></th>
<th>Year ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
</tr>
<tr>
<td>Net income</td>
<td>$1,253</td>
</tr>
<tr>
<td>Other comprehensive income (loss), net of tax:</td>
<td></td>
</tr>
<tr>
<td>Currency translation adjustment</td>
<td>(22)</td>
</tr>
<tr>
<td>Unrealized gain (loss) on derivative financial instruments</td>
<td>(104)</td>
</tr>
<tr>
<td>Unrealized gain (loss) from available-for-sale securities</td>
<td>12</td>
</tr>
<tr>
<td>Gain (loss) on defined benefit plans</td>
<td>42</td>
</tr>
<tr>
<td>Total other comprehensive income (loss)</td>
<td>(72)</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>1,181</td>
</tr>
<tr>
<td>Comprehensive income (loss) attributable to the non-controlling interests</td>
<td>(14)</td>
</tr>
<tr>
<td>Comprehensive income attributable to Teva</td>
<td>$1,195</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of the financial statements.
## Consolidated Statements of Changes in Equity

**Teva shareholders’ equity**

<table>
<thead>
<tr>
<th>Ordinary shares</th>
<th>Accumulated other comprehensive income (loss)</th>
<th>Total Teva shareholders’ equity</th>
<th>Non-controlling interests</th>
<th>Total equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of shares (in millions)</td>
<td>Stated value</td>
<td>Additional paid-in capital</td>
<td>Retained earnings</td>
<td>(U.S. dollars in millions)</td>
</tr>
<tr>
<td><strong>Balance at January 1, 2011</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>937</td>
<td>$49</td>
<td>$13,246</td>
<td>$9,325</td>
<td>2,759</td>
</tr>
<tr>
<td><strong>Changes during 2011:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Comprehensive income (loss)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exercise of options and RSUs by employees</td>
<td>3</td>
<td>*</td>
<td>71</td>
<td>1,826</td>
</tr>
<tr>
<td>Conversion of convertible senior debentures</td>
<td>2</td>
<td>*</td>
<td>12</td>
<td></td>
</tr>
<tr>
<td>Stock-based compensation expense</td>
<td></td>
<td></td>
<td>91</td>
<td></td>
</tr>
<tr>
<td>Dividends</td>
<td></td>
<td></td>
<td>(800)</td>
<td></td>
</tr>
<tr>
<td>Non-controlling interests arising from business combinations</td>
<td></td>
<td></td>
<td></td>
<td>—</td>
</tr>
<tr>
<td>Acquisition of non-controlling interests</td>
<td>(55)</td>
<td></td>
<td>(55)</td>
<td>(20)</td>
</tr>
<tr>
<td>Disposition of non-controlling interests</td>
<td></td>
<td></td>
<td></td>
<td>(15)</td>
</tr>
<tr>
<td>Purchase of treasury shares</td>
<td></td>
<td></td>
<td>(901)</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td>(901)</td>
<td></td>
</tr>
<tr>
<td><strong>Balance at December 31, 2011</strong></td>
<td>942</td>
<td>50</td>
<td>13,374</td>
<td>11,284</td>
</tr>
<tr>
<td><strong>Changes during 2012:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Comprehensive income (loss)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exercise of options and RSUs by employees</td>
<td>2</td>
<td>*</td>
<td>14</td>
<td>2,535</td>
</tr>
<tr>
<td>Stock-based compensation expense</td>
<td></td>
<td></td>
<td>82</td>
<td></td>
</tr>
<tr>
<td>Dividends</td>
<td></td>
<td></td>
<td>(901)</td>
<td></td>
</tr>
<tr>
<td>Purchase of treasury shares</td>
<td></td>
<td></td>
<td>(1,161)</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td>(1,161)</td>
<td></td>
</tr>
<tr>
<td><strong>Balance at December 31, 2012</strong></td>
<td>944</td>
<td>50</td>
<td>13,474</td>
<td>12,346</td>
</tr>
<tr>
<td><strong>Changes during 2013:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Comprehensive income (loss)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exercise of options and RSUs by employees</td>
<td>3</td>
<td>*</td>
<td>73</td>
<td>1,195</td>
</tr>
<tr>
<td>Stock-based compensation expense</td>
<td></td>
<td></td>
<td>64</td>
<td></td>
</tr>
<tr>
<td>Dividends</td>
<td></td>
<td></td>
<td>(1,080)</td>
<td></td>
</tr>
<tr>
<td>Purchase of treasury shares</td>
<td></td>
<td></td>
<td>(497)</td>
<td></td>
</tr>
<tr>
<td>Disposition of non-controlling interests</td>
<td></td>
<td></td>
<td></td>
<td>—</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Balance at December 31, 2013</strong></td>
<td>947</td>
<td>$50</td>
<td>$13,628</td>
<td>$12,535</td>
</tr>
</tbody>
</table>

* 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)

<table>
<thead>
<tr>
<th>Year ended December 31,</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating activities:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>$1,253</td>
<td>$1,910</td>
<td>$2,768</td>
</tr>
<tr>
<td>Adjustments to reconcile net income to net cash provided by operations:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>1,642</td>
<td>1,708</td>
<td>1,069</td>
</tr>
<tr>
<td>Deferred income taxes—net and uncertain tax positions</td>
<td>(1,380)</td>
<td>(690)</td>
<td>(500)</td>
</tr>
<tr>
<td>Net change in operating assets and liabilities</td>
<td>968</td>
<td>414</td>
<td>594</td>
</tr>
<tr>
<td>Impairment of long-lived assets</td>
<td>524</td>
<td>1,071</td>
<td>201</td>
</tr>
<tr>
<td>Other items</td>
<td>143</td>
<td>7</td>
<td>103</td>
</tr>
<tr>
<td>Stock-based compensation</td>
<td>64</td>
<td>82</td>
<td>91</td>
</tr>
<tr>
<td>Loss (gain) from sale of long-lived assets and investments</td>
<td>18</td>
<td>(3)</td>
<td>(72)</td>
</tr>
<tr>
<td>Research and development in process</td>
<td>5</td>
<td>73</td>
<td>15</td>
</tr>
<tr>
<td>Gain from revaluation of investments</td>
<td>—</td>
<td>—</td>
<td>(135)</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>3,237</td>
<td>4,572</td>
<td>4,134</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year ended December 31,</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Investing activities:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchases of property, plant and equipment</td>
<td>(1,031)</td>
<td>(1,104)</td>
<td>(1,053)</td>
</tr>
<tr>
<td>Proceeds from sales of long-lived assets and investments</td>
<td>187</td>
<td>264</td>
<td>279</td>
</tr>
<tr>
<td>Purchases of investments and other assets</td>
<td>(160)</td>
<td>(201)</td>
<td>(217)</td>
</tr>
<tr>
<td>Other investing activities</td>
<td>(104)</td>
<td>(93)</td>
<td>(49)</td>
</tr>
<tr>
<td>Acquisitions of subsidiaries, net of cash acquired</td>
<td>(39)</td>
<td>—</td>
<td>(6,561)</td>
</tr>
<tr>
<td><strong>Net cash used in investing activities</strong></td>
<td>(1,147)</td>
<td>(1,134)</td>
<td>(7,601)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year ended December 31,</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financing activities:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repayment of long-term loans and other long-term liabilities</td>
<td>(3,133)</td>
<td>(2,213)</td>
<td>(751)</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>(1,089)</td>
<td>(855)</td>
<td>(800)</td>
</tr>
<tr>
<td>Purchases of treasury shares</td>
<td>(497)</td>
<td>(1,161)</td>
<td>(899)</td>
</tr>
<tr>
<td>Net change in short-term debt</td>
<td>384</td>
<td>(2,492)</td>
<td>(124)</td>
</tr>
<tr>
<td>Proceeds from long-term loans and other long-term liabilities</td>
<td>338</td>
<td>1,241</td>
<td>1,000</td>
</tr>
<tr>
<td>Proceeds from exercise of options by employees</td>
<td>91</td>
<td>14</td>
<td>71</td>
</tr>
<tr>
<td>Other financing activities</td>
<td>23</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Proceeds from senior notes—net</td>
<td>—</td>
<td>3,783</td>
<td>5,723</td>
</tr>
<tr>
<td>Redemption of convertible debentures</td>
<td>—</td>
<td>—</td>
<td>(814)</td>
</tr>
<tr>
<td>Purchase of non-controlling interest</td>
<td>—</td>
<td>—</td>
<td>(75)</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) financing activities</strong></td>
<td>(3,883)</td>
<td>(1,678)</td>
<td>3,336</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year ended December 31,</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Translation adjustment on cash and cash equivalents</td>
<td>(48)</td>
<td>23</td>
<td>(21)</td>
</tr>
<tr>
<td><strong>Net change in cash and cash equivalents</strong></td>
<td>(1,841)</td>
<td>1,783</td>
<td>(152)</td>
</tr>
<tr>
<td>Balance of cash and cash equivalents at beginning of year</td>
<td>2,879</td>
<td>1,096</td>
<td>1,248</td>
</tr>
<tr>
<td><strong>Balance of cash and cash equivalents at end of year</strong></td>
<td>$1,038</td>
<td>$2,879</td>
<td>$1,096</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of the financial statements.
Supplemental disclosure of cash flow information:

<table>
<thead>
<tr>
<th></th>
<th>Year ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
</tr>
<tr>
<td>Interest paid</td>
<td>$ 331</td>
</tr>
<tr>
<td>Income taxes paid, net of refunds*</td>
<td>$ 1,298</td>
</tr>
</tbody>
</table>

* 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:

<table>
<thead>
<tr>
<th></th>
<th>Year ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
</tr>
<tr>
<td>Accounts receivable net of sales reserves and allowances</td>
<td>$ 85</td>
</tr>
<tr>
<td>Inventories</td>
<td>399</td>
</tr>
<tr>
<td>Inventory step-up</td>
<td>—</td>
</tr>
<tr>
<td>Other current assets</td>
<td>106</td>
</tr>
<tr>
<td>Accounts payable and accruals and other current liabilities</td>
<td>378</td>
</tr>
<tr>
<td></td>
<td>$ 968</td>
</tr>
</tbody>
</table>
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 and Poland.

*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, intangible assets, purchase price allocation on acquisitions, contingencies, restructuring, goodwill 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.

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 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.

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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.

**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 indicates that the qualitative assessment 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. Teva waived this step during this year’s annual testing and performed the first step of the test.

- In step one of the impairment test, Teva compares the fair value of the reporting units to the carrying value of 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. If the fair value is less than the carrying value of the reporting unit, 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.

Indefinite life intangible assets are mainly comprised of research and development in-process. When testing for impairment, Teva determines the fair value of the asset 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 tested for impairment. Upon completion of the related research and development efforts, management determines the remaining 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, 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:

We recognize 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. 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 and restricted stock units (“RSUs”), net of estimated forfeitures, under stock-based compensation costs.

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 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 holders prior to vesting.

1. 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, rebates and other promotional items, such as shelf stock adjustments, are included in “sales reserves and allowances” 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, or 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 $182 million, $438 million and $383 million in the years ended December 31, 2013, 2012 and 2011, 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 $232 million, $230 million and $236 million for the years ended December 31, 2013, 2012 and 2011, respectively.

o. **Advertising expenses:**

   Advertising expenses are charged to income as incurred. Advertising expenses for the years ended December 31, 2013, 2012 and 2011 were $321 million, $337 million and $248 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. 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 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 marketable securities amounted to $1.2 billion at December 31, 2013) 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 51.5% of Teva’s consolidated revenues and a relatively small portion of total trade accounts after netting sales reserves and allowances. 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 hedges, 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:

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:

Following the completion of certain organizational changes, the Company re-evaluated its organizational structure and determined that its 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, oncology and respiratory indications, as well as those marketed in the women’s health 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 July 2013, the Financial Accounting Standards Board (“FASB”) issued guidance that requires that a non-recognized tax benefit be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. This net presentation is required unless a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the
TEVA PHARMACEUTICAL INDUSTRIES LIMITED

Notes to Consolidated Financial Statements

reporting date or the tax law of the jurisdiction does not require, and the entity does not intend to use, the deferred tax asset to settle any additional income tax that would result from the disallowance of the unrecognized tax benefit. This guidance is effective for fiscal years beginning after December 15, 2013, with early adoption permitted. Teva is assessing whether the adoption of this standard will have a material impact on its consolidated financial statements.

In March 2013, the FASB issued further guidance on accounting for the release of a cumulative translation adjustment into net income when a parent company either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets and provides guidance for the acquisition in stages of a controlling interest in a foreign entity. This guidance is effective for fiscal years beginning after December 15, 2013, with early adoption permitted. Teva believes that the adoption of this standard will not have a material impact on its consolidated financial statements.

In February 2013, the FASB issued guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed at the reporting date, except for obligations addressed within existing guidance under U.S. generally accepted accounting principles. The update is effective for annual and interim reporting periods for fiscal years beginning after December 15, 2013, with early adoption permitted. Teva believes that the adoption of this standard will not have a material impact on its consolidated financial statements.

In January 2013, the FASB clarified that a previous update applies to derivatives accounted for in accordance with Topic 815, Derivatives and Hedging, including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset in accordance with Section 210-20-45 or Section 815-10-45 or subject to an enforceable master netting arrangement or similar agreement. This update was effective for annual and interim reporting periods for fiscal years beginning on or after January 1, 2013. Teva’s adoption of this standard did not have a material impact on its consolidated financial statements.

NOTE 2—CERTAIN TRANSACTIONS:

a. Business transactions:

NuPathe Inc.:

On January 21, 2014, Teva entered into a definitive agreement to purchase NuPathe Inc., for approximately $144 million, plus up to an additional $130 million if certain conditions are met. This transaction is expected to close in late February 2014. The future financial effect of this transaction is yet to be determined, but there was no effect on Teva’s 2013 consolidated financial statements.

MicroDose Therapeutx:

On July 8, 2013, Teva fully acquired MicroDose Therapeutx, Inc. (“MicroDose”), a pharmaceutical and drug delivery company focused on inhalation technologies and products for lung diseases and infections. Under the terms of the agreement, Teva acquired all of MicroDose’s outstanding shares for a cash payment at closing of $40 million. Teva is required to make additional payments upon the achievement of regulatory and development milestones, plus sales-based milestones and tiered royalty payments upon commercialization of the phase-2 MDT-637 candidate and an early stage asthma/COPD drug candidate. These potential additional payments were evaluated at a fair value of approximately $206 million as of the acquisition date.
Pro forma information giving effect to the acquisition has not been provided as the results would not be material.

Sale of animal health unit:
On September 14, 2012, Teva entered into an agreement to sell its U.S.-based animal health unit for up to $145 million. The consideration included an upfront payment of $60 million at closing and up to $85 million in milestone payments. The transaction closed in January 2013 and has not materially affected Teva’s financial results.

South Korea venture:
In December 2012, Teva entered into an agreement with Handok Pharmaceutical Co., Ltd. (“Handok”) to form a business venture in South Korea, allowing Teva to gain entrance into the Korean pharmaceutical market. Under the agreement, Teva contributes its global resources, with responsibilities for manufacturing and supplying a wide range of affordable and innovative medicines, and Handok’s primary responsibility is in sales and marketing, distribution, and regulatory affairs. Under the terms of the agreement, there is a voting split of 60% and 40% and a profit split of 51% and 49% to Teva and Handok, respectively. The Company consolidated the venture as it was determined to be the primary beneficiary of this variable interest entity.

The new consolidated venture had an immaterial effect on Teva’s 2013 and 2012 financial results.

Acquisition of Neurosearch A/S assets:
On October 25, 2012, Teva acquired from NeuroSearch A/S (“NeuroSearch”), a Danish company, the rights, assets and obligations relating to Huntexil® (pridopidine/ACR16), a drug candidate being developed for the symptomatic treatment of hand movement, balance and gait disturbances in Huntington’s disease. Under the agreement, Teva paid NeuroSearch approximately $26 million. Regulatory and commercialization milestone payments may result in additional payments of approximately $10 million to NeuroSearch.

PGT Healthcare:
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. The joint venture may also develop new brands for the North American market and certain global markets. 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.

We own 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. As of December 2012, the OTC products of Cephalon (Mepha) were included in the joint venture. No significant changes occurred in 2013.
TEVA PHARMACEUTICAL INDUSTRIES LIMITED
Notes to Consolidated Financial Statements

Cephalon acquisition:

In October 2011, Teva acquired Cephalon, Inc. (“Cephalon”) for total cash consideration of $6.5 billion. Cephalon was a global biopharmaceutical company with a strong marketed portfolio and a pipeline of branded products. The acquisition diversified Teva’s specialty portfolio and enhanced Teva’s late-stage innovative pipeline.

The acquisition was financed by borrowing under credit facilities and by the issuance of long term debt.

At the closing, Cephalon had two outstanding series of convertible debt: $820 million of 2.0% notes due 2015 and $500 million of 2.5% notes due 2014. Both series became convertible as a result of the acquisition. The aggregate amount payable upon conversion was approximately $2.1 billion. By the end of 2011, holders of effectively 100% of Cephalon’s convertible debt had submitted their debt for conversion.

Cephalon’s results of operations and balance sheet were included in Teva’s consolidated reports commencing October 2011. Pro forma results for the year of acquisition are shown below.

At the closing, Cephalon had contingent consideration liabilities related to future milestones payments due to the acquisition of Gemin X Pharmaceuticals, Inc. in April 2011, the acquisition of Ception Therapeutics, Inc. in February 2010, the acquisition of BioAssets Development Corporation in November 2009, and the inclusion of Alba Therapeutics Corporation in February 2011. The aggregate fair value amount of Cephalon’s contingent consideration liabilities at the date of the Cephalon acquisition was $171 million. See note 3 for the contingent consideration amounts as of December 31, 2013.

Of the purchase price, $1,296 million was allocated to the estimated fair value of purchased research and development in-process that, as of the closing date of the acquisition, had not reached technological feasibility.

Research and development in-process related to ten products. A probability of success factor was used to reflect inherent technological and regulatory risks. The net cash inflows were discounted to present values, using a discount rate of 13% and other assumptions, which take into account the stage of completion, nature and timing of efforts for completion, risks and uncertainties, among other key factors, which vary among the individual products. Material net cash inflows are expected to commence during 2015. During 2013 and 2012, six of these ten products have been impaired as disclosed in note 20, and Synribo® (omacetaxine) was launched during 2012.

Product rights and purchased research and development in process were valued using a variation of the income approach known as the “Multi-Period Excess Earnings Approach”. This method utilized a forecast of expected cash inflows (including adjustments, as appropriate, for regulatory and commercial risks), cash outflows and contributory charges for economic returns on tangible and intangible assets employed.

An amount of $2,555 million of the purchase price was allocated to existing products. The Company is amortizing existing products over a range of periods between 6.5 to 12 years. The excess of cost of acquisition over the fair value of net tangible and identifiable intangible assets on acquisition amounted to $3,279 million, and represented goodwill, which is primarily due to the expected synergies and economies of scale.

Below are certain unaudited pro forma combined statement of income data for the year ended December 31, 2011, as if the acquisition of Cephalon had occurred on January 1, 2010 after giving effect to: (a) purchase accounting adjustments, including amortization of identifiable intangible assets; (b) the exclusion of $288 million of nonrecurring expense related to inventory step up; (c) estimated additional finance expenses due to: (i) borrowings under credit facilities from banks in connection with the acquisition; (ii) the issuance of senior
notes in connection with the acquisition; (iii) elimination of Cephalon’s equity investment mark-to-market effect (an exclusion of income of $198 million supplemental pro forma net income); and (iv) elimination of Cephalon’s finance expense relating to convertible debentures; (d) pharmaceutical products divested as part of the regulatory requirements for approving the deal; (e) elimination of intercompany sales; (f) elimination of net revenues related to the divestiture of certain overlapping products; (g) elimination of net revenues and income related to Cephalon’s divested businesses (Middle East, Africa, Latin America and Asia); and (h) certain adjustments with regards to the amortization of Cephalon’s Provigil® product.

This unaudited pro forma financial information is not necessarily indicative of the combined results that would have been attained had the acquisition taken place at the beginning of 2010, nor is it necessarily indicative of future results.

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<th>Year ended December 31, 2011</th>
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<tr>
<td></td>
<td>(U.S. $ in millions, except earnings per share)</td>
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<tr>
<td></td>
<td>(Unaudited)</td>
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<tr>
<td>Net revenues</td>
<td>$20,443</td>
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<tr>
<td>Net income attributable to Teva</td>
<td>$ 2,681</td>
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<tr>
<td>Earnings per share:</td>
<td></td>
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<tr>
<td>Basic</td>
<td>$ 3.01</td>
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<tr>
<td>Diluted</td>
<td>$ 3.00</td>
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Transactions in Japan:

In September 2011, Teva acquired all non-controlling interests of its investment in Taisho, as well as gained 100% control on its former equity investment in Teva-Kowa, for a total purchase price of $150 million. This acquisition, together with the Taiyo acquisition described below, enabled Teva to expand its Japanese operations.

In July 2011, Teva acquired all of Taiyo Pharmaceutical Industry Co. Ltd.’s (“Taiyo”) outstanding shares for $1,092 million in cash. Taiyo had developed a large portfolio of generic products in Japan with over 550 marketed products, and its advanced production facilities enabled it to produce a wide range of dosage forms on a large scale.

The acquisition consideration was attributed to net assets on the basis of the fair value of assets acquired and liabilities assumed based on an appraisal performed by management, which included a number of factors, supported by independent appraisers. Taiyo’s results of operations were included in Teva’s consolidated financial statements commencing July 2011.

Since April 2012, the majority of Teva’s Japan-based companies have operated under a single company—Teva Seiyaku.

CureTech:

In September 2011, Teva exercised an option to invest $19 million in CureTech Ltd. (“CureTech”), a biotechnology company. The Company also agreed to make further investments in CureTech’s research and development activities.

In January 2013, Teva announced the termination of the collaboration with CureTech, sold its entire position and deconsolidated as of December 31, 2013.
Laboratoire Theramex acquisition:

In January 2011, Teva completed the acquisition of Laboratoire Theramex (“Theramex”), Merck KGaA’s European-based women’s health business, for €267 million in cash (approximately $355 million) and certain limited performance-based milestone payments. Theramex has a broad portfolio of women’s health and gynecology products sold in over 50 countries, primarily France and Italy.

Corporación Infarmasa acquisition:

In January 2011, Teva acquired Corporación Infarmasa (“Infarmasa”), a top ten pharmaceutical company in Peru, from The Rohatyn Group and Altra Investments. Infarmasa manufactures and commercializes branded and unbranded generic drugs, primarily corticosteroids, antihistamines, analgesics and antibiotics. Infarmasa’s product offerings have enhanced Teva’s portfolio in the market, especially in the area of antibiotics, where Infarmasa has the leading brand in Peru.

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 cost or business risks. The Company’s most significant agreements of this nature are summarized below.

With Xenon:

On December 11, 2012, Teva entered into a collaborative development and exclusive worldwide license for XEN402 with Xenon Pharmaceuticals Inc. (“Xenon”). 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.

With Lonza:

On January 20, 2009, Teva signed a definitive agreement with Lonza Group Ltd. to establish a joint venture to develop, manufacture and market a number of affordable, effective and safe generic equivalents of a selected portfolio of biologic pharmaceuticals. The joint venture commenced activities in May 2009.

Both companies announced the discontinuance of their collaboration for the development, manufacturing and marketing of biosimilars. No final agreement was reached by the end of 2013. Each of Teva and Lonza Group Ltd. had a 50% stake in the joint venture and recorded its share of the joint venture under share in losses of associated companies-net.

With Sanofi:

Teva has an agreement with Sanofi that had provided for the marketing of Copaxone® in Europe and other markets. Copaxone® was co-promoted with Sanofi in Germany, France, Spain, the Netherlands and Belgium, and was marketed solely by Sanofi in certain other European markets, Australia and New Zealand. In 2010, Teva assumed the distribution and marketing responsibilities for Copaxone® in the United Kingdom, the Czech Republic and Poland. On February 1, 2012, Teva assumed the marketing responsibilities for Copaxone® in all other European countries, and also in Australia and New Zealand effective March 1, 2012. Following termination, Sanofi is entitled to an agreed-upon termination consideration of 6% of the in-market sales of
Copaxone® in the applicable countries for an additional two-year period. Although Teva has recorded higher revenues as a result of this change, the Company also became responsible for certain marketing and administrative expenses, which are no longer shared with Sanofi.

c. Agreements with related parties:

As described above, in December 2012, Teva entered into a collaborative development and exclusive worldwide license agreement with Xenon for its compound XEN402. 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 merged with Biozone Pharmaceuticals, Inc.), a company focusing on the discovery and development of novel therapeutics, utilizing an innovative drug discovery technology. Under the agreement, Teva will fund the company’s R&D under the Research Agreement by investing into the company 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. Dr. Phillip Frost, Chairman of the Board of Directors of Teva, and Prof. Roger Kornberg, 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 Biozone Pharmaceuticals. Prof. Kornberg is also Chief Scientific Officer of Biozone 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 director of Teva, invested in, and became a member of the board of directors of, CTG Weld. In 2011, Teva engaged CTG Weld in connection with certain clinical studies, for overall payments of €2.1 million. In 2013 and 2012, Teva paid CTG Weld approximately €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. The term of the lease extends until April 2015, with options to renew for two additional three-year terms. Annual rent was $305,000 until April 1, 2012, $412,000 until March 31, 2013 and is currently $431,442 until March 31, 2014, increasing 4% per year for the remainder of the initial term and each renewal term. The office space includes offices Teva provides 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, 2013 and 2012 are classified in the tables below in one of the three categories described in note 1:

### December 31, 2013

<table>
<thead>
<tr>
<th>Category</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Money markets</td>
<td>$9</td>
<td>$—</td>
<td>$—</td>
<td>$9</td>
</tr>
<tr>
<td>Cash deposits and other</td>
<td>1,029</td>
<td>$—</td>
<td>$—</td>
<td>1,029</td>
</tr>
<tr>
<td>Marketable securities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Auction rate securities</td>
<td>$—</td>
<td>$—</td>
<td>18</td>
<td>18</td>
</tr>
<tr>
<td>Equity securities</td>
<td>70</td>
<td>$—</td>
<td>$—</td>
<td>70</td>
</tr>
<tr>
<td>Structured investment vehicles</td>
<td>$—</td>
<td>89</td>
<td>$—</td>
<td>89</td>
</tr>
<tr>
<td>Other</td>
<td>29</td>
<td>$—</td>
<td>13</td>
<td>30</td>
</tr>
<tr>
<td>Derivatives:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liability derivatives—mainly options and forward contracts</td>
<td>$—</td>
<td>(17)</td>
<td>$—</td>
<td>(17)</td>
</tr>
<tr>
<td>Interest rate and cross-currency swaps (liabilities)</td>
<td>$—</td>
<td>(436)</td>
<td>$—</td>
<td>(436)</td>
</tr>
<tr>
<td>Asset derivatives—mainly options and forward contracts</td>
<td>$—</td>
<td>28</td>
<td>$—</td>
<td>28</td>
</tr>
<tr>
<td>Interest rate swaps (assets)</td>
<td>$—</td>
<td>2</td>
<td>$—</td>
<td>2</td>
</tr>
<tr>
<td>Contingent consideration*</td>
<td>$—</td>
<td>$—</td>
<td>(366)</td>
<td>(366)</td>
</tr>
<tr>
<td>Total</td>
<td>$1,137</td>
<td>$(334)</td>
<td>$(347)</td>
<td>$456</td>
</tr>
</tbody>
</table>

### December 31, 2012

<table>
<thead>
<tr>
<th>Category</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Money markets</td>
<td>$331</td>
<td>$—</td>
<td>$—</td>
<td>$331</td>
</tr>
<tr>
<td>Cash deposits and other</td>
<td>2,548</td>
<td>$—</td>
<td>$—</td>
<td>2,548</td>
</tr>
<tr>
<td>Marketable securities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Auction rate securities</td>
<td>$—</td>
<td>$—</td>
<td>32</td>
<td>32</td>
</tr>
<tr>
<td>Equity securities</td>
<td>72</td>
<td>$—</td>
<td>$—</td>
<td>72</td>
</tr>
<tr>
<td>Structured investment vehicles</td>
<td>$—</td>
<td>100</td>
<td>$—</td>
<td>100</td>
</tr>
<tr>
<td>Other</td>
<td>5</td>
<td>$—</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>Derivatives:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liability derivatives—mainly options and forward contracts</td>
<td>$—</td>
<td>(29)</td>
<td>$—</td>
<td>(29)</td>
</tr>
<tr>
<td>Interest rate and cross-currency swaps (liabilities)</td>
<td>$—</td>
<td>(109)</td>
<td>$—</td>
<td>(109)</td>
</tr>
<tr>
<td>Asset derivatives—mainly options and forward contracts</td>
<td>$—</td>
<td>20</td>
<td>$—</td>
<td>20</td>
</tr>
<tr>
<td>Interest rate swaps (assets)</td>
<td>$—</td>
<td>4</td>
<td>$—</td>
<td>4</td>
</tr>
<tr>
<td>Contingent consideration*</td>
<td>$—</td>
<td>$—</td>
<td>(131)</td>
<td>(131)</td>
</tr>
<tr>
<td>Total</td>
<td>$2,956</td>
<td>$(14)</td>
<td>$(98)</td>
<td>$2,844</td>
</tr>
</tbody>
</table>

* Contingent consideration represents either liabilities or assets recorded at fair value as part of transactions entered into by Cephalon, or in connection with the MicroDose acquisition or 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.

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.

<table>
<thead>
<tr>
<th></th>
<th>December 31,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
<td>2012</td>
</tr>
<tr>
<td>(U.S. $ in millions)</td>
<td>(U.S. $ in millions)</td>
<td></td>
</tr>
<tr>
<td>Carrying value as of January 1</td>
<td>$ (98)</td>
<td>$(139)</td>
</tr>
<tr>
<td>Amount realized</td>
<td>(16)</td>
<td>(10)</td>
</tr>
<tr>
<td>Contingent consideration in connection with Cephalon acquisition</td>
<td>(12)</td>
<td>40</td>
</tr>
<tr>
<td>Contingent consideration in connection with MicroDose acquisition</td>
<td>(232)</td>
<td>—</td>
</tr>
<tr>
<td>Contingent consideration in connection with the sale of our animal health unit</td>
<td>8</td>
<td>—</td>
</tr>
<tr>
<td>Net change to fair value:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Included in earnings—finance expense—net</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Included in other comprehensive income (loss)</td>
<td>2</td>
<td>7</td>
</tr>
<tr>
<td>Carrying value as of December 31</td>
<td>$(347)</td>
<td>$(98)</td>
</tr>
</tbody>
</table>

Financial instruments not measured at fair value

Teva’s financial instruments consist mainly of cash and cash equivalents, marketable 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.
The fair value of the financial instruments that are presented on a basis other than fair value is presented in the below table:

<table>
<thead>
<tr>
<th>Estimated fair value*</th>
<th>December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
</tr>
<tr>
<td>(U.S. $ in millions)</td>
<td></td>
</tr>
<tr>
<td>Senior notes included under long-term liabilities</td>
<td>$(8,656)</td>
</tr>
<tr>
<td>Senior notes and convertible senior debentures included under short-term liabilities</td>
<td>(1,308)</td>
</tr>
<tr>
<td>Fair value at the end of the period</td>
<td>$(9,964)</td>
</tr>
</tbody>
</table>

* 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, equity securities and money market funds.

At December 31, 2013 and 2012, the fair value, amortized cost and gross unrealized holding gains and losses of such securities are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Fair value</th>
<th>Amortized cost</th>
<th>Gross unrealized holding gains</th>
<th>Gross unrealized holding losses</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(U.S. $ in millions)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>December 31, 2013</td>
<td>$216</td>
<td>$213</td>
<td>$25</td>
<td>$22</td>
</tr>
<tr>
<td>December 31, 2012</td>
<td>$541</td>
<td>$533</td>
<td>$27</td>
<td>$19</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th></th>
<th>December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
</tr>
<tr>
<td>(U.S. $ in millions)</td>
<td></td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>$179</td>
</tr>
<tr>
<td>Other current assets</td>
<td>28</td>
</tr>
<tr>
<td>Cash and cash equivalents, mainly money market funds</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>$216</td>
</tr>
</tbody>
</table>

F-26
b. Contractual maturities

The contractual maturities of debt securities are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>U.S. $ in millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$37</td>
</tr>
<tr>
<td>2015</td>
<td>—</td>
</tr>
<tr>
<td>2016</td>
<td>1</td>
</tr>
<tr>
<td>2017</td>
<td>—</td>
</tr>
<tr>
<td>2018</td>
<td>—</td>
</tr>
<tr>
<td>2019 and thereafter</td>
<td>108</td>
</tr>
<tr>
<td></td>
<td>$146</td>
</tr>
</tbody>
</table>

NOTE 5—INVENTORIES:

Inventories net of reserves consisted of the following:

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(U.S. $ in millions)</td>
<td></td>
</tr>
<tr>
<td>Finished products</td>
<td>$2,567</td>
<td>$2,871</td>
</tr>
<tr>
<td>Raw and packaging materials</td>
<td>1,576</td>
<td>1,754</td>
</tr>
<tr>
<td>Products in process</td>
<td>715</td>
<td>751</td>
</tr>
<tr>
<td>Materials in transit and payments on account</td>
<td>195</td>
<td>126</td>
</tr>
<tr>
<td></td>
<td>$5,053</td>
<td>$5,502</td>
</tr>
</tbody>
</table>

NOTE 6—PROPERTY, PLANT AND EQUIPMENT:

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

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(U.S. $ in millions)</td>
<td></td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>$4,633</td>
<td>$4,220</td>
</tr>
<tr>
<td>Buildings</td>
<td>2,635</td>
<td>2,521</td>
</tr>
<tr>
<td>Computer equipment and other assets</td>
<td>1,310</td>
<td>1,196</td>
</tr>
<tr>
<td>Payments on account</td>
<td>716</td>
<td>726</td>
</tr>
<tr>
<td>Land*</td>
<td>446</td>
<td>475</td>
</tr>
<tr>
<td></td>
<td>9,740</td>
<td>9,138</td>
</tr>
<tr>
<td>Less—accumulated depreciation</td>
<td>3,105</td>
<td>2,823</td>
</tr>
<tr>
<td></td>
<td>$6,635</td>
<td>$6,315</td>
</tr>
</tbody>
</table>

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

Depreciation expenses were $458 million, $428 million and $358 million in the years ended December 31, 2013, 2012 and 2011, respectively. During the years ended December 31, 2013 and 2012, Teva had impairments of property, plant and equipment in the amount of $61 million and $190 million, respectively. See note 20.
NOTE 7—GOODWILL:

The changes in the carrying amount of goodwill for the years ended December 31, 2013 and 2012 were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>(U.S. $ in millions)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance as of January 1</td>
<td>$18,856</td>
<td>$18,293</td>
</tr>
<tr>
<td>Changes during year:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goodwill acquired</td>
<td>50</td>
<td>302</td>
</tr>
<tr>
<td>Translation differences and other</td>
<td>75</td>
<td>261</td>
</tr>
<tr>
<td>Balance as of December 31</td>
<td>$18,981</td>
<td>$18,856</td>
</tr>
</tbody>
</table>

Following Teva’s reorganized structure, as defined in note 21, the Company has reassigned its goodwill to the newly defined reporting units. The carrying amount of goodwill per segment is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Generics</th>
<th>Specialty</th>
<th>Other*</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>(U.S. $ in millions)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance as of December 31</td>
<td>$9,088</td>
<td>$8,668</td>
<td>$1,225</td>
<td>$18,981</td>
</tr>
</tbody>
</table>

* Includes primarily Teva’s OTC business activity and distribution of third party products.

As of December 31, 2013, 2012 and 2011, the Company determined that there was no impairment with respect to goodwill.

NOTE 8—IDENTIFIABLE INTANGIBLE ASSETS:

Identifiable intangible assets consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>Original amount net of impairment</th>
<th>Accumulated amortization</th>
<th>Amortized balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>(U.S. $ in millions)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product rights . . . . . . . .</td>
<td>$10,037</td>
<td>$9,983</td>
<td>$4,601</td>
</tr>
<tr>
<td>Trade names . . . . . . . .</td>
<td>270</td>
<td>258</td>
<td>55</td>
</tr>
<tr>
<td>Research and development in process . . . . . . . .</td>
<td>825</td>
<td>988</td>
<td>—</td>
</tr>
<tr>
<td>Total . . . . . . . . . . . . . . . . . . . . . . . . . . . .</td>
<td>$11,132</td>
<td>$11,229</td>
<td>$4,656</td>
</tr>
</tbody>
</table>

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 $1,180 million, $1,272 million and $707 million in the years ended December 31, 2013, 2012 and 2011, 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: Revascor® (Cephalon)—$258 million; Reslizumab (Cephalon)—$215 million; LAMA BAI (MicroDose)—$140 million; and MDT637 (MicroDose)—$107 million. In-process research and development carries 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 $393 million, $858 million and $143 million in the years ended December 31, 2013, 2012 and 2011, respectively. See note 20.

As of December 31, 2013, the estimated aggregate amortization of intangible assets for the years 2014 to 2018 is as follows: 2014—$1,071 million; 2015—$836 million; 2016—$730 million; 2017—$715 million and 2018—$656 million.

NOTE 9—SHORT-TERM DEBT:

a. Short-term debt:

<table>
<thead>
<tr>
<th>December 31,</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(U.S. $ in millions)</td>
<td></td>
</tr>
<tr>
<td>Banks and financial institutions</td>
<td>$ 458</td>
<td>$ 45</td>
</tr>
<tr>
<td>Convertible debentures (see note 13)</td>
<td>530</td>
<td>530</td>
</tr>
<tr>
<td>Current maturities of long-term liabilities</td>
<td>816</td>
<td>2,431</td>
</tr>
<tr>
<td>Total</td>
<td>$1,804</td>
<td>$3,006</td>
</tr>
</tbody>
</table>

Short-term debt has an earliest date of repayment within 12 months.

Bank loans had a weighted average interest rate of 0.9% and 1.5% at December 31, 2013 and 2012, 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, 2013, Teva utilized $205 million of the above credit facility, which was subsequently repaid.

NOTE 10—SALES RESERVES AND ALLOWANCES:

Sales reserves and allowances consisted of the following:

<table>
<thead>
<tr>
<th>December 31,</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(U.S. $ in millions)</td>
<td></td>
</tr>
<tr>
<td>Rebates</td>
<td>$3,090</td>
<td>$2,983</td>
</tr>
<tr>
<td>Chargebacks</td>
<td>1,114</td>
<td>1,273</td>
</tr>
<tr>
<td>Returns</td>
<td>573</td>
<td>506</td>
</tr>
<tr>
<td>Other</td>
<td>141</td>
<td>172</td>
</tr>
<tr>
<td>Total</td>
<td>$4,918</td>
<td>$4,934</td>
</tr>
</tbody>
</table>

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NOTE 11—LONG-TERM EMPLOYEE-RELATED OBLIGATIONS:

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

<table>
<thead>
<tr>
<th>December 31, 2013 (U.S. $ in millions)</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued severance obligations</td>
<td>$132</td>
<td>$135</td>
</tr>
<tr>
<td>Defined benefit plans</td>
<td>149</td>
<td>160</td>
</tr>
<tr>
<td>Total</td>
<td>$281</td>
<td>$295</td>
</tr>
</tbody>
</table>

As of December 31, 2013 and 2012, the Group had $156 million and $134 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 $118 million in 2014 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

Israel 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.
Notes to Consolidated Financial Statements

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.

The Company expects to pay the following future minimum benefits to its employees: $15 million in 2014; $10 million in 2015; $10 million in 2016; $12 million in 2017; $14 million in 2018 and $79 million between 2019 to 2023. 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:

<table>
<thead>
<tr>
<th></th>
<th>Interest rate as of December 31, 2013</th>
<th>December 31, 2013</th>
<th>December 31, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>(U.S. $ in millions)</td>
<td></td>
</tr>
<tr>
<td>Senior notes (1)</td>
<td>2.8</td>
<td>9,517</td>
<td>12,152</td>
</tr>
<tr>
<td>Loans, mainly from banks (2)(4)</td>
<td>0.3 to 2.3</td>
<td>1,671</td>
<td>1,976</td>
</tr>
<tr>
<td>Debentures (4)</td>
<td>7.2</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td></td>
<td></td>
<td>11,203</td>
<td>14,143</td>
</tr>
<tr>
<td>Less—current portion (included under “short-term debt”)</td>
<td>(816)</td>
<td>(2,431)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>$10,387</td>
<td>$11,712</td>
</tr>
</tbody>
</table>

1. The decrease from December 31, 2012 to December 31, 2013 was mainly due to the repayment of debt, consisting of:
   • $1 billion principal amount of Teva’s 1.7% senior notes due 2014 prepaid during the first quarter of 2013.
   • $500 million principal amount of Teva’s 5.55% senior notes due 2016 prepaid during the first quarter of 2013.
   • Repayment at maturity in May 2013 of the $200 million floating rate senior notes issued in November 2011 as part of the financing of the Cephalon acquisition.
   • Repayment at maturity in November 2013 of the $1.1 billion floating rate senior notes issued in November 2011 as part of the financing of the Cephalon acquisition.

2. The balance as of December 31, 2013 and 2012 is mainly comprised of:
   • Loans from the European Investment Bank (EIB) in the amount of $168 million (denominated in Euro) and $410 million (denominated in Euro (mainly) and USD), respectively. The loans are due in 2015 and bear interest determined on the basis of Euro LIBOR (mainly) and USD LIBOR.
TEVA PHARMACEUTICAL INDUSTRIES LIMITED
Notes to Consolidated Financial Statements

• A ¥100.5 billion senior unsecured fixed rate term loan credit agreement for 5 and 7 years with interest rates of 0.99% and 1.42%, respectively. In April 2012, Teva drew down the entire amount available under the facility and repaid the borrowings used to finance the acquisition of Taiyo (approximately $1 billion).

• Debt raised in Japan in the amount of $207 million and $376 million, respectively, mainly related to the Taiyo acquisition comprised of bank loans, capital leases and other loans.

• A ¥35 billion senior unsecured five-year term loan, borrowed in December 2013, by a Japanese subsidiary of the Company, bearing interest of JPY LIBOR + 0.3% (approximately $0.3 billion).

3. In January 2014, Teva entered into a $1.0 billion term loan agreement with a term of five years. The loan bears interest of LIBOR+1.1%.

4. Certain loan agreements and debentures contain restrictive covenants, mainly the requirement to maintain certain financial ratios. As of December 31, 2013, the Company met all financial covenants.

5. The above includes derivative instruments defined as hedge accounting- see note 17.

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, 2013, starting with the year 2015, are as follows:

<table>
<thead>
<tr>
<th>December 31, 2013 (U.S. $ in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
</tr>
<tr>
<td>2016</td>
</tr>
<tr>
<td>2017</td>
</tr>
<tr>
<td>2018</td>
</tr>
<tr>
<td>2019 and thereafter</td>
</tr>
<tr>
<td><strong>$10,387</strong></td>
</tr>
</tbody>
</table>

NOTE 13—CONVERTIBLE SENIOR DEBENTURES:

Convertible senior debentures amounted to $530 million at both December 31, 2013 and 2012, comprised primarily 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, 2013, minimum future rentals under operating leases of buildings, machinery and equipment for periods in excess of one year were as follows: 2014—$117 million; 2015—$94 million; 2016—$76 million; 2017—$53 million; 2018—$36 million; 2019 and thereafter—$76 million.

The lease fees expensed in each of the years ended December 31, 2013, 2012 and 2011 were $117 million, $132 million and $115 million, respectively, of which less than $0.5 million was to related parties in each of the years ended December 31, 2013, 2012 and 2011.

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, 2013, 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 $1.3 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 actions 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. Because litigation outcomes and contingencies are unpredictable, and because excessive verdicts can occur, these assessments involve complex judgments about future events and can 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 Matters**

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 December 2007, Teva commenced sales of its 20 mg and 40 mg pantoprazole sodium tablets, which are the AB-rated generic versions of Wyeth’s Protonix®. Wyeth sued Teva for patent infringement, and in April 2010, a jury returned a verdict finding that the patent, which Teva had infringed, was valid. In June 2013, Teva entered into a settlement agreement with Wyeth, under which Teva agreed to pay $1.6 billion to Wyeth. Teva has paid $1 billion to date, and will pay the remainder in 2014. Teva believes that it may have up to approximately $560 million of net insurance coverage available to defray the payments, subject to recovery from the insurance carriers, which are disputing both their obligation to cover and the claimed limits of coverage.

**Product Liability Matters**

Teva’s business inherently exposes it to potential product liability claims. As Teva’s portfolio of available medicines continues to expand, the number of product liability claims asserted against Teva has increased. Teva
maintains product liability insurance coverage in amounts and with 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 coverage it desires.

In June 2011, the United States Supreme Court held, in *Pliva, Inc. v. Mensing*, one of the metoclopramide cases mentioned below, that federal law preempts state law product liability claims brought against generic pharmaceutical manufacturers under a “failure to warn” theory. On June 24, 2013, the United States Supreme Court held, in *Mutual Pharmaceutical Company, Inc. v. Bartlett*, that “design defect” claims against a generic manufacturer are also preempted by federal law because they are essentially failure to warn claims and therefore are preempted on the same grounds as the claims in *Mensing*. Teva believes that these decisions are likely to reduce its aggregate exposure in currently pending product liability lawsuits involving generic products, including those described below, although the extent of such reduction is uncertain at this time.

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. In addition, there are mass tort proceedings under way in state courts in California and New Jersey. All of the cases in the Philadelphia court have been stayed with respect to the generic defendants pending resolution of appeals regarding whether the claims should be dismissed due to federal preemption. On July 29, 2013, the Pennsylvania Superior Court affirmed in part and reversed in part the trial court’s denial of the generic defendants’ preemption motion. This ruling substantially allows the cases to proceed. Teva has sought further review of this decision.

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. Teva appealed the trial court’s decision to allow the update claims to proceed, and the New Jersey Supreme Court has ordered the New Jersey appellate court to hear the appeal. Several cases in which Pliva, Inc., a subsidiary of Teva is a defendant, including cases pending in the New Jersey mass tort proceeding are, or may be, scheduled for trial later this year. Pliva has moved for a stay of the cases in the New Jersey mass tort proceeding while the appeal is pending.

**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. Because the FTC lawsuit does not currently seek monetary damages, and no fines or penalties have been asserted against Cephalon, no provision has been recorded for this matter. On December 9, 2013, the FTC filed a motion seeking to add Teva as a defendant and indicated that it intends to seek disgorgement of profits as an equitable remedy, although it has not yet amended its complaint to include a request for disgorgement. Teva contends that the FTC is not entitled as a matter of law to seek disgorgement.

In May 2010, an independent pharmacy in Ohio filed suit with the same allegations. This case has been transferred to the Eastern District of Pennsylvania.
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, management recorded a provision of $495 million in the financial statements in the second quarter of 2013 for these matters. 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 with the remaining parties on these terms.

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 have 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 has 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. Oral argument on plaintiffs’ motion for summary judgment with respect to the inequitable conduct and invalidity findings was heard on January 22, 2014.

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. An earlier federal multidistrict action regarding the same settlement agreement was effectively ended by a final court decision in the company’s favor. In the California case, the trial court granted defendants’ summary judgment motions, and the California Court of Appeal affirmed in October 2011. The plaintiffs petitioned for review by the California Supreme Court, which decided to hear the appeal, but then suspended the case before completion of briefing, pending the United States Supreme Court’s disposition of the AndroGel case. The trial court granted final approval for a $74 million class settlement with Bayer and the California Supreme Court has requested supplemental briefs by April 24, 2014 addressing the effect of the AndroGel case on plaintiffs’ appeal of the grant of summary judgment for the remaining defendants in this case, and for any amicus briefs. Based on the plaintiffs’ expert testimony in the now-terminated federal multidistrict litigation, estimated sales of ciprofloxacin in California were approximately $500 million during the alleged damages period. The Kansas and Florida actions are in relatively early stages. In the Kansas action, class certification briefing will be concluded by August 22, 2014; 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® ER) 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. Teva filed motions to dismiss in April
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. The plaintiffs’ appeal was stayed pending the decision in the AndroGel case and was remanded for further proceedings. 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 filed a notice of appeal of this ruling. The indirect purchaser plaintiffs’ motion is still pending. 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 11 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 have been consolidated and transferred to the United States District Court for the District of Massachusetts. The defendants’ motions to dismiss were denied on April 18, 2013. Summary judgment motions were heard on January 21, 2014. The judge denied defendants’ motion regarding an overarching conspiracy and took the other motions under advisement. A jury trial on liability, which is expected to last approximately six weeks, is scheduled to begin in March 2014. If the jury returns a verdict of liability, a separate trial on damages will be scheduled. 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 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.

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. 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.

Starting in July 2013, 12 lawsuits have been filed in several United States District 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. The parties have filed motions for the creation of a multidistrict litigation, and those motions are pending. 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.

Starting in November 2013, 20 lawsuits have been filed in several United States District 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. The parties have filed motions for the creation of a multidistrict litigation, and those motions are pending. Annual sales of Aggrenox® were approximately $340 million at the time of the settlement, and are approximately $470 million at the current time.

In January 2014, three lawsuits were filed in the United States District Court for the Southern District of New York by purported classes of end payors for Actos® and Actoplus 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. At the time of the settlement, annual sales of Actos® were approximately $3.7 billion and annual sales of Actoplus 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 Actoplus Met® were approximately $430 million.

Government Investigations, Pricing and Other Investigations

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 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 (collectively, the “Teva parties”) 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. The Teva parties have reached settlements in most of these cases, and remain parties to litigation in Illinois and Wisconsin. 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 the court has asked for post-trial briefing and argument. 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.

On September 11, 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 received and has 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 complaint alleges off-label promotion of Treanda® and Fentora®. Although the government declined to intervene, the relator is proceeding with the matter and has filed a second amended complaint. Cephalon has filed several motions to dismiss the case, which are pending. In January 2014, a separate federal False Claims Act complaint that had been filed against Cephalon and Takeda Pharmaceuticals in the United States District Court for the Eastern District of Pennsylvania was served on Cephalon. The government has declined to intervene and the relator is proceeding with the matter. The complaint alleges off-label promotion of Fentora®, Nuvigil®, Amrix® and Provigil®.

Cephalon continues to defend against putative class action and other complaints relating to allegations of off-label promotion of Actiq®, Fentora®, Provigil® and Gabitril®. 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 on July 24, 2013. If the court grants certification, a jury trial will be scheduled.

In December 2013, a putative class action on behalf of third party payors was filed in the United States District Court for the Eastern District of Pennsylvania alleging off-label promotion of Fentora®. Cephalon is defending a separate law suit with similar off-label claims involving Provigil® and Gabitril®. 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 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 to the present 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 in the process of complying with the subpoena.

Beginning in 2012, Teva received 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 U.S. Foreign Corrupt Practices Act (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 the government in their investigations of these matters. Teva is also conducting a voluntary worldwide investigation into certain business practices that may have FCPA implications and has engaged independent counsel to assist in its investigation. In the course of its investigation, which is continuing, Teva has identified issues in Russia, certain Eastern European countries, certain Latin American countries and other countries where it conducts business that could rise to the level of FCPA violations and/or violations of local law. Teva has brought these issues to the attention of the SEC and the DOJ. No conclusion can be drawn at this time as to any likely outcomes in these matters.

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. The plaintiff is seeking unspecified compensatory damages and reimbursement for litigation expenses.

Environmental Matters

Teva is party to a number of proceedings, 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 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 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 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; 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, 2013, there were 947 million ordinary shares issued (December 31, 2012—944 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 in the United States.

Share repurchase program

In December 2011, Teva’s board of directors authorized the Company to repurchase up to an aggregate of $3 billion of its ordinary shares and American Depositary Shares, of which, as of December 31, 2013, $1.33 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:

<table>
<thead>
<tr>
<th>Year ended December 31,</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in millions)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amount spent on shares repurchased</td>
<td>$ 497</td>
<td>$1,161</td>
<td>$ 899</td>
</tr>
<tr>
<td>Number of shares repurchased</td>
<td>12.8</td>
<td>28.1</td>
<td>19.6</td>
</tr>
</tbody>
</table>

b. Registered offerings:

In December 2011, the Company filed a shelf registration statement with the U.S. Securities and Exchange Commission. Under this registration statement, Teva may, from time to time, sell shares, debt securities and/or any other securities described in the registration statement in one or more offerings.

c. Stock-based compensation plans:

Stock-based compensation plans are comprised of employee stock option plans and restricted stock units (“RSUs”) 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 stock units, including both options exercisable into ordinary shares and RSUs, were approved for grant. As of December 31, 2013, 29 million equivalent stock 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 and RSUs is generally 1 to 4 years from the date of grant. The rights of the ordinary shares obtained from the exercise of options or RSUs 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, 2013, 2012 and 2011, and changes during the years ended on those dates, is presented below (the number of options represents ordinary shares exercisable in respect thereof).

<table>
<thead>
<tr>
<th>Year ended December 31,</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number (in thousands)</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Weighted average exercise price</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Balance outstanding at beginning of year</td>
<td>36,580</td>
<td>44.40</td>
<td>33,298</td>
</tr>
<tr>
<td>Changes during the year:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Granted</td>
<td>1,701</td>
<td>38.37</td>
<td>7,231</td>
</tr>
<tr>
<td>Exercised</td>
<td>(2,797)</td>
<td>32.17</td>
<td>(704)</td>
</tr>
<tr>
<td>Forfeited</td>
<td>(3,003)</td>
<td>45.51</td>
<td>(3,245)</td>
</tr>
<tr>
<td>Balance outstanding at end of year</td>
<td>32,481</td>
<td>45.05</td>
<td>36,580</td>
</tr>
<tr>
<td>Balance exercisable at end of year</td>
<td>17,082</td>
<td>47.30</td>
<td>14,230</td>
</tr>
</tbody>
</table>

The weighted average fair value of options granted during the years was estimated by using the Black-Scholes option-pricing model:

<table>
<thead>
<tr>
<th>Year ended December 31,</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weighted average fair value</td>
<td>$7.4</td>
<td>$6.6</td>
<td>$9.2</td>
</tr>
</tbody>
</table>
The fair value of these options was estimated on the date of grant, based on the following weighted average assumptions:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividend yield</td>
<td>3.3%</td>
<td>2.6%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Expected volatility</td>
<td>23%</td>
<td>24%</td>
<td>27%</td>
</tr>
<tr>
<td>Risk-free interest rate</td>
<td>2.1%</td>
<td>1.3%</td>
<td>1.3%</td>
</tr>
<tr>
<td>Expected life term</td>
<td>9 years</td>
<td>8 years</td>
<td>6 years</td>
</tr>
</tbody>
</table>

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, 2013 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

<table>
<thead>
<tr>
<th>Range of exercise prices</th>
<th>Balance at end of period (in thousands)</th>
<th>Weighted average exercise price</th>
<th>Weighted average remaining life</th>
<th>Aggregate intrinsic value (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of shares</td>
<td>$</td>
<td>Years</td>
<td>$</td>
</tr>
<tr>
<td>$10.00 - $35.10</td>
<td>9</td>
<td>20.97</td>
<td>0.50</td>
<td>165</td>
</tr>
<tr>
<td>$35.11 - $40.10</td>
<td>6,195</td>
<td>38.70</td>
<td>9.01</td>
<td>8,549</td>
</tr>
<tr>
<td>$40.11 - $45.10</td>
<td>13,587</td>
<td>42.32</td>
<td>5.43</td>
<td>—</td>
</tr>
<tr>
<td>$45.11 - $50.10</td>
<td>5,634</td>
<td>48.31</td>
<td>6.45</td>
<td>—</td>
</tr>
<tr>
<td>$50.11 - $55.10</td>
<td>6,428</td>
<td>52.54</td>
<td>3.37</td>
<td>—</td>
</tr>
<tr>
<td>$55.11 - $65.00</td>
<td>628</td>
<td>60.92</td>
<td>3.15</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>32,481</td>
<td>45.05</td>
<td>5.84</td>
<td>8,714</td>
</tr>
</tbody>
</table>

2. Number of ordinary shares issuable upon exercise of vested options

<table>
<thead>
<tr>
<th>Range of exercise prices</th>
<th>Balance at end of period (in thousands)</th>
<th>Weighted average exercise price</th>
<th>Weighted average remaining life</th>
<th>Aggregate intrinsic value (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of shares</td>
<td>$</td>
<td>Years</td>
<td>$</td>
</tr>
<tr>
<td>$10.00 - $35.10</td>
<td>9</td>
<td>20.97</td>
<td>0.50</td>
<td>165</td>
</tr>
<tr>
<td>$35.11 - $40.10</td>
<td>1,233</td>
<td>38.85</td>
<td>8.73</td>
<td>1,517</td>
</tr>
<tr>
<td>$40.11 - $45.10</td>
<td>6,530</td>
<td>42.65</td>
<td>2.67</td>
<td>—</td>
</tr>
<tr>
<td>$45.11 - $50.10</td>
<td>3,074</td>
<td>48.47</td>
<td>5.76</td>
<td>—</td>
</tr>
<tr>
<td>$50.11 - $55.10</td>
<td>5,852</td>
<td>52.78</td>
<td>3.04</td>
<td>—</td>
</tr>
<tr>
<td>$55.11 - $65.00</td>
<td>384</td>
<td>61.04</td>
<td>3.15</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>17,082</td>
<td>47.30</td>
<td>3.80</td>
<td>1,682</td>
</tr>
</tbody>
</table>

The aggregate intrinsic value in the above tables represents the total pre-tax intrinsic value, based on the Company’s closing stock price of $40.08 on December 31, 2013, 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, 2013 was 1.2 million.
TEVA PHARMACEUTICAL INDUSTRIES LIMITED
Notes to Consolidated Financial Statements

The total intrinsic value of options exercised during the years ended December 31, 2013, 2012 and 2011 was $19 million, $6 million and $35 million, respectively, based on the Company’s average stock price of $38.99, $41.63 and $45.49 during the years then ended, respectively.

**Status of non-vested RSUs**

The fair value of RSUs 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 holders prior to vesting.

The following table summarizes information about the number of RSUs issued and outstanding:

<table>
<thead>
<tr>
<th>Year ended December 31,</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance outstanding at</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>beginning of year ......</td>
<td>3,744</td>
<td>3,093</td>
<td>2,290</td>
</tr>
<tr>
<td>Granted ...............</td>
<td>289</td>
<td>1,320</td>
<td>1,295</td>
</tr>
<tr>
<td>Vested ................</td>
<td>(1,222)</td>
<td>(519)</td>
<td>(389)</td>
</tr>
<tr>
<td>Forfeited ..............</td>
<td>(299)</td>
<td>(150)</td>
<td>(103)</td>
</tr>
<tr>
<td>Balance outstanding at</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>end of year ............</td>
<td>2,512</td>
<td>3,744</td>
<td>3,093</td>
</tr>
</tbody>
</table>

The Company has expensed compensation costs, net of estimated forfeitures, based on the grant-date fair value. For the years ended December 31, 2013, 2012 and 2011, the Company recorded stock-based compensation costs as follows:

<table>
<thead>
<tr>
<th>Year ended December 31,</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>(U.S. $ in millions)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee stock options</td>
<td>$40</td>
<td>$58</td>
<td>$63</td>
</tr>
<tr>
<td>Restricted stock units (“RSUs”)</td>
<td>24</td>
<td>24</td>
<td>28</td>
</tr>
<tr>
<td>Total stock-based compensation expense</td>
<td>64</td>
<td>82</td>
<td>91</td>
</tr>
<tr>
<td>Tax effect on stock-based compensation expense</td>
<td>14</td>
<td>13</td>
<td>13</td>
</tr>
<tr>
<td>Net effect ................</td>
<td>$50</td>
<td>$69</td>
<td>$78</td>
</tr>
</tbody>
</table>

The total unrecognized compensation cost before tax on employee stock options and RSUs amounted to $83 million and $64 million, respectively, at December 31, 2013, and is expected to be recognized over a weighted average period of 1.1 years for stock options and a weighted average period of 1.2 years for RSUs.

d. 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, 2013, 2012 and 2011 were $1.28, $1.03 and $0.89, respectively. Subsequent to December 31, 2013, the Company declared an additional dividend of 1.21 NIS per share in respect of the fourth quarter of 2013.

F-45
2. The components of accumulated other comprehensive loss attributable to Teva are presented in the table below:

<table>
<thead>
<tr>
<th>December 31,</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(U.S. $ in millions)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Currency translation adjustment, net of tax</td>
<td>$151</td>
<td>$175</td>
<td>$(455)</td>
</tr>
<tr>
<td>Unrealized loss from available-for-sale securities, net of tax</td>
<td>5</td>
<td>(7)</td>
<td>(72)</td>
</tr>
<tr>
<td>Unrealized loss from cash flow hedge</td>
<td>(197)</td>
<td>(93)</td>
<td>(30)</td>
</tr>
<tr>
<td>Defined benefit plans, net of tax</td>
<td>(50)</td>
<td>(92)</td>
<td>(32)</td>
</tr>
<tr>
<td>Accumulated other comprehensive loss attributable to Teva</td>
<td>$ (91)</td>
<td>$ (17)</td>
<td>$(589)</td>
</tr>
</tbody>
</table>

The following table presents the changes in the components of accumulated other comprehensive loss for the year ended December 31, 2013:

<table>
<thead>
<tr>
<th>Other comprehensive income (loss) before reclassifications</th>
<th>$ (46)</th>
<th>$18</th>
<th>$(111)</th>
<th>$20</th>
<th>$(119)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amounts reclassified from accumulated other comprehensive loss before tax</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Currency translation adjustment, included in financial expenses—net</td>
<td>17</td>
<td></td>
<td></td>
<td></td>
<td>17</td>
</tr>
<tr>
<td>Gains on marketable securities, included in financial expenses—net</td>
<td>(6)</td>
<td></td>
<td></td>
<td></td>
<td>(6)</td>
</tr>
<tr>
<td>Loss on derivative financial instruments, included in net revenues</td>
<td>7</td>
<td></td>
<td></td>
<td></td>
<td>7</td>
</tr>
<tr>
<td>Loss on defined benefit plans, included in various statement of income items**</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>24</td>
</tr>
<tr>
<td>Amounts reclassified from accumulated other comprehensive loss before tax</td>
<td>17</td>
<td>(6)</td>
<td>7</td>
<td>24</td>
<td>42</td>
</tr>
<tr>
<td>Net other comprehensive income (loss) before tax</td>
<td>(29)</td>
<td>12</td>
<td>(104)</td>
<td>44</td>
<td>(77)</td>
</tr>
<tr>
<td>Income tax related to items of other comprehensive income (loss)</td>
<td>5</td>
<td>*</td>
<td>*</td>
<td>(2)</td>
<td>3</td>
</tr>
<tr>
<td>Net other comprehensive income (loss) after tax</td>
<td>$(24)</td>
<td>$12</td>
<td>$(104)</td>
<td>$42</td>
<td>$ (74)</td>
</tr>
</tbody>
</table>

* Represents an amount of less than $0.5 million.
** Affected mostly general and administrative expenses, as well as cost of sales, research and development expenses, and sales and marketing expenses.
NOTE 16—INCOME TAXES:

a. Income before income taxes is comprised of the following:

<table>
<thead>
<tr>
<th></th>
<th>Year ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
</tr>
<tr>
<td>(U.S. $ in millions)</td>
<td></td>
</tr>
<tr>
<td>The Parent Company and its Israeli subsidiaries</td>
<td>$1,303</td>
</tr>
<tr>
<td>Non-Israeli subsidiaries</td>
<td>(53)</td>
</tr>
<tr>
<td></td>
<td>$1,250</td>
</tr>
</tbody>
</table>

b. Income taxes:

<table>
<thead>
<tr>
<th></th>
<th>Year ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
</tr>
<tr>
<td>(U.S. $ in millions)</td>
<td></td>
</tr>
<tr>
<td>In Israel</td>
<td>$ 197</td>
</tr>
<tr>
<td>Outside Israel</td>
<td>(240)</td>
</tr>
<tr>
<td></td>
<td>$(43)</td>
</tr>
<tr>
<td>Current</td>
<td>$1,096</td>
</tr>
<tr>
<td>Deferred</td>
<td>(1,139)</td>
</tr>
<tr>
<td></td>
<td>$(43)</td>
</tr>
</tbody>
</table>

Year ended December 31,

|                        | 2013 | 2012 | 2011 |
| (U.S. $ in millions)   |      |      |      |
| Income before income taxes | $1,250 | $1,819 | $2,956 |
| Statutory tax rate in Israel | 25%  | 25%  | 24%  |
| Theoretical provision for income taxes | $ 313  | $ 455  | $ 709  |
| 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 | (535)  | (520) | (501) |
| Amendment 69 payments and finalization of prior years’ tax audits, net of decrease of related uncertain tax positions | 248   | —  | —  |
| Non-Israeli subsidiaries | (275)  | (83)  | (143) |
| Increase in other uncertain tax positions—net | 206   | 11  | 62  |
| Effective consolidated income taxes | $(43)  | $(137) | $ 127  |

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, as well as the Company’s election to adopt Amendment 69, see note 16f. Tax benefits resulting from mergers between subsidiaries and incentive programs to which Teva’s subsidiaries are entitled further reduced the effective tax rate for 2013. The finalization of 2005-2007 tax audits and the tax payment under Amendment 69 of the Investment Law in 2013 have increased the tax charges in 2013 attributable to the Parent Company and its Israeli subsidiaries.
c. Deferred income taxes:

<table>
<thead>
<tr>
<th>Short-term deferred tax assets—net:</th>
<th>Year ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
</tr>
<tr>
<td>Inventory related*</td>
<td>$ 405</td>
</tr>
<tr>
<td>Sales reserves and allowances</td>
<td>321</td>
</tr>
<tr>
<td>Provision for legal settlements</td>
<td>235</td>
</tr>
<tr>
<td>Carryforward losses and deductions*</td>
<td>179</td>
</tr>
<tr>
<td>Provisions for employee-related obligations</td>
<td>81</td>
</tr>
<tr>
<td>Other</td>
<td>75</td>
</tr>
<tr>
<td>**</td>
<td>**1,296</td>
</tr>
<tr>
<td>Valuation allowance—in respect of carryforward losses and</td>
<td></td>
</tr>
<tr>
<td>deductions that may not be utilized</td>
<td>(249)</td>
</tr>
<tr>
<td>**</td>
<td>**$ 1,047</td>
</tr>
</tbody>
</table>

| Long-term deferred tax assets (liabilities)—net:            |            |            |
| Intangible assets                                          | $(1,412)   | $(1,883)   |
| Carryforward losses and deductions**                       | 1,415      | 949        |
| Property, plant and equipment                              | (181)      | (122)      |
| Provisions for employee related obligations                 | 19         | 14         |
| Other                                                      | 60         | 24         |
| **                                                        | **(99)     | **(1,018)  |
| Valuation allowance—in respect of carryforward losses and   |            |            |
| deductions that may not be utilized                         | (542)      | (721)      |
| **                                                        | **$(641)   | **$(1,739) |
|                                                          | **$ 406    | **$ (616)  |

* Reclassified amounts in 2012.
** This amount represents the tax effect of carry forward losses and deductions with the following expirations: 2015-2016—$382 million; 2017-2023—$246 million; 2024 and thereafter—$188 million. The remaining balance—$599 million—can be utilized with no expiration date.

The deferred income taxes are reflected in the balance sheets among:

| December 31,                                    |
|                                                |
| 2013         | 2012         |
| (U.S. $ in millions)                           |
| Current assets—deferred income taxes           | $ 1,084     | $ 1,142     |
| Current liabilities—other current liabilities  | (37)        | (19)        |
| Other non-current assets                       | 606         | 110         |
| Long-term liabilities—deferred income taxes    | (1,247)     | (1,849)     |
| **                                                | **$ 406     | **$ (616)   |

Deferred taxes have not been provided for tax-exempt profits earned by the Company from Approved Enterprises through December 31, 2013 (except to the extent released due to payments made in 2013 under
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 16f.

d. Uncertain tax positions:

The following table summarizes the activity of Teva’s unrecognized tax benefits:

<table>
<thead>
<tr>
<th>Year ended December 31,</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(U.S. $ in millions)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at the beginning of the year</td>
<td>$903</td>
<td>$907</td>
<td>$795</td>
</tr>
<tr>
<td>Decrease related to prior year tax positions, net</td>
<td>29</td>
<td>(10)</td>
<td>(45)</td>
</tr>
<tr>
<td>Increase related to current year tax positions</td>
<td>176</td>
<td>151</td>
<td>131</td>
</tr>
<tr>
<td>Decrease related to settlements with tax authorities and lapse of applicable statutes of limitations</td>
<td>(461)</td>
<td>(146)</td>
<td>(20)</td>
</tr>
<tr>
<td>Liabilities assumed in acquisitions</td>
<td>—</td>
<td>—</td>
<td>52</td>
</tr>
<tr>
<td>Other</td>
<td>18</td>
<td>1</td>
<td>(6)</td>
</tr>
<tr>
<td>Balance at the end of the year</td>
<td>$665</td>
<td>$903</td>
<td>$907</td>
</tr>
</tbody>
</table>

Uncertain tax positions, mainly of a long-term nature, included accrued potential penalties and interest of $75 million, $144 million and $115 million, at December 31, 2013, 2012 and 2011, respectively. The total amount of interest and penalties in the consolidated statements of income was a net release of $69 million for the year ended December 31, 2013 and a net increase of $29 million and $21 million for the years ended December 31, 2012 and 2011, respectively. Substantially all the above uncertain tax benefits, if recognized, would reduce Teva’s annual effective tax rate. Teva does not expect uncertain tax positions to change significantly over the next 12 months, except in the case of settlements with tax authorities, the likelihood and timing of which is difficult to estimate.

e. Tax assessments:

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, 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.
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 regular corporate 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 in 2013, while the remainder is available to be distributed as dividends in future years with no additional corporate tax liability. As a result, Teva is 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.

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, dividends from 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 25% in 2013
(increased to 26.5% in 2014 and onwards).

Under an amendment 68 to the Israeli Investment Law (“Amendment 68”), 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 intends to apply the new incentives regime under Amendment 68 to its qualifying Israeli operations
starting in 2014, and believes it will qualify as an “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 foreign exchange rate (of NIS against the U.S. dollar) 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 Group 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 Group 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) and Swiss franc (CHF). 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.
b. Derivative instrument disclosure:

The following table summarizes the notional amounts for hedged items, for transactions designated as hedge accounting:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2013 (U.S. $ in millions)</th>
<th>December 31, 2012 (U.S. $ in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest rate swap—cash flow hedge</td>
<td>$ —</td>
<td>$1,100</td>
</tr>
<tr>
<td>Interest rate swap—fair value hedge</td>
<td>2,500</td>
<td>1,550</td>
</tr>
<tr>
<td>Cross currency swap—cash flow hedge</td>
<td>1,875</td>
<td>1,875</td>
</tr>
<tr>
<td>Forecasted transactions—cash flow hedge</td>
<td>300</td>
<td>200</td>
</tr>
</tbody>
</table>

The following table summarizes the classification and fair values of derivative instruments:

<table>
<thead>
<tr>
<th></th>
<th>Reported under</th>
<th>Fair value December 31, 2013 (U.S. $ in millions)</th>
<th>Fair value December 31, 2012 (U.S. $ in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset derivatives—interest rate swap—fair value hedge designated as hedging instruments</td>
<td>Other current assets</td>
<td>$ 2</td>
<td>$ 4</td>
</tr>
<tr>
<td>Liability derivatives—interest rate swap—cash flow hedge designated as hedging instruments</td>
<td>Other current liabilities</td>
<td>—</td>
<td>(4)</td>
</tr>
<tr>
<td>Liability derivatives—interest rate swap—fair value hedge designated as hedging instruments</td>
<td>Senior notes and loans</td>
<td>(233)</td>
<td>(14)</td>
</tr>
<tr>
<td>Liability derivatives—cross currency swap—cash flow hedge designated as hedging instruments</td>
<td>Senior notes and loans</td>
<td>(203)</td>
<td>(91)</td>
</tr>
<tr>
<td>Liability derivatives, comprising mainly option and forward contracts, not designated as hedging instruments</td>
<td>Other current liabilities</td>
<td>(17)</td>
<td>(29)</td>
</tr>
<tr>
<td>Asset derivatives, comprising mainly option and forward contracts, not designated as hedging instruments</td>
<td>Other current assets</td>
<td>28</td>
<td>20</td>
</tr>
</tbody>
</table>

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 $76 million and losses of $45 million were recognized under financial expenses—net for the years ended December 31, 2013 and 2012, respectively. Such 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 $35 million and $18 million were recognized under financial expenses—net for the years ended December 31, 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
TEVA PHARMACEUTICAL INDUSTRIES LIMITED
Notes to Consolidated Financial Statements

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, 2013 and 2012, the balance of Teva’s securitized assets sold amounted to $590 million and $535 million, respectively. Gains and losses related to these transactions were immaterial for the three years ended December 31, 2013.

The following table summarizes the net balance outstanding due to outstanding securitization programs:

<table>
<thead>
<tr>
<th>As of and for the year ended December 31,</th>
<th>2013 (U.S. $ in millions)</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sold receivables at the beginning of the year</td>
<td>$ 535</td>
<td>$ 435</td>
</tr>
<tr>
<td>Proceeds from sale of receivables</td>
<td>3,662</td>
<td>3,491</td>
</tr>
<tr>
<td>Cash collections (remitted to the owner of the receivables)</td>
<td>(3,635)</td>
<td>(3,393)</td>
</tr>
<tr>
<td>Effect of currency exchange rate changes</td>
<td>28</td>
<td>2</td>
</tr>
<tr>
<td>Sold receivables at the end of the year</td>
<td>$ 590</td>
<td>$ 535</td>
</tr>
</tbody>
</table>

NOTE 18—FINANCIAL EXPENSES- NET:

<table>
<thead>
<tr>
<th>Year ended December 31,</th>
<th>2013 (U.S. $ in millions)</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest expenses and other bank charges</td>
<td>$314</td>
<td>$355</td>
<td>$234</td>
</tr>
<tr>
<td>Foreign exchange losses—net</td>
<td>8</td>
<td>25</td>
<td>16</td>
</tr>
<tr>
<td>Income from investments</td>
<td>(32)</td>
<td>(26)</td>
<td>(44)</td>
</tr>
<tr>
<td>Gain from interest rate swap transaction</td>
<td>—</td>
<td>—</td>
<td>(53)</td>
</tr>
<tr>
<td>Expenses mainly from senior notes prepayment</td>
<td>109</td>
<td>32</td>
<td>—</td>
</tr>
<tr>
<td>Total finance expense—net</td>
<td>$399</td>
<td>$386</td>
<td>$153</td>
</tr>
</tbody>
</table>

NOTE 19—LEGAL SETTLEMENTS AND LOSS CONTINGENCIES:

Legal settlements and loss contingencies for 2013 amounted to $1.5 billion, compared to $715 million in 2012. 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 20—IMPAIRMENTS, RESTRUCTURING AND OTHERS:

Impairments, restructuring and others consisted of the following:

<table>
<thead>
<tr>
<th>Year ended December 31,</th>
<th>2013 (U.S. $ in millions)</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impairment of long-lived assets (see also notes 6 and 8)</td>
<td>$524</td>
<td>$1,071</td>
<td>$201</td>
</tr>
<tr>
<td>Restructuring</td>
<td>201</td>
<td>221</td>
<td>192</td>
</tr>
<tr>
<td>Contingent consideration</td>
<td>36</td>
<td>(40)</td>
<td>—</td>
</tr>
<tr>
<td>Acquisition costs and other expenses</td>
<td>27</td>
<td>7</td>
<td>37</td>
</tr>
<tr>
<td>Total</td>
<td>$788</td>
<td>$1,259</td>
<td>$430</td>
</tr>
</tbody>
</table>
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, an increased competitive environment.

Charges for impairments, restructuring and others in 2013 amounted to $788 million, compared to $1.3 billion for 2012.

Impairment of long-lived assets in 2013 amounted to $524 million, comprised of:

1. Identifiable intangible assets—$393 million:
   a. Product rights impairment of $227 million are comprised mainly of a $112 million impairment due to current market conditions and supply chain challenges in Japan, product rights impairment of $41 million of multiple products in Europe, and a $23 million impairment of product rights for Cenestin® related to API constraints. Impairments of product rights for the year ended December 31, 2012 were $233 million.
   b. In-process R&D impairments of $166 million are comprised mainly of a $99 million impairment of armodafinil (Nuvigil®) for the treatment of bi-polar disorder following the negative results of the third pivotal clinical trial and a $54 million impairment of Zoely® following negative Phase III trial results. Impairment of in-process R&D for the year ended December 31, 2012 amounted to $625 million.


3. Property, plant and equipment—$61 million, based on management decisions regarding their expected use, which triggered a reassessment of fair value. In 2012, property, plant and equipment impairment was $190 million.

Restructuring

For the year ended December 31, 2013, Teva recorded $201 million of restructuring expenses, compared to $221 million for the year ended December 31, 2012.

In October 2013, management announced the acceleration of its company-wide cost-savings plan, which will include several initiatives including a reduction in the number of employees. Most costs are likely to be incurred throughout 2014 as the details of the plan are finalized and accounting criteria for expense recognition are met.

Contingent consideration

For the year ended December 31, 2013, Teva recorded a contingent consideration expense of $36 million mainly due to changes in evaluation factors on in-process R&D purchased in the Cephalon acquisition, compared to a contingent consideration benefit of $40 million recorded mainly as a result of impairing long-lived assets during 2012, which decreased associated milestone payment liabilities, previously recorded in connection with the Cephalon acquisition.
NOTE 21— SEGMENfts:

Financial reports to Teva’s chief operating decision maker (“CODM”) evolve over time as Teva’s business develops, as well as following major acquisitions. Since 2009, Teva had reported under a notion of a “One Teva.” During 2013, Teva completed a comprehensive review of its strategy, organizational and business structure and implemented changes to support the new strategy.

Following the recent changes, Teva determined that its business includes 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, oncology and respiratory indications, as well as those marketed in the women’s health and other specialty businesses.

Teva’s other activities include the over the counter (“OTC”) medicines business, distribution activity mainly in Israel and Hungary, medical devices and until January 2013, animal health. The OTC activity is primarily conducted through a joint venture with The Procter & Gamble Company, which combines Teva’s production capabilities and market reach with Procter & Gamble’s marketing expertise and expansive global platform.

Teva’s chief executive officer, who is the 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 profitability is comprised of gross profit for the segment, less S&M and R&D expenses related to the segment. Segment profitability does not include G&A expenses, amortization and non-recurring 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 operating segment, and therefore Teva does not report asset information by operating segment.

In 2014, Teva’s new chief executive officer is anticipated to review the Company’s strategy and organizational structure. Any changes in strategy may lead to a reevaluation of Teva’s current segments and goodwill assignment.

a. Segment information

The following table presents segment revenues and profitability for the past three years:

<table>
<thead>
<tr>
<th></th>
<th>Generics</th>
<th></th>
<th>Specialty</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Year ended December 31,</td>
<td>Year ended December 31,</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(U.S.$ in millions)</td>
<td>(U.S.$ in millions)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues</td>
<td>$9,906</td>
<td>$10,385</td>
<td>$10,196</td>
<td>$8,402</td>
</tr>
<tr>
<td>Gross profit</td>
<td>4,095</td>
<td>4,518</td>
<td>4,605</td>
<td>7,326</td>
</tr>
<tr>
<td>R&amp;D expenses</td>
<td>494</td>
<td>485</td>
<td>459</td>
<td>909</td>
</tr>
<tr>
<td>S&amp;M expenses</td>
<td>1,945</td>
<td>1,971</td>
<td>2,087</td>
<td>1,850</td>
</tr>
<tr>
<td>Segment profitability</td>
<td>$1,656</td>
<td>$2,062</td>
<td>$2,059</td>
<td>$4,567</td>
</tr>
</tbody>
</table>
### Segment Profitability Reconciliation

The following table presents a reconciliation of our segment profitability to Teva’s consolidated operating income for the past three years:

<table>
<thead>
<tr>
<th>Segment</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Generic medicines profitability</td>
<td>$1,656</td>
<td>$2,062</td>
<td>$2,059</td>
</tr>
<tr>
<td>Specialty medicines profitability</td>
<td>4,567</td>
<td>4,694</td>
<td>3,907</td>
</tr>
<tr>
<td>Total segment profitability</td>
<td>6,223</td>
<td>6,756</td>
<td>5,966</td>
</tr>
<tr>
<td>Profitability of other activities</td>
<td>214</td>
<td>197</td>
<td>219</td>
</tr>
<tr>
<td>Total profitability</td>
<td>6,437</td>
<td>6,953</td>
<td>6,185</td>
</tr>
<tr>
<td>Profitability of other activities</td>
<td>2</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Total profitability</td>
<td>6,239</td>
<td>6,953</td>
<td>6,185</td>
</tr>
<tr>
<td>Amounts not allocated to segments:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amortization</td>
<td>1,180</td>
<td>1,272</td>
<td>707</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>1,239</td>
<td>1,238</td>
<td>932</td>
</tr>
<tr>
<td>Legal settlements and loss contingencies</td>
<td>1,524</td>
<td>715</td>
<td>471</td>
</tr>
<tr>
<td>Impairments, restructuring and others</td>
<td>788</td>
<td>1,259</td>
<td>430</td>
</tr>
<tr>
<td>Other unallocated amounts</td>
<td>57</td>
<td>264</td>
<td>536</td>
</tr>
<tr>
<td>Consolidated operating income</td>
<td>1,649</td>
<td>2,205</td>
<td>3,109</td>
</tr>
<tr>
<td>Financial expenses—net</td>
<td>399</td>
<td>386</td>
<td>153</td>
</tr>
<tr>
<td>Consolidated income before income taxes</td>
<td>$1,250</td>
<td>$1,819</td>
<td>$2,956</td>
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</table>

### Geographic Area Revenues

<table>
<thead>
<tr>
<th>Segment</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Generic Medicines</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>United States</td>
<td>$ 4,181</td>
<td>$ 4,381</td>
<td>$ 3,957</td>
</tr>
<tr>
<td>Europe*</td>
<td>3,485</td>
<td>3,482</td>
<td>3,929</td>
</tr>
<tr>
<td>Rest of the World</td>
<td>2,240</td>
<td>2,522</td>
<td>2,310</td>
</tr>
<tr>
<td>Total Generic Medicines</td>
<td>9,906</td>
<td>10,385</td>
<td>10,196</td>
</tr>
<tr>
<td>Specialty Medicines</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>United States</td>
<td>6,026</td>
<td>5,857</td>
<td>4,804</td>
</tr>
<tr>
<td>Europe*</td>
<td>1,706</td>
<td>1,575</td>
<td>1,108</td>
</tr>
<tr>
<td>Rest of the World</td>
<td>670</td>
<td>718</td>
<td>581</td>
</tr>
<tr>
<td>Total Specialty</td>
<td>8,402</td>
<td>8,150</td>
<td>6,493</td>
</tr>
<tr>
<td>Other Revenues</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>United States</td>
<td>254</td>
<td>200</td>
<td>39</td>
</tr>
<tr>
<td>Europe*</td>
<td>797</td>
<td>741</td>
<td>760</td>
</tr>
<tr>
<td>Rest of the World</td>
<td>955</td>
<td>841</td>
<td>824</td>
</tr>
<tr>
<td>Total Other Revenues</td>
<td>2,006</td>
<td>1,782</td>
<td>1,623</td>
</tr>
<tr>
<td>Total Revenues</td>
<td>$20,314</td>
<td>$20,317</td>
<td>$18,312</td>
</tr>
</tbody>
</table>

* All members of the European Union, Switzerland, Norway, Albania and the countries of former Yugoslavia.
c. Net revenues from specialty medicines were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Year ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013 (U.S. $ in millions)</td>
</tr>
<tr>
<td>CNS</td>
<td>$5,505</td>
</tr>
<tr>
<td>Copaxone®</td>
<td>4,328</td>
</tr>
<tr>
<td>Azilect®</td>
<td>371</td>
</tr>
<tr>
<td>Nuvigil®</td>
<td>320</td>
</tr>
<tr>
<td>Provigil®</td>
<td>91</td>
</tr>
<tr>
<td>Oncology</td>
<td>982</td>
</tr>
<tr>
<td>Treanda®</td>
<td>709</td>
</tr>
<tr>
<td>Respiratory</td>
<td>905</td>
</tr>
<tr>
<td>ProAir®</td>
<td>429</td>
</tr>
<tr>
<td>Qvar®</td>
<td>328</td>
</tr>
<tr>
<td>Women’s health</td>
<td>463</td>
</tr>
<tr>
<td>Other Specialty</td>
<td>547</td>
</tr>
<tr>
<td>Total Specialty Medicines</td>
<td>$8,402</td>
</tr>
</tbody>
</table>

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, as a result of a successful patent challenge in the United States, we are facing the loss of U.S. patent exclusivity in May 2014 for Copaxone®, our leading specialty medicine. As a result, we may face generic competition in the United States for the 20mg version as early as May 2014. We are in discussions with the FDA regarding clinical trial requirements for any proposed generic version of Copaxone®, and we are not aware of the imminent approval of such a product. Nonetheless, the introduction of any generic competition (even a purported generic) for Copaxone® would likely have a material adverse effect on our financial results and cash flow. Moreover, our business strategy for Copaxone® relies heavily on the successful introduction of a three-times-a-week product and the migration of a substantial percentage of current daily Copaxone® patients to 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.

In 2013, revenues from Copaxone® were approximately $3.2 billion in the U.S. (approximately 30% of our total 2013 U.S. revenues) and approximately $1.1 billion in markets outside the U.S. (approximately 11% of our total 2013 non-U.S. revenues).

Our multiple sclerosis 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 G&A expenses, amortization and non-recurring items. Our MS franchise profitability was $3.3 billion, $3.0 billion and $2.8 billion in 2013, 2012 and 2011, respectively. Profitability of our multiple sclerosis franchise as a percentage of Copaxone® revenues was 76%, 74% and 79% in 2013, 2012 and 2011, respectively.
d. Supplemental data—major customers:

The percentages of total consolidated revenues for the years ended December 31, 2013, 2012 and 2011 to one customer were 17%, 16% and 14%, respectively. The percentage of total consolidated revenues for another customer accounted for 13% for the year ended December 31, 2013. 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 23% of the gross trade accounts receivable at December 31, 2013. Sales reserves and allowances on these balances are recorded in current liabilities (refer to note 11).

e. Property, plant and equipment—by geographical location were as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Israel</td>
<td>$1,834</td>
<td>$1,649</td>
<td>$1,459</td>
</tr>
<tr>
<td>United States</td>
<td>852</td>
<td>896</td>
<td>1,053</td>
</tr>
<tr>
<td>Hungary</td>
<td>526</td>
<td>498</td>
<td>388</td>
</tr>
<tr>
<td>Japan</td>
<td>492</td>
<td>644</td>
<td>765</td>
</tr>
<tr>
<td>Croatia</td>
<td>479</td>
<td>415</td>
<td>311</td>
</tr>
<tr>
<td>Germany</td>
<td>403</td>
<td>367</td>
<td>317</td>
</tr>
<tr>
<td>Other</td>
<td>2,049</td>
<td>1,846</td>
<td>1,654</td>
</tr>
<tr>
<td>Total property, plant and equipment</td>
<td>$6,635</td>
<td>$6,315</td>
<td>$5,947</td>
</tr>
</tbody>
</table>

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, 2013, 2012 and 2011 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2013 (U.S. $ in millions)</th>
<th>2012 (U.S. $ in millions)</th>
<th>2011 (U.S. $ in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income attributable to Teva</td>
<td>$1,269</td>
<td>$1,963</td>
<td>$2,759</td>
</tr>
<tr>
<td>Net income used for the computation of diluted earnings per share</td>
<td>$1,269</td>
<td>$1,963</td>
<td>$2,759</td>
</tr>
<tr>
<td>Weighted average number of shares used in the computation of basic earnings per share</td>
<td>849</td>
<td>872</td>
<td>890</td>
</tr>
</tbody>
</table>

Add:

- Additional shares from the assumed exercise of employee stock options and unvested RSUs: 1, 1, 2
- Weighted average number of additional shares issued upon the assumed conversion of convertible senior debentures: *, *, 1

Weighted average number of shares used in the computation of diluted earnings per share: 850, 873, 893

* Represents an amount of less than 0.5 million.

In computing dilutive earnings per share for the years ended December 31, 2013, 2012 and 2011, no account was taken of the potential dilution of the assumed exercise of employee stock options, amounting to 7 million, 6 million and 4 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 10, 2014 appearing in the 2013 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 10, 2014

/s/ Kesselman & Kesselman
Certified Public Accountants (Isr.)
A member of PricewaterhouseCoopers International Limited
<table>
<thead>
<tr>
<th>Column A</th>
<th>Column B</th>
<th>Column C</th>
<th>Column D</th>
<th>Column E</th>
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</thead>
<tbody>
<tr>
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<td>Balance at beginning of period</td>
<td>Charged to</td>
<td>Charged to</td>
<td>Deductions</td>
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<tr>
<td></td>
<td></td>
<td>costs and expenses</td>
<td>other accounts</td>
<td></td>
</tr>
<tr>
<td>Allowance for doubtful accounts:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Year ended December 31, 2013</td>
<td>$145</td>
<td>$44</td>
<td>$3</td>
<td>$5</td>
</tr>
<tr>
<td>Year ended December 31, 2012</td>
<td>$116</td>
<td>$32</td>
<td>$5</td>
<td>$8</td>
</tr>
<tr>
<td>Year ended December 31, 2011</td>
<td>$126</td>
<td>$20</td>
<td>$(6)</td>
<td>$(24)</td>
</tr>
<tr>
<td>Allowance in respect of carryforward tax losses:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Year ended December 31, 2013</td>
<td>$726</td>
<td>$182</td>
<td>—</td>
<td>$(117)</td>
</tr>
<tr>
<td>Year ended December 31, 2012</td>
<td>$452</td>
<td>$384</td>
<td>$2</td>
<td>$(112)</td>
</tr>
<tr>
<td>Year ended December 31, 2011</td>
<td>$211</td>
<td>$124</td>
<td>$198</td>
<td>$(81)</td>
</tr>
</tbody>
</table>
TERM LOAN CREDIT AGREEMENT

dated as of

January 8, 2014

among

TEVA PHARMACEUTICAL INDUSTRIES LIMITED

and

TEVA PHARMACEUTICALS USA, INC.,
as Borrower,

THE LENDERS PARTY HERETO FROM TIME TO TIME,

CITIBANK, N.A.,
as Administrative Agent,

and

CITIBANK, N.A., LONDON BRANCH,
as Documentation Agent

____________________________

BARCLAYS BANK PLC and CITIBANK, N.A., LONDON BRANCH,
as Coordinating Bookrunners & Mandated Lead Arrangers,

and

BNP PARIBAS, CREDIT SUISSE SECURITIES (USA) LLC, GOLDMAN SACHS
BANK USA, HSBC BANK PLC and MORGAN STANLEY SENIOR FUNDING, INC.,
as Bookrunners & Mandated Lead Arrangers

White & Case LLP
5 Old Broad Street
London EC2N 1DW
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<th>Page</th>
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<tbody>
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<td>Defined Terms</td>
<td>1</td>
</tr>
<tr>
<td>1.02</td>
<td>Terms Generally</td>
<td>18</td>
</tr>
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<td>1.03</td>
<td>Accounting Terms; GAAP</td>
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<td>1.04</td>
<td>Resolution of Drafting Ambiguities</td>
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ARTICLE II THE CREDITS

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<td>Commitments</td>
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<td>Requests for Loans</td>
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<td>Funding of Loans</td>
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<td>2.05</td>
<td>Interest Elections</td>
<td>21</td>
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<td>2.06</td>
<td>Termination and Reduction of Commitments</td>
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<td>23</td>
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<td>2.08</td>
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<td>Break Funding Payments</td>
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<td>Payments Generally; Pro Rata Treatment; Sharing of Set-offs</td>
<td>31</td>
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<td>2.17</td>
<td>Mitigation Obligations; Replacement of Lenders</td>
<td>32</td>
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<td>2.18</td>
<td>[Reserved]</td>
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<td>2.19</td>
<td>[Reserved]</td>
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<td>2.20</td>
<td>Defaulting Lenders</td>
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ARTICLE III REPRESENTATIONS AND WARRANTIES

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This Credit Agreement (this “Agreement”), dated as of January 8, 2014, is among TEVA PHARMACEUTICAL INDUSTRIES LIMITED, an Israeli company registered under no 52-0013-954, the registered address of which is at Har Hozvim, Jerusalem, ISRAEL (the “Company” or “Parent”), TEVA PHARMACEUTICALS USA, INC., a Delaware corporation, the principal office of which is at 1090 Horsham Road, North Wales, Pennsylvania, United States of America (“Teva USA”), CITIBANK, N.A., (the “Administrative Agent”) and CITIBANK, N.A., LONDON BRANCH, as Documentation Agent (the “Documentation Agent”).

The parties hereto agree as follows:

ARTICLE I
DEFINITIONS AND ACCOUNTING TERMS

Section 1.01 Defined Terms. As used in this Agreement, the following terms have the meanings specified below:

“Administrative Agent” has the meaning specified in the preamble hereto.

“Administrative Questionnaire” means an Administrative Questionnaire in a form supplied by the Administrative Agent.

“Affiliate” means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

“Agent’s Group” has the meaning specified in Section 8.02(b).

“Aggregate Commitments” means the aggregate amount of all of the Lenders’ Commitments.

“Agreement” has the meaning specified in the preamble hereto.

“Anti-Corruption Laws” means each of the United States Foreign Corrupt Practices Act of 1977 and the U.K. Bribery Act 2010, each as amended and including all regulations thereunder, and all other similar anti-corruption regulations or legislation in other jurisdictions applicable to the Parent or its Subsidiaries.

“Applicable Margin” means, with respect to each Loan, 1.10 per cent. per annum.

“Applicable Percentage” means, with respect to any Lender, the percentage of the total Aggregate Commitments of all Lenders represented by such Lender’s Commitments. If the Aggregate Commitments have terminated or expired, the Applicable Percentages shall be determined based upon the Commitments most recently in effect, giving effect to any assignments.
“Approved Electronic Communications” means each Communication that the Parent is obligated to, or otherwise chooses to, provide to the Administrative Agent pursuant to any Loan Document or the transactions contemplated therein, including any financial statement, financial and other report, notice, request, certificate and other information material; provided, however, that, solely with respect to delivery of any such Communication by the Parent to the Administrative Agent and without limiting or otherwise affecting either the Administrative Agent’s right to effect delivery of such Communication by posting such Communication to the Approved Electronic Platform or the protections afforded hereby to the Administrative Agent in connection with any such posting, “Approved Electronic Communication” shall exclude (i) any notice of borrowing, notice of continuation, and any other notice, demand, communication, information, document and other material relating to a request for a new Loan, (ii) any notice pursuant to Section 2.08 and any other notice relating to the payment of any principal or other amount due under any Loan Document prior to the scheduled date therefor, (iii) all notices of any Event of Default and (iv) any notice, demand, communication, information, document and other material required to be delivered to satisfy any of the conditions set forth in Article IV or any other condition to any Loan or other extension of credit hereunder or any condition precedent to the effectiveness of this Agreement.

“Approved Electronic Platform” has the meaning specified in Section 11.02.

“Approved Fund” means any Person (other than a natural person) that is engaged in making, purchasing, holding or investing in bank loans and similar extensions of credit in the ordinary course of its business and that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

“Arranger Party” means each of the Coordinating Bookrunners & Mandated Lead Arrangers, Bookrunners & Mandated Lead Arrangers, Lead Arrangers and Arrangers.

“Arrangers” has the meaning set forth in any subsequent syndication amendment hereto.

“Assignment and Assumption” means an assignment and assumption entered into by a Lender and an Eligible Assignee (with the consent of any party whose consent is required by Section 11.05), and accepted by the Administrative Agent, substantially in the form of Exhibit A or any other form approved by the Administrative Agent and Parent.

“Availability Period” means the period from and including the Effective Date and ending on the earlier of 31 March 2014 and the date of termination of the Commitments.

“Bankruptcy Law” has the meaning set forth in Section 7.01(g).

“Basel III” means “Basel III: A Global Regulatory Framework for More Resilient Banks and Banking Systems”, “Basel III: International Framework for Liquidity Risk Measurement, Standards and Monitoring” and “Guidance for National Authorities Operating the Countercyclical Capital Buffer” published by the Basel Committee on 16 December 2010, each as amended, supplemental or restated, the “Global systemically important banks: assessment methodology and the additional loss absorbency requirement – Rules text” published by the Basel Committee on Banking Supervision in November 2011, as amended, supplemented or restated, and any other finalised form of further guidance, directives or standards published by the Basel Committee or other relevant committee, agency, authority or central bank that addresses such proposals.
“Basel Committee” means the Basel Committee on Banking Supervision.

“Bookrunners & Mandated Lead Arrangers” has the meaning set forth on the cover hereof.

“Borrower” means Teva USA.

“Borrowing Request” means a request by the Borrower for a Loan in accordance with Section 2.03, and being in the form of attached Exhibit B or any other form approved by the Administrative Agent.

“Business Day” means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City or London are authorized or required by law to remain closed; provided, that, if such day relates to any date to fund a Loan and, at such time that any Lender is based in or is funding from a lending office in France, the term “Business Day” shall also exclude any day on which commercial banks in Paris are authorized or required by law to remain closed; provided further, that, if such day relates to any date to fund a Loan and, at such time that any Lender is based in or is funding from a lending office in Israel, the term “Business Day” shall also exclude any day on which commercial banks in Tel Aviv are authorized or required by law to remain closed.

“Change in Law” means the occurrence, after the date of this Agreement, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation, adoption or application thereof by any Governmental Authority or (c) the making or issuance of, and compliance by the relevant Lender with, any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority. Notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act, and all requests, rules, guidelines, requirements and directives promulgated thereunder, and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, are deemed to have been introduced or adopted after the date hereof, regardless of the date enacted, adopted, issued or implemented.

“Change of Control” shall be deemed to occur upon the occurrence of any one or more of the following:

(a) any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) shall become, or obtain rights (whether by means of warrants, options or otherwise) to become, the “beneficial owner” (as defined in Rules 13(d)-3 and 13(d)-5 under the Exchange Act), directly or indirectly, of 35% or more of the voting power or economic interests of the Parent,

(b) during any period of 12 consecutive months, a majority of the members of the board of directors or other equivalent governing body of the Parent ceases to be composed of individuals (i) who were members of that board or equivalent governing body on the first day of such period, (ii) whose election or nomination to that board or equivalent governing body was approved by individuals referred to in clause (i) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body or (iii) whose election or nomination to that board or other equivalent governing body was
approved by individuals referred to in clauses (i) and (ii) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body (excluding, in the case of both clause (ii) and clause (iii), any individual whose initial nomination for, or assumption of office as, a member of that board or equivalent governing body occurs as a result of an actual or threatened solicitation of proxies or consents for the election or removal of one or more directors by any person or group other than a solicitation for the election of one or more directors by or on behalf of the board of directors), or

(c) the Parent shall cease to directly or indirectly beneficially own and control 100% of the equity interests in the Borrower.

“Code” means the Internal Revenue Code of 1986, as amended from time to time.

“Commitment” means, with respect to any Lender, the commitment of such Lender to provide Loans hereunder, expressed as an amount representing the maximum aggregate amount of such Lender’s Credit Exposure hereunder, as such commitment may (x) be reduced from time to time pursuant to Section 2.06 and (y) increased or reduced from time to time pursuant to assignments by or to such Lender pursuant to Section 11.05. The initial amount of each Lender’s Commitment is set forth on Schedule 2.01, or in the Assignment and Assumption pursuant to which such Lender shall have assumed its Commitment, as applicable. The initial aggregate amount of the Lenders’ Commitments is US$1,000,000,000.

“Commitment Fee” has the meaning specified in Section 2.09(a).

“Communications” means each notice, demand, communication, information, document and other material provided for hereunder or under any other Loan Document or otherwise transmitted between the parties hereto relating to this Agreement, the other Loan Documents, or the transactions contemplated by this Agreement or the other Loan Documents.

“Company” has the meaning specified in the preamble hereto.

“Consolidated Cash and Cash Equivalents” means, with respect to any Person, the:

(a) cash on hand or on deposit with any bank of such Person; plus

(b) all other assets held by such Person that should be classified as “cash equivalents” in accordance with GAAP,

included in the cash and cash equivalents accounts listed on the consolidated balance sheet of Parent and its Subsidiaries, determined on a consolidated basis in accordance with GAAP (excluding any such cash or cash equivalents subject to an Encumbrance, other than non-consensual Permitted Encumbrances).

“Control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. “Controlling” and “Controlled” have meanings correlative thereto.

“Coordinating Bookrunners & Mandated Lead Arrangers” has the meaning set forth on the cover hereof.
“Credit Exposure” means, with respect to any Lender at any time, the sum of the outstanding principal amount of such Lender’s Loans, at such time.

“Credit Extension” means the making of a Loan by a Lender.

“Default” means any event or condition which constitutes an Event of Default or which would (with the expiry of a grace period, the giving of notice, the making of any determination under the Loan Documents or any combination of any of the foregoing), unless cured or waived, become an Event of Default.

“Defaulting Lender” means any Lender with respect to which a Lender Default then exists.

“Documentation Agent” has the meaning set forth in the preamble hereto.

“Dollars,” “dollars,” “$” or “US$” refers to lawful money of the United States of America.

“Disruption Event” means either or both of:

(a) a material disruption to those payment or communications systems or to those financial markets which are, in each case, required to operate in order for payments to be made in connection with this Agreement (or otherwise in order for the transactions contemplated by the Loan Documents to be carried out) which disruption is not caused by, and is beyond the control of, any of the parties hereto; or

(b) the occurrence of any other event which results in a disruption (of a technical or systems-related nature) to the treasury or payments operations of a party hereto preventing that, or any other party hereto:

   (i) from performing its payment obligations under the Loan Documents; or

   (ii) from communicating with other Loan Parties in accordance with the terms of the Loan Documents,

and which (in either such case of clause (i) or (ii) above) is not caused by, and is beyond the control of, the party whose operations are disrupted.

“EBITDA” means, for any Test Period, the consolidated income before income taxes of Parent and its Subsidiaries for such Test Period, determined on a consolidated basis in accordance with GAAP:

(a) adding thereto (without duplication) the income before income taxes of any Subsidiary or business or assets acquired during that Test Period for the part of that Test Period when it is not a Subsidiary and/or the business or assets were not owned by Parent or its Subsidiaries, but

(b) excluding the income before income taxes attributable to any Subsidiary or to any business or assets sold during the Test Period,
(c) all as adjusted by (without duplication):

(i) adding back Net Interest Payable;

(ii) excluding from such income before taxes any extraordinary, unusual or non-recurring expense or loss (including any extraordinary litigation or claim settlement charges or expenses) or gain (together with the tax consequences of such expense or loss or gain, as the case may be), recorded or recognized by the Parent or any Subsidiary during such Test Period;

(iii) excluding any amount attributed to minority interests to the extent reflected in income before income taxes;

(iv) adding back depreciation and amortization expenses;

(v) adding back any non-cash restructuring and non-cash integration costs incurred in respect of restructurings, plant closings, headcount reductions, cost reductions or any other similar action (including, without limitation, with respect to any acquisition) and any other non-cash charges and expenses of the Parent or its Subsidiaries reducing such consolidated income (including, without limitation, compensation expenses realized for the grants of performance shares, stock options, stock purchase rights or other rights to officers, directors and employees of the Parent or any Subsidiary) (but excluding any non-cash charge, expense or loss that results in an accrual of a reserve for cash charges in any future period and any non-cash charge, expense or loss relating to write-offs, write-downs or reserves with respect to accounts or inventory);

(vi) adding back any write-off of deferred financing costs in connection with the prepayment or repurchase of Indebtedness prior to the maturity thereof);

(vii) adding back any fees, costs and expenses incurred by Parent or any Subsidiary in connection with the making of any acquisition (including, without limitation, any severance or restructuring costs or expenses, whether or not payable in cash, related to such acquisition), the incurrence of Indebtedness or the issuance of capital stock, whether or not the applicable transaction is consummated;

(viii) adding back any fees, costs and expenses in connection with the negotiation, execution and/or original syndication of this Agreement;

(ix) adding back any acquisition related costs, restructuring reserves, adjustments to acquired contingent liabilities and assets, adjustments made for earn-outs and other forms of contingent consideration and adjustments made to acquisition related deferred tax asset and income tax reserves incurred by the Parent or its Subsidiaries in connection with the acquisition of, merger, amalgamation or consolidation with, any Person expensed in computing such consolidated net income to the extent the same would have been capitalized prior to the adoption of Statement of Financial Accounting Standards No. 141R, Business Combinations; and

(x) taking no account of any revaluation of an asset or any loss or gain over book value arising on the disposal of an asset (otherwise than in the ordinary course of trading) by Parent or a Subsidiary during the Test Period, and
(d) subtracting from such consolidated income before income taxes the aggregate amount of all non-cash items increasing such consolidated income before income taxes (other than accrual of revenue or recording of receivables in the ordinary course of business) for such Test Period.

For purposes of this definition, a gain, expense or loss shall only be deemed as being “extraordinary,” “unusual” or “non-recurring” if either (x) it is classified (in accordance with GAAP) as “extraordinary” or “unusual” on the face of the annual or quarterly consolidated financial statements of the Parent or (y) (i) it is a gain, expense or loss realized during the Test Period that in the good faith judgment of senior management of the Parent is not reasonably likely to recur within the two years following such period and (ii) there has not been another gain, expense or loss identical or similar to such gain, expense or loss realized within the preceding two years.

With respect to any period during which an acquisition or asset sale has occurred (each, a “Subject Transaction”), for purposes of determining the Interest Cover Ratio and the Total Consolidated Net Debt to EBITDA ratio, without duplication of clauses (a) and (b) above, EBITDA shall be calculated with respect to such period on a pro forma basis using the historical audited financial statements of any business so acquired (as if such acquisition had been effected on the first day of such Test Period) or sold (as if such sale had been effected immediately prior to the beginning of such Test Period).

“Effective Date” means the first Business Day on which the conditions precedent of Section 4.01 are each satisfied in full or waived.

“Eligible Assignee” means any Person to whom a Loan, Commitment and other rights and obligations under this Agreement may be assigned in accordance with Section 11.05(b).

“Embargoed Person” shall mean any party that (i) is publicly identified on the most current list of “Specially Designated Nationals and Blocked Persons” issued by OFAC or a similar list issued by the United Nations Security Council, the European Union, Her Majesty’s Treasury or the Foreign and Commonwealth Office of the United Kingdom or any other relevant sanctions authority, or is owned or controlled by or acting on behalf of such a party, or resides, is organized or chartered, or has a place of business in a country or territory subject to sanctions or embargo programs of such sanctions authorities or (ii) is publicly identified as prohibited from doing business with the United States under any Sanctions, the International Emergency Economic Powers Act, the Trading With the Enemy Act, or any other requirement of law.

“Encumbrance” means mortgage, charge, pledge, lien, assignment by way of security, hypothecation, security interest, title retention, preferential right or trust arrangement or any other security agreement or arrangement having a similar effect.

“Environmental Law” means any statutory or common law, treaty, convention, directive or regulation having legal or judicial effect whether of a criminal or civil nature, concerning the environment, the preservation or reclamation of natural resources, or the management, release or threatened release of any Hazardous Materials or to health and safety matters.
“ERISA” means the Employee Retirement Income Security Act of 1974, as the same may be amended from time to time.

“ERISA Affiliate” means, with respect to any Person, any trade or business (whether or not incorporated) that, together with such Person, is treated as a single employer under Section 414 of the Code.

“ERISA Event” means (a) any “reportable event,” as defined in Section 4043 of ERISA or the regulations issued thereunder, with respect to a Plan (other than an event for which the 30-day notice period is waived by regulation); (b) with respect to a Plan, the failure to satisfy the minimum funding standard of Section 412 of the Code and Section 302 of ERISA, whether or not waived; (c) the failure to make by its due date a required installment under Section 430(j) of the Code, as amended by the Pension Protection Act of 2006, with respect to any Plan or the failure to make any required contribution to a Multiemployer Plan; (d) the filing pursuant to Section 412(c) of the Code or Section 302(c) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (e) the incurrence by Parent or any Subsidiary or any of its ERISA Affiliates of any liability under Title IV of ERISA with respect to the termination of any Plan; (f) the receipt by Parent, any Subsidiary or any of their ERISA Affiliates from the Pension Benefit Guaranty Corporation (or any successor entity performing similar functions) or a plan administrator of any notice relating to the intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan, or the occurrence of any event or condition which could reasonably be expected to constitute grounds under ERISA for the termination of, or the appointment of a trustee to administer, any Plan; (g) the incurrence by any of Parent, any of its Subsidiaries or any of their ERISA Affiliates of any liability with respect to the withdrawal from any Plan or Multiemployer Plan; (h) the receipt by any of Parent, any of its Subsidiaries or their ERISA Affiliates of any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA; (i) the “substantial cessation of operations” within the meaning of Section 4062(e) of ERISA with respect to a Plan; (j) the making of any amendment to any Plan which could result in the imposition of a lien or the posting of a bond or other security or the conditions for imposition of a lien under Section 302(f) of ERISA shall have been met with respect to any Plan; (k) the occurrence of a nonexempt prohibited transaction (within the meaning of Section 4975 of the Code or Section 406 of ERISA) which could reasonably be expected to result in liability to any of Parent or any of its Subsidiaries; and (l) any event similar to any event described in (a) through (k) above but with respect to a Non-US Plan.

“Eurocurrency”, when used in reference to any Loan, refers to a Loan which bears interest at a rate determined by reference to the LIBO Rate.

“Event of Default” has the meaning assigned to such term in Article VII.


“Excluded Taxes” means, with respect to the Administrative Agent, any Lender or other recipient of any payment to be made by or on account of any obligation of any Loan Party hereunder, (a) income or franchise taxes imposed on (or measured by) its net income by the United States of America, by any state (including any locality or subdivision thereof) or the District of Columbia or by the jurisdiction under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its
applicable lending office is located, (b) any branch profits taxes imposed by the United States of America, any state thereof or the
District of Columbia or any similar tax imposed by any other jurisdiction in which the Administrative Agent, such Lender or such
other recipient is located, (c) in the case of a Lender (other than an assignee pursuant to a request by the Borrower under Section 2.17
(b)), any withholding tax that is attributable to such Lender’s failure to comply with Section 2.15(e), except to the extent that such
Lender (or its assignor, if any) was entitled, at the time of designation of a new lending office (or assignment), to receive additional
amounts from the Borrower with respect to such withholding tax pursuant to Section 2.15(a), and (d) any U.S. withholding Taxes
imposed under FATCA.

“Executive Order” means the United States Executive Order No. 13224 of September 23, 2001, entitled Blocking Property and
Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism.

“FATCA” means Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor
version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official
interpretations thereof and any agreements entered into pursuant to Section 1471(b)(1) of the Code and any intergovernmental
agreements to implement such provisions of the Code.

“Federal Funds Effective Rate” means, for any day, the weighted average of the rates on overnight federal funds transactions
with members of the Federal Reserve System arranged by federal funds brokers, as published on the next succeeding Business Day by
the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the
quotations for such day for such transactions received by the Administrative Agent from three federal funds brokers of recognized
standing selected by it.

“Fee Letter” means the letter agreement dated as of January 8, 2014 among the Parent and the Administrative Agent, as the
same may be amended from time to time.

“Financial Officer” means with respect to any Loan Party, the chief financial officer, principal accounting officer, treasurer or
controller of such Loan Party.

“Financing Arrangement” means with respect to Parent and its Subsidiaries the (i) sale, transfer or other disposition of any of
the assets or property owned by Parent or its Subsidiaries on terms whereby they are leased or re-acquired by Parent or its
Subsidiaries, (ii) sale, transfer or other disposition of any of its receivables on recourse terms, (iii) entering into any arrangement
under which money or the benefit of a bank or other account may be applied, set-off or made subject to a combination of accounts, or
(iv) entering into any other preferential arrangement having a similar effect, in each case in circumstances where the arrangement or
transaction is entered into primarily as a method of raising Indebtedness or of financing or refinancing all or part of the acquisition of
assets or property or the cost of installation, construction or improvement thereof, in each case which results in an Encumbrance on
such assets or property.

“Foreign Lender” means any Lender that is organized under the laws of a jurisdiction other than that in which the Borrower is
resident for tax purposes. For purposes of this definition, the United States of America, each State thereof and the District of
Columbia shall be deemed to constitute a single jurisdiction.
“Front End Fee Letter” means the Front End Fee Letter dated as of January 8, 2014 among the Parent and the Coordinating Bookrunners & Mandated Lead Arrangers.

“GAAP” means generally accepted accounting principles in the United States of America. Subject to the provisions of Section 6.02(b), the Borrower may elect to apply International Financial Reporting Standards ("IFRS") accounting principles in lieu of GAAP and, upon any such election, references herein to GAAP shall thereafter be construed to mean IFRS (except as otherwise provided in this Agreement); provided that any calculation or determination in this Agreement that requires the application of GAAP for periods that include fiscal quarters ended prior to the Borrower’s election to apply IFRS shall remain as previously calculated or determined in accordance with GAAP (subject to Section 6.02(b)). The Borrower shall give prompt notice of any such election made in accordance with this definition to the Administrative Agent and the Lenders.

“Governmental Authority” means the government of the United States of America or Israel or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body (including self-regulatory body), court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

“Guarantor” means the Parent.

“Guaranty” means the Guaranty issued by Parent pursuant to Article IX hereof.

“Hazardous Materials” means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature, in each case regulated pursuant to any Environmental Law.

“IFRS” means International Financial Reporting Standards as issued by the International Accounting Standards Board.

“Indebtedness” of a Person means, without duplication, (a) all obligations of such Person for borrowed money or with respect to deposits or advances of any kind, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person upon which interest charges are customarily paid, (d) all obligations of such Person under conditional sale or other title retention agreements relating to property acquired by such Person, (e) all obligations of such Person in respect of the deferred purchase price of property or services (excluding current accounts payable incurred in the ordinary course of business), (f) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Encumbrance on property owned or acquired by such Person, whether or not the Indebtedness secured thereby has been assumed (provided that the amount of such Indebtedness shall be the lesser of (x) the fair market value of such property at such date of determination (as determined in good faith by the Borrower) and (y) the aggregate principal amount of such Indebtedness of such other Person), (g) all guarantees by such Person of Indebtedness of others, (h) all capital lease obligations of such Person, (i) all obligations, contingent or otherwise, of such Person as an account party in respect of letters of credit and letters of guaranty, and (j) all obligations, contingent or otherwise, of such Person in respect of bankers’ acceptances.
The indebtedness of any Person shall include the indebtedness of any other entity (including any partnership in which such person is a general partner) to the extent such Person is liable therefor as a result of such person’s ownership interest in or other relationship with such entity, except (other than in the case of general partner liability) to the extent that terms of such indebtedness expressly provide that such Person is not liable therefor, provided however, that Indebtedness of any Person shall not include (A) trade payables; (B) any contingent obligations incurred in connection with letters of credit, letters of guaranty or similar instruments obtained or created in the ordinary course of business to support obligations of such Person that do not constitute Indebtedness; or (C) endorsements of checks, bills of exchange and other instruments for deposit or collection in the ordinary course of business.

“Indemnified Taxes” means Taxes (other than Excluded Taxes) imposed on or with respect to any payment made by or on account of any obligation of any Loan Party hereunder or under any other Loan Document.

“Interest Cover Ratio” means, with respect to any Test Period, the ratio of (i) EBITDA for such Test Period to (ii) Net Interest Payable during such Test Period.

“Interest Election Request” means a request by the Borrower to continue a Loan in accordance with Section 2.05, and being in the form of attached Exhibit C or such other form approved by the Administrative Agent and Parent.

“Interest Payable” means all interest, acceptance commission and any other continuing, regular or periodic costs and expenses in the nature of interest and amortization of debt discount (whether paid, payable or capitalized), incurred by Parent and its consolidated Subsidiaries in effecting, servicing or maintaining Total Consolidated Debt during a Test Period but excluding exchange differentials; provided, that, with respect to any period during which a Subject Transaction has occurred, for purposes of determining the Interest Cover Ratio, Interest Payable shall be calculated with respect to such period on a pro forma basis using the consolidated financial statements of the Parent and its Subsidiaries which shall be reformulated as if such Subject Transaction, and any Indebtedness incurred or repaid in connection therewith, had been consummated or incurred or repaid at the beginning of such period.

“Interest Payment Date” means the last day of the Interest Period applicable to any such Loan.

“Interest Period” means, the period commencing on the date of such Loan and ending on the numerically corresponding day in the calendar month that is one week, or one, two, three or six months thereafter, as the Borrower may elect (except that in any calendar year, not more than 5 Loans may have Interest Periods of one week (so that in total there are not more than 5 one-week Interest Periods in any calendar year)), unless otherwise agreed in writing by all Lenders; provided that (i) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the immediately preceding Business Day and (ii) any Interest Period pertaining to a Loan that commences on the last Business Day of a calendar
month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period. For purposes of this definition, the date of a Loan initially shall be the date on which such Loan is made and thereafter shall be the effective date of the most recent continuation of such Loan.

“Interest Receivable” means, in respect of any Test Period, interest and amounts in the nature of interest received during that period by Parent and its consolidated Subsidiaries, calculated on a pro forma basis (as set forth in the proviso of the definition of Interest Payable) to the extent a Subject Transaction occurred during such Test Period.

“Judgment Currency” shall have the meaning assigned to such term in Section 11.19.

“Judgment Currency Conversion Date” shall have the meaning assigned to such term in Section 11.19.

“Lead Arrangers” has the meaning set forth in any subsequent syndication amendment hereto.

“Lender Default” means, as to any Lender, (i) the refusal (which has not been retracted) of such Lender or the failure of such Lender to make available its portion of any Loan (unless (x) such refusal or failure is a result of an administrative or technical error or a Disruption Event and payment is made within two Business Days of its due date or (y) such Lender is reasonably disputing in good faith as to whether it is required to make the payment in question, which it shall do in writing to the Administrative Agent in reasonable detail), (ii) such Lender has (or has a direct or indirect parent company that has) been deemed insolvent or having become the subject of a bankruptcy or insolvency proceeding or a takeover by a regulatory authority (provided that as to any Lender, a Lender Default shall not be deemed to have occurred solely by virtue of the ownership or acquisition of any equity interest in that Lender or any direct or indirect parent company thereof by a Governmental Authority so long as such ownership interest does not result in or provide such Lender with immunity from the jurisdiction of courts within the United States or any other jurisdiction of such Governmental Authority, or from the enforcement of judgements or writs of attachment on its assets or permit such Lender (or such Governmental Authority) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Lender), or (iii) such Lender having notified the Administrative Agent and/or any Loan Party in writing (x) that it does not intend to comply with its obligations under Sections 2.01 or 2.04 in circumstances where such non-compliance would constitute a breach of such Lender’s obligations under the respective Section, or having made a public statement to that effect (unless such Lender is reasonably disputing in good faith as to whether it is required to make the payment in question, which it shall do in writing to the Administrative Agent in reasonable detail) or (y) of the events described in preceding clause (ii).

“Lender Party” means any Lender.

“Lender Party Appointment Period” has the meaning assigned in Section 8.06.

“Lenders” means the Persons listed on Schedule 2.01 and any other Person that shall have become a party hereto pursuant to an Assignment and Assumption, other than any such Person that ceases to be a party hereto pursuant to an Assignment and Assumption.
“LIBO Rate” means, for any Interest Period, the rate per annum at approximately 11:00 a.m., London time, on the Quotation Day for such Interest Period as reflected on Reuters Reference LIBOR 01 page (or on any successor or substitute therefor provided by Reuters, providing rate quotations comparable to those currently provided on such page, as determined by the Administrative Agent from time to time for purposes of providing quotations of interest rates applicable to dollar deposits in the London interbank market), for a period equal to such Interest Period (the “Screen Rate”); provided however that at no point shall the LIBO Rate for purposes of this Agreement be less than zero. For any Interest Period for which there is no Screen Rate that corresponds exactly to such applicable Interest Period, then the Administrative Agent shall determine the applicable LIBO Rate by using the weighted average of the offered Screen Rates of the two terms most nearly corresponding (ending before and after the applicable Interest Period) to such Interest Period (rounding to the same number decimal places as such nearest screen rates).

“Loan Documents” means this Agreement, each Note, the Fee Letter, the Front End Fee Letter, the Mandate Letter and all other agreements, certificates, documents, instruments and writings at any time delivered in connection herewith or therewith (exclusive of term sheets and commitment letters).

“Loan Parties” means the Parent and the Borrower.

“Loans” shall mean any Term Loan made by the Lenders to the Borrower pursuant to this Agreement.

“Mandate Letter” means the Mandate Letter with respect to this Agreement between the Parent and the Coordinating Bookrunners & Mandated Lead Arrangers dated December 13, 2013.

“Material Adverse Effect” means any event or circumstance which:
(a) is materially adverse to:
   (i) the business, operations or financial condition of the Loan Parties and their Subsidiaries, taken as a whole; or
   (ii) the ability of the Loan Parties to perform their financial obligations (including both payment obligations and compliance with financial covenants) under any Loan Document; or
(b) affects the validity or the enforceability against any Loan Party of any Loan Document.

“Material Indebtedness” means, Indebtedness (other than the Loans), of any one or more of Parent and its Subsidiaries in an aggregate principal amount exceeding US$150,000,000 (or its equivalent in other currencies).

“Material Subsidiary” means at any date, (a) the Borrower, (b) any Subsidiary of the Parent that would be a “significant subsidiary” as defined in Article 1, Rule 1-02 of Regulation S-X (as in effect on the Effective Date) promulgated by the United States Securities and Exchange Commission (provided that references therein to 10% shall for purposes hereof be 5%) as of the last day of the then most recently ended fiscal year, and (c) for the purpose of ascertaining whether an Event of Default has occurred only, any
Subsidiary which, when aggregated with all other Subsidiaries that are not otherwise Material Subsidiaries and as to which any event described in the Events of Default clause has occurred and is continuing, would constitute a Material Subsidiary in accordance with the criteria in clause (b) above.

“Maturity Date” means the fifth anniversary of the date of this Agreement (i.e. January 8, 2019), and if such date is not a Business Date, then the next succeeding Business Day.

“Moody’s” means Moody’s Investors Service, Inc. and its successors.

“Multiemployer Plan” means a multiemployer plan within the meaning of Section 4001(a)(3) or Section 3(37) of ERISA (a) to which any of Parent, its Subsidiaries or any of their ERISA Affiliates is then making or accruing an obligation to make contributions; (b) to which any of Parent, its Subsidiaries or their ERISA Affiliates has within the preceding five plan years made contributions; or (c) with respect to which any of Parent or its Subsidiaries could incur liability.

“Net Interest Payable” means Interest Payable less Interest Receivable.

“Non-Defaulting Lender” means and includes each Lender other than a Defaulting Lender.

“Non-US Plan” means any employee benefit plan, program, policy, arrangement or agreement maintained or contributed to by any of Parent or its Subsidiaries with respect to employees employed outside the United States.

“Note” has the meaning set forth in Section 2.07(e).

“Obligation Currency” shall have the meaning assigned to such term in Section 11.19.

“OFAC” means the U.S. Department of the Treasury’s Office of Foreign Assets Control.

“Other Taxes” means all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or under any other Loan Document or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any other Loan Document.

“Parent” has the meaning specified in the preamble hereto.

“Participant” has the meaning set forth in Section 11.05(d).

“Participant Register” has the meaning set forth in Section 11.05(d).

“Permitted Encumbrances” has the meaning set forth in Section 6.03.

“Person” means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.
“Plan” means any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA which is maintained or contributed to by any of Parent, its Subsidiaries or any of their ERISA Affiliates or with respect to which any of Parent or its Subsidiaries could incur liability (including under Section 4069 of ERISA).

“Qualified Securitization Transaction” means any transaction or series of transactions entered into by the Parent or any of its Subsidiaries pursuant to which the Parent or such Subsidiary sells, conveys or otherwise transfers to a Securitization Entity, or grants a security interest in for the benefit of a Securitization Entity, any Receivable Assets (whether now existing or arising or acquired in the future), or otherwise contributes to the capital of such Securitization Entity, in a transaction in which such Securitization Entity finances its acquisition of or interest in such Receivable Assets by selling or borrowing against such Receivable Assets; provided that such transaction is non-recourse to the Parent and its Subsidiaries (except for Standard Securitization Undertakings).

“Quotation Day” means, in relation to any period for which an interest rate is to be determined two Business Days before the first day of that period, unless market practice differs in the Relevant Interbank Market for a currency, in which case the Quotation Day for that currency will be determined by the Lender in accordance with market practice in the Relevant Interbank Market (and if quotations would normally be given by leading banks in the Relevant Interbank Market on more than one day, the Quotation Day will be the last of those days).

“Receivable Assets” means ordinary course of business accounts receivable of the Parent or any of its Subsidiaries, and any assets related thereto, including, without limitation, all collateral securing such accounts receivable, all contracts and contract rights and all guarantees or other obligations in respect of such accounts receivable, proceeds of such accounts receivable and other assets (including contract rights) which are customarily transferred or in respect of which security interests are customarily granted in connection with asset securitization transactions involving accounts receivable and/or receivables-discount-without-recourse schemes.

“Reference Bank” has the meaning set forth in Section 2.11.

“Reference Bank Rate” has the meaning set forth in Section 2.11.

“Register” has the meaning set forth in Section 11.05(c).

“Related Parties” means, with respect to any specified Person, such Person’s Affiliates and the respective directors, officers, employees, agents and advisors of such Person and such Person’s Affiliates.

“Relevant Interbank Market” means the London interbank market.

“Required Lenders” means, at any time, Non-Defaulting Lenders having Credit Exposures and unused Commitments representing more than 50% of the sum of the total Credit Exposures and unused Commitments of all Non Defaulting Lenders at such time.

“Responsible Officer” means a chief financial officer, treasurer or assistant treasurer of the Parent.

“Sanctions” means any sanctions administered or enforced by the United States (including OFAC and the U.S. Department of State), the United Nations Security Council, the European Union, Her Majesty’s Treasury or the Foreign and Commonwealth Office of the United Kingdom or any other relevant sanctions authority.

“SEC” means the U.S. Securities and Exchange Commission.

“Securitization Entity” means a Person (which may include a special purpose vehicle and/or a financial institution) to which the Parent or any Subsidiary transfers Receivable Assets for purposes of a securitization financing, and with respect to which:

1. no portion of the Indebtedness or any other obligations (contingent or otherwise) of such entity (a) is guaranteed by the Parent or any Subsidiary of the Parent (other than the Securitization Entity) (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings), (b) is recourse to or obligates the Parent or any Subsidiary of the Parent (other than the Securitization Entity) in any way other than pursuant to Standard Securitization Undertakings or (c) subjects any asset of the Parent or any Subsidiary of the Parent (other than the Securitization Entity), directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings and other than any interest in the Receivable Assets (whether in the form of an equity interest in such assets or subordinated indebtedness payable primarily from such financed assets) retained or acquired by the Parent or any Subsidiary of the Parent,

2. neither the Parent nor any Subsidiary of the Parent has any material contract, agreement, arrangement or understanding other than on terms no less favorable to the Parent or such Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Parent, other than fees payable in the ordinary course of business in connection with servicing receivables of such entity, and

3. neither the Parent nor any Subsidiary of the Parent has any obligation to maintain or preserve such entity’s financial condition or cause such entity to achieve certain levels of operating results (it being understood that (i) obligations of the Parent or other Subsidiaries to transfer Receivable Assets to the Securitization Entity, (ii) obligations of the Parent or any other Subsidiary to procure such transfers of Receivable Assets to the Securitization Entity, and (iii) Receivable Asset performance measures or credit enhancement measures shall not constitute an obligation to preserve the Securitization Entity’s financial condition or to cause it to achieve certain levels of operating results).

“Signing Date” means January 8, 2014.

“Solvent” and “Solvency” means, with respect to any Person on a particular date, that on such date (a) the fair value of the property of such Person is greater than the total amount of liabilities, including contingent liabilities, of such Person, (b) the present fair saleable value of the assets of such Person is not less than the amount that will be required to pay the
probable liability of such Person on its debts as they become absolute and matured, (c) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person’s ability to pay such debts and liabilities as they mature and (d) such Person is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which such Person’s property would constitute an unreasonably small capital. The amount of contingent liabilities at any time shall be computed as the amount that, in the light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

“Standard Securitization Undertakings” means representations, warranties, covenants and indemnities reasonably customary (as determined by the Parent acting in good faith) in accounts receivable securitization transactions and/or receivables-discount-without-recourse schemes in the applicable jurisdictions, including, to the extent applicable, in a manner consistent with the delivery of a “true sale”/“absolute transfer” opinion with respect to any transfer by the Parent or any Subsidiary.

“Subject Transaction” has the meaning specified in the definition of “EBITDA.”

“Subsidiary” means, with respect to any Person (the “parent”) at any date, (i) any Person the accounts of which would be consolidated with those of the parent in the parent’s consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date, (ii) any other corporation, limited liability company, association or other business entity of which securities or other ownership interests representing more than 50% of the voting power of all such ownership interests entitled (without regard to the occurrence of any contingency) to vote in the election of the board of directors thereof are, as of such date, owned, controlled or held by the parent and/or one or more subsidiaries of the parent, (iii) any partnership (a) the sole general partner or the managing general partner of which is the parent and/or one or more subsidiaries of the parent or (b) the only general partners of which are the parent and/or one or more subsidiaries of the parent and (iv) any other Person that is otherwise Controlled by the parent and/or one or more subsidiaries of the parent. Unless the context requires otherwise, “Subsidiary” refers to a Subsidiary of Parent.

“Taxes” means all present or future taxes, levies, imposts, duties, deductions, withholdings, assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

“Term Loan” means any Loans made pursuant to Section 2.01.

“Test Period” in effect at any time shall mean the period of four consecutive financial quarters of Parent ended on or prior to such time (taken as one accounting period) in respect of which quarterly or annual financial statements are required to be delivered pursuant to Section 5.01 (without giving effect to any grace periods applicable thereto).

“Teva USA” has the meaning specified in the preamble hereto.

“Total Consolidated Debt” means, as of any date of determination, the aggregate amount of all outstanding Indebtedness of Parent and its Subsidiaries, as determined on a consolidated basis in accordance with GAAP.
“Total Consolidated Net Debt” means, at any date of determination, the Total Consolidated Debt less Consolidated Cash and Cash Equivalents of Parent and its Subsidiaries, as determined on a consolidated basis in accordance with GAAP.

“Transactions” means the execution, delivery and performance by the Borrower of this Agreement and the borrowing of Loans.

“VAT” means value added tax as provided for by Israel and any other tax of a similar nature in any jurisdiction.

“Withdrawal Liability” means liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

Section 1.02 Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include,” “includes” and “including” shall be deemed to be followed by the phrase “without limitation.” The word “will” shall be construed to have the same meaning and effect as the word “shall.” Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person’s successors and assigns, (c) the words “herein,” “hereof” and “hereunder,” and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement, (e) any reference to any law or regulation herein shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time, and, unless the context requires otherwise, shall include without limitation (x) any applicable Israeli or foreign statute, law (including any rules or regulations promulgated under any such statute or law), regulation, treaty, rule, official directive, request or guideline of any of the Israeli or foreign national, state, local, municipal, or other governmental, fiscal, monetary or regulatory body, agency, department or regulatory, self-regulatory or other authority or organisation, whether or not having the force of law (but if not having the force of law, one which applies generally to the class or category of financial institutions of which any Lender or the Administrative Agent forms a part and compliance with which is in accordance with the general practice of those financial institutions), including the instructions of Israeli Supervisor of Banks with respect to proper conduct of banking affairs (“Hora’ot Nihul Bankai Takin”) if applicable to any such Person and (y) any applicable decision of any competent court or other judicial body, (f) the words “asset” and “property” shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights, and (g) as used herein, the obligation of any Loan Party under this Agreement or any other Loan Document in respect of interest accruing under this Agreement or the other Loan Documents shall be deemed to include without limitation any interest accruing during the pendency of, or after the filing of any petition in respect of, any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowable or allowed in such proceeding.
Section 1.03 Accounting Terms; GAAP. All accounting terms not specifically defined shall be construed in accordance with GAAP. Except as otherwise expressly provided herein, all financial statements to be delivered pursuant to this Agreement shall be prepared in accordance with GAAP as in effect from time to time and all terms of an accounting or financial nature shall be construed and interpreted in accordance with GAAP, as in effect on the date hereof, subject to Section 6.02.

Section 1.04 Resolution of Drafting Ambiguities. Each Loan Party acknowledges and agrees that it was represented by counsel in connection with the execution and delivery of the Loan Documents to which it is a party, that it and its counsel reviewed and participated in the preparation and negotiation hereof and thereof and that any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not be employed in the interpretation hereof or thereof.

ARTICLE II
THE CREDITS

Section 2.01 Commitments. Subject to the terms and conditions set forth herein, each Lender severally agrees to make Loans (denominated in dollars) to the Borrower from time to time on any Business Day during the Availability Period (but not more than two draw downs during the Availability Period) in an aggregate principal amount that will not result in (i) such Lender’s Credit Exposure exceeding such Lender’s Commitment or (ii) the sum of the total Credit Exposures exceeding the total Commitments. Amounts paid or prepaid in respect of Term Loans may not be reborrowed.

Section 2.02 Loans.

(a) Each Loan shall be made by the Lenders ratably in accordance with their respective Commitments for Loans. The failure of any Lender to make any Loan required to be made by it shall not relieve any other Lender of its obligations hereunder; provided that the Commitments of the Lenders are several and no Lender shall be responsible for any other Lender’s failure to make Loans as required. All Loans hereunder shall be Eurocurrency Loans.

(b) Each Loan shall be denominated in dollars. Each Lender at its option may make any Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; provided that any exercise of such options shall not affect the obligation of the Borrower to repay such Loan in accordance with the terms of this Agreement.

(c) Each borrowing or continuation of Loans hereunder shall be in an aggregate amount that is an integral multiple of US$50,000,000 and not less than US$100,000,000. Loans of more than one applicable Interest Period may be outstanding at the same time; provided that there shall not at any time be more than a total of three Loans with differing Interest Periods outstanding.

(d) Notwithstanding any other provision of this Agreement, the Borrower shall not be entitled to request, or to elect to continue, any Loan if the Interest Period requested with respect thereto would end after the Maturity Date.
Section 2.03 Requests for Loans. To request a Loan the Borrower shall notify the Administrative Agent of such request in writing, not later than 12:00 noon, New York City time, three Business Days before the date of the proposed Loan. Each such Borrowing Request shall be delivered by hand delivery, fax or emailed pdf of the Borrowing Request, signed by the Borrower. Following such confirmation, the Borrowing Request shall be irrevocable and binding on the Borrower. Each such written Borrowing Request shall specify the following information in compliance with Section 2.02:

(i) the aggregate principal amount of the requested Loan;
(ii) the date of such Loan, which shall be a Business Day;
(iii) [Reserved];
(iv) [Reserved];
(v) the initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of the term “Interest Period” (and the anticipated date of the end of such Interest Period);
(vi) that the conditions set forth in Section 4.01 and Section 4.02 have been satisfied in full as of the date of the notice; and
(vii) the location and number of the Borrower’s account to which funds are to be disbursed, which shall comply with the requirements of Section 2.04.

If the Borrower requests a borrowing of a Loan, but fails to specify an Interest Period, the Borrower will be deemed to have specified an Interest Period of one month’s duration. Promptly following receipt of a Borrowing Request in accordance with this Section, the Administrative Agent shall advise each Lender of the details thereof and of the amount of such Lender’s Loan to be made as part of the requested Loan.

For the avoidance of doubt, the Borrowing Request in respect of the initial Credit Extension may be delivered at any time from and after the execution and delivery of this Agreement by the parties hereto, regardless of whether the Effective Date has occurred, and though no Credit Extensions may occur until the Effective Date and until after the other applicable conditions have been waived or satisfied in accordance with this Agreement, the other duties and obligations of the parties hereto shall apply from and after the execution and delivery of this Agreement by the parties hereto (and for the avoidance of doubt from and after such execution and delivery, Commitment Fees shall begin to toll and Sections 2.12, 2.13, 2.14, 2.15 and 11.04 shall apply).

Section 2.04 Funding of Loans.

(a) Each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds by 1:00 p.m., New York City time, to the account of the Administrative Agent most recently designated by it for such purpose by notice to the Lenders. The Administrative Agent will (subject to receipt of the same from the Lenders) make such Loans available to the Borrower by promptly crediting the amounts so received, in like funds, to an account designated by the Borrower in the applicable Borrowing Request.
(b) Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Loan that such Lender will not make available to the Administrative Agent such Lender’s share of such Loan, the Administrative Agent may (but is not required to) assume that such Lender has made such share available on such date in accordance with this Section 2.04 and may (in its sole discretion), in reliance upon such assumption, make available to the Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Loan available to the Administrative Agent, then the applicable Lender and the Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to the Borrower to but excluding the date of payment to the Administrative Agent, at (i) in the case of a payment to be made by such Lender, the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation and (ii) in the case of a payment to be made by the Borrower, the interest rate applicable to Loans. If the Borrower and such Lender shall pay such interest to the Administrative Agent for the same or an overlapping period, the Administrative Agent shall promptly remit to the Borrower the amount of such interest paid by the Borrower for such period. If such Lender pays its share of the applicable Loan to the Administrative Agent, then the amount so paid shall constitute such Lender’s Loan included in such Loan. Any payment by the Borrower shall be without prejudice to any claim the Borrower may have against a Lender that shall have failed to make such payment to the Administrative Agent.

Section 2.05 Interest Elections.

(a) Each Loan shall have an initial Interest Period as specified in such Borrowing Request. Thereafter, the Borrower may elect Interest Periods therefor, all as provided in this Section. The Borrower may elect different options with respect to different portions of the affected Loan, in which case each such portion shall be allocated ratably among the Lenders holding the Loans comprising such Loan, and the Loans comprising each such portion shall be considered a separate Loan.

(b) To make an election pursuant to this Section, the Borrower shall notify the Administrative Agent of such election in writing by the time that a Borrowing Request would be required under Section 2.03. Each such written Interest Election Request shall be delivered to the Administrative Agent and signed by the Borrower. Following such confirmation, the Interest Election Request shall be irrevocable.

(c) Each Interest Election Request shall specify the following information in compliance with Section 2.02:

(i) the Loan to which such Interest Election Request applies and, if different options are being elected with respect to different portions thereof, the portions thereof to be allocated to each resulting Loan (in which case the information to be specified pursuant to clause (iv) below shall be specified for each resulting Loan);

(ii) the effective date of the election made pursuant to such Interest Election Request, which shall be a Business Day;

(iii) [Reserved]; and
(iv) the Interest Period to be applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of the term “Interest Period” (and the anticipated date of the end of such Interest Period).

If any such Interest Election Request requests a continuation of any Loans but does not specify an Interest Period, then the Borrower shall be deemed to have selected an Interest Period of one month’s duration.

(d) Promptly following receipt of an Interest Election Request, the Administrative Agent shall advise each Lender of the details thereof and of such Lender’s portion of each resulting Loan.

(e) If the Borrower fails to deliver a timely Interest Election Request with respect to a Loan prior to the end of the Interest Period applicable thereto, then, unless such Loan is repaid as provided herein, the Administrative Agent shall forthwith so notify the Borrower whereupon each such Loan shall, subject to Sections 2.11 and 2.13, continue with an Interest Period of one month’s duration. If the Borrower requests a continuation of Loans, but fails to specify an Interest Period, the Borrower will be deemed to have specified an Interest Period of one month’s duration.

Section 2.06 Termination and Reduction of Commitments.

(a) Unless previously terminated, all unutilized Commitments shall automatically terminate at the end of the Availability Period.

(b) The Parent may at any time terminate in whole, or from time to time reduce in part, the Commitment; provided that (i) each reduction of the Commitment shall be in an amount that is an integral multiple of US$5,000,000 and not less than US$10,000,000 and (ii) the Parent shall not terminate or reduce the Commitment if, after giving effect to any concurrent prepayment of the Loans in accordance with Section 2.08, the sum of the Credit Exposures would exceed the total Commitment.

(c) The Parent shall notify the Administrative Agent of any election to terminate or partially reduce the Commitment under paragraph (b) of this Section at least three Business Days prior to the effective date of such termination or reduction, specifying such election and the effective date thereof. Promptly following receipt of any notice, the Administrative Agent shall advise the Lenders of the contents thereof. Each notice delivered by the Parent pursuant to this Section shall be irrevocable; provided that a notice of termination of the Commitment delivered by the Parent may state that such notice is conditioned upon the effectiveness of other credit facilities or another event, in which case such notice may be revoked by the Parent (by notice to the Administrative Agent on or prior to the specified effective date) if such condition is not satisfied. Any termination or reduction of the Commitment shall be permanent. Each reduction of Commitments shall be made ratably among the Lenders in accordance with their respective Commitments.
Section 2.07 Repayment of Loans; Evidence of Debt.

(a) The Borrower hereby unconditionally promises to pay to the Administrative Agent for the ratable account of each Lender, on the dates set forth below (or if not a Business Day, the immediately preceding Business Day), a principal amount of the outstanding Loans (to the extent then outstanding) equal to the amount set forth below opposite such date, together in each case with accrual and unpaid interest thereon:

<table>
<thead>
<tr>
<th>Amortization Date</th>
<th>Principal Amount of Amortization Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>The date that is the third anniversary of the Signing Date</td>
<td>35% of the aggregate amount of Loans outstanding as of the end of the Availability Period</td>
</tr>
<tr>
<td>The date that is the fourth anniversary of the Signing Date:</td>
<td>35% of the aggregate amount of Loans outstanding as of the end of the Availability Period</td>
</tr>
<tr>
<td>Maturity Date</td>
<td>30% of the aggregate amount of Loans outstanding as of the end of the Availability Period</td>
</tr>
</tbody>
</table>

If the aggregate Credit Exposure at any time exceeds the aggregate of all Commitments, the Borrower shall comply with Section 2.08 (a). All payments or repayments of Loans made pursuant to this Section 2.07(a) shall be made in Dollars.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Loan made by such Lender, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(c) The Administrative Agent shall maintain accounts in which it shall record (i) the amount of each Loan made hereunder and the Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders and each Lender’s share thereof.

(d) The entries made in the accounts maintained pursuant to paragraph (b) or (c) of this Section shall be prima facie evidence of the existence and amounts of the obligations recorded therein; provided that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay the Loans in accordance with the terms of this Agreement.

(e) Any Lender may request that Loans made by it be evidenced by a promissory note. In such event, the Borrower shall prepare, execute and deliver to such Lender a promissory note payable to the order of such Lender and substantially in the form of with respect to Loans, in the form of loan note attached hereto as Exhibit E (each a “Note”). Thereafter, the Loans evidenced by such promissory note and interest thereon shall at all times (including after assignment pursuant to Section 11.05) be represented by one or more promissory notes in such form payable to the order of the payee named therein (or, if such promissory note is a registered note, to such payee and its registered assigns).
Section 2.08 Prepayment of Loans.

(a) The Borrower shall have the right at any time and from time to time to prepay any Loan in whole or in part, subject to prior notice in accordance with paragraph (b) of this Section. In the event and on such occasion that (i) the Credit Exposure of any Lender exceeds such Lender’s Commitment, or (ii) the aggregate Credit Exposure of the Lenders exceeds the aggregate Commitments, the Borrower shall prepay borrowings of the relevant Loans in an aggregate amount equal to such excess.

(b) The Borrower shall notify the Administrative Agent in writing of the proposed date and the principal amount of any prepayment hereunder, by not later than 11:00 a.m., New York City time, at least three Business Days prior to the date of prepayment. Each such notice shall be irrevocable and shall specify the prepayment date and the principal amount of each Loan or portion thereof to be prepaid; provided that any such notice of prepayment may be conditioned upon the effectiveness of other credit facilities or another event. Promptly following receipt of any such notice relating to a Loan, the Administrative Agent shall advise the Lenders of the contents thereof. Each partial prepayment of any Loan shall be in an amount that is an integral multiple of US$5,000,000 and not less than US$10,000,000. Each prepayment of a Loan shall be applied ratably to the Loans included in the prepaid Loan and shall be applied to remaining principal instalments in chronological order of maturity or as otherwise specified by the Borrower. Prepayments shall be accompanied by accrued interest to the extent required by Section 2.10.

(c) If a Change of Control occurs:

(i) the Parent shall promptly notify the Administrative Agent upon becoming aware of that event;
(ii) no Lender shall be obliged to fund any Loans; and
(iii) if a Lender so requires and notifies the Administrative Agent and the Parent within 30 days of the Parent notifying the Administrative Agent of the event, the Administrative Agent shall, by not less than thirty days notice to the Parent, cancel the Commitment of that Lender and declare the participation of that Lender in all outstanding Loans, together with accrued interest, and all other amounts accrued under the Loan Documents immediately due and payable, whereupon the Commitment of that Lender will be cancelled and all such outstanding amounts will become immediately due and payable.

Section 2.09 Fees.

(a) Commitment Fee. The Parent agrees to pay to the Administrative Agent for the account of each Non-Defaulting Lender a commitment fee (a “Commitment Fee”) equal to 0.20 per cent. per annum on the average daily unused amount of each undrawn Commitment of such Non-Defaulting Lender during the period from and including the date hereof to but excluding the date on which such Commitment terminates. Accrued Commitment Fees shall be payable quarterly in arrears (A) on the last Business Day of each of March, June, September and December of each year, commencing on the first such date to occur after the date hereof, and (B) on the date on which such Commitment terminates. Commitment Fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).
(b) Parent agrees to pay to the Administrative Agent, for its own account, the fees set forth in the Fee Letter, in accordance with the terms thereof, and the Parent agrees to pay to the Administrative Agent, for the respective accounts of the initial Lenders identified in Schedule 2.01, the fees set forth in the Front-End Fee Letter, in accordance with the terms thereof.

(c) [Reserved].

(d) All fees payable hereunder shall be paid on the dates due, in immediately available funds in dollars, to the Administrative Agent and, in the case of the Commitment Fee, for distribution, if and as appropriate, among the Lenders or the applicable Lenders. Once paid, none of the fees shall be refundable under any circumstances.

Section 2.10 Interest.

(a) The Borrower shall pay interest on the unpaid principal amount of each Loan owing by the Borrower to the Lenders from the date of such Loan until such principal amount shall be paid in full, at a rate per annum equal at all times during each Interest Period for such Loan to the sum of (x) the LIBO Rate for such Interest Period for such Loan plus (y) the Applicable Margin.

(b) Notwithstanding the foregoing, upon the occurrence and during the continuance of any Event of Default, if any principal of or interest on any Loan or any fee or other amount payable by the Borrower hereunder is not paid when due, whether at stated maturity, upon acceleration or otherwise, such overdue amount shall bear interest, after as well as before judgment, at a rate per annum equal to (i) in the case of overdue principal of or interest on any Loan, 2% plus the rate otherwise applicable to such Loan as provided in the preceding paragraphs of this Section or (ii) in the case of any other amount, 2% plus the rate applicable to Loans as provided in paragraph (a) of this Section.

(c) Accrued interest on each Loan shall be payable in arrears on each Interest Payment Date for such Loan and upon termination of the Commitment; provided that (i) interest accrued pursuant to paragraph (b) of this Section shall be payable on demand and (ii) in the event of any repayment or prepayment of any Loan, accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment.

(d) All interest hereunder shall be computed on the basis of a year of 360 days, and shall be payable for the actual number of days elapsed (including the first day but excluding the last day). The applicable LIBO Rate shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error.

(e) All interest paid or payable pursuant to this Section shall be paid in dollars.

Section 2.11 Alternate Rate of Interest. If prior to the commencement of any Interest Period:

(a) the Administrative Agent determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the applicable LIBO Rate, for such Interest Period (including the applicable screen rate referred to in the definition of LIBO Rate not being available or ascertainable for the relevant currency on the applicable Quotation Day); or
(b) the Administrative Agent is advised by the Required Lenders that the applicable LIBO Rate for such Interest Period will not adequately and fairly reflect the cost to such Lenders (or Lender) of making or maintaining their Loans (or its Loan) included in such borrowing for such Interest Period;

then the Administrative Agent shall give notice thereof to the Parent and the Lenders by telephone or telecopy as promptly as practicable thereafter and, until the Administrative Agent notifies the Parent and the Lenders that the circumstances giving rise to such notice no longer exist, the LIBO Rate shall be the Reference Bank Rate or, if not available, the rate notified to the Parent by the Administrative Agent, in the case of clause (a) above, or by such Lenders (or Lender), in the case of clause (b) above, as soon as practicable and in any event before interest is due to be paid in respect of the applicable Interest Period, to be that which expresses as a percentage rate per annum the all in cost of funds to the applicable Lenders (or Lender) of funding such outstanding Loans from whatever source such Lenders (or Lender) may reasonably select.

The “Reference Bank Rate” shall be determined as follows: the Administrative Agent shall, as soon as practicable after the occurrence of any event described in clauses (a) or (b) of the preceding paragraph, request each of the Reference Banks to supply to the Administrative Agent the rate at which that Reference Bank could have borrowed funds in the applicable currency of the applicable Loans and for the relevant period in the London interbank market at or about 11:00 a.m. London time on the Quotation Day for the Interest Period of that Loan, were it to have done so by asking for and then accepting interbank offers for deposits in reasonable market size in the currency of that Loan and for a period comparable to the Interest Period of that Loan. As soon as is practicable after receipt of the rates supplied by at least three of the Reference Banks, the Administrative Agent shall notify the Parent of the arithmetic mean of the rates supplied by such Reference Banks to it in accordance with this paragraph (rounded upwards to four decimal places), and such arithmetic mean as so rounded shall at such point be the “Reference Bank Rate”.

As used in this Agreement, the term “Reference Bank” means the respective primary London lending office of each of the following (or London Affiliates thereof): (i) Citibank, N.A., (ii) BNP Paribas SA, (iii) JPMorgan Chase Bank, N.A. and (iv) Deutsche Bank AG (and any other bank or banks agreed between the Parent and the Administrative Agent).

Section 2.12 Increased Costs.

(a) Increased Costs Generally. If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, any Lender;

(ii) subject any Lender to any tax of any kind whatsoever with respect to this Agreement or any Loan made by it, or change the basis of taxation of payments to such Lender in respect thereof (except for Indemnified Taxes or Other Taxes covered by Section 2.15 and the imposition of, or any change in the rate of, any Excluded Tax payable by such Lender); or
(iii) impose on any Lender or the London interbank market any other condition, cost or expense affecting this Agreement or Loans made by such Lender;

and the direct result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Loan, or to reduce the amount of any sum received or receivable by such Lender hereunder (whether of principal, interest or any other amount) then, upon request of such Lender, the Parent will pay to such Lender such additional amount or amounts as will compensate such Lender for such additional costs incurred or reduction suffered. A certificate of such Lender setting forth the amount or amounts necessary to compensate such Lender shall be delivered to the Parent and shall be conclusive absent manifest error. Such Lender shall use commercially reasonable efforts to deliver such certificate promptly after such additional costs are incurred or reduction suffered. The Parent shall pay such Lender the amount shown as due on any such certificate within 15 days after receipt thereof.

(b) The Parent shall pay (or cause the Borrower to pay) to any Lender, as long as such Lender or its holding company shall be required to comply with any reserve ratio requirement or analogous requirement of any central banking or financial regulatory authority imposed in respect of the maintenance of the Commitments or the funding of the Loans, such additional costs or reduced rate of return (expressed as a percentage per annum and rounded upwards, if necessary, to the nearest five decimal places) equal to the actual costs or reduced rate of return allocated to such Commitment or Loan by such Lender or its holding company (as determined by the Lender in good faith, which determination shall be conclusive), which shall be due and payable on each date on which interest is payable on such Loan, provided the Parent shall have received at least 15 days’ prior notice of such additional costs from such Lender. If such Lender fails to give notice 15 days prior to the relevant Interest Payment Date, such additional costs shall be due and payable 15 days from receipt of such notice.

(c) Delay in Requests. Failure or delay on the part of any Lender to demand compensation pursuant to this Section shall not constitute a waiver of such Lender’s right to demand such compensation; provided that the Parent and the Borrower shall not be required to compensate a Lender pursuant to this Section for any increased costs or reductions incurred more than 180 days prior to the date that such Lender notifies the Parent of the Change in Law giving rise to such increased costs or reductions and of such Lender’s intention to claim compensation therefor; provided further that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the 180-day period referred to above shall be extended to include the period of retroactive effect thereof.

Section 2.13 Illegality. Notwithstanding any other provision of this Agreement, (a) if the introduction of or any change in or in the interpretation of any law or regulation shall make it unlawful, or any central bank or other governmental authority shall assert that it is unlawful, for any Lender to perform its obligations hereunder or to fund any Loans or (b) if as a result of any merger, consolidation, amalgamation or acquisition by or of Parent or any Subsidiary with, into or of another Person it is or becomes unlawful due to group or company lending limitations or other similar limitations under Israeli law (or rule, regulation or interpretation thereof or any rules, regulations or interpretations of the Bank of Israel) for any Lender to perform its obligations hereunder or to fund any Loans (each of clauses (a) and (b), an “Illegality”), then (x) such Lender shall promptly notify the Parent
upon becoming aware of that event and the Commitment of such Lender will be immediately cancelled and (y) the Borrower shall repay the Loans granted to it by such Lender on the last day of the Interest Period for each Loan occurring after such Lender has notified the Borrower or, if earlier, the date specified by such Lender in the notice delivered to the Borrower (being no earlier than the last day of any applicable grace period permitted by law); provided that if such Illegality is solely in connection with the making, maintaining or continuing to fund a Loan priced by reference to the LIBO Rate and can be cured by the provisions in the remainder of this sentence, then, on notice thereof and demand therefor by such Lender to the Borrower, the Borrower may, at its discretion, either prepay such Loan or keep such Loan outstanding, with the LIBO Rate applicable thereto determined as set forth in Section 2.11.

Section 2.14 Break Funding Payments. In the event of (a) the payment of any principal of any Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (b) the failure to borrow, continue or prepay any Loan on the date specified in any notice delivered pursuant hereto (regardless of whether such notice may be revoked under Section 2.08(b) and is revoked in accordance therewith), or (c) the assignment of any Loan other than on the last day of the Interest Period applicable thereto as a result of a request by the Borrower pursuant to Section 2.17, then, in any such event, the Borrower shall compensate each Lender for the loss, cost and expense (excluding loss of anticipated profits) attributable to such event. A certificate of any Lender setting forth, in reasonable detail showing the computation thereof, any amount or amounts that such Lender is entitled to receive pursuant to this Section shall be delivered to the Parent and shall be conclusive absent manifest error. The Borrower shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt, if such certificate complies herewith.

Section 2.15 Taxes.

(a) Payments Free of Taxes. Any and all payments by or on account of any obligation of any Loan Party hereunder or under any other Loan Document shall be made free and clear of and without reduction or withholding for any Indemnified Taxes (including any Other Taxes). If any Loan Party shall be required to deduct any Indemnified Taxes (including any Other Taxes) from or in respect of any sum payable hereunder or under any other Loan Document, if any, to the Administrative Agent or any Lender, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.15) the Administrative Agent or Lender, as the case may be, receives an amount equal to the sum it would have received had no such deductions been made, (ii) such Loan Party shall make such deductions and (iii) such Loan Party shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) Payment of Other Taxes by the Loan Parties. Without limiting the provisions of paragraph (a) above, each Loan Party shall timely pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) Indemnification by Loan Parties. The applicable Loan Party shall indemnify the Administrative Agent and each Lender, within 10 days after demand therefor, for the full amount of any Indemnified Taxes or Other Taxes (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) paid by the Administrative Agent or such Lender, as the case may be, and any penalties, interest and
reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly
or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability
delivered to a Loan Party by a Lender (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or
on behalf of a Lender, shall be conclusive absent manifest error.

(d) Evidence of Payments. As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the applicable
Loan Party to a Governmental Authority, such Loan Party shall deliver to the Administrative Agent the original or a certified copy of
a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other
evidence of such payment reasonably satisfactory to the Administrative Agent.

(e) Status of Lenders. Any Lender, if requested by the Borrower or the Administrative Agent, in writing, shall deliver such
documentation prescribed by applicable law or reasonably requested by the Borrower or the Administrative Agent as will enable the
Borrower or the Administrative Agent to determine whether or not such Lender is subject to backup withholding, deduction at source
or information reporting requirements or as would be necessary for the Borrower to obtain or apply for an authorization or exemption
to make a payment hereunder without a tax deduction or withholding (or at a reduced rate), including the provision of a residency
certificate, if reasonably requested by the Borrower, provided, however, that no Lender shall be required to file any tax returns,
provide copies of tax returns it has otherwise filed, or provide documentation that would be more burdensome than providing
certifications on Internal Revenue Service Forms W-8ECI and W-8BEN, as applicable, in order to be in compliance with its
obligations under this paragraph. Notwithstanding anything to the contrary in this paragraph, the completion, execution and
submission of such documentation shall not be required (other than Internal Revenue Service Forms W-8ECI and W-8BEN or any
substantially similar successor form) if in the Lender’s reasonable judgment such completion, execution or submission would subject
such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such
Lender.

If a payment made to a Lender under any Loan Document would be subject to U.S. federal withholding Tax imposed by FATCA
if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in
Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Borrower and the Administrative Agent at the
time or times prescribed by law and at such time or times reasonably requested by the Borrower or the Administrative Agent such
documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional
documentation reasonably requested by the Borrower or the Administrative Agent as may be necessary for the Borrower and the
Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such
Lender’s obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of
this paragraph (e), “FATCA” shall include any amendments made to FATCA after the date of this Agreement.

(f) Treatment of Certain Refunds. If the Administrative Agent or a Lender determines in its sole discretion that it has received a
refund of any Taxes or Other Taxes as to which it has been indemnified by the Borrower or with respect to which the Borrower has
paid additional amounts pursuant to this Section, it shall promptly after such determination
pay to the Borrower an amount equal to such refund (but only to the extent of indemnity payments made, or additional amounts paid, by the Borrower under this Section with respect to the Taxes or Other Taxes giving rise to such refund), net of all out-of-pocket expenses of the Administrative Agent, such Lender, as the case may be, and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund), provided that the Borrower, upon the request of the Administrative Agent or such Lender, agrees to repay the amount paid over to the Borrower (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Administrative Agent or such Lender in the event the Administrative Agent or such Lender is later required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this paragraph (f), in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this paragraph (f) the payment of which would place the indemnified party in a less favourable net after-Tax position than the indemnified party would have been in if the Tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such Tax had never been paid. This paragraph shall not be construed to require the Administrative Agent, or any Lender to make available its tax returns (or any other information relating to its taxes that it deems confidential) to the Borrower or any other Person.

(g) Value Added Tax.

(i) All consideration or other payments or amounts expressed to be payable under a Loan Document by any Loan Party to a Lender or Administrative Agent shall be deemed to be exclusive of any VAT. If VAT is to be added under applicable law to any consideration or other payments or amounts to be paid by any Loan Party in connection with a Loan Document, that Loan Party shall pay to the Lender or Administrative Agent or the relevant tax authority, as the case may be (in addition to and at the same time as paying the consideration or other payments or amounts), an amount equal to the amount of the VAT.

(ii) Where a Loan Document requires any Loan Party to reimburse a Lender or Administrative Agent for any costs or expenses, that Loan Party shall also at the same time pay and indemnify the Lender or the Administrative Agent, as the case may be, against all VAT incurred by the Lender or the Administrative Agent, as the case may be, in respect of the costs or expenses to the extent that the Lender or the Administrative Agent, as the case may be, is not entitled to credit or repayment of the VAT.

(iii) If any Loan Party shall be required to deduct VAT from or in respect of any sum payable hereunder or under any other Loan Documents, if any, to the Administrative Agent or any Lender, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.15 (g)) the Administrative Agent or such Lender receives an amount equal to the sum it would have received had no such deductions been made, (ii) such Loan Party shall make such deductions and (iii) such Loan Party shall pay the full amount deducted to the relevant Governmental Authority in accordance with the applicable law.
Section 2.16 Payments Generally; Pro Rata Treatment; Sharing of Set-offs.

(a) The Borrower shall make each payment required to be made by it hereunder (whether of principal, interest or fees, or of amounts payable under Section 2.12, 2.13, 2.14, 2.15 or 11.04 or otherwise) prior to 1:00 p.m., New York City time, on the date when due, in immediately available funds, without set-off or counterclaim. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent in accordance with account instructions as provided to Parent from time to time by the Administrative Agent and except that payments pursuant to Sections 2.12, 2.13, 2.14, 2.15 and 11.04 shall be made directly to the Persons entitled thereto. The Administrative Agent shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof; provided that at the Parent’s election in connection with any prepayment of any Loans pursuant to Section 2.08, such prepayment shall not, so long as no Default or Event of Default then exists, be applied to any Loan of a Defaulting Lender. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments hereunder shall be made in dollars.

(b) If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, interest and fees then due hereunder, such funds shall be applied (i) first, towards payment of interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) second, towards payment of principal then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal then due to such parties.

(c) If any Lender shall, by exercising any right of set-off or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Loans resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Loans and accrued interest thereon than the proportion received by any other Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Loans of other Lenders to the extent necessary so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Loans; provided that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this paragraph shall not be construed to apply to any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans to any assignee or participant, other than to the Borrower or any Subsidiary or Affiliate thereof (as to which the provisions of this paragraph shall apply). The Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to this subsection (c) may exercise against the Borrower’s rights of set-off and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Borrower in the amount of such participation.
(d) Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders hereunder that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders the amount due. In such event, if the Borrower has not in fact made such payment, then each of the Lenders severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation.

(e) If any Lender shall fail to make any payment required to be made by it pursuant to Section 2.04(b), 2.16(d) or 11.04(d), then the Administrative Agent may, in its discretion (notwithstanding any contrary provision hereof), apply any amounts thereafter received by the Administrative Agent for the account of such Lender to satisfy such Lender’s obligations under such Sections until all such unsatisfied obligations are fully paid.

(f) Notwithstanding anything to the contrary contained herein, the provisions of the preceding Sections 2.16(a) and (c) shall be subject to the express provisions of this Agreement which require, or permit, differing payments to be made to Non-Defaulting Lenders as opposed to Defaulting Lenders.

Section 2.17 Mitigation Obligations; Replacement of Lenders.

(a) If (x) any Lender requests compensation under Section 2.12, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.15 (other than in respect of the original Lenders set forth on Schedule 2.01 as of the Effective Date and their respective Affiliates and Approved Funds), or (y) any Lender provides notice of the occurrence of an Illegality in accordance with Section 2.13, then such Lender shall use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 2.12 or 2.15, as the case may be, in the future (or eliminate such Illegality in the case of (y) above) and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) If:

(i) any Lender requests compensation under Section 2.12,

(ii) any Lender becomes a Defaulting Lender,

(iii) any Lender fails to approve an amendment, waiver or other modification to this Agreement that requires the approval of all Lenders and at least the Required Lenders have approved such amendment, waiver or other modification or,
then the Parent may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, either:

(x) require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in Section 11.05) all its interests, rights and obligations under this Agreement to an Eligible Assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment) or

(y) terminate in full the Commitments and other obligations of such Lender hereunder (without providing a replacement Lender thereof) and repay in full to such Lender (through the Administrative Agent) all Loans, and other outstanding amounts owed to it under the Loan Documents (in each case, notwithstanding the pro rata provisions of Section 2.16(c)) and effect a reduction in total aggregate outstanding Commitments of the remaining Lenders by an amount equal to the terminated Commitment of such Lender, at which point such Lender shall be released from all obligations hereunder and provided further that such Lender’s rights under Sections 2.12, 2.14, 2.15 and 11.04, and its obligations under Section 11.04(d) shall survive such release and discharge under this clause (y) as to matters occurring prior to such date; provided further, however, that if pursuant to this clause (y), the Borrower shall pay to a Lender any principal of, or interest accrued on, the Loans owing to such Lender, then the Borrower shall either (I) confirm to the Administrative Agent that, in the case of clauses (i), (iii) or (iv), no Default or Event of Default under Section 7.01(a), (b), (g), (h) or (i) has occurred and is then continuing and, in the case of clause (ii), no Default or Event of Default has occurred and is then continuing or (II) pay or cause to be paid a ratable payment of principal and interest and other amounts to all other Lenders); provided that, in all cases under this Section 2.17(b), (i) the Borrower shall have received the prior written consent of the Administrative Agent, which consent shall not unreasonably be withheld (except as set forth in clause (y) above), (ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder and under the other Loan Documents (including any amounts under Section 2.14), from the assignee (if assigned) (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts and in the case when not so assigned) and (iii) in the case of any such assignment or termination resulting from a claim for compensation under Section 2.12, such assignment or termination will result in a reduction in such compensation or payments. A Lender shall not be required to make any such assignment and delegation or termination, as the case may be, if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation or termination, as the case may be, cease to apply.

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Section 2.18 [Reserved].

Section 2.19 [Reserved].

Section 2.20 Defaulting Lenders.

(a) Notwithstanding any provision of this Agreement to the contrary, if any Lender becomes a Defaulting Lender, then the following provisions shall apply for so long as such Lender is a Defaulting Lender:

(i) fees shall cease to accrue on any Commitment of such Defaulting Lender pursuant to Section 2.09(a); and

(ii) any amount payable to such Defaulting Lender hereunder (whether on account of principal, interest, fees or otherwise and including any amount that would otherwise be payable to such Defaulting Lender) shall, in lieu of being distributed to such Defaulting Lender, subject to any applicable requirements of law, be applied by the Administrative Agent, in the following order of priority: first, to the payment of any amounts owing by such Defaulting Lender to the Administrative Agent hereunder; second, as the Parent may request (so long as no Default or Event of Default exists), to the funding of any Loan in respect of which such Defaulting Lender has failed to fund its portion thereof as required by this Agreement, as determined by the Administrative Agent; third, if so determined by the Administrative Agent and the Parent, to be held in a non-interest bearing deposit account and released in order to satisfy obligations of such Defaulting Lender to fund Loans under this Agreement; fourth, to the payment of any amounts owing to the Lenders as a result of any judgment of a court of competent jurisdiction obtained by any of the foregoing against such Defaulting Lender as a result of such Defaulting Lender’s breach of its obligations under this Agreement (pro rata among all such amounts owed and only to the extent the applicable Lenders have provided written notice to the Administrative Agent of such judgment (with sufficient evidence thereof) (and written request to apply amounts otherwise payable to such Defaulting Lender in accordance with this sub-clause) at least 10 Business Days prior to the Administrative Agent having otherwise applied such amounts pursuant to any of the subsequent provisions of this paragraph (or such shorter time as may be acceptable to the Administrative Agent in its sole discretion)); fifth, so long as no Default or Event of Default exists, to the payment of any amounts owing to the Borrower as a result of any judgment of a court of competent jurisdiction obtained by the Borrower against such Defaulting Lender as a result of such Defaulting Lender’s breach of its obligations under this Agreement (only to the extent the Borrower has provided written notice to the Administrative Agent of such judgment (with sufficient evidence thereof) (and written request to apply amounts otherwise payable to such Defaulting Lender in accordance with this clause) at least 10 Business Days prior to the Administrative Agent having otherwise applied such amounts pursuant to any of the subsequent provisions of this paragraph (or such shorter time as may be acceptable to the Administrative Agent in its sole discretion)); and sixth, to such Defaulting Lender or as otherwise directed by a court of competent jurisdiction; provided that if such payment is a payment of the principal amount of any Loans in respect of which such Defaulting Lender has not fully funded its appropriate share, such payment shall be applied solely to pay the Loans of to all Non-Defaulting Lenders on a pro rata basis prior to being applied to the payment of any Loans of to
such Defaulting Lender. Any payments, prepayments or other amounts paid or payable to a Defaulting Lender that are applied (or held) to pay amounts owed by a Defaulting Lender or to post cash collateral pursuant to this paragraph shall be deemed paid to and redirected by such Defaulting Lender, and each Lender irrevocably consents hereto.

(b) [Reserved]

c) [Reserved]

(d) The rights and remedies against a Defaulting Lender under this Section 2.20 are in addition to other rights and remedies that the Borrower, the Administrative Agent, or any Lender may have against such Defaulting Lender.

(e) In the event that the Administrative Agent and the Parent agree that a Defaulting Lender has adequately remedied all matters that caused such Lender to be a Defaulting Lender, then such Lender shall purchase at par such of the Loans of the other Lenders as the Administrative Agent shall determine may be necessary in order for such Lender to hold such Loans ratably in accordance with its Commitment (or, if the Aggregate Commitments have terminated, as last in effect) and such Lender shall no longer be a Defaulting Lender.

ARTICLE III
REPRESENTATIONS AND WARRANTIES

Each Loan Party represents and warrants to the Administrative Agent and the Lenders that:

Section 3.01 Organization; Powers. It (a) is validly existing and (if applicable) in good standing under the laws of the jurisdiction of its organization, (b) has all requisite power and authority to carry on its business as now conducted and (c) except where the failure to do so, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect, is qualified to do business in, and (if applicable) is in good standing in, every jurisdiction where such qualification is required.

Section 3.02 Authorization; Enforceability. The Transactions are within such Loan Party’s powers and have been duly authorized by all necessary corporate and, if required, shareholder action. This Agreement has been duly executed and delivered by such Loan Party and constitutes a legal, valid and binding obligation thereof, enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors’ rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law. All corporate and shareholder action required to make each Loan Document to which it is a party admissible in evidence in its jurisdiction of incorporation or organization have been obtained or effected and are in full force and effect.

Section 3.03 Approvals; No Conflicts. No authorization or approval or other action by, and no notice to or filing with, any Governmental Authority or any other third party is required for the due execution, delivery and performance by such Loan Party of any Loan Document to which it is a party, or the consummation of the transactions contemplated
thereby, except such as have been obtained or made and are in full force and effect. The execution, delivery and performance by such Loan Party of the Loan Documents to which it is a party and the consummation of the transactions contemplated thereby (a) do not contravene (i) such Loan Party’s organizational documents or (ii) any law applicable to such Loan Party, (b) will not violate or result in a default or require any consent or approval under any indenture, agreement or other instrument binding upon such Loan Party or its property or Subsidiaries, or give rise to a right thereunder to require any payment to be made by such Loan Party, except for violations, defaults or the creation of such rights that could not reasonably be expected to result in a Material Adverse Effect, and (c) will not result in the creation or imposition of any Encumbrance on any property of such Loan Party, except Encumbrances expressly permitted by this Agreement.

Section 3.04 Financial Condition; No Material Adverse Change.

(a) The Parent has heretofore furnished to the Lenders the Parent’s consolidated balance sheet and statements of income, shareholder’s equity and cash flows (i) as of and for the fiscal years ended December 31, 2010, 2011 and 2012, audited by and accompanied by an unqualified opinion of Kesselman & Kesselman, certified public accountants (Isr.), and (ii) as of and for the fiscal quarter and the portion of the fiscal year ended September 30, 2013. Such financial statements, and all financial statements delivered pursuant to Section 5.01(a) or (b), (A) have been prepared in accordance with GAAP and (B) present fairly and accurately in all material respects the financial position and results of operations and cash flows of the businesses of the Parent and its consolidated subsidiaries as of such dates and for such periods in accordance with GAAP, subject to the absence of footnotes in the case of the financial statements referred to in Section 3.04(a)(ii).

(b) Except with respect to any event or circumstance disclosed in the Parent’s public filings with the United States Securities and Exchange Commission prior to the Signing Date or in the Parent’s FY 2014 Guidance Call which occurred on December 10, 2013, on and as of the Signing Date, since December 31, 2012, there has been no event, change, circumstance or occurrence that individually or in the aggregate has had or could reasonably be expected to result in a Material Adverse Effect.

Section 3.05 Litigation.

Except as disclosed in the “Commitments and Contingencies – Contingent Liabilities” note (or similarly titled notes) to (x) the Parent’s annual financial statements filed with or furnished to the SEC on Form 20-F for the year ended December 31, 2012 or (y) the Parent’s quarterly financial statements filed with or furnished to the SEC on Form 6-K prior to the Signing Date for each fiscal quarter subsequent to December 31, 2012, there are no actions, suits or proceedings by or before any arbitrator or Governmental Authority pending against or, to the knowledge of the Parent, threatened against or affecting the Parent or any of its Subsidiaries (i) as to which there is a reasonable possibility of an adverse determination and that would reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect or (ii) that purport to adversely affect the legality, validity and enforceability of the Loan Documents. The representation contained in clause (i) of the preceding sentence is made on and as of the Signing Date only.
Section 3.06 Environmental Matters.

It is not subject to any judicial, administrative, government, regulatory or arbitration proceeding alleging the violation of any applicable Environmental Laws, except to the extent that any such proceeding would not reasonably be expected to have a Material Adverse Effect.

Section 3.07 Disclosure.

No written report, financial statement, certificate, Borrowing Request, exhibit, schedule or other written document furnished by or on behalf of such Loan Party to the Administrative Agent or any Lender in connection with the negotiation of any Loan Document or included therein or delivered pursuant thereto, taken as a whole, contained or contains any material misstatement of fact or omits or states any material fact necessary to make the statements therein, in the light of the circumstances under which they were or are made, not misleading as of the date such information is dated or certified; provided that to the extent any such written report, financial statement, exhibit, schedule or document was based upon or constitutes a forecast or projection, each Loan Party represents only that it acted in good faith and utilized reasonable assumptions and due care in the preparation of such written report, financial statement, exhibit, schedule or document.

Section 3.08 Solvency.

Such Loan Party is, and immediately after giving effect to the Transactions (including each Loan hereunder) will be, together with its consolidated Subsidiaries, Solvent.

Section 3.09 ERISA. No ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other such ERISA Events for which liability is reasonably expected to occur, would reasonably be expected to result in a Material Adverse Effect.

Section 3.10 Investment Company Status. Neither such Loan Party nor any of its Subsidiaries is an “investment company” as defined in, or subject to regulation under, the Investment Company Act of 1940.

Section 3.11 Margin Securities. Such Loan Party is not engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulations T, U or X of the Board of Governors of the Federal Reserve System of the United States of America), and no part of the proceeds of any Loan will be used to purchase or carry any margin stock in violation of said Regulations T, U or X or to extend credit to others for the purpose of purchasing or carrying margin stock in violation of said Regulations T, U or X.

Section 3.12 Properties. (a) Such Loan Party has good title to, or valid leasehold interests in, all of its real and personal property material to its business, except for defects in title that do not interfere with its ability to conduct its business as currently conducted or to utilize such properties for their intended purposes and except, in each case, where failure to have such title or interest, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

(b) It owns, or is licensed to use, all trademarks, tradenames, copyrights, patents and other intellectual property material to its business, and the use thereof by such Person does not infringe upon the rights of any other Person, except for any such infringements that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

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Section 3.13 **Compliance with Laws and Agreements.** Such Loan Party is in compliance with all laws, regulations, orders, writs, injunctions and decrees of any Governmental Authority applicable to it or its property and all indentures, agreements and other instruments binding upon it or its property, except, in each case, where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

Section 3.14 **Taxes.** Such Loan Party has timely filed or caused to be filed all Tax returns and reports required to have been filed and has paid or caused to be paid all Taxes required to have been paid by it, except (a) Taxes that are being contested in good faith by appropriate proceedings and for which such Person has set aside on its books adequate reserves in accordance with GAAP or (b) to the extent that the failure to do so could not reasonably be expected to result in a Material Adverse Effect.

Section 3.15 **Pari Passu Ranking.** Such Loan Party’s payment obligations under the Loan Documents rank at least pari passu with the claims of all its other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law applying to companies generally.

Section 3.16 **Permits, Etc.** Except to the extent that any of the following, either individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect, (i) such Loan Party has all permits, consents, licenses, authorizations, approvals, entitlements and accreditations required for it lawfully to own, lease, manage or operate, or to acquire each business owned on the date hereof, leased, managed or operated, or to be acquired, by it, and (ii) no condition exists or event has occurred which, in itself or with the giving of notice or lapse of time or both, would result in the suspension, revocation, impairment, forfeiture or non-renewal of any such permit, consent, license, authorization, approval, entitlement or accreditation, and, to the knowledge of such Loan Party, there is no claim that any such permit, consent, license, authorization, approval, entitlement or accreditation is not in full force and effect.

Section 3.17 **Insurance.** All material policies of insurance of any kind or nature owned by or issued to such Loan Party are in full force and effect.

Section 3.18 **No Filing or Stamp Tax.** Under the law of such Loan Party’s jurisdiction of incorporation it is not necessary that the Loan Documents be filed, recorded or enrolled with any court or other authority in that jurisdiction or that any stamp, registration or similar tax be paid on or in relation to the Loan Documents or the transactions contemplated by the Loan Documents (including the Transactions) (other than any such stamp, registration or similar tax that has been paid as of the Effective Date, to the extent referenced on Schedule 3.18).
ARTICLE IV
CONDITIONS

Section 4.01 Effective Date. The obligations of the Lenders to make Loans on the Effective Date shall be subject to the prior or concurrent satisfaction or waiver of the conditions precedent set forth in this Section 4.01:

(a) The Administrative Agent (or its counsel) shall have received from each party hereto either (i) a counterpart of this Agreement signed on behalf of such party or (ii) written evidence satisfactory to the Administrative Agent (which may include fax or email pdf transmission of a signed signature page of this Agreement) that such party has signed a counterpart of this Agreement.

(b) The Administrative Agent shall have received written opinions (addressed to the Administrative Agent and the Lenders and dated the Effective Date) of (x) Willkie Farr & Gallagher LLP, US counsel for the Parent and Teva USA, and (y) (i) Tulchinsky Stern Marciano Cohen Levitski & Co., Israeli counsel to the Parent, and (ii) Herzog, Fox and Neeman, Israeli counsel to the Administrative Agent (with respect to certain Israeli tax matters), with respect to this Agreement, each in form and substance reasonably satisfactory to the Administrative Agent.

(c) The Administrative Agent shall have received such documents and certificates as the Administrative Agent may reasonably request relating to (i) the organization and existence of each Loan Party, and (ii) the authorization of any relevant Transactions and any other legal matters relating to each Loan Party, and this Agreement, all in form and substance reasonably satisfactory to the Administrative Agent.

(d) The Administrative Agent shall have received each promissory note requested by a Lender pursuant to Section 2.07(e), each duly completed and executed by the Borrower.

(e) The Administrative Agent shall have received a certificate of the Secretary or Assistant Secretary or the managing board of the Borrower certifying the names and true signatures of the officers of the Borrower authorized to sign this Agreement and the other documents to be delivered hereunder.

(f) The Administrative Agent shall have received a certificate, dated the Effective Date and signed by the Chief Financial Officer of the Parent, confirming compliance with the conditions set forth in paragraphs (a) and (b) of Section 4.02.

(g) The Coordinating Bookrunners & Mandated Lead Arrangers and the Administrative Agent shall have received (i) evidence that the Fee Letter and Front End Fee Letter has been signed by each party thereto and (ii) all fees and other amounts due and payable on or prior to the Effective Date, including, to the extent invoiced, reimbursement or payment of all out-of-pocket expenses (including the legal fees and expenses of one special counsel to the Administrative Agent and the Lenders, and the fees and expenses of one Israeli counsel) required to be reimbursed or paid by Parent hereunder or under any other Loan Document as of the Effective Date.

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(h) The Coordinating Bookrunners & Mandated Lead Arrangers, the Administrative Agent and the Lenders shall have received documentation and information satisfactory to the Administrative Agent, as required by bank regulatory authorities under applicable “know your customer” and anti-money laundering rules and regulations, including the U.S. Patriot Act.

(i) The Administrative Agent shall have received copies of any consents or approvals required pursuant to Section 3.03 of this Agreement (reasonably satisfactory to the Coordinating Bookrunners & Mandated Lead Arrangers and the Administrative Agent).

Section 4.02 Each Credit Event. The obligation of each Lender to make any Credit Extension to the Borrower (including the initial Credit Extension) is subject to the satisfaction of the following conditions with respect to said Borrower and the Parent:

(a) No Default or Event of Default (or breach of Section 11.17(d)) shall have occurred and be continuing on such date nor will result from the making of such Credit Extension.

(b) Each of the representations and warranties made by any Loan Party set forth in Article III hereof or in any other Loan Document shall be true and correct on and as of the date of such Credit Extension with the same effect as though made on and as of such date, except to the extent such representations and warranties expressly relate to an earlier date, in which case they shall be true and correct as of such earlier date.

(c) The Borrower shall have delivered a Borrowing Request in accordance with Section 2.03.

Each Borrowing Request and acceptance by the Borrower of the proceeds from such Credit Extension shall be deemed to constitute a representation and warranty by the relevant Borrower as to the matters specified in paragraphs (a) and (b) of this Section as of the date of the applicable Credit Extension.

ARTICLE V

AFFIRMATIVE COVENANTS

Until the Commitments have expired or been terminated and the principal of and interest on each Loan and all fees, expenses and other amounts payable hereunder shall have been paid in full, the Loan Parties covenant and agree with the Administrative Agent and the Lenders that:

Section 5.01 Financial Statements and Other Information. The Parent will furnish, or cause to be furnished, to the Administrative Agent:

(a) within 90 days after the end of each fiscal year of the Parent, the Parent’s audited consolidated balance sheet and related statements of income, shareholders’ equity and cash flows of the Parent and its consolidated Subsidiaries as of the end of and for such year of the Parent, setting forth in each case in comparative form the figures for the previous fiscal year, all reported on by the Parent’s independent public accountants of recognized national standing (without a “going concern” or like qualification or exception and without any qualification or exception as to the scope of such audit) to the effect that such consolidated financial statements present fairly in all material respects the financial condition and results of operations of the Parent and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied;
(b) within 60 days after the end of each of the first three fiscal quarters of each fiscal year of the Parent, the Parent’s consolidated balance sheet and related statements of income, shareholders’ equity and cash flows of the Parent and its consolidated Subsidiaries as of the end of and for such fiscal quarter and the then elapsed portion of the fiscal year of the Parent, setting forth in each case in comparative form the figures for the corresponding period or periods of (or, in the case of the balance sheet, as of the end of) the previous fiscal year, all certified by a Financial Officer of the Parent as presenting fairly in all material respects the financial condition and results of operations and cash flows of the Parent and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied, subject to normal year-end audit adjustments;

(c) concurrently with any delivery of financial statements under clause (a) or (b) above, a certificate of a Financial Officer of the Parent substantially in the form of Exhibit D, (i) certifying as to whether a Default or Event of Default or, to the knowledge of the Parent, any investigation, circumstance, development or other matter that has resulted in, or could reasonably be expected to result in, a Material Adverse Effect has occurred and, if such a Default, Event of Default, investigation, circumstance, development or other matter has occurred, specifying the details thereof and the action taken or proposed to be taken with respect thereto, (ii) setting forth in reasonable detail calculations demonstrating compliance with Section 6.04 and (iii) stating whether any change in the application of GAAP has occurred since the date of the fiscal year 2012 audited financial statements referred to in Section 3.04 and, if any such change has occurred, specifying the effect of such change on the financial statements accompanying such certificate;

(d) promptly after the same become publicly available, copies of all periodic and other reports, proxy statements and other materials filed by the Parent or any of its Subsidiaries with the SEC, or any Governmental Authority succeeding to any or all of the functions of said SEC, or with any national or foreign securities exchange, or distributed by the Parent to its equity holders generally, as the case may be: provided, however, that the Parent shall not be required to deliver to the Administrative Agent (and shall be deemed to have furnished to the Administrative Agent) such financial statement or other materials referred to in sub-clauses (a) or (b) or any other report, proxy statement and other materials if such financial statement, report, proxy statement and any other material is posted on the SEC’s website at www.sec.gov or on the Parent’s website at www.tevapharm.com (provided that in the case of financial statements referred to in (a) and/or (b) above, the Parent provides written notice to the Administrative Agent that the same has been posted on such website); and

(e) promptly following any request therefor, such other information regarding the operations, business affairs and financial condition of the Borrower, that may reasonably affect any the Borrower’s compliance with the terms of this Agreement, as the Administrative Agent or any Lender may reasonably request, provided, however, that the Parent shall not be required to deliver such information to the extent such information is posted on the SEC’s website at www.sec.gov or on the Parent’s website at www.tevapharm.com (provided that if so requested, Parent advises such Administrative Agent or Lender where such information can be accessed on such website).
Section 5.02 Notices of Material Events. The Parent will furnish (or cause to be furnished) to the Administrative Agent prompt written notice of the occurrence of any Default or Event of Default, which notice shall be provided to the Administrative Agent and each Lender no later than 3 Business Days after any officer of such Person becomes aware or should have become aware of the same, specifying the details thereof and any action taken or proposed to be taken with respect thereto. Each notice delivered under this Section shall be accompanied by a statement of a Responsible Officer of Parent setting forth the details of the Default or Event of Default requiring such notice and any action taken or proposed to be taken with respect thereto.

Section 5.03 Existence; Conduct of Business. Each Loan Party will, and will cause each of its Subsidiaries to, do or cause to be done all things necessary to (i) preserve, renew and keep in full force and effect its existence, and (ii) except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, preserve, renew and keep in full force and effect its rights and privileges and the rights, licenses, permits, approvals, privileges and franchises applicable to the conduct of its business; provided that the foregoing shall not prohibit any merger, consolidation, liquidation or dissolution expressly permitted under Section 6.01.

Section 5.04 Payment of Taxes. Each Loan Party will, and will cause each of its Subsidiaries to, pay its Tax liabilities, that, if not paid, could result in a Material Adverse Effect before the same shall become delinquent or in default, except where (a) the validity or amount thereof is being contested in good faith by appropriate proceedings, (b) the Loan Party or such Subsidiary has set aside on its books adequate reserves with respect thereto in accordance with GAAP and (c) the failure to make payment pending such contest could not reasonably be expected to result in a Material Adverse Effect.

Section 5.05 Maintenance of Properties; Insurance. Each Loan Party will, and will cause each of its Subsidiaries to, (a) keep and maintain all property material to the conduct of its business in good working order and condition, ordinary wear and tear excepted, and (b) maintain, with responsible, financially sound and reputable insurance companies, insurance with respect to its properties and business.

Section 5.06 Books and Records; Inspection Rights. Each Loan Party will keep proper books of record and account in which full, true and correct entries are made of all dealings and transactions in relation to its business and activities in accordance with GAAP or in accordance with the accounting standards applicable in such entity’s jurisdiction. Each Loan Party will permit any representatives designated by the Administrative Agent or any Lender, upon reasonable prior notice and subject to signing by such representative of customary confidentiality undertakings, at the Lenders’ expense so long as no Event of Default exists and at the Borrower’s expense during the continuance of an Event of Default, to visit and inspect its properties, to examine and make extracts from its books and records relating to financial and other similar matters (other than materials protected by the attorney-client privilege and materials which such Person may not disclose without violation of any applicable law or a confidentiality obligation binding upon it), and to discuss its affairs, finances and condition with its directors, officers, employees, accountants or other representatives, all at such reasonable times and as often as reasonably requested. As long as no Default exists, the Lenders and/or the Administrative Agent shall use reasonable efforts to minimize the disruption of such Person’s business resulting from any such visit or inspection and shall limit any such visits or inspections under this Section 5.06 to once per fiscal year. A representative of the applicable Loan Party shall be provided a reasonable opportunity to be present at any such visit or inspection, but the actual attendance of any such representative shall not be required.
Section 5.07 Compliance with Laws. Each Loan Party will, and will cause each of its Subsidiaries to, comply with all requirements of law applicable to it or its property, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

Section 5.08 Use of Proceeds. The proceeds of the Loans will be used by the Borrower for general corporate purposes. No part of the proceeds of any Loan will be used, whether directly or indirectly, for any purpose that entails a violation of any of the regulations of the Board of Governors of the Federal Reserve System of the United States of America, including Regulations T, U and X.

Section 5.09 Environmental Laws, Etc. Each Loan Party will, and will cause each of its Subsidiaries to, comply with all applicable Environmental Laws and governmental authorizations issued pursuant thereto, the non-compliance with which could reasonably be expected to have a Material Adverse Effect. In the event any Loan Party or any of its Subsidiaries undertakes any remedial action with respect to any Hazardous Materials, such Loan Party will, and will cause each of its Subsidiaries to, conduct and complete such remedial action in material compliance with all applicable Environmental Laws, and in accordance with the policies, orders, directions and other requirements of law of all federal, state and local Governmental Authorities except when, and only to the extent that, the liability of the applicable Loan Party and its Subsidiaries for such presence, storage, use, disposal, transportation or discharge of any Hazardous Materials is being contested in good faith by such Person or such liability could not reasonably be expected to result in a Material Adverse Effect.

ARTICLE VI
NEGATIVE COVENANTS

Until the Commitments have expired or terminated and the principal of and interest on each Loan and all fees payable hereunder have been paid in full, the Loan Parties covenant and agree with the Administrative Agent and the Lenders that:

Section 6.01 Fundamental Changes and Asset Sales. No Loan Party or Subsidiary will merge into or consolidate or amalgamate with (or engage in any other substantially similar transaction) any other Person, or permit any other Person to merge into or consolidate or amalgamate with (or engage in any other substantially similar transaction) it, or sell, transfer, lease or otherwise dispose (each, a “disposal” or “disposition”) of (in one transaction or in a series of transactions) any assets (whether now owned or hereafter acquired) to any Person, or liquidate or dissolve. Notwithstanding the foregoing the following, shall be permitted:

(i) if at the time thereof and immediately after giving effect thereto no Default or Event of Default shall have occurred and be continuing, any Person may merge, consolidate or amalgamate (or engage in a substantially similar transaction) with the Borrower in a transaction in which the Borrower is the surviving entity (provided that if the Borrower merges or consolidates with or into Parent, Parent is the surviving corporation),

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(ii) any Subsidiary may merge, consolidate or amalgamate (or engage in a substantially similar transaction) with any other Subsidiary in a transaction in which the surviving entity is a wholly-owned Subsidiary (in the case of a Loan Party, subject to preceding clause (i)),

(iii) assets or equity interests of any Subsidiary may be disposed of to any other wholly-owned Subsidiary or to the Parent or by the Borrower to a wholly-owned Subsidiary,

(iv) the Parent or any Subsidiary may dispose of assets or property to any other Person; provided, that, the aggregate book or fair market value of all assets disposed (to a Person other than the Parent, the Borrower or any other wholly-owned Subsidiary) under this clause (iv) during any fiscal year of Parent shall not exceed 15% of the total consolidated assets of the Parent and its consolidated Subsidiaries, determined in accordance with GAAP, measured as of the last day of the immediately preceding fiscal year for which financial statements have been or were required to be delivered pursuant to this Agreement,

(v) the Parent and its Subsidiaries may dispose of inventory in the ordinary course of business,

(vi) Parent and its Subsidiaries may transfer assets in connection with a Financing Arrangement permitted under Section 6.03,

(vii) the Parent or any Subsidiary may lease, as lessor or sublessor, or license, as licensor or sub licensor, real or personal property (other than any intellectual property) in the ordinary course of business, provided that no such lease or license shall materially interfere with the ordinary course of business of the Parent or any Subsidiary,

(viii) the Parent or any Subsidiary may liquidate or sell Cash Equivalents,

(ix) the Parent or any Subsidiary may, in the ordinary course of business, licence or sublicense intellectual property owned or held by the Parent or such Subsidiary so long as each such license is non exclusive and in the ordinary course of business,

(x) the Parent or any Subsidiary may dispose of obsolete or worn out property, whether now owned or hereafter acquired, in the ordinary course of business and may dispose of property no longer used or useful in the conduct of the business of the Parent or any Subsidiary,

(xi) the Parent or any Subsidiary may sell Receivable Assets to a Securitization Entity in a Qualified Securitization Transaction for the fair market value thereof; provided that at no time shall more than US$1,000,000,000 (or its equivalent in another currency or currencies) in fair market value of assets be subject to such Qualified Securitization Transaction,

(xii) any Subsidiary may pay dividends or make any other distribution,

(xiii) the Parent may pay cash dividends (or dividends paid in the form of common equity of the Parent) to its shareholders, to the extent lawful, and

(xiv) any Subsidiary may liquidate or dissolve (with any residual assets being applied in accordance with one of the other clauses of this Section 6.01).
Section 6.02 Fiscal Year and Accounting. (a) Parent shall not change its fiscal year-end to a date other than December 31 and shall not make or permit any changes in accounting policies or practices which would have an effect on whether or not the Parent is in compliance with Section 6.04, without the consent of the Required Lenders, which consent shall not be unreasonably withheld or delayed, except: (i) changes that are required or permitted by GAAP, or (ii) changes permitted under sub-paragraph (b) of this Section 6.02.

(b) If at any time any change in GAAP (including without limitation as a result of the adoption of IFRS) would affect the computation of any financial ratio or requirement set forth in any Loan Document, and either the Parent or the Required Lenders shall so request, the Administrative Agent, the Lenders and the Parent shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in GAAP; provided that, until so amended, (i) such ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein and (ii) the Parent shall provide to the Administrative Agent and the Lenders financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in GAAP.

Section 6.03 Negative Pledge. No Loan Party will, nor will any Loan Party permit any of its Subsidiaries to, (x) create or permit to subsist any Encumbrance over all or any of its present or future revenues or assets or (y) enter into a Financing Arrangement, except for the following ("Permitted Encumbrances"): (a) Encumbrances imposed by law, including, without limitation, for taxes that are not yet due or, if due, are being contested in good faith and for which adequate reserves have been established in accordance with GAAP; (b) carriers’, warehousemen’s, mechanics’, materialmen’s, repairmen’s and similar liens imposed by law arising in the ordinary course of business that do not materially detract from the value of the affected property or interfere with the ordinary conduct of business of the Parent or its Subsidiaries and, if securing obligations that are overdue by more than 90 days, are being contested in good faith and for which adequate reserves have been established in accordance with GAAP; (c) pledges and deposits made in the ordinary course of business in compliance with workers’ compensation, unemployment insurance and other social security laws or regulations or to obtain letters of credit to post for such purposes; (d) deposits or Encumbrances to secure the performance of bids, trade contracts, leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature, in each case in the ordinary course of business; (e) judgment liens in respect of judgments that do not constitute an Event of Default under Section 7.01(j); (f) easements, zoning restrictions, rights-of-way and similar encumbrances on real property imposed by law or arising in the ordinary course of business that do not secure any monetary obligations and do not materially detract from the value of the affected property or interfere with the ordinary conduct of business of the Parent or its Subsidiaries;
(g) other liens incidental to the conduct of the business of the Parent or any Subsidiary or the ownership of the property or assets of the Parent or such Subsidiary that are not in respect of Indebtedness and do not in the aggregate materially detract from the value of such properties or assets or materially impair the use thereof in the operation of the business of the Parent or such Subsidiary;

(h) Encumbrances existing on the date hereof in connection with any Indebtedness outstanding on the date hereof and disclosed in the public filings of the Parent or on Schedule 6.03 hereof (and any Encumbrance granted as collateral for any refinancing or replacement of such Indebtedness, provided that such Encumbrance secures a principal amount of Indebtedness not in excess of the amount so disclosed (plus reasonable refinancing costs) and does not encumber any property or assets other than the property or assets to the original Encumbrance as so disclosed or improvements thereon or replacements thereof);

(i) any netting or set-off arrangement entered into by Parent or any Subsidiary in the ordinary course of its banking arrangements for the purpose of netting debit and credit balances;

(j) any Encumbrance arising out of conditional sale, title retention, consignment or similar arrangements for the sale of goods entered into by Parent or any Subsidiary in the ordinary course of business;

(k) any Encumbrance securing any hedging obligation of Parent or any Subsidiary in respect of interest rate, currency exchange rates or commodity pricing hedging, swaps or similar transactions entered into in the ordinary course of business for bona fide business purposes;

(l) Encumbrances on property of a Person existing at the time such Person is merged into or consolidated with any Loan Party or any Subsidiary; (provided that such Encumbrances were not created in contemplation of such merger, consolidation or acquisition and do not extend to any assets other than those of the Person so merged into or consolidated with such Loan Party or Subsidiary or acquired by such Loan Party or Subsidiary) and extensions, replacements and renewals thereof that do not increase the outstanding principal amount thereof that is secured by such Encumbrance as of such date and do not result in such Encumbrance extending to additional assets (other than improvements thereon or replacements thereof);

(m) Encumbrances in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods in the ordinary course of business;

(n) purchase money Encumbrances upon or in any real property or equipment acquired by any Loan Party or any Subsidiary in the ordinary course of business to secure the purchase price of such property or equipment, or Encumbrances existing on such property or equipment at the time of its acquisition (other than any such Encumbrances created in contemplation of such acquisition that were not incurred to finance the acquisition of such property) or extensions, renewals or replacements of any of the foregoing for the same or a lesser amount, provided, however, that no such Encumbrances shall extend to or cover any properties of any character other than the real property or equipment being acquired, and no such extension, renewal or replacement shall extend to or cover any property not theretofore subject to the Encumbrance being extended, renewed or replaced;
(o) Encumbrances securing capital lease obligations in respect of property acquired; provided, that no such Encumbrance shall extend to or cover any assets other than the assets subject to such capitalized leases;

(p) any other Encumbrances securing obligations and other Financing Arrangements; provided that (x) the aggregate amount of obligations secured and (y) the fair market value of the assets subject to Financing Arrangements or obligations in accordance with this subclause (p) shall not exceed US$1,000,000,000 (or its equivalent in another currency or currencies) at any time outstanding;

(q) any Encumbrance entered into pursuant to any Loan Document; and

(r) Encumbrances over any Receivable Assets subject to a Qualified Securitization Transaction; provided that the aggregate fair market value of all Receivable Assets secured in accordance with this subclause (r) shall not exceed US$1,000,000,000 (or its equivalent in another currency or currencies) at any one time outstanding.

Section 6.04 Financial Covenants. Parent shall procure that:

(a) Total Consolidated Net Debt to EBITDA

As of the end of each Test Period, the ratio of Total Consolidated Net Debt to EBITDA for such four-quarter period shall not exceed 3.50:1.

(b) Interest Cover Ratio

The Interest Cover Ratio for any Test Period shall be not less than 3.50:1.

All the terms used in this Section 6.04 shall be calculated in accordance with the accounting principles applied in connection with the latest consolidated financial statements of the Parent required to be delivered pursuant to Section 5.01(a) or (b) (subject to Section 6.02(b)).

ARTICLE VII
EVENTS OF DEFAULT

Section 7.01 Events of Default. If any of the following events (“Events of Default”) shall occur:

(a) default shall be made in the payment of any principal of any Loan when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or otherwise except if such failure to pay is due to an administrative or technical error, Loan Party shall have three (3) days to cure such failure;

(b) default shall be made in the payment of any interest on any Loan or other fee payable under the Loan Documents, when and as the same shall become due and payable, and such failure shall continue unremedied for a period of five (5) days;
(c) (i) any representation or warranty made or deemed made by the Loan Parties in this Agreement or in any other Loan Document shall prove to have been incorrect in any material respect when made or deemed made,

(ii) No Event of Default under paragraph (c)(ii) above will occur if the failure to comply is capable of remedy and is remedied within 15 days of the Administrative Agent giving notice to a Loan Party or a Loan Party becoming aware of the failure to comply (it being understood that any materially incorrect or misleading information contained in any financial statements delivered in accordance with this Agreement or referred to in Section 3.04 cannot be so remedied);

(d) the Loan Parties shall fail to observe or perform any covenant, condition or agreement contained in 5.03(i) (with respect to Loan Parties) or Article VI;

(e) the Loan Parties shall fail to observe or perform any covenant, condition or agreement contained in this Agreement (other than those specified in clause (a), (b) or (d) of this Article), and such failure shall continue unremedied for a period of 30 days after written notice thereof from the Administrative Agent or a Lender to any Loan Party;

(f) any Loan Party or Material Subsidiary shall (i) fail to pay any principal of or premium or interest due in respect of Material Indebtedness when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Material Indebtedness; or (ii) default in the observance or performance of any covenant or obligation contained in any agreement of such Material Indebtedness that is a default (in each case, other than a failure to pay specified in clause (i) of this subsection (f) and such default shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect thereof is to accelerate the maturity of such Material Indebtedness or require such Material Indebtedness to be prepaid prior to the stated maturity thereof;

(g) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, reorganization, stay of proceedings, freeze order (“Hakpa’at Halichim”) or other relief in respect of any Loan Party or any Material Subsidiary or its debts, or of a substantial part of its assets, under any federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect (“Bankruptcy Law”) or (ii) the appointment of a receiver, liquidator, trustee, custodian, sequestrator, conservator, compulsory manager or similar official for any Loan Party or any Material Subsidiary or for a substantial part of its assets, and, in any such case, such proceeding or petition shall continue undismissed for 30 days or a final, not temporary or interim, unappealable order or decree approving or ordering any of the foregoing shall be entered;

(h) any Loan Party or any Material Subsidiary shall (i) voluntarily commence any proceeding or file any petition seeking liquidation, reorganization, stay of proceedings, freeze order (“Hakpa’at Halichim”) or other relief under any Bankruptcy Law, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in clause (g) of this Article, (iii) apply for or consent to the appointment of a receiver, liquidator, trustee, custodian, sequestrator, conservator, compulsory manager or similar official for any Loan Party or any Material Subsidiary or for a substantial part of its assets, (iv) make a general assignment for the benefit of creditors or (v) take any action for the purpose of effecting any of the foregoing;
(i) any Loan Party or any Material Subsidiary shall admit in writing its inability to pay its debts generally;

(j) one or more judgments for the payment of money in an aggregate uninsured amount equal to or greater than US$150,000,000 (or its equivalent in other currencies) in excess of the amount of insurance coverage shall be rendered against any Loan Party or any Material Subsidiary or any combination thereof and the same shall remain undischarged for a period of 45 consecutive days during which execution shall not be effectively stayed, vacated or bonded pending appeal or any action shall be legally taken by a judgment creditor to attach or levy upon any assets of any Loan Party or any such Material Subsidiary to enforce any such judgment for the payment of money in an aggregate uninsured amount in excess of $150,000,000 (or its equivalent in other currencies);

(k) one or more ERISA Events or similar event with respect to a Non-US Plan shall have occurred, which individually or in the aggregate results in liability of any Loan Party, any of its subsidiaries, or any of their respective ERISA Affiliates in excess of US$150,000,000 (or its equivalent in other currencies) during the term hereof; or

(l) this Agreement shall at any time and for any reason be declared by a court of competent jurisdiction to be null and void, or a proceeding shall be commenced by any Loan Party or any other person, or by any Governmental Authority, seeking to establish the invalidity or unenforceability thereof (exclusive of questions or interpretation of any provision thereof), or any Loan Party shall repudiate or deny any portion of its financial obligation under this Agreement;

then, and in every such event (other than an event with respect to a Loan Party described in clause (g) or (h) of this Article), and at any time thereafter during the continuance of such event, the Administrative Agent at the request of the applicable Required Lenders shall, by notice to the Parent, take any of the following actions, at the same or different times: (i) terminate the Commitments, and thereupon the Commitments shall terminate immediately, (ii) declare the Loans and Reimbursement Obligations then outstanding to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Loans and the Reimbursement Obligations so declared to be due and payable, together with accrued interest thereon and all fees and other obligations of the Loan Parties accrued hereunder, shall become due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Loan Parties; and in case of any event with respect to any Loan Party described in clause (g) or (h) of this Article, the Commitments shall automatically terminate and the principal of the Loans and the Reimbursement Obligations then outstanding, together with accrued interest thereon and all fees and other obligations of the Loan Parties accrued hereunder, shall automatically become due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Loan Parties, and (iii) exercise on behalf of itself and the Lenders all rights and remedies available to it and the Lenders under the Loan Documents.
ARTICLE VIII
THE ADMINISTRATIVE AGENT

Section 8.01 Appointment and Authority. Each Lender Party hereby irrevocably appoints CITIBANK, N.A., to act on its behalf as the Administrative Agent hereunder and under the other Loan Documents and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto. The provisions of this Article are solely for the benefit of the Administrative Agent and the Lender Parties, and no Loan Party shall have rights as a third party beneficiary of any of such provisions. It is understood that the use of the term “agent” herein or in any other Loan Documents (or any other similar term) with reference to the Administrative Agent is not intended to connotate any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Instead such term is used as a matter of market custom, and is intended to create or reflect only an administrative relationship between contracting parties.

Section 8.02 Administrative Agent Individually.

(a) The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender Party as any other Lender Party and may exercise the same as though it were not the Administrative Agent and the term “Lender Party” or “Lender Parties” shall, unless otherwise expressly indicated or unless the context otherwise requires, include the Person serving as the Administrative Agent hereunder in its individual capacity. Such Person and its Affiliates may accept deposits from, lend money to, act as the financial advisor or in any other advisory capacity for and generally engage in any kind of business with the Parent or any Subsidiary or other Affiliate thereof as if such Person were not the Administrative Agent hereunder and without any duty to account therefor to the Lender Parties.

(b) Each Lender Party understands that the Person serving as Administrative Agent, acting in its individual capacity, and its Affiliates (collectively, the “Agent’s Group”) are engaged in a wide range of financial services and businesses (including investment management, financing, securities trading, corporate and investment banking and research) (such services and businesses are collectively referred to in this Article VIII as “Activities”) and may engage in the Activities with or on behalf of one or more of the Parent or its Affiliates. Furthermore, the Agent’s Group may, in undertaking the Activities, engage in trading in financial products or undertake other investment businesses for its own account or on behalf of others (including the Parent and its Affiliates and including holding, for its own account or on behalf of others, equity, debt and similar positions in the Parent or its respective Affiliates), including trading in or holding long, short or derivative positions in securities, loans or other financial products of one or more of the Parent or its Affiliates. Each Lender Party understands and agrees that in engaging in the Activities, the Agent’s Group may receive or otherwise obtain information concerning the Parent or its Affiliates (including information concerning the ability of the Parent to perform its obligations hereunder and under the other Loan Documents) which information may not be available to any of the Lender Parties that are not members of the Agent’s Group. None of the Administrative Agent nor any member of the Agent’s Group shall have any duty to disclose to any Lender Party or use on behalf of the Lender Parties, and shall not be liable for the failure to so disclose or use, any information whatsoever about or derived from the Activities or otherwise (including any information concerning the business, prospects, operations, property, financial and other condition or creditworthiness of the Parent or any Affiliate thereof) or to account for any revenue or profits obtained in connection with the Activities, except that the Administrative Agent shall deliver or otherwise make available to each Lender Party such documents as are expressly required by any Loan Document to be transmitted by the Administrative Agent to the Lender Parties.
(c) Each Lender Party further understands that there may be situations where members of the Agent’s Group or their respective customers (including the Parent and its Affiliates) either now have or may in the future have interests or take actions that may conflict with the interests of any one or more of the Lender Parties (including the interests of the Lender Parties hereunder and under the other Loan Documents). Each Lender Party agrees that no member of the Agent’s Group is or shall be required to restrict its activities as a result of the Person serving as Administrative Agent being a member of the Agent’s Group, and that each member of the Agent’s Group may undertake any Activities without further consultation with or notification to any Lender Party. None of (i) this Agreement nor any other Loan Document, (ii) the receipt by the Agent’s Group of information (including Information) concerning the Parent or its Affiliates (including information concerning the ability of the Parent to perform its obligations hereunder and under the other Loan Documents) or (iii) any other matter shall give rise to any fiduciary, equitable or contractual duties (including, without limitation, any duty of trust or confidence) owing by the Administrative Agent or any member of the Agent’s Group to any Lender Party including any such duty that would prevent or restrict the Agent’s Group from acting on behalf of customers (including the Parent or its Affiliates) or for its own account.

Section 8.03 Duties of Administrative Agent; Exculpatory Provisions.

(a) The Administrative Agent’s duties hereunder and under the other Loan Documents are solely ministerial and administrative in nature and the Administrative Agent shall not have any duties or obligations except those expressly set forth herein and in the other Loan Documents. Without limiting the generality of the foregoing, the Administrative Agent shall not be subject to any fiduciary or other implied duty, whether or not a Default or Event of Default has occurred or is continuing and shall not have any duty to take any discretionary action or exercise any discretionary powers, but shall be required to act or refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the written direction of the Required Lenders (or such other number or percentage of the Lenders as shall be expressly provided for herein or in the other Loan Documents), provided that the Administrative Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose the Administrative Agent or any of its Affiliates to liability or that is contrary to any Loan Document or applicable law.

(b) The Administrative Agent shall not be liable for any action taken or not taken by it (i) with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary, or as the Administrative Agent shall believe in good faith shall be necessary, under the circumstances as provided in Section 11.03 or Article VII) or (ii) in the absence of its own gross negligence or willful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default or the event or events that give or may give rise to any Default unless and until the Borrower or any Lender Party shall have given notice to the Administrative Agent describing such Default or such event or events.

(c) Neither the Administrative Agent nor any member of the Agent’s Group shall be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty, representation or other information made or supplied in or in connection with this Agreement or any other Loan Document, (ii) the contents of any certificate, report or other document
delivered hereunder or thereunder or in connection herewith or therewith or the adequacy, accuracy and/or completeness of the information contained therein, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any Default, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Loan Document or any other agreement, instrument or document or (v) the satisfaction of any condition set forth in Article IV or elsewhere herein, other than (but subject to the foregoing clause (ii)) to confirm receipt of items expressly required to be delivered to the Administrative Agent.

(d) Nothing in this Agreement or any other Loan Document shall require the Administrative Agent or any of its Related Parties to carry out any “know your customer” or other checks in relation to any person on behalf of any Lender Party and each Lender Party confirms to the Administrative Agent that it is solely responsible for any such checks it is required to carry out and that it may not rely on any statement in relation to such checks made by the Administrative Agent or any of its Related Parties.

Section 8.04 Reliance by Administrative Agent. The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message, Internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person, and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the making of a Loan that by its terms must be fulfilled to the satisfaction of a Lender Party, the Administrative Agent may presume that such condition is satisfactory to such Lender Party unless an officer of the Administrative Agent responsible for the transactions contemplated hereby shall have received notice to the contrary from such Lender Party prior to the making of such Loan, and in the case of a Loan, such Lender Party shall not have made available to the Administrative Agent such Lender Party’s ratable portion of such Loan. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

Section 8.05 Delegation of Duties. The Administrative Agent may perform any and all of its duties and exercise its rights and powers hereunder or under any other Loan Document by or through any one or more sub agents appointed by the Administrative Agent. The Administrative Agent shall use reasonable care in its selection of any such sub-agent, the standard of such care not to be below that which it would use for its own affairs and in performing its duties in respect hereof, such sub-agent shall use reasonable care in the performance of such duties, the standard of such care not to be below that which it would use for its own affairs. The Administrative Agent and any such sub agent may perform any and all of its duties and exercise its rights and powers by or through their respective Related Parties. Each such sub agent and the Related Parties of the Administrative Agent and each such sub agent shall be entitled to the benefits of all provisions of this Article VIII and Section 11.04 (as though such sub agents were the “Administrative Agent” under the Loan Documents) as if set forth in full herein with respect thereto.
Section 8.06 Resignation of Administrative Agent. The Administrative Agent may at any time give notice of its resignation to the Lender Parties and the Parent (such notice not to be effective until 30 days have lapsed). Upon receipt of any such notice of resignation, the Required Lenders shall have the right (which, unless an Event of Default under subsection (a), (g) or (h) of Section 7.01 has occurred and is continuing, shall be with the consent of the Borrower (such consent not to be unreasonably withheld or delayed)), to appoint a successor. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation (such 30-day period, the “Lender Party Appointment Period”), then the retiring Administrative Agent may on behalf of the Lender Parties, appoint a successor Administrative Agent, which shall be a commercial bank or a trust company with an office in the United States of America or the United Kingdom, or an affiliate of such a bank or trust company; provided that if the Administrative Agent shall notify the Parent and the Lender Parties that no qualifying Person has accepted such appointment, then such resignation shall nonetheless become effective in accordance with such notice and (1) the retiring Administrative Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents (except that in the case of any collateral security held by the Administrative Agent on behalf of any Lender Party under any of the Loan Documents, the retiring Administrative Agent shall continue to hold such collateral security until such time as a successor Administrative Agent is appointed) and (2) all payments, communications and determinations provided to be made by, to or through the Administrative Agent shall instead be made by or to each applicable Lender Party, directly, until such time as the Required Lenders appoint a successor Administrative Agent as provided for above in this paragraph; provided further that so long as no such successor Administrative Agent shall have accepted such appointment the Parent shall have the right to appoint, at its own cost and expense, a successor Administrative Agent, which successor Administrative Agent shall be a commercial bank or a trust company with an office in the United States of America or the United Kingdom, and which shall have a combined capital and surplus of at least $250,000,000 (or foreign currency equivalent thereof) (an “Interim Administrative Agent”), which Interim Administrative Agent shall serve as Administrative Agent in all respects (with the rights, privileges and obligations thereof, including without limitation the right to resign (and appoint a successor) as set forth above in this Section 8.06) until such time as the Required Lenders appoint a successor thereto in accordance with the provisions described above in this Section 8.06. Upon the acceptance of a successor’s appointment as Administrative Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring (or retired) Administrative Agent, and (i) the retiring Administrative Agent shall be discharged from its duties and obligations as Administrative Agent hereunder and under the other Loan Documents and (ii) all payments, communications and determinations provided to be made by, to or through the Administrative Agent shall instead be made by or to each Lender Party directly, until such time as a successor Administrative Agent or Interim Administrative Agent has been appointed as provided for above in this paragraph. Upon the acceptance of a successor’s appointment as Administrative Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of Administrative Agent of the retiring (or retired) Administrative Agent, and the retiring Administrative Agent shall be discharged from all of its duties and obligations as Administrative Agent hereunder or under the other Loan Documents (if not already discharged therefrom as provided above in this paragraph). The fees payable by the Loan Parties to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Loan Parties and such successor. After the retiring Administrative Agent’s resignation hereunder and under the other Loan Documents, the provisions of this Article and Section 11.04 shall continue in effect for the benefit of such retiring Administrative Agent, its sub agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while the retiring Administrative Agent was acting as Administrative Agent.
Section 8.07 Non-Reliance on Administrative Agent and Other Lender Parties.

(a) Each Lender Party confirms to the Administrative Agent, each other Lender Party and each of their respective Related Parties that it (i) possesses (individually or through its Related Parties) such knowledge and experience in financial and business matters that it is capable, without reliance on the Administrative Agent, any other Lender Party or any of their respective Related Parties, of evaluating the merits and risks (including tax, legal, regulatory, credit, accounting and other financial matters) of (x) entering into this Agreement, (y) making Loans and other extensions of credit hereunder and under the other Loan Documents and (z) taking or not taking actions hereunder and thereunder, (ii) is financially able to bear such risks and (iii) has determined that entering into this Agreement and making Loans and other extensions of credit hereunder and under the other Loan Documents is suitable and appropriate for it.

(b) Each Lender Party acknowledges that (i) it is solely responsible for making its own independent appraisal and investigation of all risks arising under or in connection with this Agreement and the other Loan Documents, (ii) it has, independently and without reliance upon the Administrative Agent, any other Lender Party or any of their respective Related Parties, made its own appraisal and investigation of all risks associated with, and its own credit analysis and decision to enter into, this Agreement based on such documents and information as it has deemed appropriate and (iii) it will, independently and without reliance upon the Administrative Agent, any other Lender Party or any of their respective Related Parties, continue to be solely responsible for making its own appraisal and investigation of all risks arising under or in connection with, and its own credit analysis and decision to take or not take action under, this Agreement and the other Loan Documents based on such documents and information as it shall from time to time deem appropriate, which may include, in each case:

(i) the financial condition, status and capitalization of the Loan Parties;

(ii) the legality, validity, effectiveness, adequacy or enforceability of this Agreement and each other Loan Document and any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Loan Document;

(iii) determining compliance or non-compliance with any condition hereunder to the making of a Loan and the form and substance of all evidence delivered in connection with establishing the satisfaction of each such condition; and

(iv) the adequacy, accuracy and/or completeness of and any information delivered by the Administrative Agent, any other Lender Party or by any of their respective Related Parties under or in connection with this Agreement or any other Loan Document, the transactions contemplated hereby and thereby or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Loan Document.

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Section 8.08 Trust Indenture Act. In the event that CITIBANK, N.A. or any of its Affiliates shall be or become an indenture trustee under the Trust Indenture Act of 1939 (as amended, the “Trust Indenture Act”) in respect of any securities issued or guaranteed by any Loan Party, the parties hereto acknowledge and agree that any payment or property received in satisfaction of or in respect of any obligation of any Loan Party hereunder or under any other Loan Document by or on behalf of CITIBANK, N.A. in its capacity as the Administrative Agent for the benefit of any Lender under any Loan Document (other than CITIBANK, N.A. or an Affiliate of CITIBANK, N.A.) and which is applied in accordance with the Loan Documents shall be deemed to be exempt from the requirements of Section 311 of the Trust Indenture Act pursuant to Section 311(b)(3) of the Trust Indenture Act.

Section 8.09 Certain Titles. Notwithstanding any other provision of this Agreement or any provision of any other Loan Document, each of the Coordinating Bookrunners & Mandated Lead Arrangers, Bookrunners & Mandated Lead Arrangers, Lead Arrangers, Arrangers and the Documentation Agent is named as such for recognition purposes only, and in its capacity as such shall have no powers, duties, responsibilities or liabilities with respect to this Agreement or the other Loan Documents or the transactions contemplated hereby and thereby; it being understood and agreed that such Persons shall be entitled to all indemnification and reimbursement rights in favor of the Administrative Agent as, and to the extent, provided for under Section 11.04. Without limitation of the foregoing, none of the Coordinating Bookrunners & Mandated Lead Arrangers, Bookrunners & Mandated Lead Arrangers, Lead Arrangers, Arrangers nor Documentation Agent shall, solely by reason of this Agreement or any other Loan Documents, have any fiduciary relationship in respect of any Lender or any other Person.

Section 8.10 Administrative Agent May File Proofs of Claim. In case of the pendency of any proceeding under any Bankruptcy Law or any other judicial proceeding relative to any Loan Party, the Administrative Agent (irrespective of whether the principal of any Loan shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Borrower) shall be entitled and empowered (but not obligated) by intervention in such proceeding or otherwise:

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans and all other obligations hereunder that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders and the Administrative Agent and their respective agents and counsel and all other amounts due to the Lenders and the Administrative Agent under Sections 2.12, 2.14, 2.15 and 11.04) allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same; and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender to make such payments to the Administrative Agent and, in the event that the Administrative Agent shall consent to the making of such payments directly to the Lenders, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent under Sections 2.12, 2.14, 2.15 and 11.04.
ARTICLE IX
GUARANTY

Section 9.01 Guaranty. Parent hereby absolutely, unconditionally and irrevocably guarantees, as a primary obligor and not as a surety, to the Administrative Agent and the Lenders, the punctual payment when due, whether at scheduled maturity or on any date of a required prepayment or by acceleration, demand or otherwise, of all obligations of the Borrower now or hereafter existing under this Agreement and the Loan Documents (including, without limitation, any extensions, modifications, substitutions, amendments or renewals of any or all of the foregoing obligations), whether direct or indirect, absolute or contingent, and whether for principal, interest, premiums, fees, indemnities, contract causes of action, costs, expenses or otherwise (such obligations being the “Guaranteed Obligations”), and agrees to pay any and all expenses (including, without limitation, reasonable fees and expenses of counsel) incurred by the Administrative Agent or any Lender in enforcing any rights under this Agreement. Without limiting the generality of the foregoing, the Guarantor’s liability shall extend to all amounts that constitute part of the Guaranteed Obligations and would be owed by any Loan Party to the Administrative Agent or any Lender under or in respect of this Agreement and the Loan Documents but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving any Loan Party.

Section 9.02 Guaranty Absolute. Guarantor guarantees that the Guaranteed Obligations will be paid strictly in accordance with the terms of this Agreement and the Loan Documents, regardless of any law, regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of the Administrative Agent or any Lender with respect thereto. The obligations of Guarantor under or in respect of this Guaranty are a guarantee of payment, and not of collection, and are independent of the Guaranteed Obligations or any other obligations of any Loan Party under or in respect of this Agreement and the Loan Documents, and a separate action or actions may be brought and prosecuted against Guarantor to enforce this Guaranty, irrespective of whether any action is brought against any Loan Party or whether any Loan Party is joined in any such action or actions. The liability of Guarantor under this Guaranty shall be irrevocable, absolute and unconditional irrespective of, and the Guarantor hereby irrevocably waives any defenses it may now have or hereafter acquire in any way relating to, any or all of the following:

(a) any lack of validity or enforceability of this Agreement, any Loan Document or any agreement or instrument relating thereto;

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(b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Guaranteed Obligations or any other obligations of any Loan Party under or in respect of this Agreement and the Loan Documents, or any other amendment or waiver of or any consent to departure from this Agreement or any Loan Documents, including, without limitation, any increase in the Guaranteed Obligations resulting from the extension of additional credit to any Loan Party or any of its Subsidiaries or otherwise;

(c) any taking, exchange, release or non-perfection of any collateral, or any taking, release or amendment or waiver of, or consent to departure from, any other guaranty, for all or any of the Guaranteed Obligations;

(d) any manner of application of any collateral, or proceeds thereof, to all or any of the Guaranteed Obligations, or any manner of sale or other disposition of any collateral for all or any of the Guaranteed Obligations or any other obligations of any Loan Party under this Agreement and the Loan Documents or any other assets of any Loan Party or any of its Subsidiaries;

(e) any change, restructuring or termination of the corporate structure or existence of any Loan Party or any of its Subsidiaries;

(f) any failure of the Administrative Agent or any Lender to disclose to the Guarantor any information relating to the business, condition (financial or otherwise), operations, performance, properties or prospects of any Loan Party now or hereafter known to the Administrative Agent or such Lender (the Guarantor waiving any duty on the part of the Administrative Agent and the Lenders to disclose such information); or

(g) any other circumstance that might constitute a defense of any Loan Party or the Guarantor.

This Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Guaranteed Obligations is rescinded or must otherwise be returned by the Administrative Agent or any Lender or any other Person upon the insolvency, bankruptcy or reorganization of any Loan Party or otherwise, all as though such payment had not been made.

Section 9.03 Waivers and Acknowledgments. (a) Guarantor hereby unconditionally and irrevocably waives promptness, diligence, notice of acceptance, presentment, demand for performance, notice of nonperformance, default, acceleration, protest or dishonor and any other notice with respect to any of the Guaranteed Obligations and this Guaranty and any requirement that the Administrative Agent or any Lender protect, secure, perfect or insure any Encumbrance or any property subject thereto or exhaust any right or take any action against any Loan Party or any other Person or any collateral.

(b) Guarantor hereby unconditionally and irrevocably waives any right to revoke this Guaranty and acknowledges that this Guaranty is continuing in nature and applies to all Guaranteed Obligations, whether existing now or in the future.

(c) Guarantor hereby unconditionally and irrevocably waives (i) any defense arising by reason of any claim or defense based upon an election of remedies by the Administrative Agent or any Lender that in any manner impairs, reduces, releases or otherwise adversely affects the subrogation, reimbursement, exoneration, contribution or indemnification rights of Guarantor or other rights of Guarantor to proceed against any Loan Party or any other Person or any collateral and (ii) any defense based on any right of set-off or counterclaim against or in respect of the obligations of the Guarantor hereunder.

(d) Guarantor hereby unconditionally and irrevocably waives any duty on the part of the Administrative Agent or any Lender to disclose to the Guarantor any matter, fact or thing relating to the business, condition (financial or otherwise), operations, performance, properties or prospects of any Loan Party or any of its Subsidiaries now or hereafter known by the Administrative Agent or such Lender.
(c) Guarantor acknowledges that it will receive substantial direct and indirect benefits from the financing arrangements contemplated by this Agreement and that the waivers set forth in Section 9.02 and this Section 9.03 are knowingly made in contemplation of such benefits.

Section 9.04 Subrogation. Guarantor hereby unconditionally and irrevocably agrees not to exercise any rights that it may now have or hereafter acquire against any Loan Party that arise from the existence, payment, performance or enforcement of the Guarantor’s obligations under or in respect of this Guaranty, including, without limitation, any right of subrogation, reimbursement, exoneration, contribution or indemnification and any right to participate in any claim or remedy of the Administrative Agent or any Lender against any Loan Party or any collateral, whether or not such claim, remedy or right arises in equity or under contract, statute or common law, including, without limitation, the right to take or receive from any Loan Party, directly or indirectly, in cash or other property or by set-off or in any other manner, payment or security on account of such claim, remedy or right, unless and until all of the Guaranteed Obligations shall have been indefeasibly paid in full in cash and the Commitments shall have expired or been terminated. If any amount shall be paid to the Guarantor in violation of the immediately preceding sentence at any time prior to the payment in full in cash of the Guaranteed Obligations and all other amounts payable under this Guaranty, such amount shall be received and held in trust for the benefit of the Administrative Agent and the Lenders, shall be segregated from other property and funds of the Parent and shall forthwith be paid or delivered to the Administrative Agent in the same form as so received (with any necessary endorsement or assignment) to be credited and applied to the Guaranteed Obligations, whether matured or unmatured, in accordance with the terms of this Agreement and the Notes, or to be held as collateral for any Guaranteed Obligations or other amounts payable under this Guaranty thereafter arising.

Section 9.05 Subordination. The Guarantor hereby subordinates any and all debts for borrowed money owed to the Guarantor by the Borrower (the “Subordinated Obligations”) to the Guaranteed Obligations to the extent and in the manner hereinafter set forth in this Section 9.05:

(a) Prohibited Payments, Etc. Except during the continuance of any Specified Event of Default (including the commencement and continuation of any proceeding under any Bankruptcy Law relating to the Borrower), the Parent may receive regularly scheduled payments from any Loan Party on account of the Subordinated Obligations. After the occurrence and during the continuance of any Specified Event of Default (including the commencement and continuation of any proceeding under any Bankruptcy Law relating to the Borrower), however, unless the Required Lenders otherwise agree, the Guarantor shall not demand, accept or take any action to collect any payment on account of the Subordinated Obligations.

(b) Prior Payment of Guaranteed Obligations. In any proceeding under any Bankruptcy Law relating to the Borrower, the Guarantor agrees that the Administrative Agent and the Lenders shall be entitled to receive payment in full in cash of all Guaranteed Obligations (including all interest and expenses accruing after the commencement of a proceeding under any Bankruptcy Law, whether or not constituting an allowed claim in such proceeding (“Post Petition Interest”)) before the Guarantor receives payment of any Subordinated Obligations.
(c) Turn Over. After the occurrence and during the continuance of any Specified Event of Default (including the commencement and continuation of any proceeding under any Bankruptcy Law relating to the Borrower), the Guarantor shall, if the Administrative Agent so requests, collect, enforce and receive payments on account of the Subordinated Obligations as trustee for the Administrative Agent and the Lenders and deliver such payments to the Administrative Agent on account of the Guaranteed Obligations (including all Post Petition Interest), together with any necessary endorsements or other instruments of transfer, but without reducing or affecting in any manner the liability of the Guarantor under the other provisions of this Guaranty.

(d) Agent Authorization. After the occurrence and during the continuance of any Specified Event of Default, the Administrative Agent is authorized and empowered (but without any obligation to so do), in its discretion, (i) in the name of the Guarantor, to collect and enforce, and to submit claims in respect of, Subordinated Obligations and to apply any amounts received thereon to the Guaranteed Obligations (including any and all Post Petition Interest), and (ii) to require the Guarantor (A) to collect and enforce, and to submit claims in respect of, Subordinated Obligations and (B) to pay any amounts received on such obligations to the Administrative Agent for application to the Guaranteed Obligations (including any and all Post Petition Interest).

For purposes of this Section 9.05, a “Specified Event of Default” shall mean an event described in clause (a), (g), (h), (i) or (l) of Section 7.01 of this Agreement.

Section 9.06 Continuing Guaranty. This Guaranty is a continuing guaranty and shall (a) remain in full force and effect until the payment in full in cash of the Guaranteed Obligations and all other amounts payable under this Guaranty, (b) be binding upon the Guarantor, its successors and assigns and (c) inure to the benefit of and be enforceable by the Administrative Agent and the Lenders and their successors, transferees and assigns.
ARTICLE X
[RESERVED]

Section 10.01 [Reserved].

ARTICLE XI
MISCELLANEOUS

Section 11.01 Notices.

(a) Except in the case of notices and other communications expressly permitted to be given by telephone, all notices, demands, requests, consents and other communications provided for in this Agreement shall be given in writing, or by any telecommunication device capable of creating a written record (including electronic mail), and addressed to the party to be notified as follows:

(i) if to Parent:
    Teva Pharmaceutical Industries Limited
    Attention: Vice President – Global Treasurer
    Address: 5 Basel Street, Petah Tiqva 49131, Israel
    Telephone: +972-3-926-7289
    Fax: +972-3-906-2501
    Email: eran.ezra@teva.co.il

    with a copy to:
    Attention: Vice President, General Counsel – International & Banking
    Address: 5 Basel Street, Petah Tiqva 49131, Israel
    Telephone: +972-3-926-7447
    Fax: +972-3-926-7429
    Email: chappy.nochumsohn@teva.co.il;

    if to Teva USA:
    Teva Pharmaceuticals USA, Inc.
    Attention: Frank V. Kimick
    Vice President Finance, North America Treasurer
    Address: 1090 Horsham Road, Pennsylvania, United States of America
    Telephone: +1-215-591-8527
    Fax: +1-215-591-8806
    Email: frank.kimick@tevausa.com

    with copies to Parent, as set out above; and
(ii) if to the Administrative Agent:

CITIBANK, N.A.
1615 Brett Road, Ops III
New Castle, DE 19720
Phone: +1-302-894-6011
Facsimile: +1-212-994-0961
Email: oploanswebadmin@citi.com
Attention: Administrative Agent;

(iii) if to any other Lender, to it at its address (or fax number) set forth in its Administrative Questionnaire;

or at such other address as shall be notified in writing (x) in the case of the Borrower, the Administrative Agent, to the other parties and (y) in the case of all other parties, to the Parent and the Administrative Agent.

(b) All notices, demands, requests, consents and other communications described in clause (a) shall be effective (i) if delivered by hand, including any overnight courier service, upon personal delivery, (ii) if delivered by registered mail, ten Business Days after being deposited in the mails, (iii) if delivered by posting to an Approved Electronic Platform, an Internet website or a similar telecommunication device requiring that a user have prior access to such Approved Electronic Platform, website or other device (to the extent permitted by Section 11.02 to be delivered thereunder), when such notice, demand, request, consent and other communication shall have been made generally available on such Approved Electronic Platform, Internet website or similar device to the class of Person being notified (regardless of whether any such Person must accomplish, and whether or not any such Person shall have accomplished, any action prior to obtaining access to such items, including registration, disclosure of contact information, compliance with a standard user agreement or undertaking a duty of confidentiality) and such Person has been notified in respect of such posting that a communication has been posted to the Approved Electronic Platform and (iv) if delivered by electronic mail or any other telecommunications device, when transmitted to an electronic mail address (or by another means of electronic delivery) as provided in clause (a); provided, however, that notices and communications pursuant to Article II or Article VIII shall not be effective until received by the addressee.

(c) Notwithstanding clauses (a) and (b) (unless the Administrative Agent requests that the provisions of clauses (a) and (b) be followed) and any other provision in this Agreement or any other Loan Document providing for the delivery of any Approved Electronic Communication by any other means, the Borrower shall deliver all Approved Electronic Communications to the Administrative Agent by properly transmitting such Approved Electronic Communications in an electronic/soft medium in a format acceptable to the Administrative Agent in accordance with Section 11.02. Nothing in this clause (c) shall prejudice the right of the Administrative Agent or any Lender Party to deliver any Approved Electronic Communication to the Borrower in any manner authorized in this Agreement or to request that the Borrower effect delivery in such manner.
Section 11.02 Posting of Approved Electronic Communications. The Loan Parties hereby agree that they will provide to
the Administrative Agent all Approved Electronic Communications that it is obligated to furnish to the Administrative Agent
pursuant to the Loan Documents, by transmitting such Communications in an electronic/soft medium in a format acceptable to the
Administrative Agent to oploanswebadmin@citi.com. In addition, the Borrower agrees to continue to provide the Approved
Electronic Communications to the Administrative Agent in the manner specified in the Loan Documents but only to the extent
requested by the Administrative Agent.

The Loan Parties further agree that the Administrative Agent may make the Approved Electronic Communications available to
the Lenders by posting such Communications on Intralinks, DebtDomain or a substantially similar electronic transmission systems
(the “Approved Electronic Platform”).

THE APPROVED ELECTRONIC PLATFORM IS PROVIDED “AS IS” AND “AS AVAILABLE”. THE AGENT
PARTIES (AS DEFINED BELOW) DO NOT WARRANT THE ACCURACY OR COMPLETENESS OF THE APPROVED
ELECTRONIC COMMUNICATIONS, OR THE ADEQUACY OF THE APPROVED ELECTRONIC PLATFORM AND
EXPRESSLY DISCLAIM LIABILITY FOR ERRORS OR OMISSIONS IN THE APPROVED ELECTRONIC
COMMUNICATIONS. NO WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR STATUTORY, INCLUDING,
WITHOUT LIMITATION, ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE,
NON-INFRINGEMENT OF THIRD PARTY RIGHTS OR FREEDOM FROM VIRUSES OR OTHER CODE DEFECTS, IS
MADE BY THE AGENT PARTIES IN CONNECTION WITH THE APPROVED ELECTRONIC COMMUNICATIONS
OR THE APPROVED ELECTRONIC PLATFORM. IN NO EVENT SHALL THE ADMINISTRATIVE AGENT OR ANY
OF ITS AFFILIATES OR ANY OF THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES, AGENTS,
ADVISORS OR REPRESENTATIVES (COLLECTIVELY, “AGENT PARTIES”) HAVE ANY LIABILITY TO ANY
LOAN PARTY, ANY LENDER OR ANY OTHER PERSON OR ENTITY FOR DAMAGES OF ANY KIND, INCLUDING,
WITHOUT LIMITATION, DIRECT OR INDIRECT, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES,
LOSSES OR EXPENSES (WHETHER IN TORT, CONTRACT OR OTHERWISE) ARISING OUT OF ANY LOAN
PARTY’S OR THE ADMINISTRATIVE AGENT’S TRANSMISSION OF APPROVED ELECTRONIC
COMMUNICATIONS THROUGH THE INTERNET, EXCEPT TO THE EXTENT THE LIABILITY OF ANY AGENT
PARTY IS FOUND IN A FINAL NON-APPEALABLE JUDGMENT BY A COURT OF COMPETENT JURISDICTION TO
HAVE RESULTED PRIMARILY FROM SUCH AGENT PARTY’S GROSS NEGLIGENCE OR WILLFUL
MISCONDUCT.

The Administrative Agent agrees that the receipt of the Approved Electronic Communications by the Administrative Agent at its
e-mail address set forth above shall constitute effective delivery of Approved Electronic Communications to the Administrative Agent
for purposes of the Loan Documents. Each Lender agrees that notice to it (as provided in the next sentence) specifying that such
Approved Electronic Communications have been posted to the Approved Electronic Platform shall constitute effective delivery of
such Communications to such Lender for purposes of the Loan Documents. Each Lender agrees to notify the Administrative Agent in
writing (including by electronic communication) from time to time of such Lender’s e-mail address to which the foregoing notice
may be sent by electronic transmission and (ii) that the foregoing notice may be sent to such e-mail address.
Nothing herein shall prejudice the right of the Administrative Agent or any Lender to give any notice or other communication pursuant to any Loan Document in any other manner specified in such Loan Document.

Section 11.03 Waivers; Amendments.

(a) No waiver of any provision of this Agreement or consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Parent and the Required Lenders or by the Parent and the Administrative Agent with the consent of the Required Lenders; provided that no such agreement shall (i) increase or extend the Commitment of any Lender (including for the avoidance of doubt by amending the definition of “Availability Period” or any provision of Section 2.06(a) in a manner that would extend the period for any Commitments) without the written consent of such Lender, (ii) reduce the principal amount of any Loan or reduce the rate of interest thereon, or reduce any fees payable hereunder, without the written consent of each Lender affected thereby, (iii) postpone the scheduled date of payment of the principal amount of any Loan, or any interest thereon, or any fees payable hereunder, or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date of expiration of any Commitment, without the written consent of each Lender affected thereby, (iv) change Section 2.08(a) or Section 2.16(b) or (c) in a manner that would alter the pro rata sharing of payments required thereby, without the written consent of each Lender affected thereby (other than a Defaulting Lender), (v) change the durations provided for in the definition of “Interest Period” hereunder, without the written consent of each Lender affected thereby (other than a Defaulting Lender), (vi) after the occurrence of a Change of Control, amend the rights of any or all Lenders (in a manner detrimental to such Lender) under Section 2.08(c) in respect of such Change of Control (including postponing the date on which amounts thereunder are payable or reducing the amounts so payable or terminable) (it being understood that prior to the occurrence of such Change of Control, the Required Lenders, the Administrative Agent and the Parent may amend or waive any provision of Section 2.08(c) or the definition of “Change of Control”), (vii) release the Parent from the Guaranty, or limit the Parent’s liability in respect of such Guaranty, without the written consent of each Lender (other than a Defaulting Lender), (viii) change any of the provisions of this Section 11.03 or the definition of “Required Lenders” or any other provision hereof specifying the number or percentage of Lenders required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender (other than a Defaulting Lender) or (ix) amend any substantive provision of Section 2.12 or 2.13 in a manner adverse to any Lender without the consent of Lenders having Credit Exposures and unused Commitments representing at least 75% of the sum of the total Credit Exposures and unused Commitments of all Lenders at such time; provided further, that no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent or the Coordinating Bookrunners & Mandated Lead Arrangers hereunder or under any other Loan Document without the prior written consent of the Administrative Agent or the Coordinating Bookrunners & Mandated Lead Arrangers, as the case may be.
(c) Notwithstanding the foregoing, any provision of this Agreement may be amended by an agreement in writing entered into by
the Parent, the Borrower, the Required Lenders and the Administrative Agent if (i) by the terms of such agreement the Commitment
of each Lender not consenting to the amendment provided for therein shall terminate upon the effectiveness of such amendment and
(ii) at the time such amendment becomes effective, each Lender not consenting thereto receives payment (including pursuant to an
assignment to a replacement Lender in accordance with Section 11.05) in full of the principal of and interest accrued on each Loan
made by it and all other amounts owing to it or accrued for its account under this Agreement.

Section 11.04 Expenses; Indemnity; Damage Waiver.

(a) The Loan Parties shall pay (i) all reasonable invoiced out-of-pocket expenses incurred by the Administrative Agent and the
Lenders, including the reasonable fees, charges and disbursements of counsel for the Administrative Agent and the Lenders, in
connection with the administration of this Agreement or any amendments, modifications or waivers of the provisions hereof (whether
or not the transactions contemplated thereby shall be consummated) and (ii) all out-of-pocket expenses invoiced to and incurred by
the Administrative Agent and/or any Lender, including the fees, charges and disbursements of any counsel for the Administrative
Agent and the Lenders, in connection with the enforcement or protection of their rights in connection with this Agreement, including
its rights under this Section, or in connection with the Loans made, including all such out-of-pocket expenses incurred during any
workout, restructuring or negotiations in respect of such Loans.

(b) The Parent and Teva USA agree, to the fullest extent permitted by law, to indemnify and hold harmless each Arranger Party,
the Administrative Agent and each Lender and each Related Party of any of the foregoing Persons (the “Indemnified Parties”) from
and against any and all claims, damages, losses, liabilities, costs, penalties, fees and expenses (including reasonable fees and
disbursements of counsel) of any kind or nature whatsoever for which any of them may become liable or which may be incurred by or
asserted against any of the Indemnified Parties (other than claims and related damages, losses, liabilities, costs, penalties, fees and expenses made by one Lender (or its successors or assignees) against another Lender) arising out of, related to or in connection with
or by reason of (including, without limitation, in connection with any investigation, litigation or proceeding or preparation of a
defense in connection therewith) (i) any Loan Document or any other document or instrument delivered in connection herewith,
(ii) any violation by any Loan Party or any Subsidiary of any Loan Party of any Environmental Law or any other law, rule, regulation
or order, (iii) the actual or proposed use of the proceeds of any Loan or (iv) any transaction in which any proceeds of any Loan are
applied (EXCLUDING ANY SUCH CLAIM, DAMAGE, LOSS, LIABILITY, COST, PENALTY, FEE OR EXPENSE
SOUGHT TO BE RECOVERED BY ANY INDEMNIFIED PARTY TO THE EXTENT SUCH CLAIM, DAMAGE, LOSS,
LIABILITY, COST, PENALTY, FEE OR EXPENSE HAS BEEN DETERMINED BY A FINAL NON-APPEALABLE
JUDGMENT OF A COURT OF COMPETENT JURISDICTION TO HAVE SOLELY RESULTED BY REASON OF THE
GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF SUCH INDEMNIFIED PARTY). IT IS THE INTENT OF THE
PARTIES HERETO THAT EACH INDEMNIFIED PARTY SHALL, TO THE EXTENT PROVIDED IN THIS
SECTION 11.04(b), BE INDEMNIFIED FOR ITS OWN ORDINARY, SOLE OR CONTRIBUTORY NEGLIGENCE. In the
case of an investigation, litigation or other proceeding to which the indemnity in this Section 11.04(b) applies, such indemnity shall
be effective whether or not such investigation, litigation or proceeding is brought by any Loan Party, its directors, shareholders or
creditors, any Indemnified Party or any other Person, whether or not any Indemnified Party is otherwise a party thereto and whether
or not the Transaction is consummated.
(c) The Parent agrees with each Indemnified Party that it will, as an independent and primary obligation, indemnify that
Indemnified Party immediately on demand against any cost, loss or liability it incurs (I) if any obligation guaranteed by it is or
becomes unenforceable, invalid or illegal where such cost, loss or liability arises as a result of a Loan Party not paying any amount
which would, but for such unenforceability, invalidity or illegality have been payable by it under any Loan Document on the date
when it would have been due, or (II) if as a result (directly or indirectly) of the introduction of or any change in (or the interpretation,
administration or application of) any law or regulation, or compliance with any law, regulation or administrative procedure made after
entry into this Agreement (a “Law Change”), there is a change in the currency, the value of the currency or the timing, place or
manner in which any obligation guaranteed by the Parent is payable. The amount payable by the Parent under this indemnity (i) in
respect of clause (I) above, shall be the amount it would have had to pay under this Agreement if the amount claimed had been
recoverable on the basis of a guarantee but for any relevant unenforceability, invalidity or illegality, and (ii) in respect of clause (II)
above, shall include (A) the difference between (x) the amount (if any) received by the applicable Indemnified Party from the
applicable Loan Party and (y) the amount that the applicable Loan Party was obliged to pay under the original express terms of the
Documents in the currency specified in the Loan Documents, disregarding any Law Change (the “Original Currency”), and (B) all
further costs, losses and liabilities suffered or incurred by such Indemnified Party as a result of a Law Change. For the purposes of
(A)(x), if payment was not received by such Indemnified Party in the Original Currency, the amount received by such Indemnified
Party shall be deemed to be that payment’s equivalent in the Original Currency converted, actually or notionally at such Indemnified
Party’s discretion, on the day of receipt at the then prevailing spot rate of exchange of such Indemnified Party or if, in such
Indemnified Party’s opinion, it could not reasonably or properly have made a conversion on the day of receipt of the equivalent of
that payment in the Original Currency, that payment’s equivalent as soon as such Indemnified Party could, in its opinion, reasonably
and properly have made a conversion of the Original Currency with the currency of payment. If the Original Currency no longer
exists, the Parent shall make such payment in such currency as is, in the reasonable opinion of such Indemnified Party, required, after
taking into account any payments by the applicable Loan Party, to place such Indemnified Party in a position reasonably comparable
to that it would have been in had the Original Currency continued to exist.

(d) To the extent that any Loan Party fails to pay any amount required to be paid by it to the Administrative Agent or any
Arranger Party, under paragraph (a) or (b) or (c) of this Section, each Lender severally agrees to pay to such Person such Lender’s
Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought and
determined without giving effect to the Applicable Percentage of any applicable Defaulting Lender) of such unpaid amount; provided
that the unreimbursed expense or indemnified loss, claim, damage, liability, cost, penalty, fee or related expense, as the case may be,
was incurred by or asserted against such Person in its respective capacity as such.
To the fullest extent permitted by applicable law, no Loan Party shall assert, and hereby waives, any claim against any Indemnified Party, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Loan or the use of the proceeds thereof. No Indemnified Party referred to in paragraph (b) above shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby.

(f) All amounts due under this Section shall be payable not later than 3 Business Days after written demand therefor, such demand to be in reasonable detail setting forth the basis for and method of calculation of such amounts.

Section 11.05 Successors and Assigns.

(a) Successors and Assigns Generally. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that neither the Parent nor the Borrower may assign or otherwise transfer any of their rights or obligations hereunder without the prior written consent of the Administrative Agent and each Lender and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an assignee in accordance with the provisions of paragraph (b) of this Section, (ii) by way of participation in accordance with the provisions of paragraph (d) of this Section or (iii) by way of pledge or assignment of a security interest subject to the restrictions of paragraph (f) of this Section (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in paragraph (d) of this Section and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Assignments by Lenders. Any Lender may at any time assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of any of its Commitments and Loans at the time owing to it); provided that any such assignment shall be subject to the following conditions:

(i) Minimum Amounts.

(A) in the case of an assignment of the entire remaining amount of the assigning Lender’s Commitment and the relevant Loans at the time owing to it or in the case of an assignment to a Lender, an Affiliate of a Lender or an Approved Fund, no minimum amount need be assigned; and

(B) in any case not described in paragraph (b)(i)(A) of this Section, the aggregate amount of the Commitment (which for this purpose includes Loans outstanding thereunder) or, if the applicable Commitment is not then in effect, the principal outstanding balance of the Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent or, if “Trade Date” is specified in the Assignment and Assumption, as of the Trade Date) shall not be less than US$5,000,000 and shall be an integral
multiple of US$1,000,000, unless each of the Administrative Agent and, so long as no Event of Default under Section 7.01 (a), (b), (g), (h) or (i) has occurred and is continuing, the Parent otherwise consents (each such consent not to be unreasonably withheld or delayed) (provided that the Parent shall be deemed to have consented thereto unless it shall object thereto by written notice to the Administrative Agent within 5 Business Days after having received notice or request for such consent).

(ii) Proportionate Amounts. Each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender’s rights and obligations under this Agreement with respect to the Loan or the Commitment assigned.

(iii) Required Consents. No consent shall be required for any assignment except to the extent required by paragraph (b)(i) (B) of this Section and, in addition, the consent of the Parent (such consent not to be unreasonably withheld or delayed) shall be required unless (x) an Event of Default under Section 7.01(a), (b), (g), (h) or (i) has occurred and is continuing at the time of such assignment or (y) such assignment is to a Lender, an Affiliate of a Lender or an Approved Fund; provided that the consent of Parent to an assignment must not be withheld solely because the assignment or transfer may result in increased obligations under Section 2.15; provided further that the Parent shall be deemed to have consented to any such assignment unless it shall object thereto by written notice to the Administrative Agent within 5 Business Days after having received notice or request for such consent; and, in addition, the consent of the Administrative Agent shall be required (which consent shall not be unreasonably withheld or delayed); and

(iv) Assignment and Assumption. The parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of US$3,500 (which fee, in the sole discretion of the Administrative Agent, may be waived in whole or in part in any particular case), and the assignee, if it is not a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire.

(v) No Assignment to Parent or its Affiliates. No such assignment shall be made to the Parent or any of the Parent’s Affiliates or Subsidiaries.

(vi) No Assignment to Natural Persons. No such assignment shall be made to a natural person.

(vii) Bank or Financial Institution. No such assignment shall be made to any assignee that is not a bank or a financial institution.

(viii) Creditworthy Entity. Unless consented to expressly by the Parent (provided that after the end of the Availability Period, such consent shall not be unreasonably withheld or delayed), no such assignment shall be made to any assignee that does not qualify as a Creditworthy Entity at the time of such assignment, unless (x) an Event of Default under Section 7.01(a), (b), (g), (h) or (i) has occurred and is continuing at the time of such assignment or (y) such assignment is to a Lender, an Affiliate of a Lender or an Approved Fund.

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For purposes hereof, a “Creditworthy Entity” means a bank or financial institution which (x) has an international corporate family rating or a rating for its long-term unsecured non-credit enhanced debt obligations of BBB- or higher by S&P or Fitch Ratings Ltd or Baa3 or higher by Moody’s or a comparable rating from an internationally recognized credit rating agency or (y) in the case of a financial institution based in Israel without such a rating, such financial institution qualifies as an “Investor” within the meaning of the first supplement to the Israeli Securities Law, 1968 and has at least US$1,000,000,000 of assets under management (or the foreign currency equivalent thereof).

Subject to acceptance and recording thereof by the Administrative Agent pursuant to paragraph (c) of this Section, from and after the effective date specified in each Assignment and Assumption, the assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender’s rights and obligations under this Agreement, such Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of Sections 2.12, 2.15 and 11.04 with respect to facts and circumstances occurring prior to the effective date of such assignment. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this paragraph shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (d) of this Section.

(c) Register. The Administrative Agent, acting solely for this purpose as an agent of the Borrower, shall maintain at one of its offices a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amounts of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the “Register”). The entries in the Register shall be conclusive, and the Borrower, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Parent and any Lender as to its own Commitments and amounts owing to it, at any reasonable time and from time to time upon reasonable prior notice.

(d) Participations. Any Lender may at any time, without the consent of, or notice to, the Parent, the Borrower or the Administrative Agent, sell participations to any Person (other than a natural person or the Parent or any of the Parent’s Affiliates or Subsidiaries) (each, a “Participant”) in all or a portion of such Lender’s rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the Loans owing to it); provided that (i) such Lender’s obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower, the Administrative Agent and the Lenders shall continue to deal solely and directly with such Lender in connection with such Lender’s rights and obligations under this Agreement.

Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without
the consent of the Participant, agree to any amendment, modification or waiver described in Section 11.02 that affects such Participant. Subject to paragraph (e) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.12 and 2.15 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 11.09 as though it were a Lender, provided such Participant agrees to be subject to Section 2.16(c) as though it were a Lender.

Each Lender that sells a participation shall, acting solely for this purpose as a non-fiduciary agent of the Borrower, maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant’s interest in the Loans or other obligations under the Loan Documents (the “Participant Register”); provided that no Lender shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any Participant or any information relating to a Participant’s interest in any commitments, loans, or its other obligations under any Loan Document) to any Person except to the extent that such disclosure is necessary to establish that such commitment, loan or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. For the avoidance of doubt, the Administrative Agent (in its capacity as Administrative Agent) shall have no responsibility for maintaining a Participant Register.

(e) Limitations upon Participant Rights. A Participant shall not be entitled to receive any greater payment under Section 2.12 or 2.15 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Parent’s prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 2.15 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 2.15(e) as though it were a Lender.

(f) Certain Pledges. Any Lender may at any time pledge, charge or assign a security interest in or over all or any portion of its rights to repayment of Loans made under this Agreement to secure obligations of such Lender, including any pledge, charge or assignment to secure obligations, including, to a Federal Reserve Bank, the European Central Bank or any other central bank; provided that no such pledge, charge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

Section 11.06 Survival. All covenants, agreements, representations and warranties made by the Loan Parties herein and in the certificates or other instruments delivered in connection with or pursuant to this Agreement shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of this Agreement and the making of any Loans, regardless of any investigation made by any such other party or on its behalf, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any fee or any other amount payable under this Agreement is outstanding and unpaid and so long as the Commitments have not expired or terminated. The provisions of Sections 2.12, 2.14 and 2.15, Article VIII and Sections 11.04 and 11.13 shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans, the expiration or termination of the Commitments or the termination of this Agreement or any provision hereof.
Section 11.07 Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and any separate letter agreements with respect to fees payable to the Administrative Agent constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. This Agreement shall become effective on the Effective Date, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Agreement by telecopy or other electronic transmission shall be effective as delivery of a manually executed counterpart of this Agreement.

Section 11.08 Severability. Any provision of this Agreement or the Loan Documents held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

Section 11.09 Right of Setoff. If an Event of Default shall have occurred and be continuing, each Lender is hereby authorized at any time and from time to time, to the fullest extent permitted by applicable law, to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held and other obligations (in whatever currency) at any time owing by such Lender to or for the credit or the account of the Borrower or the Guarantor against any and all of the obligations of any the Borrower or the Guarantor existing under this Agreement or any other Loan Document to such Lender, irrespective of whether or not such obligations of the Borrower or Guarantor may be owed to a branch or office of such Lender different from the branch or office holding such deposit or obligated on such indebtedness. The rights of each Lender under this Section are in addition to other rights and remedies (including other rights of setoff) that such Lender may have. Each Lender agrees to notify the Parent and the Administrative Agent promptly after any such setoff and application, provided that the failure to give such notice shall not affect the validity of such setoff and application.

Section 11.10 Governing Law; Jurisdiction; Consent to Service of Process.

(a) This Agreement shall be construed in accordance with and governed by the law of the State of New York.

(b) Each Party hereto hereby irrevocably and unconditionally submits, for itself and its property, to the exclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to
the extent permitted by law, in such federal court. To the extent that any Loan Party has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, such Loan Party hereby irrevocably waives such immunity in respect of its obligations under this Agreement. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that the Administrative Agent or any Lender may otherwise have to bring any action or proceeding relating to this Agreement against the Borrower or the Guarantor or any of their respective properties in the courts of any jurisdiction to enforce a judgment obtained in accordance with this Section.

(c) Each Loan Party hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 11.01. In addition, each Loan Party (other than Teva USA) hereby irrevocably designates, appoints and empowers TEVA PHARMACEUTICALS USA, INC., a Delaware corporation, the principal office of which is at 1090 Horsham Road, North Wales, Pennsylvania, United States of America (the “Process Agent”), in the case of any suit, action or proceeding brought in the United States as its designee, appointee and agent to receive, accept and acknowledge for and on its behalf, and in respect of its property, service of any kind and all legal process, summons, notices and documents that may be served in any action or proceeding arising out of or in connection with this Agreement or any other Loan Document. By executing this Agreement, Teva USA hereby irrevocably accepts such designation, appointment and agency. Such service may be made by mailing (by registered or certified mail, postage prepaid) or delivering a copy of such process to such Person in care of the Process Agent at the Process Agent’s above address, and such Person hereby irrevocably authorizes and directs the Process Agent to accept such service on its behalf. As an alternative method of service, each Loan Party irrevocably consents to the service of any and all process in any such action or proceeding by the mailing (by registered or certified mail, postage prepaid) of copies of such process to the Process Agent or such Person at its address specified in Section 11.01. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

Section 11.11 WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY
WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND
(B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS
AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

Section 11.12 Headings. Article and Section headings and the Table of Contents used herein are for convenience of
reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting,
this Agreement.

Section 11.13 Confidentiality. Each of the Administrative Agent and the Lender Parties agrees to maintain the
confidentiality of the Information (as defined below) and not to disclose or permit its disclosure to any Person, for a period of at least
1 year following the termination of this Agreement, except that Information may be disclosed (a) to its Related Parties (it being
understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and
instructed to keep such Information confidential) on a need-to-know basis to the extent used in connection with the administration of
this Agreement, (b) to the extent requested by or legally obligated to disclose it pursuant to a request of any regulatory authority or
Governmental Authority purporting to have jurisdiction over it (including any self-regulatory authority, such as the National
Association of Insurance Commissioners), (c) to the extent required by applicable laws or regulations or by any subpoena or similar
legal process, (d) to any other party hereto, (e) in connection with the exercise of any remedies hereunder or under any other Loan
Document or any action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder
or thereunder, (f) subject to an agreement containing provisions no less restrictive than those of this Section, to (i) any assignee of or
Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement or (ii) any actual
or prospective party (or its managers, administrators, trustees, partners, directors, officers, employees, agents, advisors and other
representatives) to any swap, derivative or other similar transaction under which payments are to be made by reference to the
Borrower and its obligations, this Agreement or payments hereunder, (iii) any rating agency, or (iv) the CUSIP Service Bureau or any
similar organization, (g) with the consent of the Borrower or (h) to the extent such Information becomes publicly available other
than as a result of a breach of this Section or (y) becomes available to the Lender or any of their respective Affiliates on a
non-confidential basis from a source other than the Borrower. It is agreed that in case of the Lender becoming aware of a requirement
to disclose Information in accordance with sub-Sections (b) or (c) above (other than in the case of a routine regulatory or industry
examination, review or audit or disclosure made to any of the Persons referred to in such sub-Sections during the ordinary course of
its supervisory or regulatory functions), it will notify Parent and the relevant Borrower of such requirement as soon as reasonably
practicable, to the extent it is lawfully permitted to so notify (as determined in its sole discretion).

For purposes of this Section, “Information” means all information received at any time prior to the date hereof and afterwards
from the Parent or any of its Subsidiaries relating to the Parent or any of its Subsidiaries or any of their respective businesses, other
than any such information that is available to the Administrative Agent or any Lender on a non-confidential basis prior to disclosure
by the Parent or any of its Subsidiaries, provided that, in the case of information received from the Parent or any of its Subsidiaries
after the
date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information, and at least reasonable care.

Each Lender undertakes not to make use of any Information without the prior written consent of the Parent including, for the avoidance of doubt, the issuance of any public announcement, press release or other similar communication, which consent shall not be unreasonably withheld; provided that, such Lender shall be permitted to (i) make use of such information as permitted by the preceding paragraphs of this Section and (ii) disclose the existence of the business relationship hereunder and this Agreement’s signing in connection with the Lender’s marketing efforts following the Effective Date, each without the consent of the Parent.

Section 11.14 Treatment of Information. (a) Certain of the Lenders may enter into this Agreement and take or not take action hereunder or under the other Loan Documents on the basis of information that does not contain material non-public information with respect to the Parent or its securities (“Restricting Information”). Other Lenders may enter into this Agreement and take or not take action hereunder or under the other Loan Documents on the basis of information that may contain Restricting Information. Each Lender Party acknowledges that United States federal and state securities laws prohibit any person from purchasing or selling securities on the basis of material, non-public information concerning such issuer of such securities or, subject to certain limited exceptions, from communicating such information to any other Person. Neither the Administrative Agent nor any of its Related Parties shall, by making any Communications (including Restricting Information) available to a Lender Party, by participating in any conversations or other interactions with a Lender Party or otherwise, make or be deemed to make any statement with regard to or otherwise warrant that any such information or Communication does or does not contain Restricting Information nor shall the Administrative Agent or any of its Related Parties be responsible or liable in any way for any decision a Lender Party may make to limit or to not limit its access to Restricting Information. In particular, none of the Administrative Agent nor any of its Related Parties shall have, and the Administrative Agent, on behalf of itself and each of its Related Parties, hereby disclaims, any duty to ascertain or inquire as to whether or not a Lender Party has or has not limited its access to Restricting Information, such Lender Party’s policies or procedures regarding the safeguarding of material, nonpublic information or such Lender Party’s compliance with applicable laws related thereto or (ii) shall have, or incur, any liability to the Loan Parties or Lender Party or any of their respective Related Parties arising out of or relating to the Administrative Agent or any of its Related Parties providing or not providing Restricting Information to any Lender Party.

(b) Each Loan Party agrees that (i) all Communications it provides to the Administrative Agent intended for delivery to the Lender Parties whether by posting to the Approved Electronic Platform or otherwise shall be clearly and conspicuously marked “PUBLIC” if such Communications do not contain Restricting Information which, at a minimum, shall mean that the word “PUBLIC” shall appear prominently on the first page thereof, or (ii) by marking Communications “PUBLIC,” the Borrower shall be deemed to have authorized the Administrative Agent and the Lender Parties to treat such Communications as either publicly available information or not material information (although, in the latter case, such Communications may contain sensitive business information and, therefore, remain

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subject to the confidentiality undertakings of this Section 11.14) with respect to the Parent or its securities for purposes of United States federal and state securities laws, (iii) all Communications marked “PUBLIC” may be delivered to all Lender Parties and may be made available through a portion of the Approved Electronic Platform designated “Public Side Information,” and (iv) the Administrative Agent shall be entitled to treat any Communications that are not marked “PUBLIC” as Restricting Information and may post such Communications to a portion of the Approved Electronic Platform not designated “Public Side Information.” Neither the Administrative Agent nor any of its Affiliates shall be responsible for any statement or other designation by the Borrower regarding whether a Communication contains or does not contain material non-public information with respect to the Parent or its securities nor shall the Administrative Agent or any of its Affiliates incur any liability to the Borrower, any Lender Party or any other Person for any action taken by the Administrative Agent or any of its Affiliates based upon such statement or designation, including any action as a result of which Restricting Information is provided to a Lender Party that may decide not to take access to Restricting Information. Nothing in this Section 11.14 shall modify or limit a Lender Party’s obligations under Section 11.13 with regard to Communications and the maintenance of the confidentiality of or other treatment of Information.

(c) Each Lender Party acknowledges that circumstances may arise that require it to refer to Communications that might contain Restricting Information. Accordingly, each Lender Party agrees that it will nominate at least one designee to receive Communications (including Restricting Information) on its behalf and identify such designee (including such designee’s contact information) on such Lender Party’s Administrative Questionnaire. Each Lender Party agrees to notify the Administrative Agent from time to time of such Lender Party’s designee’s e-mail address to which notice of the availability of Restricting Information may be sent by electronic transmission.

(d) Each Lender Party acknowledges that Communications delivered hereunder and under the other Loan Documents may contain Restricting Information and that such Communications are available to all Lender Parties generally. Each Lender Party that elects not to take access to Restricting Information does so voluntarily and, by such election, acknowledges and agrees that the Administrative Agent and other Lender Parties may have access to Restricting Information that is not available to such electing Lender Party. None of the Administrative Agent nor any Lender Party with access to Restricting Information shall have any duty to disclose such Restricting Information to such electing Lender Party or to use such Restricting Information on behalf of such electing Lender Party, and shall not be liable for the failure to so disclose or use, such Restricting Information.

(e) The provisions of the foregoing clauses of this Section 11.14 are designed to assist the Administrative Agent, the Lender Parties and the Loan Parties in complying with their respective contractual obligations and applicable law in circumstances where certain Lender Parties express a desire not to receive Restricting Information notwithstanding that certain Communications hereunder or under the other Loan Documents or other information provided to the Lender Parties hereunder or thereunder may contain Restricting Information. Neither the Administrative Agent nor any of its Related Parties warrants or makes any other statements with respect to the adequacy of such provisions to achieve such purpose nor does the Administrative Agent or any of its Related Parties warrant or make any other statement to the effect that the Loan Parties’ or Lender Party’s adherence to such provisions will be sufficient to ensure compliance by any Loan Party or Lender Party with its contractual obligations or its duties under applicable law in respect of Restricting Information and each of the Lender Parties and the Loan Parties assumes the risks associated therewith.
(f) Any Lender Party may disclose to any Person to whom or for whose benefit such Lender Party charges, assigns or otherwise creates an Encumbrance (or may do so) pursuant to Section 11.05(f).

Section 11.15 Interest Rate Limitation. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan, together with all fees, charges and other amounts which are treated as interest on such Loan under applicable law (collectively the “Charges”), shall exceed the maximum lawful rate (the “Maximum Rate”) which may be contracted for, charged, taken, received or reserved by the Lender holding such Loan in accordance with applicable law, the rate of interest payable in respect of such Loan hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Loan but were not payable as a result of the operation of this Section shall be cumulated and the interest and Charges payable to such Lender in respect of other Loans or periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together (to the extent lawful) with interest thereon at the Federal Funds Effective Rate to the date of repayment, shall have been received by such Lender.

Section 11.16 No Waiver; Remedies. No failure on the part of any party hereto to exercise, and no delay in exercising, any right under this Agreement or any other Loan Document shall operate as a waiver thereof, nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies of the Administrative Agent and the Lenders provided in this Agreement are cumulative and not exclusive of any remedies that they would otherwise have. Without limiting the generality of the foregoing, the making of a Loan shall not be construed as a waiver of any Default, regardless of whether the Administrative Agent or any Lender may have had notice or knowledge of such Default at the time.

Section 11.17 USA Patriot Act Notice and “Know Your Customer” and OFAC Provisions. Each Lender and the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies the Loan Parties that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the “Act”) and pursuant to other applicable “know your customer” and anti-money laundering rules and regulations, it is required to obtain, verify and record information that identifies each Loan Party, which information includes the name and address of each Loan Party and other information that will allow such Lender or the Administrative Agent, as applicable, to identify each Loan Party in accordance with the Act. Each Loan Party shall, following a request by the Administrative Agent or any Lender, provide all documentation and other information that the Administrative Agent or such Lender reasonably requests in order to comply with its ongoing obligations under applicable “know your customer” and anti-money laundering rules and regulations, including the Act.

(b) Without limiting the foregoing, if:

(i) the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation made after the date of this Agreement; or
(ii) any change in the status or composition of shareholders of a Loan Party after the date of this Agreement; or

(iii) a proposed assignment or transfer by any Lender or Administrative Agent of its rights and obligations under this Agreement,

obliges the Administrative Agent or any Lender or, in the case of paragraph (c) above, any prospective new Lender or Administrative Agent to comply with “know your customer” or similar identification procedures in circumstances where the necessary information is not already available to it, each Loan Party shall promptly upon the request of the Administrative Agent or any Lender supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Lender (for itself or, in the case of the event described in paragraph (iii) above, any prospective new Lender) to carry out and be satisfied it has complied with all necessary “know your customer” or other similar checks under all applicable laws and regulations pursuant to the transactions contemplated in the Loan Documents.

(c) Each Lender shall promptly upon the request of the Administrative Agent supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Administrative Agent (for itself) in order for the Administrative Agent to carry out and be satisfied it has complied with all necessary “know your customer” or other similar checks under all applicable laws and regulations pursuant to the transactions contemplated in the Loan Documents.

(d) Each Loan Party represents, warrants, agrees and covenants that (I) neither it nor any of its Subsidiaries is an Embargoed Person, (II) neither it, nor any of its Subsidiaries, nor to the best of their knowledge none of the respective officers, directors, employees, brokers or agents of such Loan Party or such Subsidiary acting or benefiting it in any capacity in connection with Loans (x) is an Embargoed Person or (y) conducts any business or engages in making or receiving any contribution of funds, goods or services to or for the benefit of any Embargoed Person, except where such conduct or transactions would not reasonably be likely to expose the Administrative Agent, or any Lenders to any material liability or material detriment (which for the avoidance of doubt, would include reputational harm) (it being understood that should any such harm result therefrom, the indemnity provisions of Section 11.04 shall apply in respect thereof in accordance with the terms and provisions of such Section) and (III) neither it nor any of its Subsidiaries will use or otherwise make available the proceeds of any Loan hereunder (i) to fund any activities or business of or with an Embargoed Person or any other Person, or in any country or territory, that, at the time of such funding, is the subject of Sanctions, or (ii) in any other manner that would result in a violation of any Sanctions or Anti-Corruption Laws by any Person (including any Person participating in a Loan whether as Administrative Agent, Arranger Party, Lender or otherwise) or for any purpose which would breach any Sanctions or Anti-Corruption Laws.

Section 11.18 [Reserved].

Section 11.19 Judgment Currency. (a) The Loan Parties’ obligations hereunder and under the other Loan Documents to make payments in dollars (pursuant to such obligation, the “Obligation Currency”) shall not be discharged or satisfied by any tender or recovery pursuant to any judgment expressed in or converted into any currency other than the Obligation Currency, except to the extent that such tender or recovery results in the effective
receipt by the Administrative Agent or the respective Lender of the full amount of the Obligation Currency expressed to be payable to
the Administrative Agent or such Lender under this Agreement or the other Loan Documents. If, for the purpose of obtaining or
enforcing judgment against any Loan Party in any court or in any jurisdiction, it becomes necessary to convert into or from any
currency other than the Obligation Currency (such other currency being hereinafter referred to as the “Judgment Currency”) an
amount due in the Obligation Currency, the conversion shall be made at the rate of exchange (as quoted by the Administrative Agent
or if the Administrative Agent does not quote a rate of exchange on such currency, by a known dealer in such currency designated by
the Administrative Agent) determined, in each case, as of the Business Day immediately preceding the day on which the judgment is
given (such Business Day being hereinafter referred to as the “Judgment Currency Conversion Date”).

(b) If there is a change in the rate of exchange prevailing between the Judgment Currency Conversion Date and the date of
actual payment of the amount due, the Loan Parties covenant and agree to pay, or cause to be paid, either (i) such additional amounts,
if any (but in any event not a lesser amount) as may be necessary to ensure that the amount paid in the Judgment Currency, when
converted at the rate of exchange prevailing on the date of payment, will produce the amount of the Obligation Currency which could
have been purchased with the amount of Judgment Currency stipulated in the judgment or judicial award at the rate of exchange
prevailing on the Judgment Currency Conversion Date, or (ii) such amount, in the Obligation Currency, equal to the amount of the
applicable judgment denominated in Judgment currency, converted to the Obligation Currency in accordance with the Judgment
Currency Conversion Date.

(c) For purposes of determining any rate of exchange for this Section 11.19, such amounts shall include any premium and costs
payable in connection with the purchase of the Obligation Currency.

Section 11.20 [Reserved].

Section 11.21 No Fiduciary Duty. Each Arranger Party, the Documentation Agent, the Administrative Agent and each
Lender and their respective Affiliates (collectively, solely for purposes of this paragraph, the “Banks”), may have economic interests
that conflict with those of the Loan Parties. Each Loan Party acknowledges and agrees that nothing in the Loan Documents or otherwise will be deemed
to create an advisory, fiduciary or agency relationship or fiduciary or other implied duty between the Banks and the Loan Parties,
their stockholders or their affiliates. Each Loan Party acknowledges and agrees that (i) the transactions contemplated by the Loan
Documents are arm’s-length commercial transactions between the Banks, on the one hand, and the Loan Parties, on the other, (ii) in
connection therewith and with the process leading to such transaction each of the Banks is acting solely as a principal and not the
agent or fiduciary of any Loan Party, its management, stockholders, creditors or any other person, (iii) no Bank has assumed an
advisory or fiduciary responsibility in favor of any Loan Party with respect to the transactions contemplated hereby or the process
leading thereto (irrespective of whether any Bank or any of its affiliates has advised or is currently advising any Loan Party on other
matters) or any other obligation to the Loan Parties except the obligations expressly set forth in the Loan Documents and (iv) each
Loan Party has consulted its own legal and financial advisors to the extent it deemed appropriate. Each Loan Party further
acknowledges and agrees that it is responsible for making its own independent judgment with respect to such transactions and the
process leading thereto. Each Loan Party agrees that it will not claim that any Bank has rendered advisory services of any nature or
respect, or owes a fiduciary or similar duty to the Loan Parties, in connection with such transaction or the process leading thereto.

Section 11.22 [Reserved].

[Signature Pages to Follow]
IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

TEVA PHARMACEUTICAL INDUSTRIES LIMITED

By: /s/ Eyal Desheh
    Name: Eyal Desheh
    Title: Acting President & CEO

By: /s/ Eran Ezra
    Name: Eran Ezra
    Title: VP, Global Treasurer
TEVA PHARMACEUTICALS USA, INC.

By: /s/ Deborah A. Griffin
    Name: Deborah A. Griffin
    Title: VP and CFO

By: /s/ Frank V. Kimick
    Name: Frank V. Kimick
    Title: Vice President Finance North America Treasurer
CITIBANK, N.A., LONDON BRANCH, as Documentation Agent

By: /s/ Andrew Mason
Name: Andrew Mason
Title: President
CITIBANK, N.A., as Administrative Agent

By: /s/ David Basra
Name: David Basra
Title: Managing Director

CITIBANK, N.A., as Lender

By: /s/ David Basra
Name: David Basra
Title: Managing Director
BNP PARIBAS DUBLIN BRANCH, as Lender

By: /s/ Gilles de Decker /s/ Deirdre Geoghegen
Name: Gilles de Decker Deirdre Geoghegen
Title: Authorised Signatory Authorised Signatory
CREDIT SUISSE AG, CAYMAN ISLANDS
BRANCH, as Lender

By: /s/ Mikhail Faybusovich
   Name: Mikhail Faybusovich
   Title: Authorized Signatory

By: /s/ Samuel Miller
   Name: Samuel Miller
   Title: Authorized Signatory
GOLDMAN SACHS BANK USA, as Lender

By: /s/ Alisdair Frasier
   Name: Alisdair Frasier
   Title: Authorized Signatory
HSBC BANK PLC, as Lender

By: /s/ Sinead Murphy
   Name: Sinead Murphy
   Title: Director
MORGAN STANLEY BANK, N.A, as Lender

By: /s/ Kelly Chin
   Name: Kelly Chin
   Title: Authorized Signatory
### Schedule 2.01

#### Commitments

<table>
<thead>
<tr>
<th>Lender</th>
<th>Commitment (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barclays Bank PLC</td>
<td>142,857,142.86</td>
</tr>
<tr>
<td>Citibank, N.A.</td>
<td>142,857,142.86</td>
</tr>
<tr>
<td>BNP Paribas Dublin Branch</td>
<td>142,857,142.86</td>
</tr>
<tr>
<td>Credit Suisse AG, Cayman Islands Branch</td>
<td>142,857,142.86</td>
</tr>
<tr>
<td>Goldman Sachs Bank USA</td>
<td>142,857,142.86</td>
</tr>
<tr>
<td>HSBC Bank plc</td>
<td>142,857,142.85</td>
</tr>
<tr>
<td>Morgan Stanley Bank, N.A.</td>
<td>142,857,142.85</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>US$ 1,000,000,000</strong></td>
</tr>
</tbody>
</table>

88
SCHEDULE 3.18
STAMP TAXES
None.

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SCHEDULE 6.03
EXISTING LIENS

None.

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Reference is made to the Credit Agreement dated as of January 8, 2014 (as restated, amended, modified, supplemented and in effect from time to time, the “Credit Agreement”), among Teva Pharmaceutical Industries Limited, Teva Pharmaceuticals USA, Inc., the Lenders named therein and Citibank, N.A., as Administrative Agent for the Lenders. Terms defined in the Credit Agreement are used herein with the same meanings. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

The Assignor named herein hereby sells and assigns, without recourse, to the Assignee named herein, and the Assignee hereby purchases and assumes, without recourse, from the Assignor, effective as of the Assignment Date set forth herein the interests set forth herein (the “Assigned Interest”) in the Assignor’s rights and obligations under the Credit Agreement, including, without limitation, the interests set forth herein in the Commitment of the Assignor on the Assignment Date and Loans owing to the Assignor which are outstanding on the Assignment Date (and, to the extent permitted to be assigned under applicable law, including all claims, suits, causes of action and any other right of the Assignor (in its capacity as a Lender) against any person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including, but not limited to, contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned under the Credit Agreement), but excluding accrued interest and fees to and excluding the Assignment Date. The Assignee hereby acknowledges receipt of a copy of the Credit Agreement. From and after the Assignment Date (i) the Assignee shall be a party to and be bound by the provisions of the Credit Agreement and, to the extent of the Assigned Interest, have the rights and obligations of a Lender thereunder and (ii) the Assignor shall, to the extent of the Assigned Interest, relinquish its rights and be released from its obligations under the Credit Agreement.

This Assignment and Assumption is being delivered to the Administrative Agent together with (i) any documentation required to be delivered by the Assignee pursuant to Section 2.15(e) of the Credit Agreement, duly completed and executed by the Assignee, and (ii) if the Assignee is not already a Lender under the Credit Agreement, an Administrative Questionnaire in the form supplied by the Administrative Agent, duly completed by the Assignee. The [Assignee/Assignor] shall pay the fee payable to the Administrative Agent pursuant to Section 11.05(b) of the Credit Agreement.

This Assignment and Assumption shall be governed by and construed in accordance with the laws of the State of New York.
Date of Assignment:
Legal Name of Assignor:
Legal Name of Assignee:
Assignee’s Address for Notices:
Effective Date of Assignment (“Assignment Date”):

<table>
<thead>
<tr>
<th>Facility</th>
<th>Principal Amount Assigned</th>
<th>Percentage Assigned of Commitment (set forth, to at least 8 decimals, as a percentage of the aggregate Commitments of all Lenders thereunder)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commitment Assigned:</td>
<td>US$</td>
<td>%</td>
</tr>
<tr>
<td>Loans:</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The terms set forth above are hereby agreed to:

[Name of Assignor], as Assignor

By: ________________________________
   Name: ________________________________
   Title: ________________________________

[Name of Assignee], as Assignee

By: ________________________________
   Name: ________________________________
   Title: ________________________________

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The undersigned hereby consent to the within assignment:

[Teva Pharmaceutical Industries Limited]\(^1\) [ ],
as Administrative Agent

By: ________________________________
   Name: ________________________________
   Title: ________________________________

By: ________________________________
   Name: ________________________________
   Title: ________________________________

By: ________________________________
   Name: ________________________________
   Title: ________________________________

\(^1\) To the extent Parent consent is required under the Credit Agreement in connection with such Assignment.
1. Representations and Warranties.

1.1 Assignor. The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Loan Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents, (iii) the financial condition of any of the Loan Parties, any of their Subsidiaries or Affiliates or any other person obligated in respect of any Loan Document or (iv) the performance or observance by any Loan Party, any of their Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Loan Document.

1.2. Assignee. The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it meets all requirements of an Eligible Assignee under the Credit Agreement (subject to receipt of such consents as may be required under the Credit Agreement), (iii) from and after the Assignment Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it is sophisticated with respect to decisions to acquire assets of the type represented by the Assigned Interest and either it, or the Person exercising discretion in making its decision to acquire the Assigned Interest, is experienced in acquiring assets of such type, and (v) it has received a copy of the Credit Agreement, together with copies of the most recent financial statements referred to in Section 3.04(a) of the Credit Agreement or delivered pursuant to Section 5.01 thereof, as applicable, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase the Assigned Interest on the basis of which it has made such analysis and decision independently and without reliance on the Administrative Agent or any other Lender.

; and (b) agrees that (i) it will, independently and without reliance on the Administrative Agent, the Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it will perform in accordance with their terms all of the obligations that by the terms of the Loan Documents are required to be performed by it as a Lender.
2. **Payments.** From and after the Assignment Date, the Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignor for amounts that have accrued to but excluding the Assignment Date and to the Assignee for amounts that have accrued from and after the Assignment Date.

3. **General Provisions.** This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Assumption may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Assumption by telexcopy shall be effective as delivery of a manually executed counterpart of this Assignment and Assumption. This Assignment and Assumption shall be construed in accordance with and governed by, the law of the State of New York without regard to conflicts of principles of law that would require the application of the laws of another jurisdiction.
FORM OF BORROWING REQUEST

Dated

Citibank, N.A.
as Administrative Agent
1615 Brett Road, Ops III
New Castle, DE 19720
Attention: Administrative Agent

Ladies and Gentlemen:

This Borrowing Request is delivered to you by (the "Borrower"), under Section 2.03 of the Credit Agreement dated as of January 8, 2014 (the “Credit Agreement”), by and among Teva Pharmaceutical Industries Limited, Teva Pharmaceuticals USA, Inc., the Lenders party thereto, and Citibank, N.A., as Administrative Agent.

1. The name of the Borrower is .

2. The Borrower hereby requests that the Lenders make a Loan or Loans in the aggregate principal amount of US$ (the "Loan" or the "Loans").

3. The Borrower hereby requests that the Loan or Loans be made on the following Business Day:

4. The Borrower hereby requests that the Loan or Loans have the Interest Period set forth below:

5. The Borrower hereby requests that the funds from the Loan or Loans be disbursed to the following bank account: .

6. After giving effect to any requested Loan, the sum of the Credit Exposures (including the requested Loans) does not exceed the maximum amount permitted to be outstanding pursuant to the terms of the Credit Agreement.

7. All of the conditions applicable to the Loans requested herein as set forth in the Credit Agreement will be satisfied on the date of such Loans.

---

2 Complete with an amount in accordance with Section 2.03 of the Credit Agreement.
3 Complete with a Business Day in accordance with Section 2.03 of the Credit Agreement.
4 Not more than five one week LIBOR periods will be available in any calendar year (so that in total there are not more than 5 one-week Interest Periods in any calendar year (and only one Loan may have such one-week Interest Period at any one time)). If one week LIBOR is being requested, a notation shall be made on this form of the number of times such a period has already been requested during such calendar year.
8. All capitalized undefined terms used herein have the meanings assigned thereto in the Credit Agreement.

IN WITNESS WHEREOF, the undersigned have executed this Borrowing Request this __ day of ______________, __________.

[ ]

By: ________________________________

Name: ______________________________

Title: _______________________________
Citibank, N.A.
as Administrative Agent
1615 Brett Road, Ops III
New Castle, DE 19720

Attention: Administrative Agent

Ladies and Gentlemen:

This irrevocable Interest Election Request (the “Request”) is delivered to you under Section 2.05 of the Credit Agreement dated as of January 8, 2014 (the “Credit Agreement”), by and among Teva Pharmaceutical Industries Limited, Teva Pharmaceuticals USA, Inc., (the “Borrower”), the Lenders party thereto (the “Lenders”), and Citibank, N.A., as Administrative Agent.

1. This Interest Election Request is submitted for the purpose of:
   (a) Continuing a Loan as a Eurocurrency Loan.
   (b) The aggregate outstanding principal balance of such Loan is US$____.
   (c) The last day of the current Interest Period for such Loan is ___________.
   (d) The principal amount of such Loan to be continued is US$____.
   (e) The requested effective date of the continuation of such Loan is _________.
   (f) The requested Interest Period applicable to the continued Loan is _________.

2. No Event of Default under Sections 7.01(a), (b), (g), (h) or (i) exists, and none will exist upon the continuation of the Loan requested herein.

---

5 Insert applicable date for any Eurocurrency Loan being continued.
6 Complete with an amount in compliance with Section 2.05 of the Credit Agreement.
7 Complete with a Business Day in compliance with Section 2.05 of the Credit Agreement.
8 Complete for each Eurocurrency Loan in compliance with the definition of the term “Interest Period” specified in Section 1.01.
9 Not more than five one week LIBOR periods will be available in any calendar year (so that in total there are not more than 5 one-week Interest Periods in any calendar year (and only one Loan may have such one-week Interest Period at any one time)). If one week LIBOR is being requested, a notation shall be made on this form of the number of times such a period has already been requested during such calendar year.

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3. All capitalized undefined terms used herein have the meanings assigned thereto in the Credit Agreement.

IN WITNESS WHEREOF, the undersigned has executed this Interest Election Request this ___ day of __________, ______.

[ ]

By: ________________________________
   Name:
   Title:
The undersigned hereby certifies that he is the [name] of TEVA PHARMACEUTICAL INDUSTRIES LIMITED (the “Parent”), and that as such he is authorized to execute this certificate on behalf of the Parent. With reference to the Credit Agreement dated as of January 8, 2014 (the “Credit Agreement”), among Teva Pharmaceutical Industries Limited, Teva Pharmaceuticals USA, Inc., and Citibank, N.A., as Administrative Agent (the “Administrative Agent”) for the lenders (the “Lenders”), which are or become a party thereto, and such Lenders, the undersigned represents and warrants as follows (each capitalized term used herein having the same meaning given to it in the Agreement unless otherwise specified):

(a) [There currently does not exist any Default or Event of Default under the Agreement.] [Attached hereto is a schedule specifying the details of [a] certain Default[s] [Event[s] of Default] which exist under the Agreement and the action taken or proposed to be taken with respect thereto.]

(b) Attached hereto are the detailed computations necessary to determine whether the Parent is in compliance with Section 6.04 of the Credit Agreement as of the end of the [fiscal quarter][fiscal year] ending [date].

EXECUTED AND DELIVERED this [day] of [date], 20[0].

TEVA PHARMACEUTICAL INDUSTRIES LIMITED

By: ______________________________
   Name: __________________________
   Title: ___________________________
EXHIBIT E

FORM OF TERM LOAN NOTE

US$ __________, __________, 200__ (the "Borrower"), for value received, promises and agrees to pay to __________, __________, 200__ (the "Lender"), or order, at the payment office of Citibank, N.A., as Administrative Agent, the principal sum of __________ AND NO/100 [DOLLARS (US$ __________).] or such lesser amount as shall equal the aggregate unpaid principal amount of the Loans owed to the Lender under the Credit Agreement, as hereafter defined, [in lawful money of the United States of America and] in immediately available funds, on the dates and in the principal amounts provided in the Credit Agreement, and to pay interest on the unpaid principal amount as provided in the Credit Agreement for such Loans, at such office, in like money and funds, for the period commencing on the date of each such Loan until such Loan shall be paid in full, at the rates per annum and on the dates provided in the Credit Agreement.

This note evidences the Loans owed to the Lender under that certain Credit Agreement dated as of January 8, 2014, by and among Teva Pharmaceutical Industries Limited, Teva Pharmaceuticals USA, Inc., and Citibank, N.A., individually, as Administrative Agent, and the other financial institutions parties thereto (including the Lender) (such Credit Agreement, together with all amendments or supplements thereto, being the "Credit Agreement"), and shall be governed by the Credit Agreement. Capitalized terms used in this note and not defined in this note, but which are defined in the Credit Agreement, have the respective meanings herein as are assigned to them in the Credit Agreement.

The Lender is hereby authorized by the Borrower to endorse on Schedule A (or a continuation thereof) attached to this note, the amount and date of each payment or prepayment of principal of each Loan received by the Lender and the Interest Periods and interest rates applicable to each Loan, provided that any failure by the Lender to make any such endorsement shall not affect the obligations of the Borrower under the Credit Agreement or under this note in respect of such Loans.

This note may be held by the Lender for the account of its applicable lending office and, except as otherwise provided in the Credit Agreement, may be transferred from one lending office of the Lender to another lending office of the Lender from time to time as the Lender may determine.

Except only for any notices which are specifically required by the Credit Agreement, the Borrower and any and all co-makers, endorsers, guarantors and sureties severally waive notice (including but not limited to notice of intent to accelerate and notice of acceleration, notice of protest and notice of dishonor), demand, presentment for payment, protest, diligence in collecting and the filing of suit for the purpose of fixing liability, and consent that the time of payment hereof may be extended and re-exted from time to time without notice to any of them. Each such person agrees that its liability on or with respect to this note shall not be affected by any release of or change in any guaranty or security at any time existing or by any failure to perfect or maintain perfection of any lien against or security interest in any such security or the partial or complete unenforceability of any guaranty or other surety obligation, in each case in whole or in part, with or without notice and before or after maturity.
The Credit Agreement provides for the acceleration of the maturity of this note upon the occurrence of certain events and for prepayment of Loans upon the terms and conditions specified therein. Reference is made to the Credit Agreement for all other pertinent purposes.

This note is issued pursuant to and is entitled to the benefits of the Credit Agreement.

This note shall be construed in accordance with and be governed by the law of the State of New York and the United States of America from time to time in effect.

[ ]

By: ________________________________

Name: ________________________________

Title: ________________________________
This note evidences the Loans owed to the Lender under the Credit Agreement, in the principal amount set forth below and the applicable Interest Periods and rates for each such Loan, subject to the payments of principal set forth below:

**SCHEDULE OF TERM LOANS AND PAYMENTS OF PRINCIPAL AND INTEREST**

<table>
<thead>
<tr>
<th>Date</th>
<th>Interest Period</th>
<th>Rate</th>
<th>Principal Amount of Loan</th>
<th>Amount of Principal Paid or Prepaid</th>
<th>Interest Paid</th>
<th>Balance of Loans</th>
<th>Notation Made by</th>
</tr>
</thead>
<tbody>
<tr>
<td>103</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


GLOBAL ASSIGNMENT AND ASSUMPTION

GLOBAL ASSIGNMENT AND ASSUMPTION (this “Global Assignment and Assumption”), dated as of February 4, 2014, among Teva Pharmaceutical Industries Limited (the “Parent”), each of the Lenders listed at Schedule A hereto (each an “Assignor”), Citibank, N.A., as Administrative Agent (in such capacity, the “Administrative Agent”), and each of the lenders listed at Schedule B hereto (each an “Assignee”).

Reference is made to the Term Loan Credit Agreement dated as of January 8, 2014 (the “Credit Agreement”), among Teva Pharmaceutical Industries Limited, Teva Pharmaceuticals USA, Inc., the Lenders named therein and Citibank, N.A., as Administrative Agent for the Lenders. Terms defined in the Credit Agreement are used herein with the same meanings. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Global Assignment and Assumption as if set forth herein in full.

Effective as of the Assignment Date, (a) each Assignor severally and not jointly hereby sells and assigns, without recourse and without representation or warranty (other than as expressly provided herein), to the several Assignees, in the aggregate amounts set out next to the name of each Assignor in Schedule A hereto, that interest in and to each of such Assignor’s rights and obligations in relation to, without limitation (together, the “Assigned Interests”), the Loans and Commitments under the Credit Agreement (and, to the extent permitted to be assigned under applicable law, including all claims, suits, causes of action and any other right of such Assignor (in its capacity as a Lender) against any person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including, but not limited to, contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned under the Credit Agreement in relation to the Assigned Interest of each such Assignor), but excluding accrued interest and fees to and excluding the Assignment Date, and (b) each Assignee, severally and not jointly, hereby purchases and assumes, without recourse, from each of the Assignors, severally and not jointly, principal amounts of Loans and Commitments in aggregate amounts set out next to the name of such Assignee in Schedule B hereto (and all Assigned Interests related thereto), to be purchased in equal amounts from each Assignor (based on the aggregate principal amount purchased and assumed hereunder). Each Assignee hereby acknowledges receipt of a copy of the Credit Agreement. From and after the Assignment Date (i) each Assignee shall be a party to and be bound by the provisions of the Credit Agreement and, to the extent of the relevant Assigned Interest, have the rights and obligations of a Lender thereunder and (ii) each Assignor shall, to the extent of the relevant Assigned Interest, relinquish its rights and be released from its obligations under the Credit Agreement. On the Assignment Date (after giving effect to the assignments contemplated hereby), the Commitment of each Lender shall be as set forth on Schedule C hereto.

This Global Assignment and Assumption is being delivered to the Administrative Agent together with (i) any documentation required to be delivered by an Assignee pursuant to Section 2.15(e) of the Credit Agreement, duly completed and executed by each such Assignee, and (ii) if an Assignee is not already a Lender under the Credit Agreement, an Administrative Questionnaire in the form supplied by the Administrative Agent, duly completed by such Assignee. The fees payable to the Administrative Agent pursuant to Section 11.05(b) of the Credit Agreement are hereby waived in connection with the
transactions contemplated by this Global Assignment and Assumption. For the purposes of this Global Assignment and Assumption the requirement in Section 11.05 paragraph (b)(i)(B) of the Credit Agreement for the principal outstanding balance of the Loans of the Assignors to be in integral multiples of US$1,000,000 shall be waived.

On and as of the Assignment Date, (a) each Assignee shall become a “Lender” under, and for all purposes of the Credit Agreement and the other Loan Documents, and (b) the Administrative Agent shall record the transfers contemplated hereby in the Register.

The address for notices under the Loan Documents for each Assignee is set out immediately after the name of each such Assignee on the signature pages hereto (or such other address as subsequently notified in writing to the Parent and the Administrative Agent).

This Global Assignment and Assumption constitutes an Assignment and Assumption within the meaning of the Credit Agreement and the Parent and Administrative Agent approve the use hereof.

This Global Assignment and Assumption shall be governed by and construed in accordance with the laws of the State of New York.

Effective Date of Assignment

(“Assignment Date”): February 4, 2014
<table>
<thead>
<tr>
<th>Assignor (legal name)</th>
<th>Aggregate Principal Amount Assigned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barclays Bank PLC</td>
<td>US$ 71,357,142.86</td>
</tr>
<tr>
<td>Citibank, N.A.</td>
<td>US$ 71,357,142.86</td>
</tr>
<tr>
<td>BNP Paribas Dublin Branch</td>
<td>US$ 71,357,142.86</td>
</tr>
<tr>
<td>Credit Suisse AG, Cayman Islands Branch</td>
<td>US$ 71,357,142.86</td>
</tr>
<tr>
<td>Goldman Sachs Bank USA</td>
<td>US$ 71,357,142.86</td>
</tr>
<tr>
<td>HSBC Bank plc</td>
<td>US$ 71,357,142.85</td>
</tr>
<tr>
<td>Morgan Stanley Bank, N.A.</td>
<td>US$ 71,357,142.85</td>
</tr>
</tbody>
</table>
### SCHEDULE B

### Assignee Commitments

<table>
<thead>
<tr>
<th>Assignee (legal name)</th>
<th>Aggregate Principal Amount Assumed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crédit Agricole Corporate and Investment Bank, London Branch</td>
<td>US$ 55,500,000</td>
</tr>
<tr>
<td>DNB Capital LLC</td>
<td>US$ 55,500,000</td>
</tr>
<tr>
<td>Mizuho Bank, LTD.</td>
<td>US$ 55,500,000</td>
</tr>
<tr>
<td>PNC Bank, National Association</td>
<td>US$ 55,500,000</td>
</tr>
<tr>
<td>Royal Bank of Canada</td>
<td>US$ 55,500,000</td>
</tr>
<tr>
<td>Toronto Dominion (Texas) LLC</td>
<td>US$ 55,500,000</td>
</tr>
<tr>
<td>Wells Fargo Bank, National Association</td>
<td>US$ 55,500,000</td>
</tr>
<tr>
<td>Raiffeisen Bank International AG</td>
<td>US$ 37,000,000</td>
</tr>
<tr>
<td>U.S. Bank National Association</td>
<td>US$ 37,000,000</td>
</tr>
<tr>
<td>UniCredit Bank Austria AG</td>
<td>US$ 37,000,000</td>
</tr>
</tbody>
</table>
## SCHEDULE C

### Commitments as of the Assignment Date

<table>
<thead>
<tr>
<th>Lender</th>
<th>Commitment (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barclays Bank PLC</td>
<td>71,500,000</td>
</tr>
<tr>
<td>Citibank, N.A.</td>
<td>71,500,000</td>
</tr>
<tr>
<td>BNP Paribas Dublin Branch</td>
<td>71,500,000</td>
</tr>
<tr>
<td>Credit Suisse AG, Cayman Islands Branch</td>
<td>71,500,000</td>
</tr>
<tr>
<td>Goldman Sachs Bank USA</td>
<td>71,500,000</td>
</tr>
<tr>
<td>HSBC Bank plc</td>
<td>71,500,000</td>
</tr>
<tr>
<td>Morgan Stanley Bank, N.A.</td>
<td>71,500,000</td>
</tr>
<tr>
<td>Crédit Agricole Corporate and Investment Bank, London Branch</td>
<td>55,500,000</td>
</tr>
<tr>
<td>DNB Capital LLC</td>
<td>55,500,000</td>
</tr>
<tr>
<td>Mizuho Bank, LTD.</td>
<td>55,500,000</td>
</tr>
<tr>
<td>PNC Bank, National Association</td>
<td>55,500,000</td>
</tr>
<tr>
<td>Royal Bank of Canada</td>
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</tr>
<tr>
<td>Toronto Dominion (Texas) LLC</td>
<td>55,500,000</td>
</tr>
<tr>
<td>Wells Fargo Bank, National Association</td>
<td>55,500,000</td>
</tr>
<tr>
<td>Raiffeisen Bank International AG</td>
<td>37,000,000</td>
</tr>
<tr>
<td>U.S. Bank National Association</td>
<td>37,000,000</td>
</tr>
<tr>
<td>UniCredit Bank Austria AG</td>
<td>37,000,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>US$ 1,000,000,000</strong></td>
</tr>
</tbody>
</table>
The terms set forth above are hereby agreed to:

BARCLAYS BANK PLC, as an Assignor

By: /s/ John Hogarth
   Name: John Hogarth
   Title: Director
CITIBANK, N.A., as an Assignor

By: /s/ Richard Basham
   Name: Richard Basham
   Title: Managing Director
BNP PARIBAS DUBLIN BRANCH, as an Assignor

By: /s/ Deirdre Geoghegan /s/ Davina Saint
   Name: Deirdre Geoghegan Davina Saint
   Title: Authorised Signatory Authorised Signatory
CREDIT SUISSE AG, CAYMAN ISLANDS
BRANCH, as an Assignor

By: /s/ Christopher Day
   Name: Christopher Day
   Title: Authorized Signatory

By: /s/ Samuel Miller
   Name: Samuel Miller
   Title: Authorized Signatory
GOLDMAN SACHS BANK USA, as an Assignor

By: /s/ Alisdair Frasier
   Name: Alisdair Frasier
   Title: Authorised Signatory
HSBC BANK PLC, as an Assignor

By: /s/ Sinead Murphy

Name: Sinead Murphy
Title: Director
MORGAN STANLEY BANK, N.A, as an Assignor

By: /s/ Kelly Chin
   Name: Kelly Chin
   Title: Authorized Signatory
CRÉDIT AGRICOLE CORPORATE AND INVESTMENT BANK, LONDON BRANCH, as an Assignee

By: /s/ Ahlem Ben Gueblia  /s/ Nicolas Lipovsky
Name: Ahlem Ben Gueblia  Nicolas Lipovsky
Title: Associate Director  Managing Director

Address: Broadwalk House, 5 Appold Street, London EC2A 2DA – United Kingdom
Telephone: 
Fax: 
Attention:
DNB CAPITAL LLC, as an Assignee

By: /s/ Bjorn Eric Hammerstad
   Name: Bjorn Eric Hammerstad
   Title: Senior Vice President

By: /s/ Philip Kurpiewski
   Name: Philip Kurpiewski
   Title: Senior Vice President

Address: 200 Park Ave. 31st Floor,
         New York NY 10166
         Telephone: 212-681-3870
         Fax: 212-681-3900
         Attention: Caroline Adams
MIZUHO BANK, LTD., as an Assignee

By: /s/ Robert Pettitt

Name: Robert Pettitt
Title: Deputy General Manager

Address: Bracken House, One Friday Street, London, EC4M 9JA
Telephone: 0207 012 4000
Fax:
Attention: Robert Pettitt
PNC BANK, NATIONAL ASSOCIATION, as an Assignee

By: /s/ Denise DiSimone
Name: Denise DiSimone
Title: Senior Vice President

Address: 1600 Market Street, Philadelphia, PA 19103
Telephone: 
Fax: 215-585-6987
Attention: Denise DiSimone
ROYAL BANK OF CANADA, as an Assignee

By: /s/ Scott MacVicar

Name: Scott MacVicar
Title: Authorized Signatory

Address: 200 Vesey Street, Three World
Financial Center, New York, NY 10281-8098
Telephone: (416) 955-6659
Fax: (212) 428-2372
Attention: Royal Bank of Canada, New York
Branch, Global Loans Administration
TORNOTO DOMINION (TEXAS) LLC, as an Assignee

By: /s/ Massood Fikree
Name: Massood Fikree
Title: Authorized Signatory

Address: 77 King St. TD North Tower, 25th Fl.
Toronto, ONT M5K1A2 Canada
Telephone: 1-416-983-8929
Fax: 1-416-983-0003
Attention: Masood Fikree
WELLS FARGO BANK, NATIONAL ASSOCIATION, as an Assignee

By: /s/ Kirk Tesch
Name: Kirk Tesch
Title: Director
Address: 301 South College Street, 14th Floor
Charlotte, NC 28202
Telephone: 704-715-1708
Fax: 704-715-1438
Attention: Kirk Tesch
RAIFFEISEN BANK INTERNATIONAL AG, as an Assignee

By: /s/ Joseph Hörl Reinhard Huber

Name: Joseph Hörl Reinhard Huber
Title: Director Director

Address: Am Stadpark 9, 1030 Vienna
Telephone: +43 (1) 71707 1895
Fax: +43 (1) 71707 3854
Attention: Georg Lauringer
U.S. BANK NATIONAL ASSOCIATION, as an Assignee

By: /s/ Jennifer Hwang

Name: Jennifer Hwang
Title: Vice President

Address: 400 City Center, Oshkosh, WI 54901
Telephone: 920-237-7370
Fax: 920-237-7993
Attention: Complex Credit Oshkosh
UNICREDIT BANK AUSTRIA AG, as an Assignee

By: /s/ Thomas Buranich  Eugeni Entchev
Name: Thomas Buranich / Eugeni Entchev
Title: Managing Director / Director

Address: Schottengasse 6-8, A-1011 Vienna,
Telephone:+43 505-54338
Fax: +435 0505-48386
Attention: Thomas Buranich
The undersigned hereby consent to the within assignment:

TEVA PHARMACEUTICAL INDUSTRIES LIMITED

By: /s/ Kobi Altman
   Name: Kobi Altman
   Title: Acting CFO

By: /s/ Eran Ezra
   Name: Eran Ezra
   Title: VP, Global Treasurer
CITIBANK, N.A., as Administrative Agent

By: /s/ Richard Basham

Name: Richard Basham
Title: Managing Director
1. **Representations and Warranties.**

1.1 **Assignor.** Each Assignor, severally, and not jointly, acting for itself, (a) represents and warrants that (i) it is the legal and beneficial owner of the relevant Assigned Interest assigned by it, (ii) such Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Global Assignment and Assumption and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Loan Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents, (iii) the financial condition of any of the Loan Parties, any of their Subsidiaries or Affiliates or any other person obligated in respect of any Loan Document or (iv) the performance or observance by any Loan Party, any of their Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Loan Document.

1.2. **Assignee.** Each Assignee, severally, and not jointly, acting for itself, (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Global Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it meets all requirements of an Eligible Assignee under the Credit Agreement (subject to receipt of such consents as may be required under the Credit Agreement), (iii) from and after the Assignment Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of the relevant Assigned Interests assumed by it, shall have the obligations of a Lender thereunder, (iv) it is sophisticated with respect to decisions to acquire assets of the type represented by the Assigned Interests and either it, or the Person exercising discretion in making its decision to acquire the relevant Assigned Interest, is experienced in acquiring assets of such type and (v) it has received a copy of the Credit Agreement, together with copies of the most recent financial statements referred to in Section 3.04(a) of the Credit Agreement or delivered pursuant to Section 5.01 thereof, as applicable, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Global Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (vi) it will, independently and without reliance on the Administrative Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it will perform in accordance with their terms all of the obligations that by the terms of the Loan Documents are required to be performed by it as a Lender.
2. Payments. From and after the Assignment Date, the Administrative Agent shall make all payments in respect of each Assigned Interest (including payments of principal, interest, fees and other amounts) to each Assignor for amounts in respect of Assigned Interests assigned by it that have accrued to but excluding the Assignment Date and to each Assignee for amounts in respect of Assigned Interests assumed by it that have accrued from and after the Assignment Date.

3. General Provisions. This Global Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Global Assignment and Assumption may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Global Assignment and Assumption by telecopy shall be effective as delivery of a manually executed counterpart of this Global Assignment and Assumption. This Global Assignment and Assumption shall be construed in accordance with and governed by, the law of the State of New York without regard to conflicts of principles of law that would require the application of the laws of another jurisdiction.
<table>
<thead>
<tr>
<th>Name of Subsidiary*</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>Teva Canada Limited</td>
<td>Canada</td>
</tr>
<tr>
<td>Teva Santé SAS</td>
<td>France</td>
</tr>
<tr>
<td>ratiopharm GmbH</td>
<td>Germany</td>
</tr>
<tr>
<td>Teva GmbH</td>
<td>Hungary</td>
</tr>
<tr>
<td>TEVA Pharmaceutical Works Private Limited Company</td>
<td>Italy</td>
</tr>
<tr>
<td>Teva Italia S.r.l.</td>
<td>Japan</td>
</tr>
<tr>
<td>Teva Seiyaku</td>
<td>Russia</td>
</tr>
<tr>
<td>Teva Limited Liability Company</td>
<td>Spain</td>
</tr>
<tr>
<td>Teva Pharma S.L.</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>Teva UK Limited</td>
<td>United States</td>
</tr>
<tr>
<td>Teva Pharmaceuticals USA, Inc.</td>
<td></td>
</tr>
</tbody>
</table>

* All the listed subsidiaries are 100% held by Teva.
CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form F-3 (No. 333–178400) and on Form S-8 (No. 333-168331) of Teva Pharmaceutical Industries Limited of our report dated February 10, 2014 relating to the consolidated financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 20-F. We also consent to the incorporation by reference of our report dated February 10, 2014 relating to the Financial Statement Schedule, which appears in this Form 20-F.

Tel-Aviv, Israel
February 10, 2014

/s/ Kesselman & Kesselman
Certified Public Accountants (Isr.)
A member of PricewaterhouseCoopers
International Limited
CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
CERTIFICATIONS

I, Eyal Desheh, certify that:

1. I have reviewed this annual report on Form 20-F of Teva Pharmaceutical Industries Limited;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. evaluated the effectiveness of the company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. disclosed in this report any change in the company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company’s internal control over financial reporting; and

5. The company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company’s auditors and the audit committee of the company’s board of directors (or persons performing the equivalent functions):
   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company’s ability to record, process, summarize and report financial information; and
   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the company’s internal control over financial reporting.

Date: February 10, 2014

/s/ Eyal Desheh
Eyal Desheh
Acting President and Chief Executive Officer
CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
CERTIFICATIONS

I, Kobi Altman, certify that:

1. I have reviewed this annual report on Form 20-F of Teva Pharmaceutical Industries Limited;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. evaluated the effectiveness of the company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. disclosed in this report any change in the company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company’s internal control over financial reporting;

5. The company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company’s auditors and the audit committee of the company’s board of directors (or persons performing the equivalent functions):
   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company’s ability to record, process, summarize and report financial information; and
   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the company’s internal control over financial reporting.

Date: February 10, 2014

/s/ KOBİ ALTMAN
Kobi Altman
Acting Chief Financial Officer
CERTIFICATION OF THE CEO AND CFO PURSUANT TO SECTION 906

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER AND
CHIEF FINANCIAL OFFICER

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Teva Pharmaceutical Industries Limited (the “Company”) on Form 20-F for the period ended December 31, 2013, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), we, Eyal Desheh, Acting President and Chief Executive Officer of the Company, and Kobi Altman, Acting Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 10, 2014

/s/ Eyal Desheh
Eyal Desheh
Acting President and Chief Executive Officer

/s/ Kobi Altman
Kobi Altman
Acting Chief Financial Officer