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

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

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

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

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

You are reminded that the attached offering memorandum has been delivered to you on the basis that you are a person into whose possession the attached offering memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver the attached offering memorandum to any other person. If you are in any doubt as to the contents of the offering

memorandum or the action you should take, you are recommended to seek your own financial advice immediately from your broker, bank manager, solicitor, accountant or from an appropriately authorized independent financial adviser. The materials relating to this offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer, and the Managers or any affiliate of the Managers is a licensed broker or dealer in the relevant jurisdiction, the offering shall be deemed to be made by the Managers or such affiliate on behalf of Teva or Teva Finance in such jurisdiction.

€4,000,000,000
Teva Pharmaceutical Finance Netherlands II B.V.
€1,750,000,000 0.375% Senior Notes due 2020
€1,500,000,000 1.125% Senior Notes due 2024
€ 750,000,000 1.625% Senior Notes due 2028

Payment of principal and interest unconditionally guaranteed by

Teva Pharmaceutical Industries Limited

Teva Pharmaceutical Finance Netherlands II B.V. ("Teva Finance") is offering €1,750,000,000 aggregate principal amount of 0.375% Senior Notes due 2020 (the "2020 notes"), €1,500,000,000 aggregate principal amount of 1.125% Senior Notes due 2024 (the "2024 notes") and €750,000,000 aggregate principal amount of 1.625% Senior Notes due 2028 (the "2028 notes" and, together with the 2020 notes and the 2024 notes, the "notes"). The issue price of the 2020 notes is 99.644% of their principal amount, the issue price of the 2024 notes is 99.231% of their principal amount and the issue price of the 2028 notes is 98.898% of their principal amount. The 2020 notes will mature on July 25, 2020, the 2024 notes will mature on October 15, 2024 and the 2028 notes will mature on October 15, 2028. Interest on the 2020 notes will be payable in cash annually in arrear on July 25 of each year, beginning July 25, 2017, interest on the 2024 notes will be payable in cash annually in arrear on October 15 of each year, beginning October 15, 2016 and interest on the 2028 notes will be payable in cash annually in arrear on October 15 of each year, beginning October 15, 2016. Interest on the notes will accrue from the date of original issuance, or, if interest has already been paid, from the date it was most recently paid. Payment of all principal and interest payable on the notes is unconditionally guaranteed by Teva Pharmaceutical Industries Limited ("Teva") (the "guarantees"). The notes will be our senior unsecured obligations and will rank equally with all of our other existing and future senior unsecured indebtedness. Teva Finance may redeem the notes of any series, at any time in whole or in part, at the redemption prices described in this offering memorandum. If the closing of the acquisition of Actavis Generics (as defined below) does not occur on or prior to October 26, 2016, or if the Master Purchase Agreement (as defined below) is terminated at any time prior thereto, the notes will be subject to a special mandatory redemption (the "special mandatory redemption") at a redemption price equal to 101% of the aggregate principal amount of the notes being redeemed, plus accrued and unpaid interest, if any, from the date of initial issuance of the notes up to, but not including, the special redemption date. See "Description of the Notes and the Guarantees—Special Mandatory Redemption." Also, Teva Finance may, at its option, redeem the notes of any series, in whole but not in part, at 100% of their principal amount, together with interest accrued thereon to the date fixed for redemption, in the event of certain changes in tax law as described under "Description of the Notes and the Guarantees—Tax Redemption."

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

Investing in the notes involves risks that are described in the "Risk Factors" section of this offering memorandum beginning on page 10.

The notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons. The notes are being offered outside the United States by Barclays Bank PLC, BNP Paribas, Credit Suisse Securities (Europe) Limited, HSBC Bank plc, Merrill Lynch International, Mizuho International plc, Citigroup Global Markets Limited, Morgan Stanley & Co. International plc, RBC Europe Limited and SMBC Nikko Capital Markets Limited (the "Joint Lead Managers") and Banca IMI S.p.A, Bank of China Limited London Branch, Banco Bilbao Vizcaya Argentaria, S.A., Commerzbank Aktiengesellschaft, Lloyds Bank plc, MUFG Securities EMEA plc, PNC Capital Markets LLC, Scotiabank Europe plc and TD Securities (USA) LLC (together with the Joint Lead Managers, the "Managers") in reliance on Regulation S under the Securities Act ("Regulation S") and are not being offered or sold, directly or indirectly, within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S).

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

Joint Book-Running Managers

Barclays BNP PARIBAS BofA Merrill Lynch Credit Suisse HSBC Mizuho Securities

Citigroup Morgan Stanley RBC Capital Markets SMBC Nikko

Co-Managers

Banca IMI Bank of China Banco Bilbao Vizcaya Argentaria, S.A COMMERZBANK

Lloyds Bank MUFG PNC Capital Markets LLC Scotiabank TD Securities

The date of this offering memorandum is July 21, 2016

IMPORTANT NOTICES

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

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

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

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

This offering memorandum does not constitute an offer of, or an invitation to subscribe for or purchase, any notes in any jurisdiction to any person to whom it is unlawful to make the offer or invitation to subscribe in such jurisdiction. This offering memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire securities.

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

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

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

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

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

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

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OVERVIEW OF TEVA, TEVA FINANCE AND THE OFFERING

Overview of Teva and Teva Finance

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

Teva

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

We operate our business in two segments:

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

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

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

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

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

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

- Our generics business is ranked in leading positions in the United States and Europe. We also have a significant presence in Canada and Japan and a growing presence in Russia.
- Our broad portfolio of generic products covers almost every major therapeutic area.
- Our extensive technological capabilities enable us to provide a wide array of generic products, in a variety of dosage forms, including oral solid doses, injectables, inhalations and other delivery devices.
- We are one of the world's leading manufacturers of APIs, with operations around the globe. We produce APIs not only for our own use but also for other pharmaceutical companies.
- Our generics business is poised to grow significantly through our pending acquisition of Allergan plc's ("Allergan") worldwide generic pharmaceuticals business and certain other assets ("Actavis Generics").

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

In 2015, 49% of our revenues were generated from generic medicines, including APIs sold to third parties, and 42% of our revenues were generated from specialty medicines.

In 2015, we generated 51% of our generic revenues in the United States, 28% in Europe (which for the purpose of this offering memorandum includes all EU member states, Norway, Switzerland, Albania and the countries of former Yugoslavia) and 21% in our ROW markets (primarily Japan, Canada, Venezuela and Russia).

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

Teva Finance

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

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

Actavis Generics Acquisition

On July 26, 2015, we entered into a definitive agreement (the "Master Purchase Agreement"), with Allergan to acquire Actavis Generics. Following an amendment to the Master Purchase Agreement, dated July 11, 2016, we will pay total consideration of $33.5 billion in cash and approximately 100 million of Teva's ordinary shares, to be issued to Allergan at the closing of the transaction. Closing of the transaction is subject to certain conditions, including relevant regulatory approvals. Other than the closing conditions that can only be satisfied on the closing date, we believe that the only unsatisfied closing condition is the approval of the U.S. Federal Trade Commission ("FTC"). We expect that closing will occur shortly, based upon our current estimate of the timing to obtain clearance from the FTC. We previously received regulatory approval from the European Commission for the acquisition, subject to certain divestitures. In connection with the closing of the Actavis Generics acquisition, due to regulatory requirements, we expect to divest products with aggregate revenues in 2015 of approximately $1.1 billion.

Following consummation of the acquisition, our generic medicines segment is expected to make up a much larger percentage of our revenues.

We expect to finance the $33.5 billion cash consideration for the Actavis Generics acquisition, together with related fees and expenses, with the net proceeds of this offering, together with the net proceeds of our recently announced USD senior notes offering and our concurrent CHF senior notes offering, cash on hand (including the proceeds of our offerings of ADSs and mandatory convertible preferred shares in December 2015), borrowings under our new term loan facility and additional borrowings under our short-term credit facilities. Depending on the timing of the closing of the Actavis Generics acquisition, we may need to borrow additional funds under our bridge facility, which we expect to repay with the proceeds of this offering and the other contemplated offerings.

Actavis Generics

Actavis Generics includes, with certain exceptions, Allergan's U.S. and international generic commercial units, third-party supplier Medis, global generic manufacturing operations, global generic R&D unit, international OTC commercial unit (excluding OTC eye care products) and some mature international brands. Actavis Generics has operations in more than 60 countries, with the United States representing more than half of the revenues of the business in 2015 and for the three months ended March 31, 2016. Its other major markets include the United Kingdom (which Teva is divesting), Russia and Poland. As of March 31, 2016, Actavis Generics marketed over 300 generic pharmaceutical product families in the U.S.

Actavis Generics' growth strategy has focused on (i) internal development of differentiated and high-demand products, including challenging patents associated with these products, (ii) establishment of strategic alliances and collaborations and (iii) acquisitions of complementary products and companies. Actavis Generics also develops and out-licenses generic pharmaceutical products through its Medis third party business.

Actavis Generics sells generic pharmaceutical products primarily to drug wholesalers, retailers and distributors, including national retail drug and food store chains, hospitals, clinics, mail order retailers, government agencies and managed healthcare providers such as health maintenance organizations and other institutions.

Actavis Generics has devoted significant resources to R&D. It conducts its R&D activities through a network of global R&D centers, the majority of which are being acquired by Teva. As a result of these activities, Actavis Generics had a pipeline of more than 220 Abbreviated New Drug Applications ("ANDAs") on file in the United States as of March 31, 2016.

For the special purpose combined financial statements relating to Actavis Generics, see "Financial Statements of Actavis Generics (the Global Generics Business and Certain Other Assets of Allergan plc)."

Strategic Rationale

The acquisition will combine two generics businesses with complementary strengths, brands and cultures, creating a leading product portfolio and pipeline. The resulting product portfolio will be complemented by a significantly expanded and more efficient global footprint, including strengthened operations, sales and R&D platforms in attractive markets around the world. We will seek to leverage this expanded generics pipeline, R&D capabilities, operational network, supply chain, global commercial deployment and infrastructure to achieve greater efficiencies across the healthcare system and provide patients and consumers worldwide with better access to high quality affordable medicines.

In acquiring Actavis Generics, we seek to create a dynamic generics and specialty pharmaceutical company that integrates and leverages our combined expertise to develop innovative products. We will continue to seek to develop high-value medicines, with an emphasis on complex and branded generics, focused on the needs of patients and the people who care for them. In particular, we believe that the acquisition will:

- *Provide Substantial Financial Benefits*. The transaction is expected to provide substantial financial benefits for us, including more highly diversified revenues and profits, and substantial cost synergies and tax savings. Actavis Generics had net revenues and total direct expenses of $6,184.4 million and $5,367.4 million, respectively, in the year ended December 31, 2015, and $1,289.6 million and $1,201.3 million, respectively, in the three months ended March 31, 2016. In addition, we expect to achieve substantial cost synergies and tax savings due to increased efficiencies in operations, G&A, manufacturing, and sales and marketing.

- *Create Leading Generics Portfolio and Pipeline*. Following the acquisition (giving effect to required divestitures), we will have an enhanced portfolio of generic products and an attractive pipeline of approximately 326 pending ANDAs in the United States, including approximately 123 exclusive U.S. "first-to-file" pending ANDAs (including shared exclusivities).

- *Enhance R&D Capabilities and Technology*. Following the acquisition, we will have what we believe will be among the most advanced R&D capabilities in the generics industry. These capabilities will enhance our ability to develop and offer a portfolio of complex and differentiated generic products.

- *Bolster Specialty Development Pipeline*. We further expect to leverage these enhanced R&D capabilities with our expertise in our core specialty therapeutic areas to develop novel products based on known molecules, thereby expanding our specialty product portfolio.

- *Expand Global Commercial Reach*. Through the acquisition, we will have a commercial presence across 100 markets, including a leading position in over 40 markets, positioning us to significantly enhance the global scale and efficiency of our sales and R&D platforms.

We caution you that we may not realize the anticipated benefits of the acquisition. See "Risk Factors—Risks Related to the Actavis Generics Acquisition." Additionally, Actavis Generics' business is subject to risks similar to those described in the risk factors that are included in this offering memorandum, and the combined business will continue to be subject to risks including ongoing consolidation of the pharmaceutical industry customer base.

Financing Transactions

In connection with the Actavis Generics acquisition, the following transactions (collectively, the "Financing Transactions") have occurred or are expected to occur:

- we issued 59,400,000 ADSs and 3,712,500 mandatory convertible preferred shares in December 2015 (including ADSs and shares issued pursuant to the underwriters' exercise of over-allotment options in January 2016);
- Teva Finance plans to issue €4 billion aggregate principal amount of the notes in this offering, together with $15 billion aggregate principal amount of senior notes denominated in U.S. dollars (the "USD senior notes offering") and approximately CHF 1 billion aggregate principal amount of senior notes denominated in Swiss francs (the "CHF senior notes offering");
- we plan to borrow approximately $5 billion under the new term loan facility that we entered into in November 2015; and
- we plan to borrow approximately $2.3 billion under our short-term credit facilities (our bridge facility and/or revolving line of credit).

The foregoing description of the Financing Transactions is included herein solely for informational purposes. The USD senior notes offering and the CHF senior notes offering will be made by means of a separate, standalone prospectus supplement or an offering memorandum, respectively, and not by means of this offering memorandum. The amount and terms and conditions of the USD senior notes offering and the CHF senior notes offering are subject to market conditions. There can be no assurance that we will be able to complete the USD senior notes offering or the CHF senior notes offering on terms and conditions acceptable to us or at all. This offering is not contingent on the completion of the USD senior notes offering or the CHF senior notes offering.

Overview of the Offering

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

Issuer	Teva Pharmaceutical Finance Netherlands II B.V. ("Teva Finance"), a wholly owned indirect subsidiary of Teva Pharmaceutical Industries Limited ("Teva").
Securities Offered	• €1,750,000,000 aggregate principal amount of 0.375% Senior Notes due 2020 (the "2020 notes"), • €1,500,000,000 aggregate principal amount of 1.125% Senior Notes due 2024 (the "2024 notes"), and • €750,000,000 aggregate principal amount of 1.625% Senior Notes due 2028 (the "2028 notes" and, together with the 2020 notes and the 2024 notes, the "notes").
Guarantees	Teva will irrevocably and unconditionally guarantee the punctual payment when due of the principal and interest, whether at maturity, upon redemption, by acceleration or otherwise (including any additional amounts in respect of taxes described in "Description of the Notes and the Guarantees—Additional Tax Amounts") on the notes of each series. As indebtedness of Teva, the guarantees will rank: • senior in right of payment to any Teva indebtedness that is expressly subordinated to the guarantees; • equally in right of payment with Teva's other unsecured indebtedness from time to time outstanding other than any such indebtedness that is subordinated to the guarantees; • effectively junior to Teva's secured indebtedness up to the value of the collateral securing that indebtedness; and • effectively junior to the indebtedness and other liabilities of Teva's subsidiaries.
Maturity Dates	• The 2020 notes will mature on July 25, 2020, • the 2024 notes will mature on October 15, 2024, and • the 2028 notes will mature on October 15, 2028.

Issue Prices	• 99.644% for the 2020 notes, • 99.231% for the 2024 notes, and • 98.898% for the 2028 notes.
Issue Date	July 25, 2016, with respect to the notes of each series.
Interest Payment Dates	July 25 of each year, beginning July 25, 2017 with respect to the 2020 notes and October 15 of each year, beginning October 15, 2016 with respect to the 2024 notes and the 2028 notes. Interest will accrue from the date of the original issuance, or, if interest has already been paid, from the date it was most recently paid.
Interest Rates	• 0.375% per year in the case of the 2020 notes, • 1.125% per year in the case of the 2024 notes, and • 1.625% per year in the case of the 2028 notes.
Day Count Convention	Actual/Actual (ICMA).
Optional Redemption	Teva Finance may redeem the notes of any series, in whole or in part, at any time or from time to time, on at least 20 days', but not more than 60 days', prior notice. The notes of any series will be redeemable at a redemption price equal to the greater of (1) 100% of the principal amount of the notes to be redeemed and (2) the sum of the present values of the Remaining Scheduled Payments (as defined in "Description of the Notes and the Guarantees—Optional Redemption by the Issuer"), discounted on an annual basis on the basis of the "Actual/Actual (ICMA)" day count convention (see "Description of the Notes and the Guarantees—Payment of Interest and Principal—Interest on the Notes") at the applicable Reinvestment Rate (as defined in "Description of the Notes and the Guarantees—Optional Redemption by the Issuer"), plus accrued and unpaid interest, if any, to, but not including, the redemption date.
Special Mandatory Redemption	If the closing of the Actavis Generics acquisition does not occur on or prior to October 26, 2016, or if the Master Purchase Agreement is terminated at any time prior thereto, the notes will be subject to a special mandatory redemption at a redemption price equal to 101% of the aggregate principal amount of the notes being redeemed, plus accrued and unpaid interest, if any, from the date of initial issuance of the notes up to, but not including, the special redemption date (as defined under "Description of the Notes and the Guarantees—Special Mandatory Redemption"). See "Description of the Notes and the Guarantees—Special Mandatory Redemption."

Tax Redemption	Teva Finance may redeem all (but not part) of the notes of any series at any time, upon at least 20 days', but no more than 60 days', prior notice, at a redemption price equal to 100% of the aggregate principal amount of such notes, plus accrued and unpaid interest, if any, to, but not including, the redemption date, if Teva Finance would become obligated to pay certain additional amounts in respect of taxes as a result of certain changes in specified tax laws or certain other circumstances. See "Description of the Notes and the Guarantees—Tax Redemption."
Covenants	The notes and the related indenture do not contain any financial or other similar restrictive covenants. However, we will be subject to the covenants described in "Description of the Notes and the Guarantees—Certain Covenants" and "Description of the Notes and the Guarantees—Consolidation, Merger or Assumption."
Use of Proceeds	Teva estimates that it will receive net proceeds of approximately €3.96 billion from this offering. Teva intends to use the net proceeds of this offering, together with the net proceeds of our recently announced USD senior notes offering and our concurrent CHF senior notes offering, cash on hand (including the proceeds of our offerings of ADSs and mandatory convertible preferred shares in December 2015), borrowings under our new term loan facility and additional borrowings under our short-term credit facilities, to finance our acquisition of Actavis Generics, to pay related fees and expenses, and/or otherwise for general corporate purposes. Depending on the timing of the closing of the Actavis Generics acquisition, we may need to borrow additional funds under our bridge facility, which we expect to repay with the proceeds of this offering and the other contemplated offerings. See "Use of Proceeds." As described above, if the closing of the Actavis Generics acquisition does not occur on or prior to October 26, 2016, or if the Master Purchase Agreement is terminated at any time prior thereto, the notes will be subject to a special mandatory redemption at a redemption price equal to 101% of the aggregate principal amount of the notes being redeemed, plus accrued and unpaid interest, if any, from the date of initial issuance of the notes up to, but not including, the special redemption date (as defined under "Description of the Notes and the Guarantees—Special Mandatory Redemption"). See "Description of the Notes and the Guarantees—Special Mandatory Redemption."

Form, Denomination and Registration	The notes will be issued only in fully registered form without coupons and in minimum denominations of €100,000 principal amount and integral multiples of €1,000 in excess thereof. Each series of notes will be evidenced by one or more global registered notes deposited with and registered in the name of a common depositary for Euroclear and Clearstream or a nominee thereof. Beneficial interests in the notes will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants.
Governing Law	The laws of the State of New York.
Selling Restrictions	For a description of certain restrictions on offers, sales and deliveries of the notes and on the distribution of offering materials in the United States, the United Kingdom and the Netherlands, see "Subscription and Sale."
Listing and Trading	Application has been made to the Irish Stock Exchange plc for the notes to be admitted to the Official List and to trading on the Main Securities Market. You should note, however, that there is currently no trading market for the notes, and we cannot assure you that an active or liquid market in the notes will develop.
Risk Factors	See "Risk Factors" and the other information included in this offering memorandum for a discussion of the factors you should carefully consider before deciding to invest in the notes.
Further Issues	Teva Finance may, without notice to or the consent of the holders or beneficial owners of any series of the notes, create and issue additional notes having the same ranking, interest rate, maturity and other terms as the notes.

RISK FACTORS

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

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

Risks Related to the Actavis Generics Acquisition

If the Actavis Generics acquisition is consummated, generics will be a significantly larger component of our business.

For the year ended December 31, 2015, our generics segment represented approximately 49% of our revenues. Following the completion of the Actavis Generics acquisition, the percentage of our revenues and profits attributable to sales of generics is expected to increase substantially. Generic pharmaceuticals are, as a general matter, less profitable than specialty pharmaceuticals, and due to the size of the acquisition, it is unlikely that the proportion of revenues attributable to generic pharmaceuticals, which will move from less than half before the acquisition to nearly two-thirds afterward, will change significantly over the next few years. Accordingly, we will be more dependent on our generics business and increasingly subject to market and regulatory factors affecting generic pharmaceuticals worldwide.

We may fail to realize all of the anticipated benefits of the Actavis Generics acquisition or those benefits may take longer to realize than expected. We may also encounter significant difficulties in integrating Actavis Generics.

Our ability to realize the anticipated benefits of the Actavis Generics acquisition will depend, to a large extent, on our ability to integrate the Actavis Generics business. The combination of two independent businesses is a complex, costly and time-consuming process. The nature of a carve out acquisition makes it inherently more difficult to assume operations on closing day as well as to integrate activities, as certain systems, processes and people may not all transfer with the acquired business to support such activities. As a result, we will be required to devote significant management attention and resources to integrate the business practices and operations of Teva and Actavis Generics. The integration process may disrupt the businesses and, if implemented ineffectively, would restrict the realization of the full expected benefits. The failure to meet the challenges involved in integrating the two businesses and to realize the anticipated benefits of the transaction could cause an interruption of, or a loss of momentum in, the activities of the combined businesses and could adversely affect the results of operations of the combined businesses.

In addition, the overall integration of the businesses may result in material unanticipated problems, expenses, liabilities, competitive responses, loss of customers and other business relationships, and diversion of management's attention. The difficulties of combining the operations of the companies include, among others:

- the diversion of management's attention to integration matters;
- difficulties in achieving anticipated cost savings, synergies, business opportunities and growth prospects from the combination;

- difficulties in the integration of operations and systems;
- conforming standards, controls, procedures and accounting and other policies, business cultures and compensation structures between the two companies;
- difficulties in the assimilation of employees;
- difficulties in managing the expanded operations of a significantly larger and more complex company;
- challenges in keeping existing customers and obtaining new customers;
- challenges in attracting and retaining key personnel; and
- coordinating a geographically dispersed organization.

Many of these factors will be outside of our control and any one of them could result in increased costs, decreases in the amount of expected revenues and diversion of management's time and energy, which could materially impact the business, financial condition and results of operations of the combined company. In addition, even if the Actavis Generics operations are integrated successfully, the full benefits of the transaction and other pending acquisitions may not be realized, including the synergies, cost savings or sales or growth opportunities that are expected. These benefits may not be achieved within the anticipated time frame, or at all. Further, additional unanticipated costs may be incurred in the integration of the businesses of Teva and Actavis Generics. All of these factors could cause dilution to our earnings per share, decrease or delay the expected accretive effect of the transaction, and negatively impact the price of our debt and other securities. As a result, it cannot be assured that the Actavis Generics acquisition will result in the realization of the full benefits anticipated from such transaction.

As a result of this offering and other contemplated financings in connection with the Actavis Generics acquisition, we will have a substantially higher level of indebtedness, which will increase our expenses and could adversely affect our business, including by restricting our ability to engage in additional transactions or incur additional indebtedness or resulting in a downgrade or other adverse action with respect to our credit rating.

In connection with the Actavis Generics acquisition, we expect that we will borrow approximately $28 billion through various debt financings, including the notes offered by this offering memorandum. Accordingly, following the completion of the acquisition, giving effect to the incurrence of debt, our consolidated debt is expected to be approximately $38 billion. As a result, our borrowing costs will increase significantly.

This substantial level of debt could have important consequences to our business, including, but not limited to:

- reducing the benefits we expect to receive from the Actavis Generics acquisition;
- making it more difficult for us to satisfy our obligations;
- limiting our ability to borrow additional funds and increasing the cost of any such borrowing;
- increasing our vulnerability to, and reducing our flexibility to respond to, general adverse economic and industry conditions;

- limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;

- placing us at a competitive disadvantage as compared to our competitors, to the extent that they are not as highly leveraged; and

- restricting us from pursuing certain business opportunities.

We expect our credit ratings to be downgraded as a result of the Actavis Generics acquisition.

Our credit ratings impact the cost and availability of future borrowings and, accordingly, our cost of capital. Our ratings at any time will reflect each rating organization's then opinion of our financial strength, operating performance and ability to meet our debt obligations. Following the announcement of the Actavis Generics acquisition, Standard and Poor's Financial Services LLC ("S&P") and Moody's Investor Service, Inc. ("Moody's") downgraded our ratings to BBB and Baa1, respectively. Moody's is expected to further downgrade our ratings in connection with the consummation of the Actavis Generics acquisition to Baa2 (as it already has with respect to the notes). Any reduction in our credit ratings may limit our ability to borrow at interest rates consistent with the interest rates that have been available to us prior to the Actavis Generics acquisition. If our credit ratings are downgraded or put on watch for a potential downgrade, we may not be able to sell additional debt securities or borrow money in the amounts, at the times or interest rates or upon the more favorable terms and conditions that might be available if our current credit ratings are maintained.

We expect that, for a period of time following the consummation of the Actavis Generics acquisition, we will have significantly less cash on hand than prior to the closing. This reduced amount of cash could adversely affect our ability to grow.

We are expected to have, for a period of time following the consummation of the Actavis Generics acquisition, significantly less cash and cash equivalents on hand than the approximately $6.0 billion of cash and cash equivalents that we had as of March 31, 2016. Although our management believes that we will have access to cash sufficient to meet our business objectives and capital needs, the lessened availability of cash and cash equivalents for a period of time following the consummation of the Actavis Generics acquisition could constrain our ability to grow our business. Our more leveraged financial position following the Actavis Generics acquisition could also make us vulnerable to general economic downturns and industry conditions, and place us at a competitive disadvantage relative to our competitors that have more cash at their disposal. In the event that we do not have adequate capital to maintain or develop our business, additional capital may not be available to us on a timely basis, on favorable terms, or at all.

The Master Purchase Agreement may be terminated in accordance with its terms and the Actavis Generics acquisition may not be completed.

The Master Purchase Agreement contains a number of conditions that must be fulfilled to complete the acquisition. Those conditions primarily consist of EU antitrust approval (which has been obtained), U.S. antitrust approval and other customary conditions, including, among others, (i) the accuracy of representations and warranties and compliance with covenants and (ii) the absence of any material adverse effect with respect to Actavis Generics or Teva. The Master Purchase Agreement contains certain customary termination rights, including, among others, the right of either party to terminate the Master Purchase Agreement if the closing has not occurred by October 26, 2016.

While we intend to use the proceeds of this offering to fund the Actavis Generics acquisition, this offering is not contingent on the completion of the Actavis Generics acquisition. In addition, if the Master Purchase Agreement is terminated in specified circumstances, certain termination fees become payable.

If the closing of the Actavis Generics acquisition does not occur on or prior to October 26, 2016, or if the Master Purchase Agreement is terminated at any time prior thereto, the notes will be subject to a special mandatory redemption at a redemption price equal to 101% of the aggregate principal amount of the notes being redeemed, plus accrued and unpaid interest, if any, from the date of initial issuance of the notes up to, but not including, the special redemption date, as defined under "Description of the Notes and the Guarantees—Special Mandatory Redemption." See "—Risks Related to the Notes—*If the closing of the Actavis Generics acquisition does not occur on or prior to October 26, 2016, or if the Master Purchase Agreement is terminated at any time prior thereto, you may not obtain your expected return on the notes*."

Teva and Allergan must obtain U.S. antitrust approval to consummate the Actavis Generics acquisition, which if delayed or not granted or granted with unacceptable conditions, may prevent, delay or jeopardize the consummation of the transaction, result in additional expenditures of money and resources and/or reduce the anticipated benefits of the transaction.

Consummation of the Actavis Generics acquisition requires approval by the FTC, which has broad discretion in administering the governing regulations. We can provide no assurance that the required U.S. antitrust approval will be obtained. Moreover, as a condition to its approval of the transaction, the FTC has required various divestitures and may impose additional requirements, limitations or costs, further divestitures and/or place restrictions on the conduct of the business of the combined company after the closing of the acquisition. Any one of these requirements, limitations, costs, divestitures or restrictions may delay the effective time of the acquisition and may reduce the anticipated benefits of the transaction. In addition, if the Master Purchase Agreement is terminated under certain circumstances by Allergan or Teva due to failure to obtain necessary U.S. antitrust approvals, then we must pay Allergan $1 billion. In addition, as described above, the notes are subject to a special mandatory redemption. See "—Risks Related to the Notes—*If the closing of the Actavis Generics acquisition does not occur on or prior to October 26, 2016, or if the Master Purchase Agreement is terminated at any time prior thereto, you may not obtain your expected return on the notes*" and "Description of the Notes and the Guarantees—Special Mandatory Redemption."

In connection with the closing of the Actavis Generics acquisition, due to regulatory requirements, Teva expects to divest products with aggregate revenues in 2015 of approximately $1.1 billion.

We will incur direct and indirect costs as a result of the Actavis Generics acquisition.

We will incur substantial expenses in connection with and as a result of completing the Actavis Generics acquisition and, over a period of time following the completion of the Actavis Generics acquisition, we further expect to incur substantial expenses in connection with coordinating our businesses, operations, policies and procedures with that of Actavis Generics. While we have assumed that a certain level of transaction expenses will be incurred, factors beyond our control could affect the total amount or the timing of these expenses. Many of the expenses that will be incurred, by their nature, are difficult to estimate accurately.

Risks Related to Teva

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

Our financial results depend upon our ability to develop and commercialize additional generic and specialty pharmaceutical products, particularly after the expiration of our patents covering the 20mg/mL version of our leading specialty medicine, Copaxone®, and patent challenges and expirations facing the 40mg/mL version of Copaxone® and certain of our other specialty medicines. Commercialization requires that we successfully develop, test and manufacture both generic and specialty products. All of our products must receive

regulatory approval and meet (and continue to comply with) regulatory and safety standards; if health or safety concerns arise with respect to a product, we may be forced to withdraw it from the market.

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 a competing generic version.

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 reflects Copaxone® revenues less cost of goods sold and selling and marketing ("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 $3.1 billion, $3.2 billion, and $3.3 billion in 2015, 2014 and 2013, respectively. Profitability of our multiple sclerosis franchise as a percentage of Copaxone® revenues was 77%, 75% and 76% in 2015, 2014 and 2013, respectively.

Although Copaxone® remains the leading therapy for multiple sclerosis to date, the market for MS treatments continues to change significantly as a result of new and emerging therapies. In particular, the increasing number of oral treatments, such as Tecfidera® by Biogen, Gilenya® by Novartis, and Aubagio® by Genzyme, continue to present significant and increasing competition. The new oral treatments provide especially intense competition in light of their substantial convenience in comparison to injectables such as Copaxone®. As our U.S. Orange Book patents on Copaxone® 20mg/mL have expired, a competing generic version of this product was launched in the United States in June 2015. Copaxone® also continues to face competition from existing injectable products, such as the four beta-interferons Avonex®, Betaseron®, Extavia® and Rebif®, as well as from the two monoclonal antibodies Tysabri® and Lemtrada®.

Our business strategy for Copaxone® relies heavily on the continued migration of a substantial percentage of current daily Copaxone® patients to a new 40mg/mL, three-times-a-week version and the maintenance of patients on this new version. Four of our U.S. Orange Book patents for this new version are being challenged as well. The failure to achieve and maintain our objectives for Copaxone® 40mg/mL would likely have a material adverse effect on our financial results and cash flow.

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

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

For several years, we have been conducting a voluntary worldwide investigation into business practices that may have implications under the FCPA. We have engaged outside counsel to assist in the investigation,

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

Although our internal investigation is substantially complete, additional issues or facts could become known to management as the investigation continues, which may expand the scope or severity of the potential violations and/or extend to additional jurisdictions. Our investigation is expected to be completed in 2016, but may continue beyond that date.

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

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

We must invest 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. In particular, in light of the expiration of our patents covering the 20mg/mL version of our leading specialty medicine, Copaxone®, and patent challenges and expirations facing certain of our other specialty medicines, we have increased our investments in the acquisition and development of products to build our specialty pipeline, including through our recent acquisitions and in-licensing of Auspex Pharmaceuticals, Inc., Eagle Pharmaceuticals, Inc. and Labrys Biologics, Inc.

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. For example, we recently received a Complete Response Letter from the U.S. Food and Drug Administration ("FDA") regarding our New Drug Application for SD-809 (deutetrabenazine) tablets for the treatment of chorea associated with Huntington's disease. We also recently announced the voluntary suspension of sales, marketing and distribution of Zecuity®, a prescription transdermal system approved by the FDA for the acute treatment of migraine with or without aura in adults, following reports of adverse reactions in certain patients.

Because of the amounts required to be invested in augmenting our pipeline of specialty and other products, we are also 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 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 evaluate or pursue potential acquisitions, collaborations and licenses, among other transactions. Our reliance on acquisitions and other transactions as sources of new specialty and other products, or a means of growth, involves risks that could adversely affect our future revenues and operating results. For example:

- We may fail to identify transactions that would enable us to execute our business strategy.
- Competition in the pharmaceutical industry for target companies and development programs has intensified and has resulted 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 additional transactions may divert management's attention from our existing business operations, resulting in the loss of key customers and/or personnel and exposing us to unanticipated liabilities.
- We may fail to integrate acquisitions successfully in accordance with our business strategy or achieve expected synergies and other results.
- We may not be able to retain experienced management and skilled employees from the businesses we acquire and, if we cannot retain such personnel, we may not be able to attract new skilled employees and experienced management to replace them.
- We may purchase a company that has excessive known or unknown contingent liabilities, including, among others, patent infringement or product liability claims.

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

As a pharmaceutical company, we are subject to substantial regulation by various governmental authorities. For instance, we must comply with requirements of the FDA, European Medicines Agency (the "EMA") 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 in previous years several of our facilities have been the subject of significant regulatory actions requiring substantial expenditures of resources to ensure compliance with more stringently applied production and quality control regulations. 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.

Following the completion of the Actavis Generics acquisition, our manufacturing network will increase substantially. If we determine that any of the new facilities have quality or environmental issues, we could experience production or supply disruptions or be required to expend unanticipated costs on remediation and repairs. In addition, any delays in product transfers between our existing facilities and the newly-acquired sites may result in such disruptions.

Our patent settlement agreements, which are important to our business, face 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 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, or others, such as customers, may commence an action against us alleging violations of the antitrust laws.

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

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. See "Competition Matters" in note 13 to our unaudited financial statements for the three months ended March 31, 2016.

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 2015, approximately 43% of our revenues came from sales outside the United States. As a result, we are subject to significant foreign currency risks, including repatriation restrictions in certain countries, and may face heightened risks as we enter new markets. An increasing proportion of our sales, particularly in Latin America (including Venezuela), 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. In 2015, foreign exchange fluctuations negatively affected our revenues by approximately $1.3 billion and our operating income by $95 million. 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.

For example, our net monetary assets in Venezuela, which suffers from hyperinflation, totaled $346 million at March 31, 2016. Venezuela is a hyperinflationary economy with two official exchange rates: the DIPRO rate of 10 bolivars per U.S. dollar and the DICOM rate, which fluctuates and is currently approximately 200 bolivars per U.S. dollar. As a result of our adoption of the DIPRO rate in March 2016 (replacing a previous preferential rate), we incurred an impairment charge of $246 million on our net monetary assets in Venezuela. If there is a further devaluation of the Venezuelan currency or if our use of the preferential DIPRO rate in our financial statements can no longer be supported, we would incur an additional impairment charge and our financial results, including our operating results and cash flow, would be adversely affected. We cannot predict whether there will be a further devaluation of the Venezuelan currency or whether our use of the DIPRO rate will continue to be supported by the facts and circumstances. See "Operating and Financial Review and Prospects—Impact of Currency Fluctuations on Results of Operations."

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 2015 we recorded sales and expenses in various other currencies. Approximately 56% of our operating costs in 2015 were incurred in currencies other than the U.S. dollar, including any fluctuations in connection with Brexit (as defined below), 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 vote by the United Kingdom to leave the EU could adversely affect us.

The recent United Kingdom referendum on its membership in the EU resulted in a majority of U.K. voters voting to exit the EU ("Brexit"). As a result, we face risks associated with the potential uncertainty and consequences that may follow Brexit, including with respect to volatility in exchange rates and interest rates. Brexit could adversely affect European or worldwide political, regulatory, economic or market conditions and could contribute to instability in global political institutions, regulatory agencies and financial markets. Any of

these effects of Brexit, and others we cannot anticipate, could adversely affect our business, results of operations and financial condition.

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

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

We are currently engaged in lawsuits challenging the validity and/or enforceability of the U.S. patents covering Copaxone® 40 mg/mL and Amrix®. While we intend to defend the validity of these patents vigorously, and will seek to prevent their infringement, such efforts are expensive and time-consuming. Due to the nature of litigation, there can be no assurance that such efforts will be successful. Our ability to enforce our patents also depends on the laws of individual countries and each country's practices regarding the enforcement of intellectual property rights. The loss of patent protection or regulatory exclusivity on these or other specialty medicines could materially impact our business, results of operations, financial conditions or prospects.

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

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

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

Significant developments that may adversely affect pricing in the United States include (i) the enactment of federal healthcare reform laws and regulations, including the Medicare Prescription Drug Improvement and Modernization Act of 2003 and the Patient Protection and Affordable Care Act of 2010, and (ii) trends in the practices of managed care groups and institutional and governmental purchasers, including the impact of consolidation of our customers. Changes to the healthcare system enacted as part of healthcare reform in the United States, as well as the increased purchasing power of entities that negotiate on behalf of Medicare,

Medicaid, and private sector beneficiaries, may result in increased pricing pressure by influencing, for instance, the reimbursement policies of third-party payors. Healthcare reform legislation has increased the number of patients who have insurance coverage for our products, but provisions such as the assessment of a branded pharmaceutical manufacturer fee and an increase in the amount of rebates that manufacturers pay for coverage of their drugs by Medicaid programs may have an adverse effect on us. It is uncertain how current and future reforms in these areas will influence the future of our business operations and financial condition.

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

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.

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 and Litigation Relating to Pricing and Marketing" in note 13 to our unaudited financial statements for the three months ended March 31, 2016.

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

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

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

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

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

Our products are either manufactured at our own facilities or obtained through supply agreements with third parties. Many of our products are the result of complex manufacturing processes, and some require highly specialized raw materials. For some of our key raw materials, we have only a single, external source of supply, and alternate sources of supply may not be readily available. For example, we purchase raw materials for most of our oral contraceptive products, which make up a substantial portion of our women's health business, exclusively or primarily from the same external source. If our supply of certain raw materials or finished products is interrupted from time to time, or proves insufficient to meet demand, our results of operations could be adversely impacted. Moreover, as we streamline our production capacity, particularly following the Actavis Generics acquisition, we may become more dependent on certain plants and operations for our supply.

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

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

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

A significant invasion, interruption, destruction or breakdown of our information technology systems and/or infrastructure by persons with authorized or unauthorized access could negatively impact our business and

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

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

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

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

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

A significant portion of our sales are made to relatively few U.S. retail drug chains, wholesalers, managed care purchasing organizations, mail order distributors and hospitals. These customers are continuing to undergo significant consolidation. Net sales to one such customer in 2015 accounted for 20% of our total consolidated sales. Such consolidation has provided and may continue to provide them with additional purchasing leverage, and consequently may increase the pricing pressures that we face. Additionally, the emergence of large buying groups representing independent retail pharmacies, and the prevalence and influence of managed care organizations and similar institutions, enable those groups to extract price discounts on our products.

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

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

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

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

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

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

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

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

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

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

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

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

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

Given the increasing size, complexity and global reach of our business and our multiple areas of focus, each of which would be a significant stand-alone company, we are especially reliant upon our ability to recruit and retain highly qualified management and other employees. In addition, the success of our research and development activities depends on our ability to attract and retain sufficient numbers of skilled scientific personnel. Any loss of service of key members of our organization, or any diminution in our ability to continue to attract high-quality employees, may delay or prevent the achievement of major business objectives. In addition, there is a risk that we will not strike the appropriate balance between retaining existing managerial talent and achieving the targets of the cost reduction program mentioned above.

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

The U.S. laws and regulations regarding Medicare and/or Medicaid reimbursement and rebates and other governmental programs are complex. Some of the applicable laws may impose liability even in the absence of specific intent to defraud. The subjective decisions and complex methodologies used in making calculations under these programs are subject to review and challenge, and it is possible that such reviews could result in material changes. A number of state attorneys general and others have filed lawsuits alleging that we and other pharmaceutical companies reported inflated average wholesale prices, leading to excessive payments by Medicare and/or Medicaid for prescription drugs. Such allegations could, if proven or settled, result in additional monetary penalties (beyond the lawsuits we have already settled) and possible exclusion from Medicare, Medicaid and other programs. In addition, we are notified from time to time of governmental investigations regarding drug reimbursement or pricing issues. See “Government Investigations and Litigation Relating to Pricing and Marketing” in note 13 to our consolidated financial statements.

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

We regularly review our long-lived assets, including identifiable intangible assets, goodwill and property, plant and equipment, for impairment. Goodwill and acquired indefinite life intangible assets are subject to impairment review on an annual basis and whenever potential impairment indicators are present. Other long-lived assets are reviewed when there is an indication that impairment may have occurred. The amount of goodwill, identifiable intangible assets and property, plant and equipment on our consolidated balance sheet has increased approximately 31% in the past five years to $33.2 billion mainly as a result of our acquisitions, and is expected to significantly increase further following consummation of the Actavis Generics and other future acquisitions. For example, in 2015 we recorded impairment charges on long-lived assets of $361 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 may be challenged and tax authorities in various jurisdictions may disagree with, and subsequently challenge, the amount of profits taxed in such jurisdictions under our inter-company agreements.

For example, in 2013, we paid the Israeli tax authorities approximately $790 million in additional income taxes, applying the provisions of Amendment 69 to the Israeli Law for the Encouragement of Capital Investments, 1959 to certain previously tax-exempt profits, as well as to settle tax assessments for the years 2005 to 2007. Although we believe our estimates are reasonable, the ultimate outcome of such audits and related litigation could be different from our provision for taxes and may have a material adverse effect on our consolidated financial statements.

The base erosion and profit shifting ("BEPS") project undertaken by the Organization for Economic Cooperation and Development ("OECD") may have adverse consequences to our tax liabilities. The BEPS project contemplates changes to numerous international tax principles, as well as national tax incentives, and these changes, if adopted by individual countries, could adversely affect our provision for income taxes. It is hard to predict how the principles and recommendations developed by the OECD in the BEPS project will translate into specific national laws, and therefore we cannot predict at this stage the magnitude of the effect of such rules on our financial results.

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

Our tax expenses and the resulting effective tax rate reflected in our consolidated financial statements 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 the applicable tax rates may increase (such was the case when certain Israeli tax benefits were discontinued in 2014);
- we may be unable to meet the requirements for continuing to qualify for some programs;
- these programs and tax benefits may be unavailable at their current levels;
- upon expiration of a particular benefit, we may not be eligible to participate in a new program or qualify for a new tax benefit that would offset the loss of the expiring tax benefit; or
- we may be required to refund previously recognized tax benefits if we are found to be in violation of the stipulated conditions.

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

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

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

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

Risks Related to Teva Finance

Teva Finance is a special purpose financing entity.

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

Risks Related to the Notes

If the closing of the Actavis Generics acquisition does not occur on or prior to October 26, 2016, or if the Master Purchase Agreement is terminated at any time prior thereto, you may not obtain your expected return on the notes.

If the closing of the Actavis Generics acquisition does not occur on or prior to October 26, 2016, or if the Master Purchase Agreement is terminated at any time prior thereto, the notes will be subject to a special mandatory redemption. The redemption price will be a price equal to 101% of the aggregate principal amount of the notes being redeemed, plus accrued and unpaid interest, if any, from the date of initial issuance of the notes, up to, but not including, the special redemption date (as defined under "Description of the Notes and the Guarantees—Special Mandatory Redemption").

Our ability to consummate the Actavis Generics acquisition is subject to the satisfaction of various conditions, certain of which are beyond our control, including receipt of U.S. antitrust approval from the FTC. In the event that we do not consummate the Actavis Generics acquisition on or before October 26, 2016, or the Master Purchase Agreement is terminated within the specified timeframe and Teva Finance becomes required to redeem the notes, you may not obtain your expected return on such notes and may not be able to reinvest the proceeds from a special mandatory redemption in an investment that results in a comparable return. Your decision to invest in the notes is made at the time of the offering of the notes.

We may be unable to redeem any or all of the notes in the event of a special mandatory redemption.

If the closing of the Actavis Generics acquisition does not occur on or prior to October 26, 2016, or if the Master Purchase Agreement is terminated at any time prior thereto, Teva Finance will be obligated to redeem all of the notes at a redemption price equal to 101% of the aggregate principal amount of the notes being redeemed, plus accrued and unpaid interest, if any, from the date of initial issuance of the notes up to, but not including, the special redemption date. See "Description of the Notes and the Guarantees—Special Mandatory Redemption." Teva Finance is not obligated to place the proceeds of the offering of any notes in escrow prior to the completion of the Actavis Generics acquisition or to provide a security interest in those proceeds. Accordingly, Teva Finance will need to fund any special mandatory redemption using proceeds that it has voluntarily retained or from other sources of liquidity. In the event of a special mandatory redemption, Teva Finance may not have sufficient funds to purchase any or all of the notes, which would constitute an event of default under the indenture.

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

The notes are new issues of securities for which there is currently no trading market. The notes have not been registered under the Securities Act or any U.S. state securities laws and, unless so registered, may not be sold except in a transaction exempt from, or not subject to, the registration requirements of the Securities Act and applicable state securities laws. Although application has been made to the Irish Stock Exchange plc for the notes to be admitted to the Official List and to trading on the Main Securities Market, we cannot assure you that active markets will develop. Although one or more of the Managers have advised us that they currently intend to make a market in the notes, they are not obligated to do so and may discontinue their market-making activities at any time without notice. If active markets for the notes fail to develop or be sustained, the trading prices of the notes could fall, and even if an active trading market were to develop, the notes could trade at prices that may be lower than their respective initial offering prices. The trading price of the notes will depend on many factors, including:

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

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

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

We cannot assure you what ratings (including the expected downgrade in connection with the Actavis Generics acquisition) will be assigned to the notes. In addition, we cannot assure you that any rating so assigned will remain for any given period of time or that the rating will not be lowered or withdrawn entirely by the rating agency if in that rating agency's judgment future circumstances relating to the basis of the rating, such as adverse changes in our business, so warrant.

As described above, following the announcement of the Actavis Generics acquisition, S&P and Moody's downgraded our ratings to BBB and Baa1, respectively. Moody's is expected to further downgrade our ratings in connection with the consummation of the Actavis Generics acquisition to Baa2 (as it already has with respect to the notes). A downgrade of our credit rating could negatively affect the liquidity or market value of the notes.

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

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

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

We are an Israeli company. In addition, most of our officers, directors or persons of equivalent position reside outside of Europe. As a result, service of process on them may be difficult or impossible to effect in Europe. Furthermore, a substantial portion of our assets are located outside of the Europe. Therefore, judgments obtained against us or any of our directors and officers may not be collectible within Europe and may not be enforced by an Israeli court.

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

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

(2) the judgment is no longer appealable;

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

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

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

(1) the judgment was obtained by fraud;

(2) there was no due process;

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

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

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

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

We will irrevocably and unconditionally guarantee the punctual payment when due of the principal of and interest, if any, on the notes. As indebtedness of Teva, the guarantees will be our general, unsecured obligations and will rank equally in right of payment with all of our existing and future unsubordinated, unsecured indebtedness. The guarantees will be effectively subordinated to any existing and future secured indebtedness we may have up to the value of the collateral securing that indebtedness and structurally subordinated to any existing and future liabilities and other indebtedness of our subsidiaries with respect to the assets of those subsidiaries. These liabilities may include debt securities, credit facilities, trade payables, guarantees, lease obligations, letter of credit obligations and other indebtedness. See "Description of the Notes and the Guarantees—Description of the Guarantees." The indenture governing the notes does not restrict us or our subsidiaries from incurring debt in the future, nor does the indenture limit the amount of indebtedness we can issue that is equal in right of payment. At March 31, 2016, we had no secured indebtedness outstanding, and our subsidiaries, other than finance subsidiaries, had approximately $10.2 billion of indebtedness outstanding.

We may be subject to restrictions on receiving dividends and other payments from our subsidiaries.

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

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

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

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

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

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

The notes have minimum denominations of €100,000 and multiples of €1,000 in excess thereof. It is therefore possible that notes may be traded in amounts that would cause a holder of notes to hold a principal amount of less than €100,000 following such trade. In such a case, a holder of notes who holds a principal

amount of less than €100,000 may not receive a definitive certificate in respect of such holding (should definitive certificates be printed) and would need to purchase a principal amount of notes such that its holding amounts to at least €100,000.

Developments relating to Brexit or the Eurozone sovereign debt crisis could adversely affect the value of the notes.

The value and liquidity of the notes may be adversely affected by developments in European or worldwide political, regulatory, economic or market conditions associated with the potential uncertainty and consequences that may follow Brexit. In addition, the ongoing situation relating to the sovereign debt of several European countries, in particular in Greece, Ireland, Italy, Portugal and Spain, together with the risk of financial contagion to other more financially stable countries, has raised a number of concerns and uncertainties regarding the stability and overall standing of the European Monetary Union. These concerns include financial and political uncertainties in the futures of Eurozone countries. These concerns, or market perceptions concerning these and related issues and their potential consequences, could adversely affect the value of the notes.

Legal investment considerations may restrict certain investments.

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

FORWARD-LOOKING STATEMENTS

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

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

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

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

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

EXCHANGE RATE HISTORY

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

	Euro to U.S. Dollar Exchange Rate History			
	High	**Low**	**Average**	**Period End**
2011	1.4940	1.2858	1.3926	1.3926
2012	1.3487	1.2043	1.2860	1.2860
2013	1.3893	1.2746	1.3285	1.3285
2014	1.3993	1.2097	1.3285	1.3285
2015	1.2099	1.0492	1.1100	1.0866
2016 (up to and including July 12)	1.1532	1.0747	1.1162	1.1060

As of July 12, 2016, the exchange rate published by Bloomberg was U.S. dollar 1.1060 = EUR 1.00.

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

USE OF PROCEEDS

We estimate that the net proceeds from this offering will be approximately €3.96 billion after deducting discounts and our estimated expenses related to this offering.

We intend to use the net proceeds of this offering, together with the net proceeds of our recently announced USD senior notes offering and our concurrent CHF senior notes offering, cash on hand (including the proceeds of our offerings of ADSs and mandatory convertible preferred shares in December 2015), additional borrowings under our new term loan facility and additional borrowings under our short-term credit facilities, to finance our acquisition of Actavis Generics, to pay related fees and expenses, and/or otherwise for general corporate purposes. Depending on the timing of the closing of the Actavis Generics acquisition, we may need to borrow additional funds under our bridge facility, which we expect to repay with the proceeds of this offering and the other contemplated offerings. None of the proceeds from this offering will be passed or otherwise transferred to an entity designated in any financial sanctions legislation imposed by the EU or other applicable sanctions laws.

The closing of this offering is expected to occur prior to the consummation of the Actavis Generics acquisition. This offering is not conditioned upon the completion of the Actavis Generics acquisition. If the closing of the Actavis Generics acquisition does not occur on or prior to October 26, 2016, or if the Master Purchase Agreement is terminated at any time prior thereto, the notes will be subject to a special mandatory redemption. The redemption price will be a price equal to 101% of the aggregate principal amount of the notes being redeemed, plus accrued and unpaid interest, if any, from the date of initial issuance of the notes up to, but not including, the special redemption date (as defined under "Description of the Notes and the Guarantees—Special Mandatory Redemption").

For a description of Actavis Generics and information regarding the acquisition, see "Overview of Teva, Teva Finance and the Offering—Actavis Generics Acquisition." We entered into a $22 billion bridge loan credit agreement in September 2015 to finance a portion of the Actavis Generics acquisition. Any loan under the bridge facility would bear interest at LIBOR plus a margin ranging from 0.30% to 1.65%, so long as Teva maintains an investment-grade credit rating. The initial maturity date for the bridge facility is the earlier of twelve months from the drawdown date and July 31, 2017, subject to extensions.

SOURCES AND USES

The following table outlines the sources and uses of funds for the Actavis Generics acquisition, as if the Actavis Generics acquisition was completed as of March 31, 2016. The table assumes we complete the Actavis Generics acquisition and the Financing Transactions simultaneously. The actual amounts may vary from estimated amounts depending on the actual closing date of the Actavis Generics acquisition and the actual amounts of net proceeds from the Financing Transactions. Depending on the timing of the closing of the Actavis Generics acquisition, we may need to borrow additional funds under our bridge facility, which we expect to repay with the proceeds of this offering and the other contemplated offerings. The below table does not reflect the issuance of approximately 100 million of Teva's ordinary shares to Allergan at the closing of the Actavis Generics acquisition as part of the consideration. You should read the following table together with the information included under the headings "Overview of Teva, Teva Finance and the Offering—Actavis Generics Acquisition" and "Overview of Teva, Teva Finance and the Offering—Financing Transactions."

Sources of funds	(in millions)	Uses of funds	(in millions)
Notes offered hereby and USD and CHF senior notes offerings (1)(2)	$20,500	Cash consideration for Actavis Generics	$33,530
New term loan facility (3)	5,000	Transaction fees and expenses (4)	100
Cash on hand (including proceeds from the ADSs and mandatory convertible preferred shares offering)	5,800		
Borrowings under short-term credit facilities	2,330		
Total sources of funds	**$33,630**	**Total uses of funds**	**$33,630**

(1) Represents the aggregate principal amount of the notes offered hereby, in U.S. dollar equivalent amount, before deducting discounts and expenses. This offering is not contingent on completion of the Actavis Generics acquisition. If the closing of the Actavis Generics acquisition does not occur on or prior to October 26, 2016, or if the Master Purchase Agreement is terminated at any time prior thereto, Teva Finance will be required to redeem all of the notes at a redemption price equal to 101% of the aggregate principal amount of the notes being redeemed, plus accrued and unpaid interest from the date of initial issuance of the notes up to, but not including, the special redemption date (as defined under "Description of the Notes and the Guarantees—Special Mandatory Redemption"). See "Description of the Notes and the Guarantees—Special Mandatory Redemption."

(2) Includes the assumed aggregate principal amount, in U.S. dollar equivalent amount, of the senior notes offered in the USD and CHF senior note offerings before deducting discounts and estimated expenses. As previously announced, pursuant to a separate prospectus supplement, we are offering through a finance subsidiary senior notes denominated in U.S. dollars and concurrently with this offering, pursuant to a separate prospectus, we are offering through a finance subsidiary senior notes denominated in Swiss francs. The completion of this offering is not contingent on the completion of the USD or CHF senior note offerings and the completion of the USD and CHF senior note offerings is not contingent on the completion of this offering. There is no assurance that we will complete the USD and CHF senior note offerings on terms and conditions acceptable to us or at all.

(3) We previously entered into a $5 billion term loan facility with various banks to finance a portion of the Actavis Generics acquisition. The term facility contemplates two tranches of $2.5 billion each, with the first tranche maturing in full after three years and bearing an interest rate of LIBOR plus a margin ranging from 1.000% to 1.375% based on our credit rating from time to time, and the second tranche maturing in five years with payment installments each year and bearing an interest rate of LIBOR plus a margin ranging from 1.125% to 1.5% based on our credit rating from time to time.

(4) Includes estimated fees and expenses related to the Actavis Generics acquisition, including discounts and commissions, legal, accounting and advisory fees associated with the Financing Transactions and other transaction costs.

RATIO OF EARNINGS TO FIXED CHARGES

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

	Three Months Ended March 31, 2016	Year Ended December 31, 2015	2014	2013
Ratio of Earnings to Fixed Charges	14.4	9.3	11.8	4.7

CAPITALIZATION

The following table sets forth Teva's capitalization as of March 31, 2016, on a historical basis and after giving effect to the issuance and sale of the notes offered by this offering memorandum (but not the application of expected proceeds therefrom), the other proposed debt financings (but not the application of expected proceeds therefrom), including the recently announced USD senior notes offering of $15 billion aggregate principal amount and the concurrent CHF senior notes offering which is expected to comprise an aggregate principal amount of CHF 1 billion. The amounts listed below with respect to the notes offered hereby, the USD senior notes offering and the CHF notes offering represent the aggregate principal amount of the notes, excluding any offering discounts and deferred financing fees.

You should read this table together with our financial statements, including the notes thereto, included in this offering memorandum, as well as the information under "Summary—Actavis Generics Acquisition," "Risk Factors" and "Use of Proceeds." Investors in the notes should not place undue reliance on the as adjusted information included in this offering memorandum because this offering is not contingent upon any of the transactions reflected in the adjustments included in the following information.

	March 31, 2016			
	Actual	This Offering	Other Proposed Debt Financings (10)	A+B+C
	A	B	C	
	U.S. Dollars in Millions			
0.25% Convertible Senior Debentures due 2026	$ 514	$ —	$ —	$ 514
Other short-term debt, including current maturities	1,067	—	—	1,067
Total short-term debt	1,581	—	—	1,581
0.99% and 1.42% JPY Term Loans due 2017 and 2019 (1)	894	—	—	894
JPY LIBOR +0.3% Term Loan due 2018 (1)	311	—	—	311
1.500% CHF Senior Notes due 2018 (2)	466	—	—	466
2.875% EUR Senior Notes due 2019 (3)	1,132	—	—	1,132
2.250% Senior Notes due 2020	700	—	—	700
3.650% Senior Notes due 2021	1,198	—	—	1,198
2.950% Senior Notes due 2022	843	—	—	843
1.25% EUR Senior Notes due 2023 (4)	1,462	—	—	1,462
1.875% EUR Senior Notes due 2027 (5)	790	—	—	790
6.150% Senior Notes due 2036	780	—	—	780
1.400% Senior Notes due 2018	—	—	1,500	1,500
1.700% Senior Notes due 2019	—	—	2,000	2,000
2.200% Senior Notes due 2021	—	—	3,000	3,000
2.800% Senior Notes due 2023	—	—	3,000	3,000
3.150% Senior Notes due 2026	—	—	3,500	3,500
4.100% Senior Notes due 2046	—	—	2,000	2,000
0.375% EUR Senior Notes due 2020 (6)	—	1,992	—	1,992
1.125% EUR Senior Notes due 2024 (7)	—	1,707	—	1,707
1.625% EUR Senior Notes due 2028 (8)	—	854	—	854
CHF Senior Notes offering (9)	—	—	1,040	1,040
Term facilities	15	—	—	15
New term loan facilities, net of current maturities	—	—	—	—
Other long-term debt, net of current maturities	28	—	—	28
Total long-term debt	$8,619	$4,553	$16,040	$29,212

	March 31, 2016			
	Actual	This Offering	Other Proposed Debt Financings	A+B+C
	A	B	C	
	U.S. Dollars in Millions			
Equity:				
Teva shareholders' equity:				
Mandatory Convertible Preferred Shares of NIS 0.10 par value per share; authorized 5 million shares; issued and outstanding 3.7 million shares	$ 3,620	$ —	$ —	$ 3,620
Ordinary shares of NIS 0.10 par value per share; authorized 2,500 million shares; issued and outstanding 1,022 million shares	$ 52	$ —	$ —	$ 52
Additional paid-in capital	18,096	—	—	18,096
Retained earnings	15,110	—	—	15,110
Accumulated other comprehensive loss	(2,236)	—	—	(2,236)
Treasury shares—108 million ordinary shares	(4,207)	—	—	(4,207)
	30,435	—	—	30,435
Non-controlling interests	156	—	—	156
Total equity	30,591	—	—	30,591
Total capitalization	$40,791	$ 4,553	$16,040	$61,384

(1) ¥100.6 billion senior unsecured fixed-rate term loan facility (equivalent amount based on exchange rate published by Bloomberg of ¥112.57 to $1 on March 31, 2016).

(2) CHF 450 million senior notes (equivalent amount based on the exchange rate published by Bloomberg of CHF 0.9618 to $1 on March 31, 2016).

(3) €1 billion senior notes (equivalent amount based on the exchange rate published by Bloomberg of €0.8787 to $1 on March 31, 2016).

(4) €1.3 billion senior notes (equivalent amount based on the exchange rate published by Bloomberg of €0.8787 to $1 on March 31, 2016).

(5) €700 million senior notes (equivalent amount based on the exchange rate published by Bloomberg of €0.8787 to $1 on March 31, 2016).

(6) €1.750 billion senior notes (equivalent amount based on the exchange rate published by Bloomberg of €0.8787 to $1 on March 31, 2016).

(7) €1.500 billion senior notes (equivalent amount based on the exchange rate published by Bloomberg of €0.8787 to $1 on March 31, 2016).

(8) €0.750 billion senior notes (equivalent amount based on the exchange rate published by Bloomberg of €0.8787 to $1 on March 31, 2016).

(9) Represents the CHF senior notes offering in the assumed aggregate principal amount equivalent to approximately CHF 1 billion (equivalent amount based on the exchange rate published by Bloomberg of CHF 0.9618 to $1 on March 31, 2016). The CHF notes offering will be made by means of a separate, stand-alone prospectus, and not by means of this offering memorandum. The amount and terms and conditions of the CHF notes offering are subject to market conditions. There can be no assurance that we will be able to complete the CHF senior notes offering on terms and conditions acceptable to us or at all. This offering is not contingent on the completion of the CHF senior notes offering.

(10) Does not include expected borrowings under our new term loan facility and our short-term credit facilities as described under "Overview of Teva, Teva Finance and the Offering—Financing Transactions."

DESCRIPTION OF THE NOTES AND THE GUARANTEES

Teva Finance will issue the notes under a senior indenture, dated as of March 31, 2015, by and among Teva Finance, Teva and The Bank of New York Mellon, as trustee, as supplemented by a supplemental indenture, by and among Teva Finance, Teva, The Bank of New York Mellon, as trustee, and The Bank of New York Mellon, London Branch, as principal paying agent, to be dated as of July 25, 2016. The terms of the notes include those provided in the indenture. Teva will irrevocably and unconditionally guarantee the punctual payment by Teva Finance of the principal of and premium and interest, if any, on the notes of each series by Teva Finance and all other amounts due and payable under the senior indenture.

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

Brief Description of the Notes

The notes will:

- initially be limited to
  - €1,750,000,000 aggregate principal amount with respect to the 2020 notes,
  - €1,500,000,000 aggregate principal amount with respect to the 2024 notes, and
  - €750,000,000 aggregate principal amount with respect to the 2028 notes.
- accrue interest
  - at a rate of 0.375% on the 2020 notes, payable annually in arrear on July 25 of each year, beginning July 25, 2017,
  - at a rate of 1.125% on the 2024 notes, payable annually in arrear on October 15 of each year, beginning October 15, 2016, and
  - at a rate of 1.625% on the 2028 notes, payable annually in arrear on October 15 of each year, beginning October 15, 2016, in each case, to the holders of record at the close of business on:
    - so long as the notes are represented by global notes, the Business Day (as defined below under "—Payment of Interest and Principal") next preceding an interest payment date;
    - if physical notes (as defined below under "Provisions Relating to the Notes While Represented by the Global Notes") are issued, the 15th calendar day next preceding an interest payment date, whether or not a Business Day;
- accrue interest from the date of original issuance, or, if interest has already been paid, from the date it was most recently paid;
- be general unsecured obligations of Teva Finance;

- in each case, be redeemable at the option of Teva Finance at any time at the greater of (1) 100% of the principal amount of the notes to be redeemed or (2) the sum of the present values of the Remaining Scheduled Payments (as defined below under "—Optional Redemption by the Issuer") discounted, on an annual basis on the basis of the "Actual/Actual (ICMA)" day count convention (see "—Payment of Interest and Principal—Interest on the Notes"), at the applicable Reinvestment Rate (as defined below under "—Optional Redemption by the Issuer") (in addition to being redeemable as set forth below under "—Tax Redemption") plus accrued and unpaid interest thereon, if any, to, but not including, the redemption date; and

- be due on
  - July 25, 2020, in the case of the 2020 notes, unless earlier redeemed by Teva Finance,
  - October 15, 2024, in the case of the 2024 notes, unless earlier redeemed by Teva Finance, and
  - October 15, 2028, in the case of the 2028 notes, unless earlier redeemed by Teva Finance.

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

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

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

Description of the Guarantees

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

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

- senior to the rights of creditors under indebtedness expressly subordinated to the guarantees (at March 31, 2016, Teva had no subordinated indebtedness outstanding);

- equally with other unsecured indebtedness of Teva from time to time outstanding other than any that is subordinated to the guarantees (at March 31, 2016, Teva had approximately $10.2 billion of senior unsecured indebtedness outstanding, which does not include the additional $28 billion of indebtedness Teva expects to incur in connection with the Actavis Generics closing);

- effectively junior to Teva's secured indebtedness up to the value of the collateral securing that indebtedness (at March 31, 2016, Teva had no secured indebtedness outstanding); and

- effectively junior to the indebtedness and other liabilities of Teva's subsidiaries (at March 31, 2016, Teva's subsidiaries, other than finance subsidiaries, had approximately $1.3 billion of indebtedness outstanding).

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

Payment of Interest and Principal

Interest on the Notes

The 2020 notes will bear interest at the rate of 0.375% per year, payable annually in arrear on July 25 of each year, beginning July 25, 2017, the 2024 notes will bear interest at the rate of 1.125% per year, payable annually in arrear on October 15 of each year, beginning October 15, 2016, and the 2028 notes will bear interest at the rate of 1.625% per year, payable annually in arrear on October 15 of each year, beginning October 15, 2016 in each case, to the holders of record at the close of business on:

- so long as the notes are represented by global notes, the Business Day (as defined below under "—Payment of Interest and Principal") next preceding an interest payment date; or

- if physical notes (as defined below under "Provisions Relating to the Notes While Represented by the Global Notes") are issued, the 15th calendar day next preceding an interest payment date, whether or not a Business Day.

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

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

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

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

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

"Determination Period" means the period from and including the immediately preceding interest payment date, or July 25, 2016, as the case may be, to, but excluding, the next interest payment date.

Mechanics of Payment

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

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

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

Optional Redemption by the Issuer

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

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

"Reference Bund" means, with respect to the 2020 notes, the 0.00% Federal Government Bond of Bundesrepublik Deutschland due April 17, 2020, with ISIN DE0001141711, with respect to the 2024 notes, the 1.00% Federal Government Bond of Bundesrepublik Deutschland due August 15, 2024, with ISIN DE0001102366, and with respect to the 2028 notes, the 0.00% Federal Government Bond of Bundesrepublik Deutschland due August 15, 2026, with ISIN DE0001102408.

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

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

"Reinvestment Rate" means, with respect to the 2020 notes, 0.20%, with respect to the 2024 notes, 0.25% and with respect to the 2028 notes, 0.30%, plus, in each case, the average of the four quotations given by the

Reference Dealers of the mid-market annual yield to maturity of the applicable Reference Bund at 11:00 a.m. (Central European time ("CET")) on the fourth Business Day preceding such Redemption Date and if the Reference Bund is no longer outstanding, a Similar Security will be chosen by the Independent Investment Banker at 11:00 a.m. (CET) on the third Business Day in London preceding such Redemption Date, quoted in writing by the Independent Investment Banker to Teva Finance.

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

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

The terms of the notes do not prevent Teva or Teva Finance from purchasing notes on the open market.

Special Mandatory Redemption

If the closing of the Actavis Generics acquisition does not occur on or prior to October 26, 2016, or if the Master Purchase Agreement is terminated at any time prior thereto, we will be required to redeem all of the notes on the special redemption date (as defined below) at a redemption price equal to 101% of the aggregate principal amount of the notes being redeemed (the "special redemption price"), plus accrued and unpaid interest, if any, from the date of initial issuance of the notes up to, but not including, the special redemption date.

The "special redemption date" means the date fixed for any special mandatory redemption in a special mandatory redemption notice (as defined below).

Teva Finance will cause the notice of the event (the "special mandatory redemption notice") to be mailed, with a copy to the trustee, to each holder of notes being redeemed at its registered address within five Business Days after the occurrence of the event triggering the special mandatory redemption. If funds sufficient to pay the special redemption price of all notes to be redeemed on the special redemption date are deposited with the trustee on or before such special redemption date, plus accrued and unpaid interest, if any, to, but not including, the special redemption date, the notes to be redeemed will cease to bear interest and all rights under the notes shall terminate (other than in respect of the right to receive the special redemption price, plus accrued and unpaid interest, if any). The special mandatory redemption notice will specify the special redemption date, which date may not be any later than the 25th day (or, if such day is not a Business Day, the first Business Day thereafter) from the date of such special mandatory redemption notice. The provisions related to our obligation to redeem the notes in a special mandatory redemption may not be waived or modified for any series of the notes without the written consent of holders of at least a majority in principal amount of the series of notes subject to such waiver or modification.

Notwithstanding the foregoing, installments of interest on any series of notes that are due and payable on interest payment dates falling on or prior to the special redemption date will be payable on such interest payment dates to the registered holders as of the close of business on the relevant record dates in accordance with the notes and the indenture.

Upon the occurrence of the closing of the Actavis Generics acquisition, the foregoing provisions regarding the special mandatory redemption will cease to apply.

Certain Covenants

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

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

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

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

Certain Other Covenants

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

Additional Tax Amounts

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

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

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

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

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

- to the extent that such Taxes are imposed or levied by reason of such holder (or the beneficial owner) having some present or former connection with the Taxing Jurisdiction other than the mere holding (or beneficial ownership) of such note or receiving principal or interest payments on the notes (including but not limited to citizenship, nationality, residence, domicile, or the existence of a business, permanent establishment, a dependant agent, a place of business or a place of management present or deemed present in the Taxing Jurisdiction);
- in respect of any Taxes that would not have been so withheld or deducted but for the failure by the holder or the beneficial owner of the notes to make a declaration of non-residence, or any other claim or filing for exemption to which it is entitled or otherwise comply with any reasonable certification, identification, information, documentation or other reporting requirement concerning nationality, residence, identity or connection with the Taxing Jurisdiction if (a) compliance is required by applicable law, regulation, administrative practice or treaty as a precondition to exemption from all or part of the Taxes, (b) the holder (or beneficial owner) is able to comply with these requirements without undue hardship and (c) we have given the holders (or beneficial owners) at least 30 calendar days' prior notice that they will be required to comply with such requirement;
- to the extent that such Taxes are imposed by reason of any estate, inheritance, gift, sales, transfer or personal property taxes imposed with respect to the notes, except as otherwise provided in the indenture;

- to the extent that any such Taxes would not have been imposed but for the presentation of such notes, where presentation is required, for payment on a date more than 30 days after the date on which such payment became due and payable or the date on which payment thereof is duly provided for, whichever is later, except to the extent that the holder would have been entitled to additional tax amounts had the notes been presented for payment on any date during such 30-day period; or

- any combination of the above.

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

Tax Redemption

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

- any change in or amendment to the laws, or any regulations or rulings promulgated under the laws of the Taxing Jurisdiction or any political subdivision or taxing authority of or in the Taxing Jurisdiction affecting taxation, or

- any change in official position regarding the application or interpretation of the laws, regulations or rulings referred to above,

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

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

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

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

- an opinion of legal counsel to that effect based on the statement of facts.

Events of Default

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

(1) Teva Finance's failure to pay when due the principal and premium, if any, of any of such notes when it becomes due and payable at maturity, upon redemption or otherwise;
(2) Teva Finance's failure to pay interest (including additional amounts in respect of taxes, if any) on any of such notes when it becomes due and payable and such default continues for a period of 30 days;
(3) Teva's failure to perform its obligations under the guarantees relating to such notes;
(4) except as otherwise permitted by the indenture, the related guarantees by Teva shall be held in any final, non-appealable judicial proceeding to be unenforceable or invalid or shall cease for any reason to be in full force and effect or Teva, or any person acting on behalf of the Teva, shall deny or disaffirm its obligations under the guarantees;
(5) Teva's or Teva Finance's failure to perform or observe any other term, covenant or agreement contained in the indenture or such notes for a period of 60 days after written notice of such failure, requiring Teva or Teva Finance, respectively, to remedy the same, shall have been given to Teva or Teva Finance, respectively, by the trustee or to Teva or Teva Finance, respectively, and the trustee by the holders of at least 25% in aggregate principal amount of such notes then outstanding;
(6) Teva's or Teva Finance's default under any Indebtedness (as defined below) for money borrowed by it, the aggregate outstanding principal amount of which is in an amount in excess of $250 million, for a period of 30 days after written notice to Teva Finance by the trustee or to Teva Finance and the trustee by holders of at least 25% in aggregate principal amount of such notes then outstanding, which default:

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

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

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

(8) Teva's failure to comply with the provisions described under "—Special Mandatory Redemption."

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

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

The indenture provides that the trustee shall (other than in the case of (7) above, which shall result in the notes becoming immediately due and payable), within 90 days of the occurrence of a default, give to the registered holders of the notes notice of all uncured defaults known to it, but the trustee shall be protected in

withholding such notice if it, in good faith, determines that the withholding of such notice is in the best interest of such registered holders, except in the case of a default in the payment of the principal of or interest on, any of the notes when due or in the payment of any redemption or repurchase obligation.

The indenture provides that:

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

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

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

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

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

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

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

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

  - requested the trustee to institute that action and

  - offered the trustee security or indemnity satisfactory to it;

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

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

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

Consolidation, Merger or Assumption

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

- the successor entity assumes all of the obligations of Teva Finance under the indenture and the notes that such issuer has issued; and
- at the time of such transaction, no event of default, and no event which, after notice or lapse of time, would become an event of default, shall have happened and be continuing.

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

- the successor corporation assumes all of the obligations of Teva under the indenture and the notes issued pursuant to it; and
- at the time of such transaction, no event of default, and no event which, after notice or lapse of time, would become an event of default, shall have happened and be continuing.

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

Modifications and Amendments

Changes Requiring Approval of Each Affected Holder

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

- change the maturity of the principal of or any installment of interest on the notes;
- reduce the principal amount of the notes or reduce the rate or extend the time of payment of interest on the notes;
- change the currency of payment of the principal amount or interest on the notes;
- impair the right to institute suit for the enforcement of any payment on or with respect to the notes;
- modify Teva's obligation to own, directly or indirectly, all of Teva Finance's outstanding capital stock;
- modify the redemption provisions of the indenture in a manner adverse to the holders of the notes;
- modify the applicable guarantee in a manner adverse to the holders of the notes;
- reduce the percentage in aggregate principal amount of outstanding notes necessary to modify or amend the indenture or to waive any past default; or
- reduce the percentage in aggregate principal amount of outstanding notes required for the adoption of a resolution.

Changes Requiring Majority Approval

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

Changes Requiring No Approval

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

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

Satisfaction and Discharge

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

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

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

Governing Law

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

Information Concerning the Trustee and Paying Agent

The Bank of New York Mellon, as trustee under the indenture, has been appointed by us as paying agent, transfer agent and registrar, and The Bank of New York Mellon, London Branch, has been appointed by us as

principal paying agent with regard to the notes. The trustee, the principal paying agent or their affiliates may from time to time in the future provide banking and other services to us in the ordinary course of their business. The trustee and the principal paying agent shall be under no obligation to exercise any of the trusts or powers vested in them by the indenture at the request, order or direction of any of the holders of the notes pursuant to such indenture, unless such holders shall have offered to the trustee and the principal paying agent security or indemnity satisfactory to them against the costs, expenses and liabilities which might be incurred therein or thereby.

PROVISIONS RELATING TO THE NOTES WHILE REPRESENTED BY THE GLOBAL NOTES

General

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

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

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

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

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

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

Physical Notes

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

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

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

In such an event, Teva Finance will issue physical notes in fully registered form without coupons in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear and/or Clearstream, as applicable (in accordance with their respectively customary procedures and based upon directions received from participants reflecting the beneficial ownership of book-entry interests), and such physical notes will bear a restrictive legend with respect to certain transfer restrictions, unless that legend is not required by the indenture or applicable law.

Payments on Global Notes

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

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

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

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

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

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

Redemption of Global Note

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

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised Teva that they will take any action permitted to be taken by a holder (including the presentation of notes for exchange as described above) only at the direction of one or more participants to whose account the book-entry interests in any global note are credited and only in respect of such portion to the aggregate principal amount of notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of such global note. However, if there is an Event of Default under the notes, each of Euroclear and Clearstream reserve the right to exchange the global notes for physical notes, and to distribute such physical notes to its participants.

Global Clearance and Settlement under the Book-Entry System

Initial Settlement

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

Secondary Market Trading

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

Information Concerning Euroclear and Clearstream

We understand the following with respect to Euroclear and Clearstream:

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

Custody Risks

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

Procedures Subject to Change

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

DESCRIPTION OF TEVA

Teva Pharmaceutical Industries Limited is a global pharmaceutical company, committed to increasing access to high-quality healthcare by developing, producing and marketing affordable generic medicines and a focused portfolio of specialty medicines. We operate in pharmaceutical markets worldwide, with a significant presence in the United States, Europe and other markets. As a world-leading pharmaceutical company, we are strategically positioned to benefit from ongoing changes in the global healthcare environment.

We operate our business in two segments:

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

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

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

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

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

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

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

    - Our broad portfolio of generic products covers almost every major therapeutic area.

    - Our extensive technological capabilities enable us to provide a wide array of generic products, in a variety of dosage forms, including oral solid doses, injectables, inhalations and other delivery devices.

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

    - Our generics business is poised to grow significantly through our pending acquisition of Actavis Generics.

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

In 2015, 49% of our revenues were generated from generic medicines, including APIs sold to third parties, and 42% of our revenues were generated from specialty medicines.

In 2015, we generated 51% of our generic revenues in the United States, 28% in Europe (which for the purpose of this report includes all EU member states, Norway, Switzerland, Albania and the countries of former Yugoslavia) and 21% in our ROW markets (primarily Japan, Canada, Venezuela and Russia).

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

Strategy

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

The key elements of our strategy consist of the following:

- **Solidifying our foundation and driving organic growth**. We have solidified, and continue to strengthen, the core foundations of our generics and specialty businesses to create additional value from our existing operations. We implemented organizational and leadership changes, such as the creation of the Global Generics Medicines group, designed to achieve global integration and improve focus and effectiveness. We continue to drive organic growth and improve profitability in our generics business.
- **Transforming our generics business**. Upon consummation of our acquisition of Actavis Generics, the Actavis Generics portfolio and pipeline, combined with our strong existing generics portfolio, will further enhance our goals of delivering the highest quality generic medicines at competitive prices. The combined generic business will have a commercial presence across 100 markets, including a top three leadership position in over 40 markets.

- **Focusing on key growth markets**. While we currently operate in numerous markets throughout the world, we intend to concentrate our efforts on a smaller number of growth markets where we believe we can establish or expand leadership positions. We are exploring both organic and inorganic initiatives to achieve leadership in these markets, including, for example, our acquisition of Representaciones e Investigaciones Médicas, S.A. de C.V. ("Rimsa"), a leading pharmaceutical company in Mexico, which we completed in March 2016.

- **Maintaining Copaxone® and other key specialty products**. We enhanced our multiple sclerosis ("MS") franchise through the introduction of our three-times-a-week Copaxone® 40 mg/mL product in the United States, Europe and other countries in 2015. We also enhanced our oncology portfolio with the FDA's approval in December 2015 of Bendeka™ (bendamustine hydrochloride), which complements our Treanda® franchise. For many of our other specialty products, we are expanding into new markets, improving the products and taking further steps to protect the franchise while creating value for patients and payors.

- **Solidifying leadership positions in our core therapeutic areas**. Our focus is on our core therapeutic areas of CNS (including MS, neurodegenerative diseases, movement disorders and pain care) and respiratory (including asthma and chronic obstructive pulmonary disease), where we seek to establish leadership positions. In the past year, we have taken significant steps, both internally and by pursuing business development initiatives, to significantly solidify our position in our core therapeutic areas, specifically with the acquisitions of Labrys and Auspex.

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

Transaction Highlights

- **Japanese business venture**: In November 2015, we signed an agreement with Takeda Pharmaceutical Company Limited ("Takeda") to form a business venture to provide generic medicines in Japan. On April 1, 2016, Teva and Takeda established Teva Takeda Yakuhin Ltd., a new business venture in Japan. The business venture combines Teva's Japanese generics business along with Takeda's portfolio of non-exclusive products. The business venture seeks to leverage Takeda's leading brand reputation and strong distribution presence in Japan with Teva's expertise in supply chain, operational network, infrastructure and R&D, to meet the wide-ranging needs of patients and growing importance of generics in Japan through the provision of off-patent medicines.

  Teva assigned 49% of the business venture to Takeda in consideration of the contribution of its off-patented products business in Japan. The business venture will be consolidated in Teva's financial statements commencing April 1, 2016, and is expected to increase Teva's sales in the Japanese market.

- **Rimsa acquisition**: On March 3, 2016, we completed our acquisition of Rimsa, a leading pharmaceutical manufacturing and distribution company in Mexico, along with its portfolio of products, companies, intellectual property, assets and pharmaceutical patents, for an aggregate of $2.3 billion, in a cash free, debt free set of transactions. The transaction was funded through cash on hand. With the completion of the acquisition, we are now one of the leading pharmaceutical companies in Mexico, the second largest market in Latin America and one of the top five emerging markets globally.

- **Actavis Generics acquisition**: On July 26, 2015, we entered into the Master Purchase Agreement with Allergan to acquire Actavis Generics. Following an amendment to the Master Purchase Agreement, dated July 11, 2016, we will pay consideration of $33.5 billion in cash and approximately

100 million of Teva's ordinary shares. Closing of the transaction is subject to certain conditions, including relevant regulatory approvals. We expect that closing will occur shortly, based upon our current estimate of the timing to obtain clearance from the FTC. We previously received regulatory approval from the European Commission for the acquisition, subject to certain divestitures. Following closing of the acquisition, our generics segment is expected to comprise a much larger percentage of our revenues. Further information about the Actavis Generics acquisition, including a copy of the Master Purchase Agreement, is contained in a Report of Foreign Private Issuer on Form 6-K filed by us with the U.S. Securities and Exchange Commission (the "SEC") on July 28, 2015. In connection with the closing of the Actavis Generics acquisition, due to regulatory requirements, Teva expects to divest products with aggregate revenues in 2015 of approximately $1.1 billion.

Upon consummation of the acquisition, Teva and Allergan will enter into a stockholders agreement, which will impose certain restrictions on Allergan, including prohibiting transfers of the Teva shares during a 12-month lockup period or to certain competitors of Teva and activist investors, as well as to customary standstill limitations. Allergan will agree to vote its Teva shares, subject to certain exceptions relating to significant corporate transactions, in accordance with the recommendation of Teva's board of directors and in favor of persons nominated and recommended to serve as directors by Teva's board of directors. Allergan will be entitled to customary demand and piggy-back registration rights.

- **Auspex acquisition**: In May 2015, we acquired Auspex Pharmaceuticals, Inc. ("Auspex"), an innovative biopharmaceutical company specializing in applying deuterium chemistry to known molecules to create novel therapies with improved safety and efficacy profiles, for net cash consideration of $3.3 billion. Auspex's lead investigational product, SD-809 (deutetrabenazine), which leverages Auspex's deuterium technology platform, is being developed for the potential treatment of chorea associated with Huntington's disease, tardive dyskinesia and Tourette syndrome.

- **Eagle license**: In February 2015, we entered into an exclusive license agreement with Eagle Pharmaceuticals, Inc. ("Eagle") for Eagle's EP-3102, a bendamustine hydrochloride rapid infusion product. In December 2015, the FDA approved the product, Bendeka™ (bendamustine hydrochloride), an injection for the treatment of patients with chronic lymphocytic leukemia (CLL) and for the treatment of patients with indolent B-cell non-Hodgkin lymphoma (NHL) that has progressed during or within six months of treatment with rituximab or a rituximab-containing regimen. Teva is responsible for all U.S. commercial activities for the product including promotion and distribution. Bendeka™ became commercially available in January 2016. Eagle received an upfront cash payment of $30 million, a first milestone payment of $15 million and may receive up to $65 million in additional milestone payments as well as royalties on net sales.

- **Other transactions**: During 2015, we acquired stakes in Gecko Health Innovations, Inc., Immuneering Corporation and Microchips Biotech, Inc. for an aggregate of approximately $102 million and certain contingent payments.

Our Segments

Generic Medicines

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

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

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

In markets such as the United States, the United Kingdom, Canada, the Netherlands and Israel, generic medicines may be substituted by the pharmacist for their brand name equivalent or prescribed by International Nonproprietary Name ("INN"). In these so-called "pure generic" markets, physicians or patients have little control over the choice of generic manufacturer, and consequently generic medicines are not actively marketed or promoted to physicians. Instead, the relationship between the manufacturer and pharmacy chains and distributors, health funds, and other health insurers is critical. In contrast, in Russia, Ukraine, Kazakhstan, some Asian and Latin American countries as well as certain European markets, generic medicines are sold under brand names alongside the originator brand. In many of these "branded generic" markets, pharmacists dispense the specific medicine prescribed by the physician, and substitution between originator brand, branded generic and/or generic manufacturers is often limited without the physician's consent. In some of these markets, branded generic products are actively promoted and a sales force is necessary. Other markets, such as Germany, Japan, France, Italy and Spain, are hybrid markets with elements of both approaches.

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

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

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

We produce approximately 300 APIs for our own use and for sale to third parties in many therapeutic areas. APIs used in pharmaceutical products are subject to regulatory oversight by national health authorities. We utilize a variety of production technologies, including chemical synthesis, semi-synthetic fermentation, enzymatic synthesis, high potency manufacturing, plant extract technology and 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 medicines business by the main geographic areas in which we operate.

United States

We are the leading generic drug company in the United States. We market approximately 370 generic products in more than 1,100 dosage strengths and packaging sizes, including oral, injectable and inhaled products. We believe that the breadth of our product portfolio provides us with a strategic advantage, particularly as consolidation continues among purchasers, including large drugstore chains, wholesaling organizations and buying groups. Our growth strategy focuses on a portfolio of products that will provide added value to our customers, payors and patients, utilizing new and advanced technologies.

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

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

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

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

Europe

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

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

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

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

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

Key markets highlights

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

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

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

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

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

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

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

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

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

The market in Spain was characterized in 2015 by further government pricing and reimbursement reforms which increased generic utilization. Our strategy in Spain is to compete for sustainable and profitable business in this market.

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, Canada, Venezuela and Russia. 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 (CIS) and Latin American markets. Russia is characterized by rapid growth and relatively high sales of branded generics and OTC products. Some countries such as Canada and Israel have higher generic penetration rates and therefore lower growth rates.

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

Key markets highlights

On April 1, 2016, we and Takeda established Teva Takeda Yakuhin Ltd., a new business venture in Japan with Takeda. The business venture combines Teva's Japanese generics business along with Takeda's portfolio of non-exclusive products. The business venture seeks to leverage Takeda's leading brand reputation and strong distribution presence in Japan with Teva's expertise in supply chain, operational network, infrastructure and R&D, to meet the wide-ranging needs of patients and growing importance of generics in Japan through the provision of off-patent medicines.

Teva assigned 49% of the business venture to Takeda in consideration of the contribution of its off-patented products business in Japan. The business venture will be consolidated in Teva's financial statements commencing April 1, 2016, and is expected to increase Teva's sales in the Japanese market.

Japan is one of the largest pharmaceutical markets in the world and one of the fastest growing large generics markets in the world. The generic market is expected to continue growing in the next several years 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 also drive increased generic penetration. We continue to establish strategic partnerships with key national and regional wholesalers in order to ensure distribution to all customer segments.

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

We market generic products to retail chains, retail buying groups and independent pharmacies, reaching approximately 8,800 outlets across Canada. We continue to see consolidation of independent retail pharmacies

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

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

We operate in Venezuela, with a comprehensive product portfolio in a wide range of therapeutic areas. Our products are mainly marketed as generic and branded generics medicines.

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

The Russian government seeks to increase the share of domestically produced pharmaceutical products by implementing a policy to encourage local production to meet state and local needs. We established a manufacturing facility in Yaroslavl, Russia in 2015 to take advantage of this policy, and we expect this facility to become fully operational during 2016.

Specialty Medicines

Our specialty medicines business, which is focused on delivering innovative solutions to patients and providers via medicines, devices and services in key regions and markets around the world, includes our core therapeutic areas of CNS (with a strong emphasis on MS, neurodegenerative disorders, movement disorders and pain care) and respiratory medicines (with a focus on asthma and chronic obstructive pulmonary disease). We also have specialty products in oncology, women's health and selected other areas.

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

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

Our U.S. specialty medicines revenues in 2015 amounted to $6.4 billion, comprising the most significant part of our specialty business. Our European specialty medicines revenues in 2015 amounted to $1.5 billion and in ROW amounted to $378 million. Our specialty presence in ROW markets is mainly built on our CNS franchise, with gradual development in other therapeutic areas closely related to our branded generics portfolios in those countries. In Europe and in ROW markets, we leverage existing synergies with our generics and OTC businesses through integrated in-market structures.

We have built a specialized capability to help patients adhere to their treatments, improve patient outcomes, and in certain markets, to ensure timely delivery of medicines and assist in securing reimbursement.

These programs, known as "Patient Support Programs," reflect the importance we place on supporting patients and are a critical part of our success. While originally focused on supporting MS patients in the United States, we have expanded this capability to other regions and therapeutic areas. Teva currently operates Patient Support Programs in 30 countries around the world in multiple therapeutic areas. We believe that we can provide a range of services and solutions appropriately tailored to meet the needs of patients according to their specific condition and local market requirements. We believe this capability provides us with an important competitive advantage in the specialty medicines market.

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

Central Nervous System—Medicines

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

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

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

Copaxone®, the first non-interferon immunomodulator approved for the treatment of RRMS, is believed to have a unique mechanism of action that works with the immune system, unlike many therapies that are believed to rely on general immune suppression or cell sequestration to exert their effect. Copaxone® provides a proven mix of efficacy, safety and tolerability.

In November 2015, Copaxone® 20 mg/mL was launched in Japan, pursuant to an agreement with Takeda to market this product in Japan.

Our U.S. Orange Book patents covering Copaxone® 20 mg/mL expired in May 2014. Our patents on Copaxone® 20 mg/mL expired in May 2015 in most of the rest of the world.

Accordingly, a key part of our strategy has been the introduction of Copaxone® 40 mg/mL, a higher dose of Copaxone® with a three times a week dosing regimen for patients with RRMS, which was launched in the United States in January 2014. This formulation allows for a less frequent dosing regimen administered subcutaneously for patients with relapsing forms of MS. In December 2014, we received EMA approval in a decentralized procedure for Copaxone® 40 mg/mL in Europe. To date, we have launched Copaxone® 40mg/mL in 21 European countries, with another five European launches planned for the remainder of 2016. We received regulatory approval for Copaxone® 40 mg/mL in Russia in October 2015. We expect to receive marketing approvals in certain other ROW markets later in 2016.

Copaxone® 40 mg/mL is protected by three U.S. Orange Book patents that expire in 2030, which are being challenged in paragraph IV litigation and in patent office proceedings in the United States, and a fourth U.S. Orange Book patent expiring in 2030 that was issued in October 2015 and is also being challenged in paragraph IV litigation, but not in patent office proceedings. It is also protected by one European patent expiring in 2030, the validity of which was confirmed by the European Patent Office in December 2015, which rejected all invalidity claims.

Since the launch of Copaxone® 40 mg/mL three times a week in the United States, over 78% of the total U.S. Copaxone® prescriptions are now filled with the 40 mg/mL version. This was driven by patient and physician choice of the 40 mg/mL version supported by payor access and patient support activities.

Copaxone® accounted for $4.0 billion (including $3.2 billion in the U.S.), or 20% of our revenues in 2015, and contributed a significantly higher percentage to our profits and cash flow from operations during such period.

The market for MS treatments continues to change as a result of new and emerging therapies as well as a generic version of Copaxone® 20 mg/mL. In particular, the increasing number of oral treatments, such as Tecfidera® by Biogen, Gilenya® by Novartis, and Aubagio® by Genzyme, continue to present significant and increasing competition. In June 2015, Sandoz launched its generic version of Copaxone® 20 mg/mL, GlatopaTM, in the United States. Copaxone® also continues to face competition from existing injectable products, such as the four beta-interferons Avonex®, Betaseron®, Extavia® and Rebif®, as well as from the two monoclonal antibodies Tysabri® and Lemtrada®.

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

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

We exclusively market Azilect® in the United States, but expect generic competition commencing in early 2017. In Europe, we shared marketing rights with Lundbeck until the end of 2015, when the initial period of our agreement with Lundbeck ended and all marketing rights reverted to us. Data exclusivity protection for Azilect® in the EU expired in 2015. In 2014, we signed an agreement with Takeda to market this product in Japan.

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. Since November 2015, a number of generic products that compete with Azilect® have launched, or are in the process of launching, throughout Europe.

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

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

Nuvigil® is protected by several patents, with a pediatric extension. Pursuant to an agreement we reached with Mylan Pharmaceuticals ("Mylan"), Mylan launched its generic version of Nuvigil® in the United States in June 2016. We have entered into other agreements to permit the other generic filers to enter the market under license 180 days after Mylan's entry.

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

Zecuity® is a prescription transdermal system approved by the FDA for the acute treatment of migraine with or without aura in adults. Zecuity® is a disposable, single-use, iontophoretic transdermal system that actively delivers sumatriptan, the most widely prescribed migraine medication, through the skin. Zecuity® was launched in the United States in September 2015. Zecuity® is protected by seven U.S. Orange Book listed patents, expiring between 2023 and 2030.

On June 13, 2016, we announced the voluntary suspension of sales, marketing and distribution of Zecuity®. We have received post-marketing reports of application site reactions described as burns and scars in patients treated with Zecuity® and are working in cooperation with the FDA to better understand these adverse events. In addition to this voluntary suspension, we have initiated a pharmacy-level recall of the product.

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

Central Nervous System—Pipeline

Our clinical pipeline of Movement Disorders, Neurodegeneration and Multiple Sclerosis products includes:

Movement Disorders, Neurodegeneration and Multiple Sclerosis Products	Potential Indication(s)	Route of Administration	Development Phase (date entered Phase 3)
SD-809 (deutetrabenazine)	Huntington disease	Oral	Submitted in U.S. (May 2015)
	Tardive dyskinesia		3 (October 2014)
	Tourette syndrome		2
Laquinimod	Relapsing Remitting Multiple Sclerosis	Oral	3 (February 2013)
	Progressive Forms of Multiple Sclerosis		2
	Huntington disease	2	
Pridopidine	Huntington disease	Oral	2

SD-809 (deutetrabenazine) is a deuterated form of a small molecule inhibitor of vesicular monoamine 2 transporter, or VMAT2, that is designed to regulate the levels of a specific neurotransmitter, dopamine, in the brain. SD-809 was acquired as part of the Auspex acquisition in May 2015.

SD-809 was granted Orphan Drug Designation by the FDA for the treatment of Huntington disease in November 2014. The SD-809 NDA submission for Huntington disease was accepted for filing by the FDA in August 2015 based on positive results from two Phase 3 studies (FIRST-HD and ARC-HD). In the placebo-controlled, randomized FIRST-HD study, SD-809 reduced chorea in patients with Huntington disease. Positive top-line data from the Phase 3, open-label ARC-HD study demonstrated that patients were able to safely convert from tetrabenazine, currently the only approved Huntington treatment, to SD-809 overnight with continued control of chorea.

SD-809 is currently in clinical development for the treatment of Tardive dyskinesia and Tourette syndrome. Results from the pivotal Phase 2 clinical study “Aim to Reduce Movements in Tardive Dyskinesia” (ARM-TD) showed that the study met its primary endpoint, demonstrated a positive trend in all secondary endpoints and showed a favorable safety and tolerability profile. Phase 3 clinical development for Tardive dyskinesia is in progress and will continue through the second half of 2016. Phase 3 clinical development for Tourette syndrome is planned in 2016.

We recently received a Complete Response Letter from the FDA regarding our New Drug Application for SD-809 tablets for the treatment of chorea associated with Huntington’s disease. We plan to submit our response to the FDA in the third quarter of 2016.

SD-809 is protected by patents expiring in 2029 in Europe and in 2031 in the United States.

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

In 2011, we conducted two Phase 3 studies. In both studies the observed safety and tolerability profile of laquinimod was considered favorable. A third Phase 3 safety and efficacy trial for laquinimod ("CONCERTO") was initiated in February 2013 in patients with relapsing-remitting multiple sclerosis, the primary endpoint of impact on disability progression.

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

Further clinical studies of laquinimod in patients with progressive forms of multiple sclerosis as well as patients with Huntington disease are ongoing.

In January 2016, we discontinued the highest doses of laquinimod in all studies, after the occurrence of cardiovascular events, none of which were fatal, in eight patients using the highest doses in the CONCERTO trial and in the other ongoing study in progressive forms of multiple sclerosis. All studies are continuing with the lower- and mid-dosages.

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

Pridopidine is an oral small molecule dopamine stabilizer being developed for the symptomatic treatment of motor disorders (including Huntington disease), which we obtained from Neurosearch A/S in 2012. We initiated a Phase 2 clinical study to evaluate the safety and efficacy of pridopidine in patients with Huntington disease in February 2014, with results expected in the third quarter of 2016.

Pridopidine is protected by patents worldwide that expire in 2020.

Our clinical pipeline of migraine and pain products includes:

Migraine and Pain Products	Potential Indication(s)	Route of Administration	Development Phase (date entered Phase 3)
Vantrela ER	Pain	Oral	Submitted US (October 2014)
TV-46763 (abuse deterrent)	Pain	Oral	3 (July 2015)
TV-46139 (abuse deterrent)	Pain	Oral	2
TEV-48125 (anti CGRP)	Chronic and episodic migraine	Subcutaneous	2
TV-45070 Topical	Neuropathic pain	Topical	2

Vantrela ER (CEP-33237 Extended Release Hydrocodone) is our formulation of hydrocodone, an opioid analgesic, utilizing our OraGuard® technology, with potential abuse-deterrent properties that has been evaluated for resistance to physical manipulations, chemical extractions and multi-step chemical extractions methods.

A Phase 3 study was completed in August 2011, but did not demonstrate a statistically significant difference between the hydrocodone and placebo treatment groups. A re-designed Phase 3 study demonstrated significant improvement in the treatment of patients' chronic low back pain.

Submission of the U.S. NDA was completed in December 2014.

Vantrela ER is protected by patents in Europe that expire in 2027 and in the United States that expire in 2029.

TV-46763 and ***TV-46139*** are two pain products with potential abuse-deterrent properties, developed using our OraGuard® technology. TV-46763 is currently in Phase 3 development for safety and efficacy evaluation, which is expected to be completed in the second half of 2016. TV-46139 is in early clinical development.

TEV-48125 (anti CGRP) is a fully humanized monoclonal antibody that binds to calcitonin gene-related peptide (CGRP). The product was obtained through the Labrys acquisition in June 2014. TEV-48125 is being developed for the prevention of chronic and high frequency episodic migraine. In the Phase 2b trial, TEV-48125 met both primary and secondary endpoints in episodic migraine, achieving highly significant reductions in mean monthly migraine days and monthly headache days relative to baseline. TEV-48125 is currently in Phase 3 clinical development.

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

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

In a recent phase 2b clinical trial, TEV-45070 demonstrated a favorable safety and tolerability profile, with no drug-related serious adverse events. However, TV-45070 did not demonstrate a statistically significant difference from placebo in efficacy endpoints associated with pain due to osteoarthritis of the knee.

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

Respiratory—Medicines

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

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

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

Below is a description of our main respiratory medicines:

ProAir® hydrofluoroalkane ("HFA") inhalation aerosol with dose counter (albuterol sulfate) is indicated in patients four years of age and older for the treatment or prevention of bronchospasm with reversible obstructive airway disease and for the prevention of exercise-induced bronchospasm. In March 2012, the FDA approved the addition of a dose counter, an innovation designed to help patients, as well as their caregivers, keep track of the number of doses remaining in the inhaler. The efficacy and safety profile of albuterol, which is used by millions of patients every day around the world, is well established, while HFA is an environmentally friendly propellant. ProAir® HFA, which is marketed only in the United States, is the leading quick relief inhaler. It is protected by various patents expiring between 2017 and 2028. In June 2014, we settled a patent challenge to ProAir® HFA with Perrigo Pharmaceuticals permitting Perrigo to launch its generic product in limited quantities beginning on December 19, 2016 and without quantity limitations after June 2018.

ProAir® Respiclick® (albuterol sulfate), which was approved by the FDA in April 2015, is indicated for the treatment or prevention of bronchospasm with reversible obstructive airway disease and for the prevention of exercise-induced bronchospasm in patients 12 years of age and older. In April 2016, the FDA approved ProAir® RespiClick® for children 4 to 11 years of age. ProAir® Respiclick® is the first breath actuated dry powder inhaler with Albuterol sulfate as active ingredient approved in the United States. ProAir® Respiclick® is protected by various U.S. Orange Book listed patents expiring between 2017 and 2028.

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

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

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

The actuator with dose counter used in connection with ProAir® HFA and QVAR® is protected by patents and applications expiring between December 2017 and May 2031.

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

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

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

Respiratory—Pipeline

The primary area of focus of respiratory R&D is the development of differentiated respiratory therapies for patients using novel delivery systems that address unmet needs. Our novel delivery systems include:

- An advanced breath-actuated inhaler ("BAI") called Easi-Breathe;
- Spiromax® / RespiClick® (US), a novel inhalation-driven multi-dose powder inhaler ("MDPI"); and
- Tidal Inhaler (formerly Teva MicroDose), a unique nebulization device, currently being evaluated for use in early stage development programs.

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

Our devices and delivery systems are protected by the following patents and applications:

- The Easi-Breathe BAI device is protected by applications and patents expiring between June 2021 and July 2031.
- The Spiromax® / RespiClick® (US) device is protected by patents and applications expiring between June 2021 and October 2034.
- The Tidal Inhaler device is protected by patents and applications expiring between February 2025 and April 2036.

Our clinical pipeline of respiratory projects is described below:

Respiratory Products	Potential Indication(s)	Route of Administration	Development Phase (date entered Phase 3)
ProAir® RespiClick® US	Asthma, exercise induced bronchospasm	Oral Inhalation	Approved in U.S. in adults (March 2015). Approved in U.S. for ages 4-11 (April 2016)
Reslizumab	Severe asthma with eosinophilia	Intravenous	Approved in U.S. (March 2016), Submitted in EU (June 2015)
		Subcutaneous	3 (August 2015)
Fluticasone Salmeterol Spiromax® EU	Asthma, COPD	Oral Inhalation	Submitted in EU (June 2015)
QVAR® BAI US	Asthma, COPD	Oral Inhalation	3 (December 2013)
Fluticasone Propionate MDPI US	Asthma	Oral Inhalation	3 (June 2014)
Fluticasone Salmeterol MDPI US	Asthma	Oral Inhalation	3 (June 2014)
Fluticasone Salmeterol (MDI) EU	Asthma, COPD	Oral Inhalation	1
TV-44649 (Budesonide Formoterol HFA MDI)	Asthma, COPD	Oral Inhalation	1
TV-44664 (Fluticasone Salmeterol DPI)	Asthma, COPD	Oral Inhalation	1

ProAir® RespiClick US is a dry-powder inhaler formulation of albuterol in our multi-dose powder inhaler device that is designed to be an improvement to our ProAir® product. ProAir® RespiClick was approved by the FDA in March 2015 for use in adults and adolescents (12 years of age and older) to treat asthma and exercise-induced bronchospasm. In April 2016, the FDA approved ProAir® RespiClick® for children 4 to 11 years of age.

The ProAir® RespiClick product is protected by the device patents and applications noted above.

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.

The reslizumab BLA submission for the intravenous product was accepted by the FDA on June 15, 2015 based on Phase 3 study results from August 2014. Study results indicated the product met the primary endpoint of reduction in the frequency of clinical asthma exacerbations compared to placebo. The product was approved by the FDA in March 2016.

The Phase 3 clinical program for the subcutaneous reslizumab product was initiated in August 2015.

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

Fluticasone Salmeterol Spiromax® EU is being developed per EU guidance to achieve the same clinical outcomes as Seretide® Accuhaler®. Bioequivalence has been demonstrated for the high strength product and the product was submitted to EMA in June 2015. Further clinical development for the middle strength product is planned in 2016.

The Fluticasone Salmeterol Spiromax® EU product is protected by the device patents and applications noted above.

QVAR® BAI US (beclomethasone) is an oral aerosol corticosteroid in development for the treatment of asthma for ages four years and older. The product is delivered using our advanced breath-actuated inhaler. The Phase 3 clinical program was initiated in December 2013 and was completed in 2016. Results from the low strength safety and efficacy study in February 2015 confirmed the primary end points were achieved. NDA submission is planned in 2016.

The QVAR® BAI product is protected by Easi-Breathe BAI device patents and applications expiring between June 2021 and June 2030. The actuator with dose counter is protected by patents and applications expiring between December 2017 and July 2030.

Fluticasone Propionate MDPI US is a new formulation of long acting corticosteroid ("LCS") 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.

The Fluticasone Propionate MDPI US product is protected by the device patents and applications noted above.

Fluticasone Salmeterol MDPI US is a new formulation of LCS/LABA using our multi dose powder inhaler device, designed to achieve comparable efficacy to Advair® Diskus at lower doses.

Phase 3 clinical trial results in November 2015 demonstrated clinically relevant and greater benefit at all doses compared to placebo and vs. respective monotherapy (fluticasone propionate) in the improvement of lung function. Regulatory submission to the FDA is planned in 2016.

Fluticasone Salmeterol (MDI) EU is designed to be comparable to Advair®/Seretide® HFA, delivered in a well-established press-and-breath device. Clinical studies were completed and submission plans are in development.

TV-44649 (Budesonide Formoterol HFA MDI) is a long acting ß2-agonist and an inhaled corticosteroid combined for the treatment of asthma in patients 12 years of age and older. TV-44649 is currently in phase 1 clinical development and initiation of pivotal clinical studies to demonstrate therapeutic equivalency to Symbicort® is planned in 2016.

TV-44664 (Fluticasone Salmeterol DPI) is a long acting ß2-agonist and an inhaled corticosteroid combined for the treatment of asthma in patients 4 years of age and older. TV-44664 is currently in phase 1 clinical development and initiation of pivotal clinical studies to demonstrate therapeutic equivalency to Advair® is planned in 2016.

Oncology

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

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

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 and also newer targeted oral therapies, ibrutinib and idelilisib.

Including the previously granted six months of pediatric exclusivity, regulatory exclusivity for the NHL indication was extended through April 2016. Orphan drug exclusivity for the CLL indication expired in March 2015. We have Orange Book patents for Treanda® expiring between 2026 and 2031.

To date, one company has filed a 505(b)(2) NDA for a liquid version of bendamustine, which, following a settlement with Teva, launched under license in May 2016. Litigation is pending against the sole ANDA filer for a liquid version of Treanda®, with the 30 month stay expiring in November 2017. Nineteen others have filed ANDAs for a generic version of the lyophilized form of Treanda®, which included patent challenges. We have reached final settlements with 12 of these 19 ANDA filers, which permit them to launch their respective generic products before patent expiry. The trial court found in our favor in five of the remaining cases. With respect to the remaining two ANDA filers, the 30 month stays expire in January 2017 and October 2017.

Bendeka™ (bendamustine hydrochloride) injection was approved by the FDA in December 2015. Bendeka™ is a liquid, low-volume (50 mL) and short-time 10-minute infusion formulation of bendamustine hydrochloride that we have licensed from Eagle to complement our Treanda® franchise. Bendeka™ is approved for the treatment of patients with CLL and patients with indolent B-cell NHL that has progressed during or within six months of treatment with rituximab or a rituximab-containing regimen. Bendeka™ became commercially available to prescribers in January 2016.

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

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

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

Lonquex® (long-acting G-CSF) is a G-CSF with the active ingredient lipegfilgrastim, a glycoPEGylated (PEG; polyethylene glycol) filgrastim molecule. This is the first long-acting G-CSF to be approved in Europe in more than ten years and offers a new alternative in G-CSF therapy. Lonquex® was launched in November 2013 in Germany and has since been launched in 22 additional European countries. It was approved in Russia in July 2014 and is in registration in other countries around the world. Lonquex® is protected by patents expiring in 2024 in Europe, with extension to 2028 in several countries.

Competitors to Teva's filgrastim include G-CSF products such as Neupogen® and Zarxio®, which was launched in September 2015 in the United States, and in Europe, also Zarxio/Zarzio® and Nivestim®. Several additional competing short-acting G-CSF biosimilars are expected to launch in 2016-2017 in the United States, and the first long-acting G-CSF biosimilars are also expected to begin launching in the United States in 2016.

Women's Health

Our women's health portfolio includes ParaGard®, Plan B One-Step® OTC/Rx (levonorgestrel), Zoely®, Seasonique® and Ovaleap®, along with a number of other products marketed in various countries.

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

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

Other Specialty Products—Pipeline

Our clinical pipeline of other specialty products includes:

Other Specialty Products	Potential Indication(s)	Route of Administration	Development Phase (date entered Phase 3)
TEV-90110			1
TEV-90111	HIV	Oral	1
TEV-90112			1
TEV-90113			1

TEV-90110, TEV-90111, TEV-90112 and TEV-90113 are fixed dose combination products containing antiretrovirals for the treatment of HIV all of which are in Phase 1 clinical development.

Changes to Other Pipeline Projects During 2015

During 2015, the following projects underwent changes to their status due to either clinical results or reprioritization within the Teva pipeline:

- ***Laquinimod for Crohn's disease***—We cancelled the development for this indication due to our therapeutic area focus.

- ***Albutropin (TV-1106)***—We decided to terminate the development of TV-1106 and stop all ongoing clinical activities in the area of growth hormones. Based on evolving data from ongoing and completed clinical studies, we reassessed the benefit/risk balance of TV-1106 and the likelihood of regulatory success for TV-1106. No new safety issues were identified with the administration of TV-1106.

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

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

PGT is focused on expanding in the following categories:

- Building on the Vicks® franchise and other leading multi-country respiratory brands where it has a strong presence, to increase its presence in the areas of cough, cold and nasal decongestion.

- Leveraging our generic capabilities under brands like ratiopharm, which offers quality, affordable OTC healthcare in Germany, to broaden its portfolio and expand to new markets.

- Expanding its vitamin, mineral and supplement product portfolio globally, in collaboration with Swisse Wellness, Australia's market-leading wellness brand.

- Developing the existing local brands that have market leading potential in individual or groups of countries.

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 products and other miscellaneous items.

Research and Development

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

Generics and Technologies

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

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

In recent years, we have built additional R&D capabilities beyond tablets, capsules, liquids, ointments and creams to other dosage forms and delivery systems, such as matrix systems, special coating systems for sustained release products, orally disintegrating systems, sterile systems such as vials, syringes and blow-fill-seal systems and more recently, capability build-up in long-acting release injectables, transdermal patches, oral thin film, drug device combinations and nasal delivery systems. We have also started the development of multiple AB-rated respiratory programs.

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

Specialty

Specialty R&D is focused on the development of small molecule, biologic and biosimilar products including discovery of new compounds, preclinical assessment (including toxicology, pharmacokinetics, pharmacodynamics and pharmacology studies), process development, clinical pharmacology and the design, execution and analysis of clinical trials, as well as regulatory strategy to support registration of our pipeline products.

Teva Global R&D develops novel specialty products in our core therapeutic and disease focus areas. We have CNS projects in areas such as migraine, pain, movement disorders/neurodegeneration, multiple sclerosis and neuropsychiatry. Our respiratory projects are focused on asthma and COPD and include novel compounds and novel delivery systems and products that address unmet patient needs. We also pursue select projects in other therapeutic and disease areas that leverage R&D and commercial areas of expertise.

Teva continues to evaluate in-licensing, acquisition and partnership opportunities to supplement our specialty pipeline (e.g., Eagle, Auspex, Microchips Biotech, Gecko Health Innovations and Heptares) to create and maintain a robust and sustainable pipeline.

In parallel, we continue to evaluate and expand the development scope of our R&D pipeline products as well as marketed products to support submission to key markets beyond the United States and Europe.

Innovation Using Existing Molecules (New Therapeutic Entities; Deuteration)

A strategic area of focus of Teva Global R&D is innovation using existing molecules ("IEM"), which is a major channel to build our pipeline, with a focus on our core therapeutic areas (CNS and respiratory). These IEM projects include the development of NTEs as well as deuterated molecules.

NTEs are known molecules that are formulated, delivered or used in a novel way to address unmet patient needs (such as adherence, compliance, efficacy, safety). Examples of NTEs include use of novel technology to reduce frequency of administration (especially for injectable drugs), enable early onset of action, deter abuse of opioids and other frequently-abused/misused-drugs, new fixed-dose-combinations, drugs with modified pharmacokinetic profiles to reduce side effects, and drugs that are repurposed for new indications. At the end of 2015, our pipeline included 21 NTE projects. These projects incorporate various technological abilities and formulation specialties such as abuse-deterrence, delayed release and rapid release, which form the basis for future development of NTEs.

In deuterated molecules, hydrogen atoms are selectively replaced with deuterium atoms to create carbon deuterium bonds that are potentially more resistant to metabolic breakdown than their corresponding carbon hydrogen bond. Deuteration can enable changes in metabolic properties that can potentially lead to improved clinical outcomes. We have begun to incorporate deuterated projects into our pipeline with SD-809 (deutetrabenazine) for Huntington disease and tardive dyskinesia and SD-560 (deupirfenidone) for idiopathic pulmonary fibrosis (which is in early development). We anticipate adding more deuterated projects into our portfolio over time.

Because IEMs 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 IEMs, leveraging both regulatory and patent exclusivity to protect novel formulations, combinations and indications. Our IEM programs are in various stages of development, including formulation development, preclinical and clinical.

Operations

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

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

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

Pharmaceutical Production

We operate over 40 finished dosage pharmaceutical plants in 25 countries, including North America, Europe, Latin America, Asia and Israel. These plants manufacture solid dosage forms, sterile injectables, liquids, semi-solids, inhalers and medical devices. In 2015, Teva produced approximately 61 billion tablets and capsules and over 700 million sterile units. The FDA has approved 18 of our plants, and 26 of our plants are EMA approved. We also have 20 API sites and more than 20 pharmaceutical R&D centers.

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

We are implementing a global Operational Excellence program to optimize our manufacturing efficiency, in order to maintain our goal of supplying high quality, cost-competitive products on a timely basis to our customers globally. In 2015, we sold our manufacturing facilities in Kasukabe (Japan), Sellersville (U.S.) and Kunming (China) and closed our sites in Kutno (Poland) and San Miguel (Peru). We are in process of closing additional facilities and are reviewing other potential sites for restructuring. Our network restructuring plan aims at further optimizing and consolidating our manufacturing footprint, yielding higher efficiency and reducing costs and capital expenditures.

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

During 2015, we continued to invest in our manufacturing capabilities, focusing on strategic growth areas, including the construction of a new oral solid dosage facility in Russia and a new OTC manufacturing facility in India. We invested in expanding our manufacturing facility in Japan, our inhaler activities in Israel and Ireland, and our global sterile manufacturing centers in Hungary and Croatia. We constantly review these capabilities and our capacity utilization to ensure efficient alignment with our ability to timely deliver the highest quality products.

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

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

Location	Total Number of TGO Employees (1)	Principal Market(s) Served
India (5 sites)	2,089	Europe and other non-U.S. markets
Debrecen, Hungary (including one other site)	1,683	Europe and other non-U.S. markets
Zagreb, Croatia (including one other site)	1,434	North America, Europe and other markets
Ulm, Germany	1,366	Europe and other non-U.S. markets
Kfar Saba, Israel	1,296	North America, Europe and other markets
Opava, Czech Republic	1,213	North America, Europe and other markets
Takayama, Japan	1,164	Asia
Neot Hovav, Israel	987	North America, Europe and other markets
Jerusalem, Israel	904	North America and Europe
Canada (3 sites)	716	North America, Europe and other markets
Godollo, Hungary	669	North America, Europe and other markets
Krakow, Poland	598	North America and Europe
Forest, VA, U.S.	428	North America, Europe and other markets
Waterford, Ireland	357	North America, Europe and other markets
Haarlem, Netherlands	353	North America, Europe and other markets
Runcorn, U.K.	346	North America, Europe and other markets
Cincinnati, OH, U.S.	303	North America
Irvine, CA, U.S.	275	North America
Hangzhou, China	252	North America, Europe and other markets

(1) Figures refer to operations employees as of December 31, 2015 (pharmaceutical manufacturing, API manufacturing and API R&D).

Raw Materials for Pharmaceutical Production

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

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

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

Our API facilities meet all applicable current Good Manufacturing Practices ("cGMP") requirements under U.S., European, Japanese, and other applicable quality standards. Our API plants are regularly inspected by the FDA, European agencies or other authorities as applicable. During 2015, inspections of our API facilities worldwide found our manufacturing practices to be in compliance.

Environment

We are committed to business practices that promote socially and environmentally responsible economic growth. During 2015, we continued to make significant progress versus our multi-year plan to move closer to our long-term environment, health and safety ("EHS") vision of "Target Zero": zero incidents, zero injuries and zero releases. Some highlights include:

- Continued development and implementation of our global EHS management system to promote proactive compliance with all applicable environment, health and safety requirements; to establish minimum global expectations; and drive continuous improvement in our EHS performance.
- Provided EHS regulatory surveillance tools for all countries where we have significant operations.
- Implemented an internal regulatory surveillance EHS audit program to self-identify non-conformities and trigger appropriate corrective and preventative action.
- Continue to assess the environmental footprint of our operations and take action to optimize our processes and operations and reduce our impact through more efficient use of natural resources.

Quality

We are committed to not just complying with quality requirements but to developing and leveraging quality as a competitive advantage. Throughout 2015, we successfully completed numerous inspections of our facilities by regulatory agencies and continued discussions with authorities about drug shortages and participated in several industry-wide task forces. We continue to focus on building a solid and sustainable quality compliance foundation as well as making quality a priority beyond compliance, as part of our corporate culture and behavior, ensuring that quality is reflected in all environments to enable reliable and high quality products.

Organizational Structure

Our commercial structure is aligned with our strategy to ensure an integrated Teva.

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

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

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

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

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

Teva Global R&D is responsible for research and development of generic medications, NTEs and specialty products and includes regulatory affairs and pharmacovigilance. Teva Global Quality is charged with ensuring the reliable supply of quality, cost-effective medicines from our global network of sites in compliance with all relevant standards.

Our worldwide operations are conducted through a network of global subsidiaries. We have direct operations in many countries around the world, including pharmaceutical manufacturing sites, API sites and R&D centers. The following sets forth our principal operating subsidiaries in terms of aggregate total revenues, as of December 31, 2015:

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

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

Properties and Facilities

Listed below are our principal facilities and properties in various regions of the world and their size in square feet as of December 31, 2015:

Facility Location	Square Feet (in thousands)	Main Function
Israel		
Ramat Hovav	1,448	API manufacturing and R&D
Kfar Saba	738	Pharmaceutical manufacturing, research laboratories, warehousing, and offices
Jerusalem (3 sites)	546	Pharmaceutical manufacturing, research laboratories and offices
Shoham Logistics Center	538	Distribution center
Netanya (2 sites)	468	API manufacturing, pharmaceutical warehousing, laboratories, distribution center and offices
Petach Tikva	380	Corporate headquarters
Ashdod	153	Manufacturing of hospital supplies
Assia – Petach Tikva	118	R&D laboratories
United States		
North Wales area, PA (4 sites)	847	Teva USA headquarters, warehousing and distribution center
Forest, VA	450	Manufacturing, packaging and offices
Irvine, CA (7 sites)	362	Pharmaceutical manufacturing and R&D laboratories
West Chester, PA	356	Laboratories
Salt Lake City, UT	347	Offices, manufacturing and R&D laboratories
Cincinnati, OH	305	Pharmaceutical manufacturing, R&D laboratories and packaging
Mexico, MO	204	API manufacturing
Frazer, PA	188	Offices

Facility Location	Square Feet (in thousands)	Main Function
Pomona, NY	182	Pharmaceutical manufacturing and R&D laboratories
Guayama, Puerto Rico	170	API manufacturing
Miami, FL (3 sites)	157	Manufacturing, R&D laboratories, warehousing and offices
Overland Park, KS	154	Offices
Montvale, NJ	143	Offices
Canada		
Toronto, Ontario	448	Offices, pharmaceutical packaging, warehousing, distribution center and laboratories
Stouffville, Ontario	155	Pharmaceutical manufacturing and R&D laboratories
Markham, Ontario	127	Pharmaceutical manufacturing and warehousing
Europe		
Debrecen, Hungary (3 sites)	2,549	Pharmaceutical manufacturing, API manufacturing, R&D laboratories and warehousing
Ulm, Germany (2 sites)	1,740	Pharmaceutical manufacturing, warehousing and offices
Opava, Czech Republic	1,466	Pharmaceutical and API manufacturing, warehousing and distribution center
Krakow, Poland	939	Pharmaceutical manufacturing and warehousing
Zagreb, Croatia (5 sites)	909	Pharmaceutical manufacturing, packaging and warehousing, API manufacturing and R&D laboratories
Savski Marof, Croatia	577	API manufacturing
Weiler, Germany	521	Pharmaceutical manufacturing and packaging
Waterford, Ireland (3 sites)	413	Pharmaceutical manufacturing, warehousing and packaging
Sajababony, Hungary	374	Mixed use
Zaragoza, Spain (3 sites)	325	Pharmaceutical manufacturing, R&D laboratories
Runcorn, England (2 sites)	284	Pharmaceutical manufacturing, warehousing, laboratories and offices
Glasshoughton, England	255	Warehousing and distribution center
Haarlem, The Netherlands	232	Laboratories
Gödöllõ, Hungary	211	Pharmaceutical manufacturing, hospital supplies manufacturing, R&D laboratories, distribution center, packaging and warehousing
Santhiâ, Italy	177	API manufacturing, R&D laboratories and warehousing
Amsterdam, The Netherlands	176	Distribution center
Eastbourne, England	163	Warehousing and packaging
Asia		
Gajraula (U.P.), India	1,200	API manufacturing
Takayama, Japan	1,009	Pharmaceutical manufacturing
Hangzhou, China	609	API manufacturing
Ahmedabad, India	327	OTC manufacturing, packaging, warehousing and laboratories
Malanpur, India	302	API manufacturing
Goa, India	285	Pharmaceutical manufacturing and R&D laboratories
Koka, Japan	151	Pharmaceutical manufacturing
Nagoya, Japan (2 sites)	141	Offices
Latin America		
Santiago, Chile (4 sites)	414	Pharmaceutical manufacturing, warehousing and R&D laboratories
Mexico City, Mexico	344	Pharmaceutical manufacturing, warehousing and R&D laboratories
Munro, Argentina	298	Pharmaceutical manufacturing, warehousing, R&D laboratories and packaging
Lima, Peru (4 sites)	297	Pharmaceutical manufacturing, warehousing and R&D laboratories
Ramos Arizpe, Mexico	110	Pharmaceutical manufacturing

We lease certain of our facilities. In Israel, our principal executive offices and corporate headquarters in Petach Tikva are leased until December 2020. In North America, our principal leased properties are the facilities in North Wales and Frazer, Pennsylvania, which have lease terms expiring between 2016 and 2022. We own and lease various other facilities worldwide.

Regulation

United States

Food and Drug Administration and the Drug Enforcement Administration

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

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

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

The Drug Price Competition and Patent Term Restoration Act (the "Hatch-Waxman Act") established the procedures for obtaining FDA approval for generic forms of brand-name drugs. This act also provides market exclusivity provisions that can delay the approval of certain NDAs and ANDAs. One such provision allows a five-year period of data exclusivity for NDAs containing new chemical entities and a three-year period of market exclusivity for NDAs (including different dosage forms) containing new clinical trial(s) essential to the approval of the application. The Orphan Drug Act grants seven years of exclusive marketing rights to a specific drug for a specific orphan indication. The term "orphan drug" refers, generally, to a drug that treats a rare disease affecting

fewer than 200,000 Americans. Market exclusivity provisions are distinct from patent protections and apply equally to patented and non-patented drug products. Another provision of the Hatch-Waxman Act extends certain patents for up to five years as compensation for the reduction of effective life of the patent which resulted from time spent in clinical trials and time spent by the FDA reviewing a drug application.

Under the Hatch-Waxman Act, any company submitting an ANDA or an NDA under Section 505(b)(2) of the Food, Drug, and Cosmetic Act (i.e., an NDA that, similar to an ANDA, relies, in whole or in part, on FDA's prior approval of another company's drug product; also known as a "505(b)(2) application") must make certain certifications with respect to the patent status of the drug for which it is seeking approval. In the event that such applicant plans to challenge the validity or enforceability of an existing listed patent or asserts that the proposed product does not infringe an existing listed patent, it files a "Paragraph IV" certification. In the case of ANDAs, the Hatch-Waxman Act provides for a potential 180-day period of generic exclusivity for the first company to submit an ANDA with a Paragraph IV certification. This filing triggers a regulatory process in which the FDA is required to delay the final approval of subsequently filed ANDAs containing Paragraph IV certifications until 180-days after the first commercial marketing. For both ANDAs and 505(b)(2) applications, when litigation is brought by the patent holder, in response to this Paragraph IV certification, the FDA generally may not approve the ANDA or 505(b)(2) application until the earlier of 30 months or a court decision finding the patent invalid, not infringed or unenforceable. Submission of an ANDA or a 505(b)(2) application with a Paragraph IV certification can result in protracted and expensive patent litigation.

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

The Medicare Prescription Drug, Improvement and Modernization Act (the "Medicare Modernization Act") of 2003 modified certain provisions of the Hatch-Waxman Act. Under the Medicare Modernization Act, the 180-day period of generic exclusivity rights may be forfeited under certain specified circumstances. In 2012, Congress passed legislation to create a generic drug user fee program (GDUFA) in order to augment the FDA's congressional appropriations. User fee funding is anticipated to be sufficient to eliminate the backlog of ANDAs pending with the FDA by the end of Fiscal Year 2017 as well as provide for improved review performance over the statute's five-year period. Additionally, generic drug user fees are intended to bring parity between the U.S and foreign inspections by 2017 in order to ensure a consistent standard of quality for all drugs intended for the U.S. market. In July 2012, Congress also passed legislation that allowed the FDA to continue to collect user fees for brand products and new user fee programs for biosimilar products.

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

The Generic Drug Enforcement Act of 1992 established penalties for wrongdoing in connection with the development or submission of an ANDA by authorizing the FDA to permanently or temporarily debar such companies or individuals from submitting or assisting in the submission of an ANDA, and to temporarily deny approval and suspend applications to market generic drugs. The FDA may suspend the distribution of all drugs approved or developed in connection with wrongful conduct and also has authority to withdraw approval of an

ANDA under certain circumstances. The FDA may also significantly delay the approval of a pending NDA or ANDA under its "Fraud, Untrue Statements of Material Facts, Bribery, and Illegal Gratuities Policy." Manufacturers of generic drugs must also comply with the FDA's cGMP regulations or risk sanctions such as the suspension of manufacturing or the seizure of drug products and the FDA's refusal to approve additional ANDAs.

On November 13, 2013, the FDA proposed a rule that would require generic manufacturers to participate in the "Changes Being Effected" process to initiate labeling changes for generic medicines without prior FDA approval. If adopted, the rule would allow different labels to be in use at the same time. Currently, generic and brand drug labeling must be the same except for exceptions explicitly designated by statute. If the rule were to become final as proposed, Teva's potential product liability exposure could increase.

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

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

Healthcare Reform and Certain Government Programs

In early 2010, the United States Congress enacted the Patient Protection and Affordable Care Act (the "PPACA"). The PPACA seeks to reduce the federal deficit and the rate of growth in healthcare spending through, among other things, stronger prevention and wellness measures, increased access to primary care, changes in healthcare delivery systems and the creation of health insurance exchanges. Enrollment in the health insurance exchanges began in October 2013. 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. This provision was extended at the end of 2015 to cover generic drugs marketed under ANDAs as well.

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

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

Europe

General

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

During 2015, we continued to register products in the EU, primarily 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, on occasion, 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 complexities affecting the whole of the European market.

In October 2015, the European Commission adopted regulations providing detailed rules for the safety features appearing on the packaging of medicinal products for human use. This legislation, part of the Falsified Medicines Directive, is intended to prevent counterfeit medicines entering into the supply chain and will allow wholesale distributors and others who supply medicines to the public to verify the authenticity of the medicine at the level of the individual pack. The safety features comprise a unique identifier and a tamper-evident seal on the outer packaging, which are to be applied to certain categories of medicines. Teva is working to ensure it has that the necessary infrastructure in place to ensure there is no disruption to its supply chain when the regulations take effect in 2019.

The requirements and demands of the European pharmacovigilance legislation continue to increase as the guidance on Good Vigilance Practice continues to evolve, and with it increased expectations of the pharmacovigilance inspection authorities. While these developments are in the interest of patient safety and transparency, they are an increasing administrative burden, which inevitably drives an increase in our costs. The new pharmacovigilance fees initiated in the fourth quarter of 2014 have now been fully implemented, and include (i) per license fees that are intended to support the maintenance of the European Pharmacovigilance System; and (ii) per activity fees, for the assessment of pharmacovigilance safety evaluation reports and study protocols for post authorization safety studies and referrals. Further, the requirement for local implementation of risk management materials for an increasing number of products is creating additional burdens and costs for the local markets.

European Union

The medicines regulatory framework of the EU requires that medicinal products, including generic versions of previously approved products and new strengths, dosage forms and formulations of previously approved products, receive a marketing authorization before they can be placed on the market in the

EU. Authorizations are granted after a favorable assessment of quality, safety and efficacy by the respective health authorities. In order to obtain authorization, application must be made to the EMA or to the competent authority of the member state concerned. Besides various formal requirements, the application must contain the results of pharmaceutical (physico-chemical, biological or microbiological) tests, pre-clinical (toxicological and pharmacological) tests and clinical trials. All of these tests must have been conducted in accordance with relevant European regulations and must allow the reviewer to evaluate the quality, safety and efficacy of the medicinal product.

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

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

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

Orphan designated products, which receive, under certain conditions, a blanket period of ten years of market exclusivity, may receive an additional two years of 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 50%-60% of the equivalent branded drug prices (which was revised in April 2014 from 60%-70%), depending on the number of competitors. Generic drug prices are company specific, reflecting the actual net selling price by a company and are subject to ongoing price reductions of approximately 8-10% every two years.

The Japanese government provides comprehensive healthcare coverage, and the majority of healthcare expenditure is funded by the government. In order to control growing healthcare costs, 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 most recent reform, which took effect in April 2016, is likely to further increase generic penetration.

Canada

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

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

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

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

Russia

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

Russian regulations impose price restrictions on pharmaceuticals listed on the Essential Drug List ("EDL"). In accordance with this legislation, EDL manufacturers cannot sell pharmaceuticals listed on the EDL unless their prices have been registered with the healthcare regulator. Since August 2015, pricing regulation is supervised by the Federal Antimonopoly Service of the Russian Federation, which is expected to result in stricter scrutiny.

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

To support local manufacturing, foreign-made products may be deemed ineligible under the Russian procurement system if at least two locally manufactured analogous products are available.

Miscellaneous Regulatory Matters

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

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

SELECTED HISTORICAL FINANCIAL DATA OF TEVA

The following selected operating data for each of the years in the three-year period ended December 31, 2015 and selected balance sheet data at December 31, 2015 and 2014 are derived from our audited consolidated financial statements set forth elsewhere in this offering memorandum, which have been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP"). See "Financial Statements of Teva."

The selected unaudited financial information of Teva as of March 31, 2016 and for each of the three-month periods ended March 31, 2016 and 2015 are derived from unaudited consolidated financial statements set forth elsewhere in this offering memorandum. Such financial statements include, in Teva's opinion, all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of the results for the unaudited periods. You should not rely on these interim results as being indicative of results Teva may expect for the full year or any other interim period. See "Financial Statements of Teva."

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

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

Selected Operating Data

	For the three months ended March 31,		For the year ended December 31,		
	2016	2015	2015	2014	2013
	(unaudited)		(unaudited)		
	U.S. dollars in millions (except per share and share amounts)				
Net revenues	4,810	4,982	19,652	20,272	20,314
Cost of sales	2,019	2,146	8,296	9,216	9,607
Gross profit	2,791	2,836	11,356	11,056	10,707
Research and development expenses	389	332	1,525	1,488	1,427
Selling and marketing expenses	839	922	3,478	3,861	4,080
General and administrative expenses	304	307	1,239	1,217	1,239
Legal settlements, loss contingencies, impairments, restructuring and others	94	526	1,762	539	2,312
Operating income	1,165	749	3,352	3,951	1,649
Financial expenses—net	298	192	1,000	313	399
Income before income taxes	867	557	2,352	3,638	1,250
Income taxes	228	104	634	591	(43)
Share in losses of associated companies—net	6	9	121	5	40
Net income	633	444	1,597	3,042	1,253
Net income (loss) attributable to non-controlling interests	(3)	(2)	9	(13)	(16)
Net income attributable to Teva	636	446	1,588	3,055	1,269
Accrued dividends on preferred shares	66	—	15	—	—
Net income attributable to ordinary shareholders	570	446	1,573	3,055	1,269
Earnings per share attributable to ordinary shareholders:					
—Basic ($)	0.62	0.52	1.84	3.58	1.49
—Diluted ($)	0.62	0.52	1.82	3.56	1.49
Weighted average number of shares (in millions):					
—Basic	913	851	855	853	849
—Diluted	920	859	864	858	850

Selected Balance Sheet Data

	As of March 31,	As of December 31,	
	2016	2015	2014
	(unaudited)		
	U.S. dollars in millions		
Financial assets (cash, cash equivalents and marketable securities)	7,222	8,404	2,601
Working capital (operating assets minus liabilities)	(294)	32	1,642
Total assets	55,126	54,233	46,420
Short-term debt and current maturities of long term liabilities	1,581	1,585	1,761
Long-term debt, net of current maturities	8,619	8,358	8,566
Total debt	10,200	9,943	10,327
Total equity	30,591	29,927	23,355

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Introduction

Overview

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

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

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

Segments

We operate our business in two segments:

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

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

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

Strategy

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

The key elements of our strategy consist of:

- **Solidifying our foundation and driving organic growth**. We have solidified, and continue to strengthen, the core foundations of our generics and specialty businesses to create additional value from our existing operations. We continue to drive organic growth and improve profitability in our generics business.

- **Transforming our generics business**. Upon consummation of our acquisition of Actavis Generics, the Actavis Generics portfolio and pipeline, combined with our strong existing generics portfolio, will further enhance our goals of delivering the highest quality generic medicines at competitive prices. The combined generic business will have a commercial presence across 100 markets, including a top three leadership position in over 40 markets.

- **Focusing on key growth markets**. While we currently operate in numerous markets throughout the world, we intend to concentrate our efforts on a smaller number of growth markets where we believe we can establish leadership positions. We are exploring both organic and corporate development initiatives to achieve leadership position in these markets, including, for example, our acquisition of Rimsa, a leading pharmaceutical company in Mexico, which we completed in March 2016.

- **Maintaining Copaxone® and other key specialty products**. We enhanced our MS franchise through the introduction of our three-times-a-week Copaxone® 40 mg/mL product in the United States, Europe and other countries in 2015. We also enhanced our oncology portfolio with the FDA's approval in December 2015 of Bendeka™ (bendamustine hydrochloride), which complements our Treanda® franchise. For many of our other specialty products, we are expanding into new markets, improving the products and taking further steps to protect the franchise while creating value for patients and payors.

- **Solidifying leadership positions in our core therapeutic areas**. We focus on our core therapeutic areas of CNS (including MS, neurodegenerative diseases, movement disorders and pain care) and respiratory (including asthma and chronic obstructive pulmonary disease), where we seek to establish leadership positions. In the past year, we have taken significant steps, both internally and by pursuing business development initiatives, to significantly solidify our position in our core therapeutic areas, specifically with the acquisitions of Labrys and Auspex.

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

First Quarter 2016 Highlights

Significant highlights of the first quarter of 2016 included:

- Our revenues amounted to $4.8 billion, compared to $5.0 billion in the first quarter of 2015, down 3%, or 1% in local currency terms.

- Our generic medicines segment generated revenues of $2.2 billion and profit of $584 million. Revenues decreased 17%, or 15% in local currency terms, mainly due to lower U.S. sales. Profit decreased 27% compared to the first quarter of 2015. Our higher revenues and profit in the first quarter of 2015 were both due to significant launches in the U.S.

- Our specialty medicines segment generated revenues of $2.2 billion and profit of $1.2 billion. Revenues increased 10%, or 11% in local currency terms. Profit was up 21%, compared to the first quarter of 2015. The increase in profit was mainly due to higher revenues resulting in higher gross profit.

- Operating income amounted to $1.2 billion, compared to $0.7 billion in the first quarter of 2015. The increase was primarily due to lower legal settlements and loss contingencies, higher profit from our specialty medicines segment and lower impairments, restructuring and others, partially offset by lower profit from our generic medicines segment.

- Financial expenses amounted to $298 million, compared to $192 million in the first quarter of 2015. The increase was mainly due to an impairment of $246 million on our monetary assets in Venezuela, resulting from a devaluation in the first quarter of 2016, compared to $143 million in interest expense, which resulted from the debt tender offer and the termination of the related swap agreements, in the first quarter of 2015.

- Net income attributable to Teva was $636 million in the first quarter of 2016, compared to $446 million in the first quarter of 2015.

- Net income attributable to ordinary shareholders was $570 million in the first quarter of 2016.

- Exchange rate differences between the first quarter of 2016 and the first quarter of 2015 had a negative impact of $107 million on revenues and a net negative impact of $30 million on operating income.

- Cash flow generated from operating activities during the first quarter of 2016 amounted to $1.4 billion, similar to the first quarter of 2015.

Pending Acquisition of Actavis Generics

On July 26, 2015, we entered into the Master Purchase Agreement with Allergan to acquire Actavis Generics. Following an amendment to the Master Purchase Agreement, dated July 11, 2016, we will pay consideration of $33.5 billion in cash and approximately 100 million of Teva's ordinary shares. Closing of the transaction is subject to certain conditions, including relevant regulatory approvals. We expect that closing will occur shortly, based upon our current estimate of the timing to obtain clearance from the FTC. We previously received regulatory approval from the European Commission for the acquisition, subject to certain divestitures. In connection with the closing of the Actavis Generics acquisition, due to regulatory requirements, Teva expects to divest products with aggregate revenues in 2015 of approximately $1.1 billion. Following closing of the acquisition, our generics segment is expected to comprise a much larger percentage of our revenues.

Takeda Business Venture

On April 1, 2016, we and Takeda established Teva Takeda Yakuhin Ltd., a new business venture in Japan. The business venture combines our Japanese generics business along with Takeda's portfolio of non-exclusive products. The business venture seeks to leverage Takeda's leading brand reputation and strong distribution presence in Japan with our expertise in supply chain, operational network, infrastructure and R&D, to meet the wide-ranging needs of patients and growing importance of generics in Japan through the provision of off-patent medicines.

We assigned 49% in the business venture to Takeda in consideration of the contribution of its off-patented products business in Japan. The business venture will be consolidated in our financial statements commencing April 1, 2016, and is expected to increase our sales in the Japanese market.

Rimsa Acquisition

On March 3, 2016, we completed our acquisition of Rimsa, a leading pharmaceutical manufacturing and distribution company in Mexico, along with its portfolio of products, companies, intellectual property, assets and pharmaceutical patents, for an aggregate of $2.3 billion, in a cash free, debt free set of transactions. The transaction was funded through cash on hand. With the completion of the acquisition, we are now one of the leading pharmaceutical companies in Mexico, the second largest market in Latin America and one of the top five emerging markets globally.

Results of Operations

Comparison of Three Months Ended March 31, 2016 to Three Months Ended March 31, 2015

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 period.

	Percentage of Net Revenues Three Months Ended March 31,		Percentage Change
	2016	2015	2016-2015
	(unaudited)		
	%	%	%
Net revenues	100.0	100.0	(3)
Gross profit	58.0	56.9	(2)
Research and development expenses	8.1	6.7	17
Selling and marketing expenses	17.4	18.5	(9)
General and administrative expenses	6.3	6.1	(1)
Impairments, restructuring and others	2.5	6.0	(60)
Legal settlements and loss contingencies	(0.5)	4.6	n/a
Operating income	24.2	15.0	56
Financial expenses—net	6.2	3.8	55
Income before income taxes	18.0	11.2	56
Income taxes	4.7	2.1	119
Share in losses of associated companies—net	0.1	0.2	(33)
Net loss attributable to non-controlling interests	*	(0.1)	50
Net income attributable to Teva	13.2	9.0	43
Dividends on preferred shares	1.4	—	n/a
Net income attributable to ordinary shareholders	11.8	9.0	28

* Represents an amount less than 0.05%.

Segment Information

Generic Medicines Segment

The following table presents revenues, expenses and profit for our generic medicines segment for the three months ended March 31, 2016 and 2015:

	Three Months Ended March 31,			
	2016		2015	
	(unaudited) U.S.$ in millions / % of Segment Revenues			
Revenues	$2,170	100.0%	$2,621	100.0%
Gross profit	999	46.0%	1,284	49.0%
R&D expenses	136	6.3%	111	4.2%
S&M expenses	279	12.8%	374	14.3%
Segment profit*	$ 584	26.9%	$ 799	30.5%

* Segment profit is comprised of gross profit for the segment, less R&D and S&M expenses related to the segment. Segment profit does not include G&A expenses, amortization and certain other items. See note 14 to our consolidated financial statements and "Operating Income" below for additional information.

Generic Medicines Revenues

Our generic medicines segment includes generic medicines as well as API sales to third parties. In the first quarter of 2016, revenues from our generic medicines segment amounted to $2.2 billion, a decrease of $451 million, or 17%, compared to the first quarter of 2015. In local currency terms, revenues decreased 15%.

Revenues of generic medicines in the United States, our largest generic market, amounted to $976 million in the first quarter of 2016, a decrease of 32% compared to the first quarter of 2015. Revenues of generic medicines in Europe amounted to $671 million, a decrease of 1% compared to the first quarter of 2015. In local currency terms, our European revenues increased 1% compared to the first quarter of 2015. In our ROW markets, revenues from generic medicines in the first quarter of 2016 amounted to $523 million, an increase of 4% compared to the first quarter of 2015. In local currency terms, ROW sales increased 13%.

API sales to third parties in the first quarter of 2016 amounted to $197 million, an increase of 25%, compared to the first quarter of 2015. In local currency terms, sales increased 26%, mainly due to an increase in sales in Europe and in the United States, partially offset by a decrease in our ROW markets.

The following table presents generic segment revenues by geographic area for the three months ended March 31, 2016 and 2015:

	Three Months Ended March 31,		Percentage Change
	2016	2015	2016-2015
	(unaudited) U.S. $ in millions		
United States	$ 976	$1,439	(32%)
Europe*	671	680	(1%)
Rest of the World	523	502	4%
Total Generic Medicines	$2,170	$2,621	(17%)

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

United States Generic Medicines Revenues

In the first quarter of 2016, we continued to lead the U.S. generic market in total prescriptions and new prescriptions, with approximately 463 million total prescriptions, representing 12.7% of total U.S. generic prescriptions. We seek to continue our U.S. market leadership based on our ability to introduce new generic equivalents for brand-name products on a timely basis, with a focus on complex generics and other high-barrier products that we believe will create more value for patients and customers, our strong emphasis on customer service, the breadth of our product line, our commitment to quality and regulatory compliance and our cost-effective production, including through our pending acquisition of Actavis Generics.

Revenues from generic medicines in the United States during the first quarter of 2016 amounted to $976 million, a decrease of 32% or of $463 million, compared to the first quarter of 2015. The decrease resulted mainly from a decline in sales of $427 million due to the loss of exclusivity on esomeprazole (the generic equivalent of Nexium®) and budesonide (the generic equivalent of Pulmicort®) as well as a decline in sales of omega-3-acid ethyl esters (the generic equivalent of Lovaza®) and capecitabine (the generic equivalent of Xeloda®) due to increased competition. These decreases were partially offset by sales of products sold in the first quarter of 2016 that were not sold in the first quarter of 2015, the most significant of which were aripiprazole (the generic equivalent of Abilify®) and aspirin/extended-release dipyridamole.

Among the most significant generic products we sold in the United States in the first quarter of 2016 were generic versions of Pulmicort® (budesonide inhalation), Abilify® (aripiprazole tablets), Adderall XR® (mixed amphetamine salts ER) and Xeloda® (capecitabine).

Launches. In the first quarter of 2016, we launched generic versions of the following branded products in the United States (listed by month of launch):

Generic Name	Brand Name	Month of Launch	Total Annual U.S. Market at Time of Launch $ millions (IMS)*
Docetaxel injection, USP 20 mg/mL, 20 mg & 20 mg/mL, 80 mg	Taxotere®	February	$62
Budesonide inhalation suspension 1 mg/2 mL	Pulimcort Respules®	February	$97
Acamprosate calcium delayed-release tablets 333 mg	Campral®	March	$14

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

We expect that our generic medicines revenues in the U.S. will continue to benefit from our strong generic pipeline, which, as of April 15, 2016, had 102 product registrations awaiting FDA approval, including 27 tentative approvals. Collectively, these 102 products had U.S. sales in the twelve months ended December 31, 2015 exceeding $73 billion. Of these applications, 71 were "Paragraph IV" applications challenging patents of branded products. We believe we are first to file with respect to 31 of these products, the branded versions of which had U.S. sales of more than $23 billion in the twelve months ended December 31, 2015. 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.

In the first quarter of 2016, we received tentative approval for generic equivalents of the products listed below. 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.

Generic Name	Brand Name	Total U.S. Annual Branded Market $ millions (IMS)*
Pralatrexate injection 20 ml/mL 1 & 2 mL vials	Folotyn®	$25
Estradiol valerate/dienogest tablets	Natazia®	$29

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

Europe Generic Medicines Revenues

We define our European region as the 28 countries in the EU, Norway, Switzerland, Albania and the countries of the former Yugoslavia. It is a diverse region that has a population of over 500 million people.

Revenues from generic medicines in Europe in the first quarter of 2016 amounted to $671 million, a decrease of 1% compared to the first quarter of 2015. In local currency terms, revenues increased 1% compared to the first quarter of 2015, mainly as a result of our continued focus on sustainable and profitable business, with increases in API sales to third parties and in generic medicine sales in Italy largely offset by decreases in generic medicine sales in the United Kingdom, France, Spain and Switzerland.

As in previous years, European regulatory measures aimed at reducing healthcare and drug expenditures have led to slower growth in the generic medicines market, and have adversely affected our revenues in some markets. In Germany, Italy, France, Spain and Poland, governmental measures (such as tenders and price-referencing) have reduced prices. We have adjusted our strategy to address these changes, shifting from a market

share-driven approach to a model emphasizing profitable and sustainable growth. The selective approach to our portfolio, as well as our strong focus on cost reduction, have contributed to significantly improved profit in the region.

Since the beginning of the year, we received 226 generic approvals in Europe relating to 28 compounds in 67 formulations. In addition, we had 1,677 marketing authorization applications pending approval in 31 European countries, relating to 165 compounds in 344 formulations.

Listed below are generic revenues highlights for the first quarter of 2016 in our main European markets:

- **Germany:** Generic revenues in the first quarter of 2016 decreased 3%, or 1% in local currency terms, compared to the first quarter of 2015. The decrease in local currency terms was due to both reduced prices and lower volumes. We maintained our position as one of Germany's leading suppliers of medicines and our position as the second largest generic pharmaceutical company.

- **United Kingdom:** Generic revenues in the first quarter of 2016 decreased 15%, or 10% in local currency terms, compared to the first quarter of 2015. The decrease in local currency terms was mainly due to reduced prices caused by increased competition. We maintained our position as one of the largest generic pharmaceutical companies in the U.K.

- **Italy:** Generic revenues in the first quarter of 2016 increased 2%, or 4% in local currency terms, compared to the first quarter of 2015. The increase in local currency terms was mainly due to new product launches.

- **Switzerland:** Generic revenues in the first quarter of 2016 decreased 8%, or 4% in local currency terms, compared to the first quarter of 2015, mainly due to lower volumes caused by wholesalers' inventory management in the fourth quarter of 2015.

- **France:** Generic revenues in the first quarter of 2016 decreased 10%, or 8% in local currency terms, compared to the first quarter of 2015, primarily due to increased competition.

- **Spain:** Generic revenues in the first quarter of 2016 decreased 7%, or 5% in local currency terms, compared to the first quarter of 2015. The decrease was mainly due to the implementation of new commercial policies during 2015 to adapt to regulatory changes.

ROW Generic Medicines Revenues

Our ROW markets include all countries other than the United States and those in our European region. Our key ROW markets are Venezuela, Japan, Canada and Russia. 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 generic markets such as Russia, certain Commonwealth of Independent States markets and Latin American markets.

In our ROW markets, generics revenues in the first quarter of 2016 amounted to $523 million, an increase of 4% compared to the first quarter of 2015. In local currency terms, revenues increased 13%, mainly due to higher revenues principally in Venezuela as well as in Canada, which were partially offset by lower revenues in Japan and Russia.

Listed below are generic revenues highlights for the first quarter of 2016 in our main ROW markets:

- **Venezuela**: Generic revenues in the first quarter of 2016 increased 64%, or 72% in local currency terms, compared to the first quarter of 2015. This increase is primarily due to inflation and higher

volumes. Venezuela is a hyperinflationary economy with two official exchange rates: the DIPRO rate of 10 bolivars per U.S. dollar (which replaced the CENCOEX rate of 6.3 in March 2016) and the DICOM rate, which fluctuates and is currently approximately 200 bolivars per U.S. dollar (which replaced the SIMADI rate in March 2016; also in March 2016, the SICAD rate of 13.5 was eliminated). We used the CENCOEX rate until March 2016 and then replaced it with the DIPRO rate to report our Venezuelan financial position, results of operations and cash flows. In the event of an additional devaluation or if a less favorable exchange rate is used, our revenues in Venezuela would be substantially reduced. For further information, see below under "—Impact of Currency Fluctuations on Results of Operations."

- **Japan:** Generic revenues in the first quarter of 2016 were flat compared to the first quarter of 2015. In local currency terms, revenues decreased 3%, compared to the first quarter of 2015. The decrease in local currency terms was mainly due to lower income from contract manufacturing services as well as lower sales in anticipation of the scheduled National Health Insurance April 2016 price revision, which reduced prices by approximately 8%. The Japanese generics market as a whole is expected to grow, bolstered by government incentives to increase generic penetration. Our new business venture with Takeda, Teva Takeda Yakuhin Ltd. commenced operations on April 1, 2016, and is expected to increase our sales in the Japanese market.

- **Canada:** Generic revenues in the first quarter of 2016 decreased 2%, but increased 7% in local currency terms, compared to the first quarter of 2015. The increase in local currency terms was mainly due to higher volumes. We maintained our position as one of the two leading generic pharmaceutical companies in Canada.

- **Russia:** Generic revenues in the first quarter of 2016 decreased 18%, or 3% in local currency terms, compared to the first quarter of 2015. We maintained our position as one of the leading generic pharmaceutical companies in Russia.

Generic Medicines Gross Profit

In the first quarter of 2016, gross profit from our generic medicines segment amounted to $999 million, a decrease of $285 million, or 22%, compared to the first quarter of 2015. In local currency terms, gross profit decreased 20%. The lower gross profit was mainly a result of lower sales of high gross profit products in the United States, higher production expenses and lower gross profit in our European markets. This decrease was partially offset by higher gross profit of our ROW markets and our API business.

Gross profit margin for our generic medicines segment in the first quarter of 2016 decreased to 46.0%, from 49.0% in the first quarter of 2015. This decrease of 3.0 points in gross margin was mainly a result of higher production expenses (4.6 points) and lower profitability of our U.S. market (0.9 points), partially offset by higher profitability our ROW markets (1.4 points), higher profitability of our European markets (0.5 points), and higher profitability of our API business (0.3 points).

Generic Medicines R&D Expenses

R&D expenses relating to our generic medicines segment for the first quarter of 2016 amounted to $136 million, compared to $111 million in the first quarter of 2015. Expenses increased 23% mainly due to increased development of complex generic products such as sterile and respiratory medicines. As a percentage of segment revenues, R&D expenses were 6.3% in the first quarter of 2016, compared to 4.2% in the first quarter of 2015.

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

Generic Medicines S&M Expenses

S&M expenses related to our generic medicines segment in the first quarter of 2016 amounted to $279 million, a decrease of 25% compared to $374 million in the first quarter of 2015. In local currency terms, S&M expenses decreased 21%, mainly due to reduced royalties related to our sales of budesonide (the generic equivalent of Pulmicort®) in the United States.

As a percentage of segment revenues, S&M expenses decreased to 12.8% in the first quarter of 2016 compared to 14.3% in the first quarter of 2015.

Generic Medicines Profit

The profit of our generic medicines segment is comprised of the gross profit for the segment less S&M expenses and R&D expenses related to this segment. Segment profit does not include G&A expenses, amortization and certain other items. See note 14 to our consolidated financial statements and "Operating Income" below for additional information.

Profit of our generic medicines segment amounted to $584 million in the first quarter of 2016, compared to $799 million in the first quarter of 2015. The decrease was mainly due to factors previously discussed, primarily lower gross profit, as well as higher R&D expenses, partially offset by lower S&M expenses.

Generic medicines profit as a percentage of generic medicines revenues was 26.9% in the first quarter of 2016, down from 30.5% in the first quarter of 2015. This decrease of 3.6 points was due to lower gross margin (3.0 points) and higher R&D expenses as a percentage of revenues (2.1 points), partially offset by lower S&M expenses as a percentage of revenues (1.5 points).

Specialty Medicines Segment

Our specialty medicines business, which is focused on providing innovative solutions for patients and providers via medicines, devices and services in key regions and markets around the world, includes our core therapeutic areas of CNS (with a strong emphasis on MS, neurodegenerative disorders, movement disorders and pain care) and respiratory medicines (with a focus on asthma and chronic obstructive pulmonary disease). We also have specialty products in oncology, women's health and selected other areas.

The following table presents revenues, expenses and profit for our specialty medicines segment for the three months ended March 31, 2016 and 2015:

	Three Months Ended March 31,			
	2016		2015	
	(unaudited) U.S.$ in millions / % of Segment Revenues			
Revenues	$2,152	100.0%	$1,956	100.0%
Gross profit	1,871	86.9%	1,678	85.8%
R&D expenses	229	10.6%	215	11.0%
S&M expenses	457	21.2%	486	24.9%
Segment profit*	$1,185	55.1%	$ 977	49.9%

* Segment profit is comprised of gross profit for the segment, less R&D and S&M expenses related to the segment. Segment profit does not include G&A expenses, amortization and certain other items. See note 14 to our consolidated financial statements and "Operating Income" below for additional information.

Specialty Medicines Revenues

Specialty medicines revenues in the first quarter of 2016 amounted to $2.2 billion, an increase of 10% compared to the first quarter of 2015. In local currency terms, revenues increased 11%. In the United States, our

specialty medicines revenues amounted to $1.7 billion, an increase of 13% from the first quarter of 2015. Specialty medicines revenues in Europe amounted to $394 million, a decrease of 3% from the first quarter of 2015. In local currency terms, specialty medicines revenues in Europe were flat compared to first quarter of 2015. ROW revenues were $81 million, an increase of 13%, or 27% in local currency terms, compared to the first quarter of 2015.

Specialty Medicines Revenues Breakdown

The following table presents revenues by therapeutic area and key products for our specialty medicines segment for the three months ended March 31, 2016 and 2015:

	Three Months Ended March 31,		Percentage Change 2016-2015
	2016	2015	
	(unaudited) U.S. $ in millions		
CNS	$1,323	$1,220	8%
Copaxone®	1,006	924	9%
Azilect®	113	107	6%
Nuvigil®	103	85	21%
Respiratory	366	265	38%
ProAir®	173	124	40%
QVAR®	134	98	37%
Oncology	268	264	2%
Treanda® and Bendeka™	155	157	(1%)
Women's Health	110	129	(15%)
Other Specialty	85	78	9%
Total Specialty Medicines	**$2,152**	**$1,956**	10%

Central Nervous System

Our CNS specialty product line includes Copaxone®, Azilect®, Nuvigil®, Fentora®, Amrix®, Zecuity® and several other medicines. In the first quarter of 2016, our CNS sales were $1.3 billion, an increase of 8% compared to the first quarter of 2015, primarily due to higher sales of Copaxone® in the United States and our ROW markets.

Copaxone ® In the first quarter of 2016, Copaxone® (glatiramer acetate injection), continued to be the leading multiple sclerosis therapy in the United States and worldwide. Global sales of Copaxone® amounted to $1.0 billion, an increase of 9% compared to the first quarter of 2015. Over 81% of the total U.S. Copaxone® prescriptions are now filled with the 40 mg/mL version, driven by patient and physician choice of the 40 mg/mL version supported by payor access and patient support activities.

Copaxone® revenues in the United States in the first quarter of 2016 were $821 million, an increase of 12% compared to the first quarter of 2015. The increase was mainly due to higher net pricing, including a price increase of 7.9% in January 2016 on Copaxone® 20 mg/mL and 40 mg/mL. Our U.S. market shares in terms of new and total prescriptions were 28.1% and 29.8%, respectively, according to March 2016 IMS data.

Revenues in the United States accounted for 82% of global Copaxone® revenues in the first quarter of 2016, compared to 79% in the first quarter of 2015.

Our Copaxone® revenues outside the United States amounted to $185 million in the first quarter of 2016, a decrease of 4% but an increase of 2% in local currency terms, compared to the first quarter of 2015. The

increase in local currency terms is mainly due to higher volumes in certain ROW markets, partially offset by lower volumes and pricing due to increased competition in certain European markets.

Copaxone® accounted for approximately 21% of our revenues in the first quarter of 2016, and a significantly higher percentage contribution to our profits and cash flow from operations during such period.

Our U.S. Orange Book patents covering Copaxone® 20 mg/mL expired in May 2014. Our patents on Copaxone® 20 mg/mL expired in May 2015 in most of the rest of the world.

Accordingly, a key part of our strategy has been the introduction of Copaxone® 40 mg/mL, a higher dose of Copaxone® with a three times a week dosing regimen for patients with relapsing-remitting multiple sclerosis, which was launched in the United States in January 2014. This formulation allows for a less frequent dosing regimen administered subcutaneously for patients with relapsing forms of MS. In December 2014, we received EMA approval in a decentralized procedure for Copaxone® 40 mg/mL in Europe. To date, we have launched Copaxone® 40mg/mL in 20 European countries, with several other European launches planned for the remainder of 2016. We received regulatory approval for Copaxone® 40 mg/mL in Russia in October 2015. We expect to receive marketing approvals in other ROW markets during 2016.

Copaxone® 40 mg/mL is protected by three U.S. Orange Book patents that expire in 2030, which are being challenged in paragraph IV litigation and in patent office proceedings in the United States, and a fourth U.S. Orange Book patent expiring in 2030 that was issued in October 2015 and is also being challenged in paragraph IV litigation, but not in patent office proceedings. It is also protected by one European patent expiring in 2030, the validity of which was confirmed by the European Patent Office in December 2015, which rejected all invalidity claims.

The market for MS treatments continues to change as a result of new and emerging therapies as well as generic versions of Copaxone® 20 mg/mL. In particular, the increasing number of oral treatments, such as Tecfidera® by Biogen, Gilenya® by Novartis, and Aubagio® by Genzyme, continue to present significant and increasing competition. In June 2015, Sandoz launched its generic version of Copaxone® 20 mg/mL, Glatopa™, in the United States and in April 2016, Synthon received approval for its generic version of Copaxone® 20 mg/mL in Europe. Copaxone® also continues to face competition from existing injectable products, such as the four beta-interferons Avonex®, Betaseron®, Extavia® and Rebif®, as well as from the two monoclonal antibodies Tysabri® and Lemtrada®.

Azilect® (rasagiline tablets) is indicated as an 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. We exclusively market Azilect® in the United States, but expect generic competition commencing in early 2017. In Europe, we shared marketing rights with Lundbeck until the end of 2015, when the initial period of our agreement with Lundbeck ended and all marketing rights reverted to us. We continue to share marketing rights with Lundbeck in certain of our ROW markets. Data exclusivity protection for Azilect® in the EU expired in 2015. In 2014, we signed an agreement with Takeda to market this product in Japan.

Global in-market sales in the first quarter of 2016, which represent sales by Teva and Lundbeck to third parties, amounted to $117 million, a decrease of 13% compared to the first quarter of 2015. The decrease was mainly due to generic competition in certain European markets. Our sales of Azilect® in the first quarter of 2016 amounted to $113 million, an increase of 6% compared to the first quarter of 2015. In local currency terms, our sales increased 7%.

Nuvigil® (armodafinil), the R-isomer of modafinil, is indicated for the treatment of excessive sleepiness associated with narcolepsy and certain other disorders. Global sales of Nuvigil® in the first quarter of 2016 amounted to $103 million, compared to $85 million in the first quarter of 2015, due to higher volume and pricing.

Pursuant to an agreement we reached with Mylan, Mylan launched its generic version of Nuvigil® in the United States in June 2016. We have entered into other agreements to permit the other generic filers to enter the market under license 180 days after Mylan's entry.

Respiratory

Our respiratory portfolio includes ProAir®, QVAR®, DuoResp Spiromax®, Qnasl® and Cinqair®. Revenues from our specialty respiratory products in the first quarter of 2016 amounted to $366 million, an increase of 38% compared to the first quarter of 2015.

ProAir® includes ProAir® hydrofluoroalkane ("HFA") and ProAir® RespiClick®, both sold only in the United States. ProAir® HFA is an inhalation aerosol with dose counter (albuterol sulfate), and is indicated for patients four years of age and older for the treatment or prevention of bronchospasm with reversible obstructive airway disease and for the prevention of exercise-induced bronchospasm. ProAir® RespiClick® (albuterol sulfate) inhalation powder is a breath-actuated, multi-dose, dry-powder, short-acting beta-agonist inhaler for the treatment or prevention of bronchospasm with reversible obstructive airway disease and for the prevention of exercise-induced bronchospasm in patients 12 years of age and older. In April 2016, the FDA approved ProAir® RespiClick® for children 4 to 11 years of age.

Total ProAir® revenues in the first quarter of 2016 amounted to $173 million, an increase of 40% compared to the first quarter of 2015, due to increased volume and pricing. ProAir® maintained its leadership in the short-acting beta-agonist market, with a market share of 52.1% in terms of total number of prescriptions during the first quarter of 2016, a decrease of 4.3 points compared to the first quarter of 2015.

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® revenues in the first quarter of 2016 amounted to $134 million, an increase of 37% compared to the first quarter of 2015, mainly due to positive price effects. QVAR® maintained its second-place position in the inhaled corticosteroids category in the United States, with a market share of 38.6% in terms of total number of prescriptions during the first quarter of 2016, an increase of 1.0 point compared to the first quarter of 2015.

In April 2016, we launched **Cinqair®** (reslizumab) injection, an interleukin 5 antagonist monoclonal antibody (IgG4 kappa) indicated for add-on maintenance treatment of patients with severe asthma aged 18 years and older, and with an eosinophilic phenotype. Cinqair® is administered by intravenous infusion at a weight-based dose of 3 mg/kg once every four weeks.

Oncology

Our oncology portfolio includes Treanda®/ Bendeka™, Granix®, Trisenox® and Synribo® in the United States and Lonquex®, Myocet®, Eporatio®, Tevagrastim®/Ratiograstim® and Trisenox® outside the United States. Sales of our oncology products amounted to $268 million in the first quarter of 2016, compared to $264 million in the first quarter of 2015. The increase resulted primarily from higher sales of our G-CSF products, Granix® and Lonquex® in the United States and Europe, partially offset by lower sales of certain other products.

Treanda® (bendamustine hydrochloride injection) **/ Bendeka™** (bendamustine hydrochloride injection) are both approved in the United States for the treatment of patients with chronic lymphocytic leukemia and patients with indolent B-cell non-Hodgkin's lymphoma that has progressed during or within six months of treatment with rituximab or a rituximab-containing regimen. Bendeka™, which was launched in the United States in January 2016, is a liquid, low-volume (50 mL) and short-time 10-minute infusion formulation of bendamustine hydrochloride that we licensed from Eagle to complement our Treanda® franchise. At the end of

March 2016, we suspended sales of the liquid formulation of Treanda®. On March 28, 2016, the FDA denied Eagle's request for seven years of orphan drug exclusivity in the United States for Bendeka™. Bendeka™ is protected by six U.S. Orange Book patents extending from 2026 through 2033, with additional patent applications pending.

Treanda® and Bendeka™ combined sales in the first quarter of 2016 amounted to $155 million, compared to $157 million in the first quarter of 2015 (Treanda® only), a decrease of 1%, mainly due to net pricing declines, largely offset by higher volume.

Women's Health

Our women's health portfolio includes ParaGard®, Plan B One-Step® OTC/Rx (levonorgestrel), Zoely®, Seasonique® and Ovaleap® along with a number of other products that are marketed in various countries. Revenues from our global women's health products amounted to $110 million in the first quarter of 2016, a decrease of 15% compared to the first quarter of 2015, mainly due to lower sales in the United States.

Specialty Medicines Gross Profit

In the first quarter of 2016, gross profit from our specialty medicines segment amounted to $1.9 billion, an increase of $193 million compared to the first quarter of 2015. The higher gross profit was mainly a result of higher revenues.

Gross profit margin for our specialty medicines segment in the first quarter of 2016 was 86.9%, compared to 85.8% in the first quarter of 2015.

Specialty Medicines R&D Expenses

Our specialty R&D activities focus primarily on product candidates in the CNS and respiratory therapeutic areas, with additional activities in selected areas. R&D expenses relating to our specialty medicines segment in the first quarter of 2016 amounted to $229 million, an increase of 7% in both U.S. dollar and local currency terms, compared to $215 million in the first quarter of 2015. The increase was mainly due to development costs related to assets acquired through the Labrys and Auspex transactions. As a percentage of segment revenues, R&D spending was 10.6% in the first quarter of 2016, compared to 11.0% in the first quarter of 2015.

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

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.

Specialty Medicines S&M Expenses

S&M expenses related to our specialty medicines segment in the first quarter of 2016 amounted to $457 million, a decrease of 6% compared to $486 million in the first quarter of 2015. In local currency terms, S&M expenses decreased 5%, mainly in the United States and Europe.

As a percentage of segment revenues, S&M expenses decreased to 21.2% in the first quarter of 2016 from 24.9% in the first quarter of 2015.

Specialty Medicines Profit

The profit of our specialty medicines segment is comprised of the gross profit for the segment, less S&M expenses and R&D expenses related to this segment. Segment profit does not include G&A expenses, amortization and certain other items. See note 14 to our consolidated financial statements and "Operating Income" below for additional information.

Profit of our specialty medicines segment amounted to $1.2 billion in the first quarter of 2016, an increase of 21% compared to the first quarter of 2015. This is a result of the factors discussed above, mainly higher revenues.

Specialty medicines profit as a percentage of segment revenues was 55.1% in the first quarter of 2016, up 5.2 points from 49.9% in the first quarter of 2015. The increase was mainly attributable to lower S&M expenses as a percentage of specialty medicines revenues (3.7 points) and higher gross profit as a percentage of specialty medicines revenues (1.1 points).

Our MS franchise includes our Copaxone® products and laquinimod (a developmental compound for the treatment of MS). The profit of our MS franchise is comprised of Copaxone® revenues and cost of goods sold and S&M and R&D expenses related to our MS franchise. It does not include G&A expenses, amortization and certain other items. Our MS franchise profit in the first quarter of 2016 amounted to $805 million, compared to $657 million in the first quarter of 2015, mainly due to higher revenues. Profit of our MS franchise as a percentage of Copaxone® revenues was 80% in the first quarter of 2016, compared to 71.1% in the first quarter of 2015.

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 the first quarter of 2016 amounted to $288 million, an increase of 35% compared to $213 million in the first quarter of 2015. In local currency terms, revenues increased 47%, mainly due to inflation and higher volumes in Venezuela.

PGT's in-market sales in the first quarter of 2016 amounted to $411 million, an increase of $37 million compared to the first quarter of 2015. The increase was mainly due to inflation and higher volumes in Venezuela. PGT's in-market sales consist of sales of the combined OTC portfolios of Teva and P&G outside North America.

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.

Revenues in the first quarter of 2016 amounted to $200 million, an increase of 4%, in both U.S. dollar and local currency terms, compared to the first quarter of 2015.

Teva Consolidated Results

Revenues

Revenues in the first quarter of 2016 amounted to $4.8 billion, a decrease of 3% compared to the first quarter of 2015, primarily due to lower revenues of our generic medicines, partially offset by higher revenues of our specialty medicines as well as higher revenues of other activities compared to the first quarter of 2015. See "Generic Medicines Revenues," "Specialty Medicines Revenues," and "Other Activities" above. Exchange rate movements during the first quarter of 2016 negatively impacted overall revenues by $107 million, compared to the first quarter of 2015. In local currency terms, revenues decreased 1%.

Gross Profit

In the first quarter of 2016, gross profit amounted to $2.8 billion, a decrease of 2% compared to the first quarter of 2015.

The lower gross profit was mainly the result of the lower gross profit of our generic medicines segment, partially offset by higher gross profit of our specialty medicines segment. See "Generic Medicines Gross Profit" and "Specialty Medicines Gross Profit" above and the reconciliation of our segment profit to our consolidated operating income under "—Operating Income" below.

Gross profit as a percentage of revenues was 58.0% in the first quarter of 2016, compared to 56.9% in the first quarter of 2015. The increase in gross profit as a percentage of revenues primarily reflects the higher profitability of our specialty medicines segment (1.7 points), partially offset by lower profitability of our generic medicines segment (0.5 points) and lower profitability of other activities (0.1 points).

Research and Development (R&D) Expenses

Net R&D expenses for the first quarter of 2016 amounted to $389 million, an increase of 17% compared to the first quarter of 2015.

As a percentage of revenues, R&D spending was 8.1% in the first quarter of 2016, compared to 6.7% in the first quarter of 2015.

Our R&D expenses were primarily the result of the factors previously discussed under "Generic Medicines—R&D Expenses" and "Specialty Medicines—R&D Expenses" above as well as a milestone payment related to the commencement of a phase 3 study for TEV-48125.

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 and other costs, and are reported net of contributions received from collaboration partners.

Selling and Marketing (S&M) Expenses

S&M expenses in the first quarter of 2016 amounted to $839 million, a decrease of 9% compared to the first quarter of 2015. The decrease was mainly due to lower S&M expenses related to our generic and specialty medicines segments. See "Generic Medicines—S&M Expenses" and "Specialty Medicines—S&M Expenses" above.

As a percentage of revenues, S&M expenses were 17.4% in the first quarter of 2016, compared to 18.5% in the first quarter of 2015.

General and Administrative (G&A) Expenses

G&A expenses in the first quarter of 2016 amounted to $304 million, compared to $307 million in the first quarter of 2015. As a percentage of revenues, G&A expenses were 6.3% in the first quarter of 2016, compared to 6.1% in the first quarter of 2015.

Impairments, Restructuring and Others

In the first quarter of 2016, we recorded expenses of $119 million for impairments, restructuring and others, compared to $299 million in the first quarter of 2015. These expenses mainly comprised contingent consideration expenses of $51 million, of which $37 million was related to the launch of Bendeka™, and $24 million in acquisition expenses, primarily related to the acquisition of Actavis Generics. The expenses in the first quarter of 2015 were mainly due to a $235 million increase in liability for contingent consideration following the positive phase 2b results of TEV-48125 in both chronic and episodic migraine prevention, as well as to certain impairments of assets.

As of March 31, 2016, the carrying value of our in-process R&D asset Revascor® (mesenchymal precursor cells), which was in-licensed from Mesoblast Ltd., was $258 million. This drug candidate is in a phase 3 trial for congestive heart failure. Under our agreement with Mesoblast, in the second quarter of 2016 we may have the right to terminate our participation in the development of Revascor®. If we choose not to continue with the trial, a full impairment of the in-process R&D asset would be recorded in the second quarter of 2016. Such an event would likely lead us to reassess the carrying value of our equity interest in Mesoblast, which is currently $75 million, and the related balance in other comprehensive income related to currency translation of $72 million.

Legal Settlements and Loss Contingencies

In the first quarter of 2016, we recorded income of $25 million for legal settlements and loss contingencies, compared to an expense of $227 million in the first quarter of 2015. The expenses in 2015 consisted mainly of $282 million in additional reserves relating to the settlement of the modafinil antitrust litigation, partially offset by insurance proceeds relating to the settlement of the pantoprazole patent litigation.

Operating Income

Operating income was $1.2 billion in the first quarter of 2016, compared to $749 million in the first quarter of 2015. As a percentage of revenues, operating income was 24.2% in the first quarter of 2016 compared to 15.0% in the first quarter of 2015.

The increase in operating income was due to factors previously discussed, primarily income from legal settlements and loss contingencies in the first quarter of 2016, compared to expenses from legal settlements and loss contingencies in the first quarter of 2015, higher profit of our specialty medicines segment, lower impairments, restructuring and others and lower amortization expenses, partially offset by lower profit of our generic medicines segment, as well as higher other unallocated amounts.

The increase in operating income as a percentage of revenues was 9.2 points, mainly due to income from legal settlements in the first quarter of 2016, compared to expenses from legal settlements in the first quarter of 2015 (5.1 points), higher profit of our specialty medicines segment (5.0 points), lower impairments, restructuring and others (3.5 points) and lower amortization expenses (0.5 points), partially offset by lower profit of our generic segment (3.9 points) and higher other unallocated amounts (0.9 points).

The following table presents a reconciliation of our segment profit to our consolidated operating income for the three months ended March 31, 2016 and 2015:

	Three Months Ended March 31,	
	2016	2015
	(unaudited) U.S.$ in millions	
Generic medicines profit	$ 584	$ 799
Specialty medicines profit	1,185	977
Total segment profit	1,769	1,776
Profit of other activities	51	50
Total profit	1,820	1,826
Amounts not allocated to segments:		
Amortization	189	220
General and administrative expenses	304	307
Legal settlements and loss contingencies	(25)	227
Impairments, restructuring and others	119	299
Other unallocated amounts	68	24
Consolidated operating income	1,165	749
Financial expenses—net	298	192
Consolidated income before income taxes	$ 867	$ 557

Financial Expenses-Net

In the first quarter of 2016, financial expenses amounted to $298 million, compared to $192 million in the first quarter of 2015. The increase was mainly due to a $246 million impairment of our monetary assets in Venezuela this quarter, compared to $143 million interest expense in the first quarter of 2015, which resulted from the debt tender offer and the termination of the related swap agreements.

Venezuela has experienced hyperinflation in recent years and has two official exchange rates, which deviate significantly among themselves as well as from unofficial market rates. In addition, remittance of cash outside of Venezuela is limited. We currently prepare our financial statements using an official preferential industry exchange rate, which was devaluated in March 2016 from 6.3 to 10 bolivars per U.S. dollar. As a result of this devaluation, as of March 31, 2016, we impaired our monetary balance sheet items using the new rate, and recorded the net negative difference of $246 million in "financial expenses—net." In the event of an additional devaluation or if a less favorable exchange rate is used, we are exposed to a potential impairment of our net monetary assets in Venezuela, which, as of March 31, 2016, amounted to approximately $346 million using the current official preferential exchange rate.

Tax Rate

In the first quarter of 2016, income taxes amounted to $228 million, or 26%, on pre-tax income of $867 million. In the first quarter of 2015, income taxes amounted to $104 million, or 19%, on pre-tax income of $557 million.

The statutory Israeli corporate tax rate is 25% in 2016.

Our tax rate differs from the Israeli statutory tax rate mainly due to taxes generated in various jurisdictions, tax benefits and infrequent or nonrecurring items.

Net Income

Net income attributable to Teva in the first quarter of 2016 was $636 million, compared to $446 million in the first quarter of 2015. This increase was due to the factors previously discussed, primarily our higher operating income, partially offset by higher income tax and financial expenses.

Net income attributable to ordinary shareholders in the first quarter of 2016 amounted to $570 million. The difference from net income attributable to Teva is due to the $66 million dividend paid to holders of our mandatory convertible preferred shares in the first quarter of 2016.

Diluted Shares Outstanding and Earnings Per Share

On December 8, 2015, we issued 54 million ADSs at $62.50 per ADS and 3,375,000 of our 7.00% mandatory convertible preferred shares at $1,000 per share. In addition, on January 6, 2016, we issued an additional 5.4 million ADSs and 337,500 mandatory convertible preferred shares pursuant to the exercise of the underwriters' over-allotment option. The net proceeds from the offerings were approximately $7.24 billion, after estimated underwriting discounts, commissions and offering expenses.

The average weighted diluted shares outstanding used for the fully diluted share calculation for the first quarter of 2016 and 2015 were 920 million and 859 million shares, respectively.

Diluted earnings per share for the three months ended March 31, 2016 and 2015 take into account the potential dilution that could occur upon 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. Additionally, for the three months ended March 31, 2016, no account was taken of the potential dilution of the mandatory convertible preferred shares amounting to 59 million weighted average shares, since they had an anti-dilutive effect on earnings per share.

The increase in number of shares outstanding compared to the first quarter of 2015 was mainly due to the December 2015 and January 2016 ADS issuances mentioned above and the issuance of shares for employee options exercised and vested RSUs, partially offset by the impact of the shares repurchased pursuant to our share repurchase program during the first quarter of 2015.

Diluted earnings per share amounted to $0.62 in the first quarter of 2016, compared to $0.52 in the first quarter of 2015.

Share Count for Market Capitalization

As of March 31, 2016 and 2015, the fully diluted share count for purposes of calculating Teva's market capitalization was approximately 1,003 million and 886 million, respectively. Commencing with the fourth quarter of 2015, we calculate these share amounts, using the outstanding number of shares (i.e., not including treasury shares) plus shares that would be outstanding upon the exercise of options and vesting of RSUs and PSUs, as well as the conversion of our convertible senior debentures and mandatory convertible preferred shares, in each case at period end.

For purposes of calculating Teva's market capitalization, the share count at March 31, 2015 was adjusted to be comparable to the fully diluted share count at March 31, 2016, as described above.

Impact of Currency Fluctuations on Results of Operations

In the first quarter of 2016, approximately 45% of our revenues came from sales outside of the United States. Because our results are reported in U.S. dollars, we are subject to significant foreign currency risks and

accordingly, changes in the rate of exchange between the U.S. dollar and the local currencies in the markets in which we operate (primarily the euro, Israeli shekel, Russian ruble, Canadian dollar, British pound and Japanese yen) impact our results. In the first quarter of 2016, compared to the first quarter of 2015, most of the main currencies relevant to our operations decreased in value against the U.S. dollar: the euro by 2%, the Russian ruble by 16%, the Canadian dollar by 10% and the British pound by 5% while the Japanese yen increased by 3% and the Israeli shekel by 1% (all compared on a quarterly average basis).

As a result, exchange rate movements during the first quarter of 2016 in comparison with the first quarter of 2015, negatively impacted overall revenues by $107 million and negatively impacted our operating income by $30 million, both of which are net of profits from certain hedging transactions.

Venezuela. Our Venezuelan operations use the U.S. dollar as the functional currency due to the hyperinflationary state of the Venezuelan economy. Our revenues in Venezuela from generic medicines in the first quarter of 2016 were $126 million, compared to $77 million in the first quarter of 2015. Our revenues in Venezuela from OTC medicines in the first quarter of 2016 were $112 million, compared to $36 million in the first quarter of 2015. As our OTC business in Venezuela is part of the PGT joint venture, profits from the sales of OTC medicines in the country are shared 49%-51% between Teva and P&G.

The government of Venezuela currently has two official exchange rates: the DIPRO rate of 10 bolivars per U.S. dollar (which replaced the CENCOEX rate of 6.3 in March 2016) and the DICOM rate, which fluctuates and is currently approximately 200 bolivars per U.S. dollar (which replaced the SIMADI rate in March 2016; also in March 2016, the SICAD rate of 13.5 was eliminated). We used the CENCOEX rate until March 2016 and then replaced it with the DIPRO rate to report our Venezuelan financial position, results of operations and cash flows, since we believe that the nature of our business operations in Venezuela, which include the importation, manufacture and distribution of pharmaceutical products, qualifies for the most preferential rates permitted by law.

We impaired our monetary balance sheet items using the new DIPRO rate and recorded the net negative difference of $246 million in “financial expenses—net.” In the event of an additional devaluation or a less favorable exchange rate is used, we are exposed to a potential impairment of our net monetary assets in Venezuela, which, as of March 31, 2016, amounted to approximately $346 million using the DIPRO rate. We are also exposed to a potential negative impact on our revenues and our profits in Venezuela.

We cannot predict whether there will be a further devaluation of the Venezuelan currency or whether our use of the DIPRO rate will continue to be supported by the facts and circumstances.

Liquidity and Capital Resources

Total balance sheet assets amounted to $55.1 billion as of March 31, 2016, compared to $54.2 billion as of December 31, 2015. The increase is mainly due to an increase of $2.1 billion in goodwill and other intangible assets related to the Rimsa acquisition, partially offset by $1.0 billion decline in cash and cash equivalents.

Inventory balances as of March 31, 2016 amounted to $4.0 billion, similar to December 31, 2015.

Accounts receivable as of March 31, 2016, net of sales reserves and allowances (“SR&A”), amounted to negative $1.3 billion, similar to December 31, 2015.

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

Accounts payable and accruals amounted to $3.5 billion as of March 31, 2016, compared to $3.6 billion as of December 31, 2015.

Our working capital balance, which includes accounts receivable, inventories, deferred income taxes and other current assets net of SR&A, accounts payable and accruals and other current liabilities, was negative $0.3 billion as of March 31, 2016, compared to $32 million as of December 31, 2015. The decrease was mainly due to a decrease in other current assets and an increase in other current liabilities, partially offset by an increase in deferred income taxes and a decrease in accounts payable and accruals.

Investment in property, plant and equipment in the first quarter of 2016 was approximately $172 million, compared to $185 million in the first quarter of 2015. Depreciation amounted to $108 million in the first quarter of 2016, compared to $113 million in the first quarter of 2015.

Cash and cash equivalents and short-term and long-term investments as of March 31, 2016 amounted to $7.2 billion, compared to $8.4 billion as of December 31, 2015. The decrease was mainly due to cash used for the Rimsa acquisition, the devaluation in Venezuela and a decline in the fair market value of our Mylan shares, partially offset by cash generated during the quarter and proceeds from the exercise of the underwriters' over-allotment option for $0.7 billion of our ADSs and mandatory convertible preferred shares in January 2016.

As of March 31, 2016, we held net monetary assets of approximately $346 million in Venezuela, which were negatively affected by the devaluation following the replacement of the 6.3 bolivar preferential CENCOEX exchange rate with the 10 bolivar DIPRO exchange rate. This amount is at significant risk of further decrease in the event of an additional devaluation or a change in the official exchange rate used. Our ability to repatriate this amount is also significantly limited.

See "—Commitments" below regarding our funding of the Actavis Generics acquisition.

First Quarter 2016 Debt Movements

As of March 31, 2016, our debt was $10.2 billion, an increase of $0.3 billion compared to $9.9 billion as of December 31, 2015. The increase was mainly due to exchange rate fluctuations.

Aggregate Debt

Our debt as of March 31, 2016 was effectively denominated in the following currencies: U.S. dollar 44%, euro 39%, Japanese yen 13% and Swiss franc 4%.

The portion of total debt classified as short-term as of March 31, 2016 remained 16%, similar to December 31, 2015.

Our financial leverage was 25% as of March 31, 2016, similar to December 31, 2015.

Our average debt maturity was approximately 6.3 years as of March 31, 2016.

Commencing the third quarter of 2015, we entered into forward starting interest rate swap and treasury lock agreements designated as cash flow hedges of anticipated future debt issuance, with respect to $5.25 billion notional amount in multiple transactions. These agreements hedge the variability in anticipated future interest payments due to possible changes in the benchmark interest rate between the date the agreements were entered into and the expected date of future debt issuances in 2016 (in connection with the closing of the Actavis Generics acquisition), at which time these agreements are intended to be settled.

In November 2015, we entered into a $3 billion five-year unsecured credit facility (which will increase to $4.5 billion upon closing of the Actavis Generics acquisition), replacing the $3.0 billion unsecured credit facility entered into in 2012. As of March 31, 2016, the credit facility remained unutilized.

Shareholders' Equity

Total shareholders' equity was $30.6 billion as of March 31, 2016, compared to $29.9 billion as of December 31, 2015. The increase was mainly due to the exercise of the underwriters' over-allotment option for $0.7 billion of our ADSs and mandatory convertible preferred shares following our December 2015 equity offerings, $0.6 billion of net income and $0.3 billion in exchange rate differences, partially offset by $0.4 billion in dividend payments, $0.3 billion unrealized loss from hedging and $0.2 billion loss on our Mylan shares.

Exchange rate fluctuations affected our balance sheet, as approximately 27% of our net assets in the first quarter of 2016 (including both non-monetary and monetary assets) were in currencies other than the U.S. dollar. When compared to December 31, 2015, changes in currency rates had a positive impact of $0.3 billion on our equity as of March 31, 2016, mainly due to the change in value against the U.S. dollar of: the Mexican peso by (1%), the euro by (4%), the Canadian dollar by (7%), the Chilean peso by (5%), the Polish zloty by (3%), the Russian ruble by (7%), the British pound by 3% and the Japanese yen by (7%). All comparisons are on a quarter-end to quarter-end basis.

Cash Flow

Cash flow generated from operating activities during the first quarter of 2016 amounted to $1.4 billion, similar to the first quarter of 2015.

Cash flow generated from operating activities in the first quarter of 2016, net of cash used for capital investments, amounted to $1.2 billion, similar to the first quarter of 2015.

Dividends

We announced a dividend for the first quarter of 2016 of $0.34 per ordinary share. The dividend payment was made on June 7, 2016 to holders of record as of May 24, 2016.

On March 15, 2016, we paid a dividend of $71 million (including withholding taxes) to the holders of record of our mandatory convertible preferred shares as of March 1, 2016. In addition, on June 15, 2016, we paid a dividend of $65 million (including withholding taxes) to the holders of record of our mandatory convertible preferred shares as of June 1, 2016.

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 acquisitions, leases, royalty payments, contingent payments pursuant to acquisition agreements and participation in joint ventures associated with R&D activities.

On July 27, 2015, we announced that we entered into a definitive agreement with Allergan to acquire Actavis Generics. We will pay total consideration of $33.75 billion in cash and approximately 100 million of Teva's ordinary shares, to be issued to Allergan at the closing of the transaction. At the time of the announcement, total consideration was estimated to be $40.5 billion. However, the final consideration will be based on the closing price of our ordinary shares at the date of acquisition. Closing of the transaction is subject to certain conditions, including relevant regulatory approvals. Subject to satisfaction of the closing conditions, particularly clearance from the FTC, we expect the acquisition to close shortly, based upon our current estimate of the timing to obtain clearance from the FTC.

We entered into a $22 billion bridge loan credit agreement and a separate $5 billion term loan facility with various banks, to finance a portion of the Actavis Generics acquisition. Any loan under the bridge facility

would bear an interest rate of LIBOR plus a margin ranging from 0.30% to 1.65%, so long as we maintain an investment-grade credit rating. The term facility contemplates two tranches of $2.5 billion each, with the first tranche maturing in full after three years and bearing an interest rate of LIBOR plus a margin ranging from 1.000% to 1.375% based on our credit rating from time to time and the second tranche maturing in five years with payment installments each year and bearing an interest rate of LIBOR plus a margin ranging from 1.125% to 1.5% based on our credit rating from time to time. To date, we have not drawn any funds under the bridge loan or the term facility. Depending on the timing of the closing of the Actavis Generics acquisition, we may need to borrow additional funds under our bridge facility, which we expect to repay with the proceeds of this offering and the other contemplated offerings.

Commencing the third quarter of 2015, we entered into forward starting interest rate swaps and treasury lock agreements with various banks, to hedge part of the risk associated with possible changes in interest rates until the probable issuance of our senior notes, anticipated to take place in 2016 to finance the Actavis Generics acquisition. Certain of the forward starting interest rate swaps and treasury lock agreements matured during the first quarter of 2016, generating a loss of $275 million due to a decline in interest rates, and will be settled by October 7, 2016. This loss is recorded in “other comprehensive income.”

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

In connection with certain development, supply and marketing, and research and collaboration or services agreements, we are required to indemnify, in unspecified amounts, the parties to such agreements against third-party claims relating to (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 (to increase to $4.5 billion following consummation of the Actavis Generics acquisition), which we have not utilized as of March 31, 2016, as well as internally generated funds, which we believe are sufficient to meet our on-going operating needs. Our cash on hand is generally invested in bank deposits as well as liquid securities that bear fixed and floating rates.

Supplemental Non-GAAP Income Data

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

- our management and board of directors use the non-GAAP measures to evaluate our operational performance, to compare against work plans and budgets, and ultimately to evaluate the performance of management;

- our annual budgets are prepared on a non-GAAP basis; and

- senior management’s annual compensation is derived, in part, using these non-GAAP measures. While qualitative factors and judgment also affect annual bonuses, the principal quantitative element in the determination of such bonuses is performance targets tied to the work plan, and thus is based on the non-GAAP presentation set forth below.

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

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

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

- amortization of purchased intangible assets;
- legal settlements and/or loss contingencies, due to the difficulty in predicting their timing and size;
- impairments of long-lived assets, including intangibles, property, plant and equipment and goodwill;
- restructuring expenses, including severance, retention costs, contract cancellation costs and certain accelerated depreciation expenses primarily related to the rationalization of our plants, or to certain other strategic activities such as the realignment of R&D focus or other similar activities;
- acquisition or divestment related items, including, contingent consideration, integration costs, banker and other professional fees, inventory step-up and in-process R&D acquired in development deals;
- expenses related to our equity compensation;
- significant one-time related financing costs or impairments of monetary assets due to changes in foreign currency exchange rates;
- material tax and other awards or settlements, both amounts paid and received;
- other exceptional items that we believe are sufficiently large that their exclusion is important to understanding trends in our financial results, such as impacts due to changes in accounting, significant costs for remediation of plants such as inventory write-offs or other consulting costs or other unusual events; and
- tax effects of the foregoing items.

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

	Three Months Ended March 31,	
	2016	2015
	(unaudited) U.S $ in millions	
Amortization of purchased intangible assets	$189	$ 220
Legal settlements and loss contingencies	(25)	227
Impairment of long-lived assets	13	65
Restructuring expenses	19	3
Acquisition and related expenses	101	245
Financial expense	246	143
Equity compensation	24	27
Other non-GAAP items	43	(3)
Corresponding tax benefit	(74)	(208)

	Three Months Ended March 31, 2016					Three Months Ended March 31, 2015			
	(unaudited) U.S. dollars and shares in millions (except per share amounts)								
	GAAP	Non-GAAP Adjustments	Dividends on Preferred Shares	Non-GAAP	% of Net Revenues	GAAP	Non-GAAP Adjustments	Non-GAAP	% of Net Revenues
Gross profit (1)	2,791	225		3,016	63%	2,836	226	3,062	61%
Operating income (1)(2)	1,165	361		1,526	32%	749	784	1,533	31%
Net income attributable to ordinary shareholders (1)(2)(3)(4)	570	536	66	1,172	24%	446	719	1,165	23%
Earnings per share attributable to ordinary shareholders—diluted (5)	0.62	0.58		1.20		0.52	0.84	1.36	
(1) Amortization of purchased intangible assets		178					212		
Equity compensation		3					3		
Other COGS related adjustments		44					11		
Gross profit adjustments		225					226		
(2) Legal settlements and loss contingencies		(25)					227		
Acquisition and related expenses		98					245		
Equity compensation		21					24		
Restructuring expenses		19					3		
Impairment of long-lived assets		13					65		
Amortization of purchased intangible assets		11					8		
Other operating related adjustments		(1)					(14)		
		136					558		
Operating income adjustments		361					784		
(3) Financial expense		246					143		
Tax effect		(74)					(208)		
Impairment of equity investment—net		3					—		
Net income adjustments		536					719		

(4) Dividends on the mandatory convertible preferred shares of $66 million for the three months ended March 31, 2016 are added back to non-GAAP net income attributable to ordinary shareholders, since such preferred shares had a dilutive effect on non-GAAP earnings per share, as described in the following footnote.

(5) The non-GAAP weighted average number of shares was 979 and 859 million for the three months ended March 31, 2016 and 2015, respectively. The non-GAAP weighted average number of shares for the three months ended March 31, 2016 takes into account the potential dilution of the mandatory convertible preferred shares (amounting to 59 million weighted average shares), which had a dilutive effect on non-GAAP earnings per share. Non-GAAP earnings per share can be reconciled with GAAP earnings per share by dividing each of the amounts included in footnotes 1-4 above by the applicable weighted average share number.

Non-GAAP Tax Rate

Non-GAAP income taxes for the first quarter of 2016 amounted to $302 million, or 21%, on pre-tax non-GAAP income of $1.5 billion. Non-GAAP income taxes in the comparable quarter of 2015 were $312 million, or 21%, on pre-tax non-GAAP income of $1.5 billion.

We expect our annual non-GAAP tax rate for 2016 to be similar to the annual non-GAAP tax rate of 21% for 2015.

2015 Highlights

Significant highlights of 2015 included:

- Our revenues amounted to $19.7 billion, compared to $20.3 billion in 2014, down 3%, but up 4% in local currency terms.

- Our generic medicines segment generated revenues of $9.5 billion, down 3%, and profit of $2.7 billion, an increase of 24%. In local currency terms, revenues increased 5%. The increase in profit resulted from lower S&M expenses and higher gross profit.

- As described above, on July 27, 2015, we announced an agreement with Allergan to acquire Actavis Generics for $33.75 billion in cash and approximately 100 million of Teva's ordinary shares. Following closing of the acquisition, our generics segment is expected to comprise a much larger percentage of our revenues.

- Our specialty medicines segment generated revenues of $8.3 billion and profit of $4.4 billion, down 3% and 5%, respectively. In local currency terms, revenues increased 2%. Profit was negatively impacted by lower gross profit and higher R&D expenses, partially offset by lower S&M expenses.

- Expenses related to impairments, restructuring and others amounted to $1.1 billion, compared to $650 million in 2014, mainly due to contingent consideration expenses, related primarily to successes in the development of the products acquired in the Labrys and Eagle transactions.

- Legal settlements and loss contingencies amounted to an expense of $631 million, compared to a gain of $111 million in 2014, mainly due to additional reserves related to the settlement of the modafinil antitrust litigation, partially offset by insurance proceeds relating to the settlement of the pantoprazole patent litigation.

- Operating income amounted to $3.4 billion, a decrease of 15% compared to 2014, mainly due to legal settlements and loss contingencies as well as impairments, restructuring and others.

- Financial expenses amounted to $1.0 billion, compared to $313 million in 2014. The increase was mainly due to a $623 million loss on our Mylan shares recognized in the third quarter of 2015. An additional expense of $105 million on our Mylan shares were recorded under impairments, restructuring and others during the second quarter of 2015. As of December 31, 2015, unrealized gain of $312 million on our Mylan shares was recorded in other comprehensive income.

- Net income attributable to Teva amounted to $1.6 billion, compared to $3.1 billion in 2014.

- Exchange rate differences had a negative impact of $1.3 billion on revenues, but only a $95 million negative impact on operating income.

- Cash flow from operating activities amounted to $5.5 billion, an increase of $415 million compared to 2014.

- In anticipation of the closing of the Actavis Generics acquisition, in December 2015, we closed public offerings consisting of 54 million ADSs at $62.50 per ADS and 3,375,000 of our 7.00% mandatory convertible preferred shares at $1,000 per share, and then in January 2016, we sold an additional 5.4 million ADSs and 337,500 mandatory convertible preferred shares. The net proceeds from the offerings were approximately $7.24 billion.

- In October 2015, we agreed to acquire Rimsa, a leading pharmaceutical company in Mexico, for an aggregate of $2.3 billion in cash. This acquisition, which was completed in March 2016, adds a portfolio of patent-protected drugs to our business in Latin America.

- In May 2015, we acquired Auspex, an innovative biopharmaceutical company specializing in applying deuterium chemistry to known molecules to create novel therapies with improved safety and efficacy profiles, for net cash consideration of $3.3 billion.

- In February 2015, we entered into an exclusive license agreement with Eagle for BendekaTM, for the treatment of CLL and indolent B-cell NHL.

For more information regarding these and other transactions in 2015 and 2014, see note 2 of our consolidated financial statements.

Results of Operations

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

	Percentage of Net Revenues Year Ended December 31,			Percentage Change Comparison	
	2015	2014	2013	2015-2014	2014-2013
	%	%	%	%	%
Net revenues	100.0	100.0	100.0	(3)	*
Gross profit	57.8	54.5	52.7	3	3
Research and development expenses	7.8	7.3	7.0	2	4
Selling and marketing expenses	17.7	19.0	20.1	(10)	(5)
General and administrative expenses	6.3	6.0	6.1	2	(2)
Impairments, restructuring and others	5.8	3.2	3.9	74	(18)
Legal settlements and loss contingencies	3.2	(0.5)	7.5	n/a	n/a
Operating income	17.0	19.5	8.1	(15)	140
Financial expenses—net	5.1	1.6	2.0	219	(22)
Income before income taxes	11.9	17.9	6.1	(35)	191
Income taxes	3.2	2.9	(0.2)	7	n/a
Share in losses of associated companies—net	0.6	**	0.2	n/a	(88)
Net loss attributable to non-controlling interests	0.1	(0.1)	(0.1)	n/a	(19)
Net income attributable to Teva	8.1	15.1	6.2	(48)	141

* Represents an amount less than 0.5%.

** Represents an amount less than 0.05%.

Segment Information

Generic Medicines Segment

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

	Generic Medicines*					
	Year Ended December 31,					
	2015		2014		2013	
	U.S.$ in millions / % of Segment Revenues					
Revenues	$9,546	100.0%	$9,814	100.0%	$9,902	100.0%
Gross profit	4,499	47.1%	4,253	43.3%	4,083	41.2%
R&D expenses	513	5.4%	512	5.2%	488	4.9%
S&M expenses	1,304	13.6%	1,575	16.0%	1,915	19.3%
Segment profit**	$2,682	28.1%	$2,166	22.1%	$1,680	17.0%

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

** Segment profit is comprised of gross profit for the segment, less R&D and S&M expenses related to the segment. Segment profit does not include G&A expenses, amortization and certain other items. Beginning in 2015, expenses related to equity compensation are excluded from our segment results. The data presented have been conformed to reflect the exclusion of equity compensation expenses for all periods. See note 20 of our consolidated financial statements and "Operating Income" below for additional information.

Revenues

Our generic medicines segment includes generic medicines as well as API products sold to third parties. Revenues from our generic medicines segment in 2015 amounted to $9.5 billion, a decrease of $268 million, or 3%, compared to 2014. In local currency terms, sales increased 5%.

Revenues of generic medicines in the United States, our largest generic market, amounted to $4.8 billion, an increase of $375 million, or 8%, compared to 2014. Revenues of generic medicines in Europe amounted to $2.7 billion, a decrease of $442 million, or 14%, compared to 2014. In local currency terms, European sales decreased 1%. Revenues from generic medicines in our ROW markets amounted to $2.0 billion, a decrease of 9% compared to 2014. In local currency terms, ROW sales increased 6%.

API sales to third parties in 2015 amounted to $748 million, an increase of 3% compared to 2014. In local currency terms, sales increased 5%, mainly due to an increase in sales across all regions.

Comparison of 2014 to 2013. In 2014, revenues from generic medicines amounted to $9.8 billion, a decrease of 1% compared to $9.9 billion in 2013. In local currency terms, revenues increased 1%.

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

	Year Ended December 31,			Percentage Change	
	2015	2014	2013	2015-2014	2014-2013
	U.S. $ in millions				
United States	$4,793	$4,418	$4,172	8%	6%
Europe*	2,706	3,148	3,362	(14%)	(6%)
Rest of the World	2,047	2,248	2,368	(9%)	(5%)
Total Generic Medicines	$9,546	$9,814	$9,902	(3%)	(1%)

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

United States Generic Medicines Revenues

In 2015, we led the U.S. generic market in total prescriptions and new prescriptions, with approximately 473 million total prescriptions, representing 13.1% of total U.S. generic prescriptions according to IMS data. We seek to continue our U.S. market leadership based on our ability to introduce new generic equivalents for brand-name products on a timely basis, with a focus on complex generics and other high-barrier products that we believe will create more value for patients and customers, our strong emphasis on customer service, the breadth of our product line, our commitment to quality and regulatory compliance and our cost-effective production, including through our pending acquisition of Actavis Generics.

Revenues from generic medicines in the United States in 2015 amounted to $4.8 billion, up 8% compared to $4.4 billion in 2014. The increase resulted mainly from the 2015 exclusive launch of esomeprazole (the generic equivalent of Nexium®) and the launch of aripiprazole (the generic equivalent of Abilify®), as well as products that were sold in 2015 that were not sold in 2014. This increase was partially offset by lower sales of the generic versions of Pulmicort® (budesonide inhalation), Xeloda® (capecitabine), Niaspan® (niacin ER) and Lovaza® (omega-3-acid ethyl esters).

Among the most significant generic products we sold in the United States in 2015 were generic versions of Nexium® (esomeprazole), Pulmicort® (budesonide inhalation), Abilify® (aripiprazole), Xeloda® (capecitabine), Adderall XR® (mixed amphetamine salts ER), Lovaza® (omega-3-acid ethyl esters) and Detrol® (tolterodine tartrate ER).

Comparison of 2014 to 2013. Total generic revenues in the United States in 2014 amounted to $4.4 billion, up from $4.2 billion in 2013. This increase was mainly due to launches of key products.

Products. In 2015, we launched generic versions of the following branded products in the United States (listed by date of launch):

Generic Name	Brand Name	Launch Date	Total Annual U.S. Market at Time of Launch $ millions (IMS)*
Linezolid injection 600mg/300mL	Zyvox®	January	$ 464
Valsartan tablets 40, 80, 160 & 320mg	Diovan®	January	$1,903
Dexmethylphenidate HCl ER capsules 10mg	Focalin XR®	February	$ 169
Leucovorin calcium for injection 100mg/vial**	—	February	$ 3
Methylprednisolone acetate injectable suspension 40mg/mL**	Depo-Medrol®	February	$ 41
Esomeprazole magnesium DR capsules 20 & 40mg	Nexium®	February	$5,873
Amlodipine and valsartan tablets 5/160, 10/160, 5/320 & 10/320 mg	Exforge®	March	$ 415
Mesna injection 1 g/10 mL, 100 mg/mL**	Mesnex®	April	$ 8
Argatroban injection in 0.9% sodium chloride 1 mg/mL, 250 mg***	—	April	—
Aripiprazole tablets 2, 5, 10, 15, 20 & 30mg	Abilify®	April	$7,901
Ondansetron injection 2 mg/mL, 40mg**	Zofran®	May	$ 39
Risedronate sodium DR tablets 35mg	Atelvia®	May	$ 72
Junel® Fe 24 (norethindrone acetate and ethinyl estradiol tablets USP and ferrous funarate tablets) 1 mg/0.02 mg	Lomedia® 24 Fe	May	$ 53
Risedronate sodium tablets, USP 5, 30 & 35 mg	Actonel®	June	$ 112
Guanfacine ER tablets, 1, 2, 3 & 4 mg	Intuniv®	June	$ 798
Dexmethylphenidate HCl ER capsules, 20 mg	Focalin XR®	June	$ 177
Linezolid tablets 600 mg	Zyvox®	June	$ 468
Aspirin/extended-release dipyridamole capsules 25 mg/200 mg	Aggrenox®	July	$ 436
Almotriptan malate tablets 6.25 & 12.5mg	Axert®	July	$ 30

Generic Name	Brand Name	Launch Date	Total Annual U.S. Market at Time of Launch $ millions (IMS)*
Ifosfamide injection 50 mg/mL, 1 gm & 50 mg/mL, 3 gm**	—	August	$ 1
Dutasteride capsules 0.5 mg.	Avodart®	October	$ 457
Oxycodone hydrochloride ER tablets 10, 20, 40 & 80 mg	OxyContin®	October	$1,810
Fentanyl citrate lozenges 200, 400, 600, 800, 1200 & 1600 mcg	ACTIQ®	December	$ 59
Eptifibatide injection 0.75 mg/mL, 75 mg	Integrilin®	December	$ 103
Tri-Lo-Sprintec® (norgestimate and ethinyl estradiol tablets, USP) 0.18 mg/0.025 mg	Ortho Tri-Cyclen® Lo	December	$ 489

* For the twelve months ended in the calendar quarter closest to our launch or re-launch.

** Products were re-launched.

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

We expect that our generic medicines revenues in the U.S. will continue to benefit from our strong generic pipeline, which, as of January 22, 2016, had 107 product registrations awaiting FDA approval, including 28 tentative approvals. Collectively, these 107 products had U.S. sales in 2015 exceeding $72 billion. Of these applications, 76 were "Paragraph IV" applications challenging patents of branded products. We believe we are first to file with respect to 34 of these products, the branded versions of which had U.S. sales of more than $25 billion in 2015. 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 2015 we received, in addition to 23 final generic drug approvals, four tentative approvals which remain tentative at December 31, 2015. A "tentative approval" letter indicates that the FDA has substantially completed its review of an application and final approval is expected once the relevant patent expires, a court decision is reached, a 30-month regulatory stay lapses or a 180-day exclusivity period awarded to another manufacturer either expires or is forfeited. The outstanding tentative approvals received are for generic equivalents of the following products:

Generic Name	Brand Name	Total U.S. Annual Branded Market $ millions (IMS)*
Amlodipine/olmesartan tablets 5/20 mg, 5/40 mg, 10/20 mg & 10/40 mg	Azor®	$ 339
Ezetimibe tablets 10 mg	Zetia®	$2,245
Efavirenz tablets 600 mg	Sustiva®	$ 169
Clozapine ODT 12.5 mg	Fazaclo®	$ 53

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

Europe Generic Medicines Revenues

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

Revenues from generic medicines in Europe in 2015 amounted to $2.7 billion, a decrease of 14% compared to 2014. In local currency terms, revenues decreased 1%, mainly due to our focus on profitable business. All major European region currencies weakened significantly against the U.S. dollar in 2015, especially the euro (16%), British pound (7%) and Hungarian forint (17%).

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

As of December 31, 2015, Teva had 969 generic approvals in Europe relating to 96 compounds in 224 formulations, including one EMA approval valid in all EU member states. In addition, Teva had 1,793 marketing authorization applications pending approval in 31 European countries, relating to 156 compounds in 325 formulations, including one application pending with the EMA.

Listed below are generic revenues highlights for 2015 in our most significant European operations in terms of size:

- **Germany**: Generic revenues in 2015 decreased 11%, but increased 5% in local currency terms. The increase in local currency terms was primarily due to new product launches, partially offset by reduced prices and lower volumes in existing products driven by governmental measures.
- **United Kingdom**: Generic revenues in 2015 decreased 12%, or 5% in local currency terms. The decrease was primarily due to price declines in existing products, partially offset by new product launches.
- **Italy**: Generic revenues in 2015 decreased 8%, but increased 9% in local currency terms. The increase in local currency terms was primarily due to improvements in our supply management.
- **Switzerland**: Generic revenues in 2015 decreased 1%, but increased 4% in local currency terms. The increase was primarily due to higher volumes sold of existing products and new product launches.
- **France**: Generic revenues in 2015 decreased 27%, or 13% in local currency terms, due primarily to increasing competition, the impact of regulatory changes in pharmacy discounting rules and our focus on profitable business.
- **Spain**: Generic revenues in 2015 decreased 31%, or 19% in local currency terms. The decrease was due mainly to the impact of the implementation of new commercial policies, and the increasing scope of the tendering system in the Andalucía region, in which we chose not to participate.

Comparison of 2014 to 2013. Total generic revenues in Europe in 2014 amounted to $3.1 billion, down from $3.4 billion in 2013. In local currency terms, revenues decreased 7%.

ROW Generic Medicines Revenues

Our ROW markets include all countries other than the United States and those in our European region. Our key ROW markets are Japan, Canada, Venezuela and Russia. The countries in this category range from highly

regulated, pure generic markets such as Canada, to hybrid markets such as Japan and Brazil, to branded generics markets such as Russia, certain Commonwealth of Independent States markets and Latin American markets.

In our ROW markets, generics revenues amounted to $2.0 billion, a decrease of 9% compared to 2014. In local currency terms, revenues increased 6%. The increase in local currency terms was mainly due to higher revenues in Venezuela, partially offset by lower revenues in Canada and Japan.

Listed below are generic revenues highlights for 2015 in our main ROW markets:

- In Japan, generic revenues in 2015 decreased 18%, or 7% in local currency terms, compared to 2014, mainly due to a reduction in our contract manufacturing business. The Japanese generics market as a whole is expected to continue to grow, bolstered by new government incentives to increase generic penetration. As described above, we entered into a business venture agreement with Takeda in November 2015 and the venture commenced operations in April 2016.

- In Canada, where we are one of the two leading generic pharmaceutical companies, generic revenues decreased 35% in 2015, or 25% in local currency terms, compared to 2014. The decrease was primarily due to a negative court ruling related to pricing of a product sold in previous years and lower volumes and prices of other existing products, partially offset by new product launches.

- In Venezuela, generic revenues increased 60% in 2015, compared to 2014. This increase is primarily due to inflation and higher volumes. Venezuela is a hyperinflationary economy with several official exchange rates. For further information, see below under "—Impact of Currency Fluctuations on Results of Operations."

- In Russia, generic revenues in 2015 decreased 22%, but increased 24% in local currency terms, compared to 2014. The increase in local currency terms was mainly attributable to inflation-related price increases. We maintained our leading position in the Russian generic pharmaceutical market.

Comparison of 2014 to 2013. In 2014, generic medicines revenues in our ROW markets were $2.2 billion, a decrease of 5% compared to 2013. In local currency terms, revenues increased 4%. The increase in local currency terms was mainly due to higher revenues in certain Latin American markets and Canada, partially offset by lower revenues in Japan.

Generic Medicines Gross Profit

In 2015, gross profit from our generic medicines segment amounted to $4.5 billion, an increase of $246 million, or 6%, compared to $4.3 billion in 2014. The higher gross profit was mainly a result of higher revenues from new products launched in the United States during 2015, lower other production expenses and higher gross profit from API sales to third parties. These increases were partially offset by lower gross profit in our ROW markets and lower gross profit in Europe.

Gross profit margin for our generic medicines segment in 2015 increased to 47.1%, from 43.3% in 2014. This increase in gross margin was mainly the result of higher profitability of our European (1.9 points) and United States (1.4 points) markets and lower other production expenses (0.7 points).

Comparison of 2014 to 2013. Generic medicines segment gross profit amounted to $4.3 billion in 2014, compared to $4.1 billion in 2013. Gross profit margin was 43.3% in 2014, compared to 41.2% in 2013.

Generic Medicines R&D Expenses

Research and development expenses relating to our generic medicines in 2015 amounted to $513 million, flat compared to 2014. In local currency terms, generic R&D expenses increased 4% mainly due to higher investment in our U.S. portfolio and development of complex generics for various markets. As a percentage of segment revenues, generic R&D expenses were 5.4% in 2015, compared to 5.2% in 2014.

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

Generic Medicines S&M Expenses

Selling and marketing expenses related to our generic medicines in 2015 amounted to $1.3 billion, a decrease of 17% compared to $1.6 billion in 2014. In local currency terms, S&M expenses decreased 6%, mainly due to lower royalty payments in the United States in connection with our generic version of Pulmicort® (budesonide inhalation) as well as lower expenses in Europe, partially offset by higher S&M expenses in certain ROW markets.

As a percentage of segment revenues, selling and marketing expenses decreased to 13.6% in 2015 from 16.0% in 2014.

Comparison of 2014 to 2013. Generic medicines S&M expenses in 2014 amounted to $1.6 billion, compared to $1.9 billion in 2013.

Generic Medicines Profit

The profit of our generic medicines segment is comprised of the gross profit for the segment, less selling and marketing expenses and research and development expenses related to this segment. Segment profit does not include general and administrative expenses, amortization and certain other items. Beginning in 2015, expenses related to equity compensation are excluded from our segment results. See note 20 of our consolidated financial statements and "Operating Income" below for additional information.

Profit of our generic medicines segment amounted to $2.7 billion in 2015, compared to $2.2 billion in 2014. The increase was due to factors previously discussed, primarily lower S&M expenses and higher gross profit.

Generic medicines profit as a percentage of generic medicines revenues was 28.1% in 2015, up from 22.1% in 2014. The increase was mainly due to higher gross margin (increase of 3.8 points) and lower S&M expenses (decrease of 2.4 points), partially offset by higher R&D expenses (increase of 0.2 points).

Comparison of 2014 to 2013. Generic medicines profit amounted to $2.2 billion in 2014, up from $1.7 billion in 2013. In 2014, segment profit as a percentage of revenues amounted to 22.1%, up from 17.0% in 2013.

Specialty Medicines Segment

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

	Specialty Medicines*					
	Year Ended December 31,					
	2015		2014		2013	
	U.S.$ in millions / % of Segment Revenues					
Revenues	$8,338	100.0%	$8,560	100.0%	$8,388	100.0%
Gross profit	7,200	86.3%	7,457	87.1%	7,274	86.7%
R&D expenses	918	11.0%	872	10.2%	877	10.5%
S&M expenses	1,921	23.0%	1,990	23.2%	1,856	22.1%
Segment profit**	$4,361	52.3%	$4,595	53.7%	$4,541	54.1%

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

** Segment profit is comprised of gross profit for the segment, less R&D and S&M expenses related to the segment. Segment profit does not include G&A expenses, amortization and certain other items. Beginning in 2015, expenses related to equity compensation are excluded from our segment results. The data presented have been conformed to reflect the exclusion of equity compensation expenses for all periods. See note 20 of our consolidated financial statements and "Operating Income" below for additional information.

Revenues

Specialty medicines revenues in 2015 amounted to $8.3 billion, a decrease of 3% compared to 2014, but increased 2% in local currency terms. In the United States, our specialty medicines revenues amounted to $6.4 billion, an increase of 5% from 2014. Specialty medicines revenues in Europe amounted to $1.5 billion, a decrease of 20%, or 5% in local currency terms, compared to 2014. ROW revenues were $378 million, a decrease of 32%, or 16% in local currency terms, compared to 2014.

Comparison of 2014 to 2013. In 2014, specialty medicines revenues amounted to $8.6 billion compared to $8.4 billion in 2013. United States revenues amounted to $6.1 billion, an increase of 1% from 2013. Specialty medicines revenues in Europe amounted to $1.9 billion, an increase of 2% in both U.S. dollar and local currency terms, over 2013. Specialty medicines revenues in our ROW markets in 2014 amounted to $552 million, an increase of 8%, or 23% in local currency terms, over 2013.

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

Specialty Medicines Revenues Breakdown

	Year Ended December 31,			Percentage Change	
	2015	2014	2013	2015-2014	2014-2013
	U.S. $ in millions				
CNS	*$5,213*	*$5,575*	*$5,545*	*(6%)*	*1%*
Copaxone®	4,023	4,237	4,328	(5%)	(2%)
Azilect®	384	428	371	(10%)	15%
Nuvigil®	373	388	320	(4%)	21%
Respiratory	*1,129*	*957*	*964*	*18%*	*(1%)*
ProAir®	549	478	429	15%	11%
Qvar®	392	286	328	37%	(13%)
Oncology	*1,201*	*1,180*	*1,005*	*2%*	*17%*
Treanda®	741	767	709	(3%)	8%
Women's Health	*461*	*504*	*510*	*(9%)*	*(1%)*
Other Specialty	*334*	*344*	*364*	*(3%)*	*(5%)*
Total Specialty Medicines	**$8,338**	**$8,560**	**$8,388**	**(3%)**	**2%**

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

Central Nervous System

Our CNS specialty product line includes Copaxone®, Azilect®, Nuvigil®, Fentora®, Amrix® and several other medicines. In 2015, our CNS sales amounted to $5.2 billion, a decrease of 6%, or 2% in local currency terms, compared to 2014, primarily due to lower Copaxone®, Azilect® and Provigil® revenues.

Copaxone®. In 2015, Copaxone® (glatiramer acetate injection) continued to be the leading multiple sclerosis therapy in the U.S. and globally. Since we launched Copaxone® 40 mg/mL three times a week in the United States and daily Copaxone® 20 mg/mL users migrated to this new version, 78% of the total Copaxone®

prescriptions are now filled with the 40 mg/mL version. Sales of Copaxone® amounted to $4.0 billion, a 5% decrease compared to 2014. To date, we have launched Copaxone® 40mg/mL in Russia and 14 European countries, with additional launches expected during 2016.

Copaxone® revenues in the United States in 2015 increased 4% to $3.2 billion, mainly due to higher volumes, partially offset by net pricing declines. Our U.S. market shares in terms of new and total prescriptions were 26.5% and 30.0%, respectively, according to December 2015 IMS data.

Revenues in the United States accounted for 81% of global Copaxone® revenues in 2015, an increase from 73% of global sales in 2014.

Our Copaxone® revenues outside the United States amounted to $783 million during 2015, 30% lower than in 2014. In local currency terms, revenues decreased 16%, primarily due to lower tender orders in Russia, as well as lower volumes sold in Europe.

Copaxone® accounted for 20% of our revenues in 2015, and a significantly higher percentage contribution to our profits and cash flow from operations during such period.

Copaxone® faces competition from an increasing number of oral treatments, a generic version of Copaxone® 20mg/mL and other existing treatments. For further discussion on Copaxone®, see "Item 4-Specialty Medicines—Central Nervous System—Medicines—Copaxone®."

Comparison of 2014 to 2013. In 2014, global sales of Copaxone® were approximately $4.2 billion, a decrease of 2% compared to 2013. U.S. revenues in 2014 accounted for 73% of global sales of Copaxone®, a decrease from 75% in 2013.

Azilect® global in-market sales, which represent sales by Teva and Lundbeck to third parties, amounted to $514 million in 2015 compared to $549 million in 2014, a decrease of 6%. Our sales of Azilect® amounted to $384 million in 2015, a decrease of 10% compared to 2014. The decrease in sales reflects the impact of generic competition in Europe as well as a slowdown in sales to Lundbeck prior to the transfer of the product back to Teva in early 2016, partially offset by an increase in U.S. revenues. We expect generic competition in the United States commencing in early 2017.

Comparison of 2014 to 2013. In 2014, global in-market sales of Azilect® amounted to $549 million, an increase of 11% compared to 2013. Our sales of Azilect® in 2014 amounted to $428 million, an increase of 15% compared to 2013.

Nuvigil® global sales in 2015 amounted to $373 million, compared to $388 million in 2014, mainly due to a general market decline. Nuvigil®'s market share in terms of total prescriptions of the U.S. wake category was 41.8% at the end of 2015, compared to 42.5% at the end of 2014.

Comparison of 2014 to 2013. In 2014, sales of Nuvigil® amounted to $388 million, an increase of 21% compared to 2013.

Respiratory

Our respiratory portfolio includes ProAir® HFA, ProAir® Respiclick®, QVAR®, DuoResp Spiromax® and Qnasl®. Revenues from our specialty respiratory products increased 18% in 2015 to $1.1 billion, primarily due to higher sales in the U.S. Sales in Europe were flat, as increased volumes, primarily from DuoResp Spiromax®, were offset by negative foreign currency effects.

ProAir® HFA revenues in 2015 amounted to $549 million, an increase of 15% compared to 2014, mainly due to volume growth. ProAir® maintained its leadership in the Short Acting Beta Agonist market, with a market share of 57.1% in terms of total number of prescriptions during the fourth quarter of 2015, an increase of 0.1 points compared to the fourth quarter of 2014.

QVAR® global revenues in 2015 amounted to $392 million, an increase of 37% compared to 2014, due to pricing variances and volume increases. QVAR® maintained its second-place position in the inhaled corticosteroids category in the United States, with a market share of 38.1% in terms of total number of prescriptions during the fourth quarter of 2015, an increase of 2.1 points compared to the fourth quarter of 2014.

Comparison of 2014 to 2013. In 2014, revenues of our respiratory products amounted to approximately $1.0 billion, a decrease of 1% compared to 2013.

Oncology

Our oncology portfolio includes Treanda®, Granix®, Trisenox®, Synribo® in the United States and Lonquex®, Myocet®, Eporatio®, Tevagrastim®/Ratiograstim® and Trisenox® outside the United States. Sales of these products amounted to $1.2 billion in 2015, flat compared to 2014, mainly due to our higher sales of G-CSF products, Granix® and Lonquex® in the United States and Europe, offset by lower sales of Treanda® and other products.

Treanda® revenues amounted to $741 million in 2015, compared to $767 million in 2014, mainly due to lower volumes caused by wholesalers' inventory management in the fourth quarter of 2014.

In December 2015, the FDA approved **Bendeka™**, a liquid, low-volume (50 mL) and short-time 10-minute infusion formulation of bendamustine hydrochloride that we have licensed from Eagle, which complements our Treanda® franchise. Bendeka™ became commercially available in January 2016.

Comparison of 2014 to 2013. In 2014, sales of our oncology products were $1.2 billion, an increase of 17% from $1.0 billion in 2013.

Women's Health

Our women's health portfolio includes ParaGard®, Plan B One-Step® OTC/Rx (levonorgestrel), Zoely®, Seasonique® and Ovaleap® along with a number of other products marketed in various countries.

Revenues from our global women's health products amounted to $461 million in 2015, a decrease of 9% from $504 million in 2014, mainly due to lower sales of several products in Europe, partially offset by higher U.S. sales of Paragard® and Plan B One-Step®.

Comparison of 2014 to 2013. In 2014, sales of our women's health products amounted to $504 million, a decrease of 1% from $510 million in 2013.

Specialty Medicines Gross Profit

In 2015, gross profit from our specialty medicines segment amounted to $7.2 billion, a decrease of 3% compared to $7.5 billion in 2014. The lower gross profit was mainly a result of a different product mix.

Gross profit margin for our specialty medicines segment in 2015 was 86.3%, compared to 87.1% in 2014. The decrease in gross margin was mainly a result of lower sales of Copaxone® and higher sales of respiratory and oncology products with slightly lower gross margins.

Comparison of 2014 to 2013. Specialty medicines segment gross profit amounted to $7.5 billion in 2014, compared to $7.3 billion in 2013. Specialty medicines segment gross profit margin was 87.1% in 2014, compared to 86.7% in 2013.

Specialty Medicines R&D Expenses

Our specialty R&D activities focus primarily on product candidates in the CNS and respiratory therapeutic areas, with additional activities in selected areas. Research and development expenses relating to our specialty medicines in 2015 were $918 million, up 5% compared to $872 million in 2014. In local currency terms, specialty R&D expenses increased 7%, mainly due to development costs related to assets acquired through the Auspex and Labrys acquisitions, partially offset by lower investments in our non-core therapeutic areas. As a percentage of segment revenues, R&D spending was 11.0% in 2015, compared to 10.2% in 2014.

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

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

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

	2015 Expenditure U.S.$ in millions	No. of Projects as of Dec. 31, 2015	2014 Expenditure U.S.$ in millions	No. of Projects as of Dec. 31, 2014	2013 Expenditure U.S.$ in millions	No. of Projects as of Dec. 31, 2013
Early stage*: discovery and pre-clinical	$ 65	N/A	$ 71	N/A	$ 57	N/A
Middle stage: clinical up to phase 3	203	22	130	21	148	16
Late stage: phase 3, registration and post-approval regulatory requirements	346	37	420	27	415	16
Unallocated R&D**	321		302		276	
Total gross R&D expenses***	935		923		896	
Total net R&D expenses	$918		$872		$877	

* Including early stage innovation using existing molecules.

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

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

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

Specialty Medicines S&M Expenses

S&M expenses related to our specialty medicines in 2015 amounted to $1.9 billion, compared to $2.0 billion in 2014. In local currency terms, S&M expenses increased 2%, mainly due to new respiratory and pain product launches.

As a percentage of segment revenues, selling and marketing expenses decreased to 23.0% in 2015 from 23.2% in 2014.

The decrease was primarily due to foreign exchange effects in our European and ROW markets.

Comparison of 2014 to 2013. Specialty medicines S&M expenses in 2014 amounted to $2.0 billion, compared to $1.9 billion in 2013. The increase was mainly due to higher expenditures related to launches of new products.

Specialty Medicines Profit

The profit of our specialty medicines segment is comprised of the gross profit for the segment, less selling and marketing expenses and research and development expenses related to this segment. Segment profit does not include general and administrative expenses, amortization and certain other items. Beginning in 2015, expenses related to equity compensation are excluded from our segment results. See note 20 of our consolidated financial statements and "Teva Consolidated Results—Operating Income" below for additional information.

Profit of our specialty medicines segment amounted to $4.4 billion in 2015, compared to $4.6 billion in 2014, a decrease of 5%. This is a result of the factors discussed above, specifically lower gross profit as well as higher R&D expenses, partially offset by lower S&M expenses.

Specialty medicines profit as a percentage of segment revenues was 52.3% in 2015, down from 53.7% in 2014, a decrease of 1.4 points. The decline was mainly attributed to higher R&D expenses as a percentage of specialty medicines revenues (0.8 points) and lower gross profit as a percentage of specialty medicines revenues (0.7 points), partially offset by lower S&M expenses as a percentage of specialty medicines revenues (0.2 points), as discussed above.

Comparison of 2014 to 2013. Specialty medicines profit amounted to $4.6 billion in 2014, compared to $4.5 billion in 2013, an increase of 1.2%. Specialty medicines profit as a percentage of segment revenues was 53.7%, compared to 54.1% in 2013.

Our multiple sclerosis franchise includes our Copaxone® products and laquinimod (a developmental compound for the treatment of MS). The profit of our multiple sclerosis franchise is comprised of Copaxone® revenues and cost of goods sold as well as S&M and R&D expenses related to our MS franchise. It does not include G&A expenses, amortization and certain other items. Our MS franchise profit was $3.1 billion, $3.2 billion and $3.3 billion in 2015, 2014 and 2013, respectively. Profit of our multiple sclerosis franchise as a percentage of Copaxone® revenues was 77%, 75% and 76% in 2015, 2014 and 2013, respectively.

Other Activities

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

OTC

Our revenues from OTC products in 2015 amounted to $994 million, flat compared to $996 million in 2014, primarily due to an increase of PGT sales in Venezuela, offset by loss of revenues from our U.S. OTC plants, which were sold back to P&G in July 2014 and a decrease of PGT sales in Russia and certain European countries. Our revenues related to PGT amounted to $992 million, an increase of 11%, compared to $897 million in 2014.

PGT's in-market sales in 2015 amounted to $1.5 billion. This amount represents sales of the combined OTC portfolios of Teva and P&G outside North America.

Comparison of 2014 to 2013. In 2014, our OTC revenues were $996 million, a decrease of 15% compared to 2013, primarily due to the divestment of the U.S. OTC plants in July 2014, previously purchased from P&G as noted above.

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.

Our revenues from other sources in 2015 amounted to $774 million, a decrease of 14% compared to sales of $902 million in 2014. The decrease was mainly due to the loss of a large distribution contract in Israel.

Comparison of 2014 to 2013. In 2014, revenues amounted to $902 million, an increase compared to $859 million in 2013.

Teva Consolidated Results

Revenues

Revenues in 2015 amounted to $19.7 billion, a 3% decrease compared to 2014. In local currency terms, revenues increased 4%. In local currency terms, our revenues were positively affected by higher revenues of our generic medicines and of our specialty medicines as well as higher OTC revenues. Please see "Generic Medicines Revenues," "Specialty Medicines Revenues" and "Other Activities—OTC" above. Exchange rate movements during 2015 in comparison to 2014 negatively impacted overall revenues by approximately $1.3 billion.

Comparison of 2014 to 2013. Revenues in 2014 amounted to $20.3 billion, flat compared to 2013.

Gross Profit

In 2015, gross profit amounted to $11.4 billion, an increase of 3% compared to 2014.

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 mainly by lower charges related to the amortization of purchased intangible assets.

Gross profit as a percentage of revenues was 57.8% in 2015, compared to 54.5% in 2014.

The increase in gross profit as a percentage of revenues primarily reflects the higher profitability of our generic medicines segment (an increase of 2.0 points), the lower amortization of purchased intangible assets (an increase of 1.0 point), higher income from OTC and other activities (an increase of 0.4 points), the cessation of U.S. OTC manufacturing (an increase of 0.2 points), a decrease of costs related to regulatory actions taken in facilities (an increase of 0.2 points) and a decrease in accelerated depreciation (an increase of 0.1 point), partially offset by lower profitability of our specialty medicines segment (a decrease of 0.6 points).

Comparison of 2014 to 2013. Gross profit amounted in 2014 to $11.1 billion, an increase of 3% compared to 2013. Gross profit as a percentage of revenues was 54.5% in 2014, compared to 52.7% in 2013.

Research and Development (R&D) Expenses

Net research and development expenses for 2015, including the purchase of in-process R&D, were $1.5 billion, an increase of 2% compared to 2014. Specialty R&D expenses were $918 million and generic R&D expenses were $513 million in 2015, compared to $872 million and $512 million, respectively, in 2014. As a percentage of revenues, R&D spending was 7.8% in 2015, compared to 7.3% in 2014.

In 2015, our R&D expenses were primarily the result of the factors previously discussed under "Generic Medicines—R&D Expenses" and "Specialty Medicines—R&D Expenses" above as well as higher expenses related to cancellation of R&D projects due to focusing on our core therapeutic areas in 2014.

Comparison of 2014 to 2013. In 2014, R&D expenses amounted to $1.5 billion, an increase of 4% compared to 2013.

Selling and Marketing (S&M) Expenses

S&M expenses in 2015 amounted to $3.5 billion, a decrease of 10% compared to 2014. As a percentage of revenues, S&M expenses were 17.7% in 2015, compared to 19.0% in 2014.

In 2015, we decreased our S&M spending, as discussed under "Generic Medicines S&M Expenses" and "Specialty Medicines S&M Expenses" above.

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

General and Administrative (G&A) Expenses

G&A expenses in 2015 amounted to $1.2 billion, an increase of $22 million compared to 2014. As a percentage of revenues, G&A expenses were 6.3%, compared to 6.0% in 2014. The increase was mainly due to higher expenses related to our joint venture with P&G and higher legal costs, which were partially offset by income from the divestiture of certain assets.

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

Impairments, Restructuring and Others

Charges for impairments, restructuring and others amounted to $1.1 billion in 2015, compared to $650 million for 2014.

Impairments

Impairment of long-lived assets in 2015 amounted to $361 million, comprised of:

1. Identifiable intangible assets impairments of $265 million were recorded, comprised of impairment of $133 million, following a decrease in sales projections of Synribo®, and other product rights impairments of $132 million due to current market conditions and supply chain challenges in various Teva markets. In 2014 and 2013, impairments of identifiable intangible assets were $224 million and $393 million, respectively.

2. Property, plant and equipment—$96 million, based on management decisions regarding their expected use as a result of our planned plant rationalization, which triggered a reassessment of fair value. In 2014 and 2013, property, plant and equipment impairment was $163 million and $61 million, respectively.

As of December 31, 2015, the carrying value of our in-process R&D asset Revascor® (mesynchymal precursor cells) was $258 million. This drug candidate is in a phase 3 trial for congestive heart failure. Adverse trial results may lead us to reevaluate the fair value of the asset, which may lead to impairment. Such a loss may also lead us to reassess the current carrying value of our equity interest in Mesoblast Ltd., which was $75 million.

Contingent Consideration

In 2015, we recorded $399 million of contingent consideration expenses, mainly due to a $311 million charge following the positive phase 2b results of TEV-48125 in both chronic and episodic migraine prevention and a $63 million charge following the FDA approval of BendekaTM, compared to income of $20 million in 2014.

Comparison of 2014 to 2013. Contingent consideration in 2014 amounted to a gain of $20 million, compared to an expense of $36 million in 2013. The change is mainly related to a 2014 reversal of contingent consideration, following an impairment of a related product.

Acquisition Costs

In 2015, we recorded $211 million of acquisition expenses, comprised mainly of expenses related to the Actavis Generics and Rimsa acquisitions as well as $105 million reflecting an other-than-temporary decline in fair value of our Mylan shares as of June 30, 2015, compared to $13 million for 2014.

Comparison of 2014 to 2013. Acquisition expenses in 2014 amounted to $13 million, compared to $27 million in 2013.

Restructuring

In 2015, we recorded $183 million of restructuring expenses, compared to $246 million in 2014. These expenses were primarily incurred following various initiatives as part of our cost reduction program.

Comparison of 2014 to 2013. Restructuring expenses in 2014 amounted to $246 million, compared to $201 million in 2013. The increase in 2014 was mainly due to our cost-savings plan announced by management in October 2013.

Legal Settlements and Loss Contingencies

Legal settlements and loss contingencies for 2015 amounted to an expense of $631 million, compared to a gain of $111 million in 2014. The 2015 amount is comprised mainly of additional reserves related to the settlement of the modafinil antitrust litigation, partially offset by insurance proceeds relating to the settlement of the pantoprazole patent litigation.

Comparison of 2014 to 2013. Legal settlements and loss contingencies in 2014 amounted to a gain of $111 million, compared to an expense of $1.5 billion in 2013. The change is mainly related to the settlement of the pantoprazole patent litigation in 2013.

Operating Income

Operating income was $3.4 billion in 2015, a decrease from $4.0 billion in 2014. As a percentage of revenues, operating income was 17.0% compared to 19.5% in 2014.

The decrease in operating income was due to factors previously discussed, mainly due to income in 2014 from legal settlements, compared to expenses in 2015 in connection with legal settlements, higher impairments, restructuring and others expenses and lower profit of our specialty segment as well as higher G&A expenses, partially offset by higher profit of our generic segment, lower amortization expenses and higher profit of other activities as well as lower other unallocated expenses.

The decrease of 2.5 points in operating income as a percentage of revenues was mainly due to income in 2014 compared to expenses in 2015 in connection with legal settlements (3.7 points), higher impairments, restructuring and others expenses (2.6 points) and lower profit of our specialty segment (0.5 points) as well as higher G&A expenses (0.3 points), partially offset by higher profit of our generic segment (2.9 points), lower amortization expenses (0.8 points), higher profit of other activities (0.5 points) as well as lower other unallocated expenses (0.4 points).

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

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

	Year ended December 31,		
	2015	2014	2013
	(U.S.$ in millions)		
Generic medicines profit	$2,682	$2,166	$1,680
Specialty medicines profit	4,361	4,595	4,541
Total segment profit	7,043	6,761	6,221
Profit of other activities	318	226	243
Total profit	7,361	6,987	6,464
Amortization	838	1,036	1,180
General and administrative expenses	1,239	1,217	1,239
Impairments, restructuring and others	631	(111)	1,524
Legal settlements and loss contingencies	1,131	650	788
Other unallocated amounts	170	244	84
Consolidated operating income	$3,352	$3,951	$1,649

Financial Expenses-Net

In 2015, financial expenses amounted to $1.0 billion, compared to $313 million in 2014. The increase is mainly due to an other-than-temporary impairment of securities (primarily our Mylan shares) as well as expenses in connection with the debt tender offer and the termination of related swap agreements, partially offset by lower interest expenses, higher income from hedging and derivatives activities as well as higher income from investments.

Comparison of 2014 to 2013. In 2014, financial expenses amounted to $313 million, compared to $399 million in 2013.

Venezuela has experienced hyperinflation in recent years and has several official exchange rates, which deviate significantly among themselves as well as from unofficial market rates. In addition, remittance of cash outside of Venezuela is limited. As further described below, we currently prepare our financial statements using the official preferential industry exchange rate of 6.3 bolivars per U.S. dollar. If such exchange rate is no longer able to be used as a result of a devaluation, we are exposed to a potential loss of our net monetary assets in Venezuela, which, as of December 31, 2015, amounted to approximately $487 million using the official exchange rate.

Tax Rate

In 2015, income taxes amounted to $634 million, or 27% of pre-tax income of $2.4 billion. In 2014, income taxes amounted to $591 million, or 16% of pre-tax income of $3.6 billion. In 2013, the tax benefit amounted to $43 million, or 3% of pre-tax income of $1.3 billion. The increase in our annual effective tax rate compared to 2014 resulted primarily from the mix of products sold in different geographies and the effect of the loss on our Mylan shares.

The statutory Israeli corporate tax rate was 26.5% in 2015. However, our effective consolidated tax rates have historically been lower than the statutory rate because of tax incentives we benefit from in Israel and other countries. Most of our investments in Israel were granted Approved Enterprise status, which confers certain tax benefits. These benefits included a long-term tax exemption for undistributed income generated by such projects, effective until 2013, and lower tax rates in 2014 and onwards, as described in "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.

Share in Losses of Associated Companies—Net

Share in losses of associated companies—net amounted to $121 million, compared to $5 million in 2014.

As a result of an other-than-temporary loss in value of our investment in Mesoblast due to adverse changes in market conditions, an impairment of $171 million was recorded in 2015 under "Share in losses of associated companies—net".

In addition, a $24 million currency translation adjustment was reclassified from accumulated other comprehensive loss to "Share in losses of associated companies—net", due to dilution of our equity holdings in Mesoblast.

The amounts mentioned above were recorded net of income tax of $71 million.

Net Income

Net income attributable to Teva in 2015 was $1.6 billion, compared to $3.1 billion in 2014. This decrease was due to the factors previously discussed, primarily higher financial expenses and lower operating income, as well as higher share in losses of associated companies—net.

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

Diluted Shares Outstanding and Earnings Per Share

On December 8, 2015, we sold 54 million ADSs at $62.50 per ADS and 3,375,000 of our 7.00% mandatory convertible preferred shares at $1,000 per share. In addition, on January 6, 2016, we sold an additional 5.4 million ADSs and 337,500 mandatory convertible preferred shares pursuant to the exercise of the underwriters' over-allotment option. The net proceeds from the offerings were approximately $7.24 billion, after estimated underwriting discounts, commissions and offering expenses.

During 2015, we repurchased approximately eight million shares at a weighted average price of $57.09 per share, for an aggregate purchase price of $0.4 billion. These purchases were made pursuant to our share repurchase program.

The average weighted diluted shares outstanding used for the fully diluted share calculation for 2015, 2014 and 2013 were 864 million, 858 million and 850 million shares, respectively.

The increase in number of shares outstanding compared to 2014 was mainly due to the issuance of ordinary shares in December 2015 and the issuance of shares for employee options exercised and vested RSUs, in addition to higher amounts of dilutive options, RSUs and convertible senior debentures, following an increase in our share price. The increase was partially offset by the impact of the shares repurchased during the first quarter of 2015. For additional information, see "Item 16E—Purchases of Equity Securities by the Issuer and Affiliated Purchasers" below.

At December 31, 2015, 2014 and 2013, the fully diluted share count for calculating Teva's market capitalization was approximately 991 million, 884 million and 857 million shares, respectively. The 2013 and 2014 share counts for calculating Teva's market capitalization were adjusted to fully diluted figures to be comparable to the 2015 fully diluted share count, which takes into account the issuance of our mandatory convertible preferred shares in December 2015. In calculating these share amounts, we used the outstanding number of shares (i.e., not including treasury shares) plus shares that would be outstanding upon the exercise of options and vesting of RSUs and PSUs, as well as the conversion of our convertible senior debentures and mandatory convertible preferred shares, in each case at period end. These share counts accordingly differ from those used for calculating earnings per share, which are based on the weighted share count for the applicable period.

Diluted earnings per share amounted to $1.82 in 2015, a decrease of 49% compared to diluted earnings per share of $3.56 in 2014. Diluted earnings per share amounted to $1.49 in 2013.

Impact of Currency Fluctuations on Results of Operations

In 2015, approximately 43% of our revenues came from sales outside of the United States. Because our results are reported in U.S. dollars, we are subject to significant foreign currency risks and accordingly, changes in the rate of exchange between the U.S. dollar and the local currencies in the markets in which we operate (primarily the euro, Israeli shekel, Russian ruble, Canadian dollar, British pound, Japanese yen and Hungarian forint) impact our results. During 2015, all the main currencies relevant to our operations decreased in value against the U.S. dollar: the euro by 16%, the Russian ruble by 38%, the Canadian dollar by 13%, the Hungarian forint by 17%, the Japanese yen by 13%, the British pound by 7% and the Israeli shekel by 8% (each on an annual average compared to annual average basis).

As a result, exchange rate movements during 2015 in comparison with 2014 negatively impacted overall revenues by approximately $1.3 billion. However, operating income was reduced by $95 million only.

Venezuela. Our Venezuelan operations use the U.S. dollar as the functional currency due to the hyperinflationary state of the Venezuelan economy. At December 31, 2015, the government of Venezuela had three official exchange rates: the CENCOEX rate of 6.3 bolivars per U.S. dollar; the SICAD rate of 13.5; and the SIMADI rate of approximately 200. We used the preferential CENCOEX rate to report our Venezuelan financial position, results of operations and cash flows, since the nature of our business operations in Venezuela, which include the importation, manufacture and distribution of pharmaceutical products, would qualify for the most preferential rates permitted by law. In March 2016, the DIPRO rate replaced the CENCEOX rate, the DICOM rate replaced the SIMADI rate and the SICAD rate was eliminated. We used the CENCOEX rate until March 2016 and then replaced it with the DIPRO rate to report our Venezuelan financial position, results of operations and cash flows.

We cannot predict whether there will be a devaluation of the Venezuelan currency or whether our use of the DIPRO rate (which replaced the CENCOEX rate) will continue to be supported by the facts and circumstances.

As of December 31, 2015, our net monetary assets in Venezuela that are subject to revaluation totaled approximately $487 million (at the CENCOEX rate).

Comparison of 2014 to 2013. Exchange rate movements during 2014 in comparison with 2013 negatively impacted 2014 revenues by approximately $346 million and reduced our operating income for the year by $114 million.

Liquidity and Capital Resources

Total balance sheet assets amounted to $54.3 billion at December 31, 2015, compared to $46.4 billion at December 31, 2014. The increase resulted mainly from an increase in cash and cash equivalents and investment in securities as well as an increase in intangible assets following the Auspex acquisition, partially offset by foreign exchange fluctuations and lower inventory balances.

Inventory balances at December 31, 2015 amounted to $4.0 billion, compared to $4.4 billion at December 31, 2014. The decrease resulted mainly from foreign exchange fluctuations.

Accounts receivable at December 31, 2015, net of sales reserves and allowances ("SR&A"), amounted to negative $1.3 billion, compared to negative $0.4 billion at December 31, 2014, mainly due to increases in sales reserves and allowances, primarily customer rebates.

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

Accounts payables and accruals increased to $3.6 billion at December 31, 2015 compared to $3.2 billion at December 31, 2014.

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 $32 million at December 31, 2015, compared to $1.6 billion at December 31, 2014. The decrease in working capital is mainly due to the increase in SR&A, increase in accounts payable and accruals, as well as a decrease in inventory.

Investment in property, plant and equipment in 2015 amounted to $0.8 billion, compared to $0.9 billion in 2014. Depreciation amounted to $449 million in 2015, compared to $464 million in 2014.

Cash and cash equivalents and short term and long term investments at December 31, 2015 amounted to $8.4 billion, compared to $2.6 billion at December 31, 2014. The increase was mainly due to $6.6 billion in proceeds received from the issuance of ADSs and our mandatory convertible preferred shares in December 2015, $4.9 billion generated from operating activities net of cash used for capital investments in 2015 and $2.1 billion in proceeds from the issuance of €2.0 billion senior notes in March 2015, partially offset by $3.3 billion used for acquisitions (mainly Auspex), $2.5 billion debt repayment (including $1.3 billion for the debt tender offer in February 2015), $1.2 billion of dividends paid and $0.4 billion decline in the fair market value of our Mylan shares.

As of December 31, 2015, we held net monetary assets of approximately $487 million in Venezuela, which are subject to significant risk of devaluation and for which repatriation is limited.

Following the announcement of the Actavis Generics acquisition, S&P and Moody's downgraded our ratings from A-/A3 to BBB+/Baa1 with a Negative/Under Review outlook, respectively.

In November 2015, both S&P and Moody's announced that they likely expect a further one notch downgrade to BBB/Baa2 with a stable outlook upon completion of the Actavis Generics acquisition. As of the date of this offering memorandum, S&P further downgraded our rating to BBB. See "Risk Factors—Risks Related to the Actavis Generics Acquisition—*We expect our credit ratings to be downgraded as a result of the Actavis Generics acquisition*."

2015 Debt Movements

At December 31, 2015, our debt was $10 billion, a decrease of $0.3 billion compared to $10.3 billion at December 31, 2014, mainly due to debt repayments during the year, partially offset by the issuance of €2.0 billion senior notes in March 2015.

In January 2015, we repaid at maturity a €122 million European Investment Bank loan. The loan had borne interest determined on the basis of three months EURIBOR +1.0%.

In February 2015, we consummated a cash tender offer for certain of our outstanding senior notes. We paid $1.3 billion in aggregate consideration to redeem $1.2 billion aggregate principal amount of senior notes.

In March 2015, we issued senior notes in an aggregate principal amount of €2.0 billion, comprised of: €1.3 billion due in March 2023 bearing interest of 1.25% and €0.7 billion due in March 2027 bearing interest of 1.88%.

In June 2015, we repaid at maturity $1.0 billion 3.0% fixed rate senior notes issued in June 2010.

2014 Debt Movements

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

Aggregate Debt

Our debt at December 31, 2015 is effectively denominated in the following currencies: 44% in U.S. dollars, 39% in euros, 12% in Japanese yen and 5% in Swiss francs.

The portion of total debt classified as short term at December 31, 2015 was 16%, down from 17% at December 31, 2014.

Our financial leverage decreased to 25% at December 31, 2015 from 31% at December 31, 2014.

Our average debt maturity increased from 6.4 years at December 31, 2014 to 6.5 years at December 31, 2015, as a result of the issuance of €2.0 billion senior notes in March 2015 and repayment of short term debt.

In November 2015, we entered into a $3 billion five-year unsecured credit facility (which will increase to $4.5 billion upon closing of the Actavis Generics acquisition), replacing the $3.0 billion unsecured credit facility entered into in 2012. As of December 31, 2015 the credit facility remained unutilized.

Shareholders' Equity

Total shareholders' equity was $29.9 billion at December 31, 2015, compared to $23.4 billion at December 31, 2014. The increase resulted primarily from $6.6 billion equity issuance in anticipation of the acquisition of Actavis Generics, net income attributed to Teva of $1.6 billion, $0.5 billion of unrealized gain from available-for-sale securities and unrealized gain from derivative financial instruments, $0.4 billion of proceeds from exercise of options and a $0.1 billion increase in non-controlling interests, partially offset by dividend payments of $1.2 billion, the negative impact of foreign exchange fluctuations of $1.1 billion and share repurchases of $0.4 billion.

Exchange rates also had a significant impact on our balance sheet, as approximately 20% 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 2014, changes in currency rates had a negative impact of $1.1 billion on our equity as of December 31, 2015, mainly due to the change in value against the U.S. dollar of: the euro by 10%, the Russian ruble by 24%, the Canadian dollar by 16%, the Polish zloty by 10%, the Chilean peso by 15%, the Peruvian nuevo sol by 12%, and the Hungarian forint by 10%. All comparisons are on the basis of end of year rates.

Cash Flow

Cash flow generated from operating activities for 2015 amounted to $5.5 billion, an increase of $0.4 billion compared to 2014. The increase was mainly due to an improvement in the efficiency of our working capital management.

During 2015, we paid $970 million related to the modafinil settlement with the FTC and received $178 million insurance proceeds related to the pantoprazole settlement.

Cash flow generated from operating activities in 2015, net of cash used for capital investments, amounted to $4.9 billion, compared to $4.3 billion in 2014. The increase resulted mainly from higher cash flow generated from operating activities and lower capital expenditures.

Dividends

We announced a dividend for the fourth quarter of 2015 of $0.34 per share. The dividend payment was made on March 14, 2016, to holders of record as of February 29, 2016.

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 amounts payable in connection with the closing of the Actavis Generics acquisition, leases, royalty payments, contingent payments pursuant to acquisition agreements and participation in joint ventures associated with research and development activities.

Dividends on our mandatory convertible preferred shares are payable on a cumulative basis when, as and if declared by our board of directors at an annual rate of 7% on the liquidation preference of $1,000 per mandatory convertible preferred share. Declared dividends will be paid in cash on March 15, June 15, September 15 and December 15 of each year commencing March 15, 2016, to and including December 15, 2018.

We are committed to pay royalties to owners of know-how, partners in alliances and certain other arrangements and to parties that finance 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.

To help finance the Actavis Generics acquisition, we entered into a bridge loan credit agreement (currently for $22 billion) and term loan agreement (for $5 billion) with a syndicate of banks. Any loan under the bridge facility would bear an interest rate of LIBOR plus a margin ranging from 0.30% to 1.65%, so long as we maintain an investment-grade credit rating. The term loan is split into two tranches of $2.5 billion each, with the first tranche maturing in full after three years and bearing an interest rate of LIBOR plus a margin ranging from 1.000% to 1.375% based on our credit rating from time to time and the second tranche maturing in five years with payment installments each year and bearing an interest rate of LIBOR plus a margin ranging from 1.125% to 1.5% based on our credit rating from time to time. To date, we have not drawn any funds under the bridge loan or the term facilities.

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 (to increase to $4.5 billion following consummation of the Actavis Generics acquisition), 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 Company utilizes certain non-GAAP financial measures to evaluate performance, in conjunction with other performance metrics. The following are examples of how we utilize the non-GAAP measures:

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

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

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

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

- amortization of purchased intangible assets;

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

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

	Year Ended December 31,		
	2015	2014	2013
	U.S. dollars in millions		
Amortization of purchased intangible assets	838	1,036	1,180
Legal settlements and loss contingencies	631	(111)	1,524
Contingent consideration	399	(20)	36
Impairment of long-lived assets	361	387	524
Acquisition expenses	211	13	27
Restructuring expenses	183	246	201
Equity compensation	112	78	54
Costs related to regulatory actions taken in facilities	36	75	43
Purchase of research and development in process	21	—	5
Costs associated with cancellation of R&D projects	14	79	—
Other non-GAAP items	14	64	—
Accelerated depreciation	2	12	9
Financial expense	777	7	110
Corresponding tax effect	(631)	(508)	(684)
Impairment of equity investment—net	124	—	—
Minority interest changes	16	—	—

	Year Ended December 31, 2015			
	U.S. dollars and shares in millions (except per share amounts)			
	GAAP	Non-GAAP Adjustments	Non-GAAP	% of Net Revenues
Gross profit (1)	11,356	859	12,215	62%
Operating income (1)(2)	3,352	2,822	6,174	31%
Net income attributable to ordinary shareholders (1)(2)(3)(4)	1,573	3,108	4,696	24%
Earnings per share attributable to ordinary shareholders—diluted (5)	1.82	3.60	5.42	
(1) Amortization of purchased intangible assets		808		
Costs related to regulatory actions taken in facilities		36		
Equity compensation		13		
Other COGS related adjustments		2		
Gross profit adjustments		859		
(2) Impairment of long-lived assets		361		
Restructuring expenses		183		
Legal settlements and loss contingencies		631		
Contingent consideration		399		
Acquisition expenses		211		
Equity compensation		99		
Amortization of purchased intangible assets		30		
Other operating related expenses		49		
		1,963		
Operating income adjustments		2,822		
(3) Financial expense		777		
Tax effect		(631)		
Impairment of equity investment—net		124		
Changes in minority interest		16		
Net income adjustments		3,108		

(4) Non-GAAP net income attributable to ordinary shareholders for the year ended December 31, 2015 includes an add back of $15 million accrued dividends on preferred shares since they had a dilutive effect on earnings per share.

(5) The non-GAAP weighted average number of shares was 867 million for the year ended December 31, 2015. Non-GAAP earnings per share can be reconciled with GAAP earnings per share by dividing each of the amounts included in footnotes 1-3 above by the applicable weighted average share number.

	Year ended December 31, 2014			
	U.S. dollars and shares in millions (except per share amounts)			
	GAAP	Non-GAAP Adjustments	Non-GAAP	% of Net Revenues
Gross profit (1)	11,056	1,093	12,149	60%
Operating income (1)(2)	3,951	1,859	5,810	29%
Net income attributable to ordinary shareholders (1)(2)(3)	3,055	1,358	4,413	22%
Earnings per share attributable to ordinary shareholders—diluted (4)	3.56	1.58	5.14	
(1) Amortization of purchased intangible assets		1,000		
Costs related to regulatory actions taken in facilities		75		
Equity compensation		6		
Other COGS related adjustments		12		
Gross profit adjustments		1,093		
(2) Impairment of long-lived assets		387		
Restructuring expenses		246		
Legal settlements and loss contingencies		(111)		
Contingent consideration		(20)		
Acquisition expenses		13		
Equity compensation		72		
Amortization of purchased intangible assets		36		
Other operating related expenses		143		
		766		
Operating income adjustments		1,859		
(3) Tax effect and other items		(508)		
Financial expense		7		
Net income adjustments		1,358		

(4) The weighted average number of shares was 858 million for the year ended December 31, 2014. Non-GAAP earnings per share can be reconciled with GAAP earnings per share by dividing each of the amounts included in footnotes 1-3 above by the applicable weighted average share number.

	Year ended December 31, 2013			
	U.S. dollars and shares in millions (except per share amounts)			
	GAAP	Non-GAAP Adjustments	Non-GAAP	% of Net Revenues
Gross profit (1)	10,707	1,192	11,899	59%
Operating income (1)(2)	1,649	3,603	5,252	26%
Net income attributable to ordinary shareholders (1)(2)(3)	1,269	3,029	4,298	21%
Earnings per share attributable to ordinary shareholders— diluted (4)	1.49	3.57	5.06	
(1) Amortization of purchased intangible assets		1,136		
Costs related to regulatory actions taken in facilities		43		
Equity compensation		4		
Other COGS related adjustments		9		
Gross profit adjustments		1,192		
(2) Impairment of long-lived assets		524		
Restructuring expenses		201		
Legal settlements and loss contingencies		1,524		
Contingent consideration		36		
Acquisition expenses		27		
Equity compensation		50		
Amortization of purchased intangible assets		44		
Other operating related expenses		5		
		2,411		
Operating income adjustments		3,603		
(3) Tax effect and other items		(684)		
Financial expense		110		
Net income adjustments		3,029		

(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.

Non-GAAP Effective Tax Rate

The non-GAAP income taxes for 2015 amounted to $1.3 billion on pre-tax non-GAAP income of $6.0 billion. The income taxes in the comparable period of 2014 were $1.1 billion on pre-tax income of $5.5 billion, and in 2013 was $641 million on pre-tax income of $5.0 billion. The non-GAAP tax rate for 2015 was 21%, compared to 20% in 2014 and 13% in 2013. The increase in our annual non-GAAP effective tax rate for 2015 compared to the effective tax rate for 2014 resulted primarily from the mix of products sold in different geographies.

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

Trend Information

The following factors are expected to have an effect on our 2016 results:

- a substantial increase in our generic medicines revenues following the Actavis Generics acquisition;
- significant expenses relating to the Actavis Generics acquisition and integration, as well as amortization expenses;
- our debt levels and leverage are expected to increase significantly as a result of the financing in connection with the Actavis Generics acquisition.
- the continued impact of currency fluctuations on revenues and net income, as well as on various balance sheet line items;
- our continued focus on profit and profitability, which will continue to impact revenues;
- increase in revenues and expenses from launches of new specialty products; and
- a decrease in sales of Copaxone® and other specialty products as a result of changes in the competitive landscape, including competition from purported generic versions.

For additional information please see "Description of Teva".

Off-Balance Sheet Arrangements

Except for securitization transactions, which are disclosed in note 16d to our consolidated financial statements, we do not have any material off-balance sheet arrangements.

Aggregated Contractual Obligations

The following table summarizes our material contractual obligations and commitments as of December 31, 2015:

	Payments Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
	(U.S. $ in millions)				
Long-term debt obligations, including estimated interest*	$ 11,789	$ 1,731	$ 1,704	$ 2,384	$ 5,970
Operating lease obligations	557	141	207	98	111
Purchase obligations (including purchase orders)**	37,303	37,194	109	—	—
Total	$ 49,649	$ 39,066	$ 2,020	$ 2,482	$ 6,081

* Long term debt obligations mainly include senior notes and convertible senior debentures as disclosed in notes 11 and 12 to our consolidated financial statements.

** Includes (i) $33.75 billion in cash, payable in connection with our pending Actavis Generics acquisition, and (ii) $2.3 billion payable in connection with the Rimsa acquisition, which we completed in March 2016. Does not include approximately 100 million of Teva's ordinary shares payable in connection with the Actavis Generics acquisition. See note 2 of our consolidated financial statements.

The total gross amount of unrecognized tax benefits for uncertain tax positions was $648 million at December 31, 2015. Payment of these obligations would result from settlements with tax authorities. Due to the difficulty in determining the timing and magnitude of settlements, these obligations are not included in the above table. Correspondingly, it is hard to ascertain whether we will pay any significant amount related to these obligations within the next year.

We have committed to future expenditures relating to joint ventures in accordance with the terms of the applicable agreements, mainly our PGT venture. However, the amounts of these future expenditures have not been predetermined, and are further subject to management approval.

We have committed to make potential future "milestone" payments to third parties under various agreements. Such payments are contingent upon the achievement of certain regulatory milestones and sales targets. As of December 31, 2015, were all milestones and targets, for compounds in Phase 2 and more advanced stages of development, to be achieved, the total contingent payments could reach an aggregate of up to approximately $2.3 billion.

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

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

Dividends on our mandatory convertible preferred shares are payable on a cumulative basis when, as and if declared by our board of directors at an annual rate of 7% on the liquidation preference of $1,000 per mandatory convertible preferred share. Declared dividends will be paid in cash on March 15, June 15, September 15 and December 15 of each year commencing March 15, 2016, to and including December 15, 2018.

Critical Accounting Policies

The preparation of our consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions in certain circumstances that affect the amounts reported in the accompanying consolidated financial statements and related footnotes. Actual results may differ from these estimates. To facilitate the understanding of our business activities, certain accounting policies that are more important to the portrayal of our financial condition and results of operations and that require management's subjective judgments are described below. We base our judgments on our experience and on various assumptions that we believe to be reasonable under the circumstances. Please refer to note 1 to our consolidated financial statements for a summary of all of our significant accounting policies.

Revenue Recognition and SR&A

Revenue is recognized from product sales, including sales to distributors when persuasive evidence of an arrangement exists, delivery has occurred, the selling price is fixed or determinable and collectability is reasonably assured. This generally occurs when products are shipped and title, risk and rewards for the products are transferred to the customer.

Revenues from product sales are recorded net of provisions for estimated chargebacks, rebates, returns, cash discounts and other deductions, such as shelf stock adjustments, which can be reasonably estimated. When sales provisions are not considered reasonably estimable by Teva, the revenue is deferred to a future period when more information is available to evaluate the impact. These provisions primarily relate to sales of pharmaceutical products in the U.S.

Revenue resulting from the achievement of milestone events stipulated in agreements is recognized when the milestone is achieved. Milestones are based upon the occurrence of a substantive element specified in the contract or as a measure of substantive progress towards completion under the contract.

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

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

Rebates and Other Sales Reserves and Allowances

Rebates and Other Sales Reserves and Allowances include rebates for customer programs and government, shelf stock adjustments and other promotional programs. Rebates represent the majority of the reserve.

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

Medicaid and Other Governmental Rebates. Pharmaceutical manufacturers whose products are covered by the Medicaid program are required to rebate to each state a percentage of their average manufacturer's price for the products dispensed. Many states have also implemented supplemental rebate programs that obligate manufacturers to pay rebates in excess of those required under federal law. We estimate these rebates based on historical trends of rebates paid as well as on changes in wholesaler inventory levels and increases or decreases in sales. Included in the 2014 and 2013 provisions are estimates for the impact of changes to Medicaid rebates and associated programs related to U.S. healthcare reform.

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

Other Promotional Arrangements. Other promotional or incentive arrangements are periodically offered to customers specifically related to the launch of products or other targeted promotions. Provisions are made or expenses recorded in the period for which the customer earns the incentive in accordance with the contractual terms.

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

Chargebacks. We have arrangements with various third parties, such as managed care organizations and drug store chains, establishing prices for certain of our products. While these arrangements are made between us and the customers, the customers independently select a wholesaler from which they purchase the products. Alternatively, certain wholesalers may enter into agreements with the customers, with our concurrence, which establishes the pricing for certain products which the wholesalers provide. Under either arrangement, we will issue a credit (referred to as a "chargeback") to the wholesaler for the difference between the invoice price to the wholesaler and the customer's contract price.

Provisions for chargebacks are the largest single component of our SR&A process, involving estimates of contract prices of over 1,300 products and multiple contracts with multiple wholesalers. The provision for chargebacks varies in relation to changes in product mix, pricing and the level of inventory at the wholesalers and therefore will not necessarily fluctuate in proportion to an increase or decrease in sales.

Provisions for estimating chargebacks are calculated using historical chargeback experience, or expected chargeback levels for new products. Chargeback provisions are compared to externally obtained distribution channel reports for reasonableness. We regularly monitor the provision for chargebacks and make adjustments when we believe that actual chargebacks may differ from estimated provisions. In addition, we consider current and expected price competition when evaluating the provision for chargebacks.

Returns. Returns primarily relate to customer returns for expired products which the customer has the right to return up to one year following the expiration date. Such returned products are destroyed, and credits and/or refunds are issued to the customer for the value of the returns. We record a reserve for estimated sales returns in accordance with the "Revenue Recognition When Right of Return Exists" FASB pronouncement. The returns provision is estimated by applying a historical return rate to the amounts of revenue estimated to be subject to returns. Revenue subject to returns is estimated based on the lag time from time of sale to date of return. The estimated lag time is developed by analyzing historical experience. Lag times during 2015 and 2014 were estimated at approximately 24 months from the date of sale. Additionally, we consider specific factors such as levels of inventory in the distribution channel, product dating and expiration, size and maturity of launch, entrance of new competitors, changes in formularies or packaging and any changes to customer terms for determining the overall expected levels of returns.

SR&A for third-party sales of pharmaceutical products to U.S. customers at December 31, 2015 and 2014 were as set forth in the below table. Such sales reserves and allowances to U.S. customers comprised over 89% of our total sales reserves and allowances as of December 31, 2015, with the balance primarily in Canada and Germany.

	Sales Reserves and Allowances				
	Reserves included in Accounts Receivable, net	Chargebacks	Returns	Rebates & Other Sales Reserves and Allowances	Total
	(U.S. dollars in millions)				
Balance at December 31, 2013	$ 96	$ 1,030	$ 506	$ 2,443	$ 4,075
Provisions related to sales made in current year period	411	4,544	217	5,693	10,865
Provisions related to sales made in prior periods	2	(7)	1	(91)	(95)
Credits and payments	(393)	(4,503)	(203)	(4,636)	(9,735)
Balance at December 31, 2014	$ 116	$ 1,064	$ 521	$ 3,409	$ 5,110
Provisions related to sales made in current year period	491	5,838	247	7,647	14,223
Provisions related to sales made in prior periods	1	—	53	(215)	(161)
Credits and payments	(495)	(5,892)	(289)	(6,621)	(13,297)
Balance at December 31, 2015	$ 113	$ 1,010	$ 532	$ 4,220	$ 5,875

Reserves at December 31, 2015 increased by approximately $765 million compared to December 31, 2014. The most significant variance was an increase in rebates and other sales reserves of approximately $811 million primarily related to an increase in customer rebates as a result of the shift in direct sales from the large retailers to the wholesalers, as well as an increase in managed care rebates, and additional Medicaid and other governmental rebates related to the U.S. healthcare reform and invoicing lags.

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

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 we conclude 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. We record anticipated recoveries under existing insurance contracts that are virtually certain of occurring at the gross amount that is expected to be collected.

The Company reviews the adequacy of the accruals on a periodic basis and may determine to alter its reserves at any time in the future if it believes it would be appropriate to do so. As such accruals are based on management's judgment as to the probability of losses and, where applicable, actuarially determined estimates, accruals may materially differ from actual verdicts, settlements or other agreements made with regards to such contingencies.

Inventories

Inventories are valued at the lower of cost or market. Cost of raw and packaging materials is determined mainly on a moving average basis. Cost of purchased products is determined mainly on a standard cost basis, approximating average costs. Cost of manufactured finished products and products in process is calculated assuming normal manufacturing capacity as follows: raw and packaging materials component is determined mainly on a moving average basis, while the capitalized production costs are determined either on an average basis over the production period, or on a standard cost basis, approximating average costs.

Our inventories generally have a limited shelf life and are subject to impairment as they approach their expiration dates. We regularly evaluate the carrying value of our inventories and when, in our opinion, factors indicate that impairment has occurred, we establish a reserve against the inventories' carrying value. Our determination that a valuation reserve might be required, in addition to the quantification of such reserve, requires us to utilize significant judgment. Although we make every effort to ensure the accuracy of forecasts of future product demand, any significant unanticipated decreases in demand could have a material impact on the carrying value of our inventories and reported operating results.

Our policy is to capitalize saleable product for unapproved inventory items when economic benefits are probable. We evaluate expiry, legal risk and likelihood of regulatory approval on a regular basis. If at any time approval is deemed not to be probable, the inventory is written down to its net realizable value. To date, inventory allowance adjustments in the normal course of business have not been material. However, from time to time, due to a regulatory action or lack of approval or delay in approval of a product, we may experience a more significant impact.

Long Lived Assets

Teva's long-lived, non-current assets are comprised mainly of goodwill, identifiable intangible assets and property, plant and equipment. Teva reviews the value of its long-lived assets and performs detailed testing whenever potential impairment indicators such as changes in the economic or legal environment, are present. In addition, the Company performs impairment testing at October 1 of each year for goodwill and identifiable indefinite life intangible assets. If circumstances indicate that the carrying values of its long-lived assets may not be recoverable, an estimate of the undiscounted future cash flows of these assets, or appropriate asset groupings, is compared to the carrying value to determine whether an impairment exists. The judgments made in evaluating impairment of long-lived intangibles can materially affect the Company's results of operations.

For additional details on our policies for goodwill, identifiable intangible assets, and property, plant and equipment, see note 1 to our consolidated financial statements.

Recently Issued Accounting Pronouncements

See note 1 to our consolidated financial statements.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

General

In 2015, approximately 43% our revenues came from sales outside the United States and are recorded in local currencies. Similarly, much of our operating costs are incurred in currencies other than the U.S. dollar. We are also exposed to interest rate risk from our financial assets and liabilities.

We take various measures to mitigate the effects of both exchange and interest rate fluctuations. 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 British pound (GBP), the Hungarian forint (HUF), the Croatian kuna (HRK), other European currencies and Latin American currencies such as 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 financial expenses—net.

Although we are typically able to borrow funds in all major currencies, such as the U.S. dollar, euro, Japanese Yen as well as new Israeli shekels, we generally prefer to borrow in U.S. dollars. However, loans are generally subject to the functional currency of the borrowing subsidiary in order to benefit from "natural" hedging, i.e., by matching levels of assets and liabilities in a given currency.

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 by the corresponding underlying asset or liability. No derivative instruments are entered into for trading purposes.

Our derivative transactions during 2015 were executed through global banks. In our opinion, as a result of our diversified derivative portfolio, the credit risk associated with any of these banks is minimal.

Exchange Rate Risk Management

Balance Sheet Exposure

We hedge against exposures arising from an excess of assets or liabilities that are recorded in various currencies ("balance sheet exposure") in subsidiaries whose functional currency is different than the exposure denominated currency. We strive to limit our exposure through "natural" hedging. The remaining exposure is substantially covered by the use of derivative instruments. To the extent possible, this is done on a consolidated basis.

The table below presents all exposures above $50 million in absolute values:

Net exposure as of December 31, 2015

Liability/Asset	(in USD, millions)
HUF/USD	389
CHF/USD	350
EUR/USD	336
GBP/USD	253
EUR/CHF	139
USD/MXN	129
USD/ILS	113
Total	1,709

Cash Flow Exposure

Total revenues amounted to $19.7 billion in 2015. Of these revenues, 61% were in U.S. dollars, 16% in euros and the rest in other currencies, none of which accounted for more than 4% of total revenues in 2015. In most currencies, we record corresponding expenses.

In certain currencies, primarily the euro, our expected revenues exceed our expected expenses. Conversely, in other currencies, primarily the new Israeli shekel and the Hungarian forint, our expected expenses were higher than our expected revenues. For those currencies which do not have a sufficient natural hedge, we may choose to hedge in order to reduce the impact of currency fluctuations on our operating results.

In 2014, we entered into hedging transactions to protect our new Israeli shekel and euro denominated exposure in 2015 from exchange rate fluctuations against the U.S. dollar.

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/or 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, we also use "knock-in" strategies as well as writing put options. We usually limit hedging transactions to three-month terms.

Foreign Exchange Hedging

As of December 31, 2015, we had long and short forwards and currency option contracts with corresponding notional amounts of approximately $2.4 billion and $160 million, respectively. As of December 31, 2014, we had long and short forwards and currency option contracts with corresponding notional amounts of $3.0 billion and $310 million, respectively.

The table below presents derivative instruments purchased to limit exposures to foreign exchange rate fluctuations for all exposure types, as of December 31, 2015:

Currency (sold)	Cross Currency (bought)	Net Notional Value*		Fair Value		2015 Weighted Average Cross Currency Prices or Strike Prices
		2015	2014	2015	2014	
		(U.S. dollars in millions)				
Forward:						
USD	HUF	394	415	2.5	(22.8)	288.50
USD	CHF	337	300	5.0	(6.5)	1.00
USD	EUR**	292	94	2.0	3.0	1.09
USD	GBP**	250	103	(5.0)	1.0	1.51
CHF	EUR	128	163	—	—	1.08
MXN	USD	126	74	3.5	4.5	16.92
NIS	USD	113	144	—	3.0	3.89
HRK	USD	50	71	—	1.0	6.98
CAD	USD	***	196	—	2.0	—
JPY	EUR	***	79	—	(0.5)	—
GBP	EUR	***	78	—	(1.0)	—
EUR	CAD	***	57	—	2.0	—
USD	AUD	***	56	—	(1.5)	—
BRL	USD	***	52	—	1.0	—
Options:						
EUR	USD	***	180	—	14.0	—
USD	ILS	—	100	—	1.0	—
Total		1,690	2,162	8.0	0.2	

* The table presents only currency pairs with hedged net notional values of more than $50 million as of December 31, 2015.

** Change in position compared to previous year.

*** Represents amounts less than $50 million.

Interest Rate Risk Management

We raise capital through various debt instruments, including senior notes that bear a fixed or variable interest rate, syndicated bank loans that bear a fixed or floating interest rate, securitizations and convertible debentures that bear a fixed interest rate. In some cases, as described below, we have swapped from a fixed to a floating interest rate ("fair value hedge"), from a floating to a fixed interest rate and from a fixed to a fixed interest rate with an exchange from a currency other than the functional currency ("cash flow hedge"), thereby reducing overall interest expenses or hedging risks associated with interest rate fluctuations.

In 2015, we also entered into forward starting interest rate swap and treasury lock agreements designated as cash flow hedges of the future debt issuance anticipated in connection with the Actavis Generics acquisition. These agreements hedge the variability in anticipated future interest payments due to changes in the benchmark interest rate between the date the agreements were entered into and the expected date of future debt issuances in 2016, at which time these agreements are intended to be settled.

The below table presents the aggregate outstanding notional amounts of the hedged items as of December 31, 2015 and 2014:

	December 31,	
	2015	2014
	U.S. $ in millions	
Forward starting interest rate swap—cash flow hedge	$3,500	$ —
Interest rate swap—fair value hedge	$1,294	$1,750
Cross currency swap—cash flow hedge	$ 588	$1,875
Treasury lock—cash flow hedge	$ 500	$ —

In January 2016, we entered into additional forward starting interest rate swap and treasury lock agreements, designated as cash flow hedge of future debt issuance anticipated in connection with the Actavis Generics acquisition, with respect to $250 million and $1 billion notional amounts, respectively.

Our cash is invested in bank deposits bearing an interest rate which is mostly dependent on floating rates. The bank deposits are spread among several banks, primarily global and local banks. 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. We believe that the credit risk associated with these banks is minimal.

Our indebtedness, the interest rate range it bears and its repayment schedule by currency as of December 31, 2015 are set forth in the table below in U.S. dollar equivalent terms, taking into account the above-described swap transactions:

Currency	Total Amount	Interest Rate Range		2016	2017	2018	2019	2020	2021 & thereafter
				(U.S. dollars in millions)					
Fixed Rate:									
USD straight bonds	2,607	2.25%	7.20%	950		15		700	942
Euro	3,849	1.25%	3.85%				1,092		2,757
JPY	873	0.99%	2.50%	39	544		290		
USD convertible debentures*	521	0.25%	0.25%	521					
CHF	455	1.50%	1.50%			455			
Floating Rate:									
USD	1,301	1.20%	2.60%	8					1,293
Euro	8	1.10%	1.10%	8					
JPY	340	0.38%	0.51%	50		290			
Others	14	7.48%	13.00%	9					5
Total:	9,968			1,585	544	760	1,382	700	4,997

* Classified under short term debt.

DIRECTORS AND SENIOR MANAGEMENT

The following table sets forth information as to the executive officers of Teva as of the date of this offering memorandum:

Executive Officers

Name	Age	Executive Officer Since	Position
Erez Vigodman	56	2014	President and Chief Executive Officer
Iris Beck-Codner	50	2014	Group Executive Vice President, Corporate Marketing Excellence and Communication
Eyal Desheh	63	2008	Group Executive Vice President, Chief Financial Officer
Richard S. Egosi	54	2010	Group Executive Vice President, Chief Legal Officer
Dr. Michael Hayden	64	2012	President of Global R&D and Chief Scientific Officer
Dr. Rob Koremans	53	2012	President and Chief Executive Officer, Global Specialty Medicines
Dr. Carlo de Notaristefani	58	2012	President and Chief Executive Officer—Global Operations
Sigurdur (Siggi) Olafsson	48	2014	President and Chief Executive Officer, Global Generic Medicines Group
Mark Sabag	45	2013	Group Executive Vice President, Human Resources
Timothy R. Wright	57	2015	Executive Vice President, Business Development, Strategy and Commercial Innovation

Directors

The following table sets forth information as to the directors of Teva as of the date of this offering memorandum:

Name	Age	Director Since	Term Ends
Prof. Yitzhak Peterburg—Chairman	65	2012	2019
Roger Abravanel	69	2007	2018
Dr. Sol J. Barer	68	2015	2017
Dr. Arie Belldegrun	66	2013	2019
Rosemary A. Crane	56	2015	2018
Amir Elstein	60	2009	2019
Jean-Michel Halfon (1)	64	2014	2017
Gerald M. Lieberman	69	2015	2018
Galia Maor	73	2012	2018
Joseph Nitzani (1)	69	2008	2017
Ory Slonim	73	2008	2017
Gabrielle Sulzberger (1)	55	2015	2018
Erez Vigodman (2)	56	2009	—

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

(2) Mr. Vigodman also serves as Teva's President and Chief Executive Officer. Mr. Vigodman was appointed as a director by the Board, in accordance with Teva's Articles of Association, for the duration of his term of service as President and Chief Executive Officer.

Executive Officers

Erez Vigodman became Teva's President and Chief Executive Officer in February 2014 after joining Teva's Board of Directors in 2009. From 2010 to 2014, he served as President and Chief Executive Officer of Adama Agricultural Solutions Ltd. (formerly Makhteshim Agan Industries Ltd.), the world's leading generic crop protection (agrochemical) company. From 2001 to 2009, he served as President and Chief Executive Officer of Strauss Group Ltd. Mr. Vigodman is a member of the Advisory Committee to the Israel National Economic Council and the International Advisory Board of the Israel Science Technology & Innovation Policy Institute. Mr. Vigodman received a B.A. in accounting and economics from Tel Aviv University in 1987 and is a graduate of the program of Management Development at Harvard Graduate School of Business Administration. Mr. Vigodman is a certified public accountant.

Iris Beck-Codner became Group Executive Vice President, Corporate Marketing Excellence and Communication in 2014. From 2013 to 2014, Ms. Beck-Codner served as Senior Vice President, Chief Communications Officer. From 2009 to 2012, she served as Group CEO of McCann Erickson Israel, IPG and from 2002 to 2008, as Vice President Marketing & Content at Partner Communications Company Ltd. From 1999 to 2000, she served as General Manager of Lever Israel, a wholly-owned subsidiary of Unilever Israel. Ms. Beck-Codner received a B.A. in economic sciences from Haifa University and an M.B.A. with distinction from Bar-Ilan University.

Eyal Desheh became Group Executive Vice President, Chief Financial Officer in 2012. From October 2013 to February 2014, Mr. Desheh served as Acting President and Chief Executive Officer and from 2008 to 2012, 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 Teva's Deputy Chief Financial Officer. Mr. Desheh received a B.A. in economics in 1978 and an M.B.A. in finance in 1981, both from the Hebrew University.

Richard S. Egosi became Group Executive Vice President, Chief Legal Officer in 2012. From 2010 to 2012, Mr. Egosi served as Teva's Corporate Vice President, Chief Legal Officer and Company Secretary. Mr. Egosi has been with Teva since 1995, previously serving as Teva's Deputy Chief Legal Officer and as Senior Vice President and General Counsel of Teva Americas. Mr. Egosi received a B.S. in economics from Clemson University in 1984 and a J.D. and M.B.A. from Emory University in 1988.

Dr. Michael Hayden joined Teva as President of Global R&D and Chief Scientific Officer in 2012. He is also currently the Killam Professor of Medical Genetics at the University of British Columbia and Canada Research Chair in Human Genetics and Molecular Medicine. He is also the founder and Senior Scientist of the Centre for Molecular Medicine and Therapeutics at the University of British Columbia. Prior to joining Teva, he founded three biotechnology companies (NeuroVir, Aspreva Pharmaceuticals and Xenon Pharmaceuticals Inc.) and served as Chief Scientific Officer of Xenon from 2000 to 2012. He also served as a director of Med Biogene Inc. from 2010 to 2011. He has received numerous awards, including the Canada Gairdner Wightman Award in 2011, the Order of Canada Award in 2010, the highest honor that Canada can give its citizens for exceptional achievement, and the Distinguished Scientist Award of the Canadian Society of Clinical Investigation in 1998, and in 2008 he was named Canada's Health Researcher of the Year. Dr. Hayden received his MB ChB in Medicine in 1975, Ph.D. in Genetics in 1979 and DCH Diploma in Child Health in 1979 from the University of Cape Town. He received his American Board Certification in both internal medicine and clinical genetics from Harvard Medical School in 1982 and an FRCPC in internal medicine from the University of British Columbia in 1984.

Dr. Rob Koremans became President and CEO, Global Specialty Medicines in 2013. From 2012 to 2013, Dr. Koremans served as President and CEO of Teva Pharmaceuticals Europe. Prior to joining Teva, from 2009 to 2012, Dr. Koremans was a member of the Global Leadership Team of Sanofi and served as CEO of Zentiva and as Senior Vice President Generics, Strategy and Development at Sanofi. Before joining Sanofi, Dr. Koremans

served as CEO of Cryo-Save, as a member of the Executive Board in charge of Global Commercial Operations for Grunenthal GmbH and as Vice President Europe, Middle-East and Africa for Serono. Dr. Koremans received a medical degree from the Erasmus University of Rotterdam in 1988.

Dr. Carlo de Notaristefani joined Teva as President and Chief Executive Officer, Global Operations in 2012. Prior to joining Teva, from 2004 to 2011, Dr. de Notaristefani was a member of the senior management team at Bristol-Myers Squibb, where he served as President Technical Operations and Global Support Functions, with responsibility for global supply chain operations, quality and compliance, procurement and information technology. Before joining Bristol-Myers Squibb, Dr. de Notaristefani held several senior positions of increasing responsibility in the areas of global operations and supply chain management with Aventis, Hoechst Marion Roussell and Marion Merrell Dow. Dr. de Notaristefani holds a Ph.D. in chemical engineering from the University of Naples.

Sigurdur (Siggi) Olafsson joined Teva as President and Chief Executive Officer, Global Generic Medicines Group in 2014. Mr. Olafsson served as President of Actavis Pharma from 2012 to 2014, Executive Vice President, Global Generics, at Actavis plc (Watson) from 2010 to 2012 and CEO of the Actavis Group from 2008 to 2010. From 2003 to 2008, he held positions of increasing responsibility within the Actavis Group, including Deputy CEO, Vice President of Corporate Development and CEO of Actavis Inc. U.S. From 1998 to 2003, he held positions of increasing responsibility with Pfizer's Global R&D organization in the U.K. and U.S. From 1994 to 1998, he served as Head of Drug Development for Omega Farma in Iceland. Mr. Olafsson received a M.S. in pharmacy (Cand Pharm) from the University of Iceland, Reykjavik.

Mark Sabag became Group Executive Vice President, Human Resources in August 2013. From 2012 to 2013, Mr. Sabag served as Global Deputy Vice President, Human Resources. From 2010 to 2012, he served as Vice President, Human Resources for Teva's International Group. From 2006 to 2010, he served as Vice President, Human Resources International Group and Corporate Human Capital. Prior to joining Teva, Mr. Sabag held senior human resources roles with Intel Corporation. Mr. Sabag received a B.A. in Economics and Business Management from Haifa University in 1995.

Timothy R. Wright joined Teva as Executive Vice President, Business Development, Strategy and Innovation, in April 2015. Mr. Wright is the founder and Chairman of the Drug Discovery and Development Institute for The Ohio State University Comprehensive Cancer Center and served as a Director there from 2011 to 2015. He is currently a member of the Ohio State Innovation Foundation Board and the Ohio State School of Pharmacy External Advisory Board. He served as President of Covidien Pharmaceuticals from 2007 to 2010. He was CEO (Interim) & President, a member of the board of directors and Chief Operating Officer at AAI Pharmaceuticals/Xanodyne from 2004 to 2007. He served at Elan Bio-Pharmaceuticals as President, Global Operations from 2001 to 2004 and President, Europe, Japan & ROW and Executive Vice President, Business Development & Licensing from 2001 to 2002. During 1984 to 1999, he served at DuPont Merck Pharmaceutical Company, holding roles such as Senior Vice President, Strategy & Corporate Business Development from 1996 to 1999, Vice President, Strategic Marketing & Operations—Europe from 1995 to 1996, President & CEO, Toronto, Canada from 1993 to 1995, and Vice President, Marketing from 1990 to 1993. Mr. Wright holds a B.sc. from Ohio State University.

Directors

Prof. Yitzhak Peterburg became Teva's Chairman of the Board of Directors on January 1, 2015, after rejoining Teva's Board of Directors in 2012. Prof. Peterburg was Teva's Group Vice President—Global Branded Products from October 2010 until October 2011, after serving on Teva's Board of Directors from 2009 until July 2010. Previously, he served as President and CEO of Cellcom Israel Ltd. from 2003 to 2005, Director General of Clalit Health Services, the leading healthcare provider in Israel, from 1997 to 2002 and CEO of Soroka University Medical Center, Beer-Sheva, from 1995 to 1997. Prof. Peterburg currently serves as a director on the board of Rosetta Genomics Ltd. and is also the Chairman of Regenera Pharma Ltd. Prof. Peterburg received an

M.D. degree from Hadassah Medical School in 1977 and is board-certified in Pediatrics and Health Services Management. Prof. Peterburg received a doctoral degree in Health Administration from Columbia University in 1987 and an M.Sc. degree in Information Systems from the London School of Economics in 1990. Prof. Peterburg is a professor at the School of Business, Ben-Gurion University. With his experience as a leader in Israeli healthcare and as a former executive officer of Teva, expertise in health information technology and knowledge transfer within large-scale, fragmented networks, as well as his leadership of large Israeli companies, Prof. Peterburg provides healthcare, management and operational expertise as well as knowledge about Teva and its global operations.

Roger Abravanel joined Teva's Board of Directors in 2007. In 2006, Mr. Abravanel retired from McKinsey & Company, which he joined in 1972 and where he had become a principal in 1979 and a director in 1984. Mr. Abravanel has provided consulting services to Israeli and Italian private and venture capital funds. Mr. Abravanel served as a director of COFIDE—Gruppo De Benedetti SpA. from 2008 until 2013, as a director of Luxottica Group SpA. from 2006 to 2014 and as a director of Admiral Group plc from 2012 to 2015. Mr. Abravanel currently serves as a director of Banca Nazionale del Lavoro (a subsidiary of BNP Paribas), and as Chairman of INSEAD's Advisory Group in Italy. Mr. Abravanel received a bachelor's degree in chemical engineering from the Polytechnic University in Milan in 1968 and an M.B.A. from INSEAD (with distinction) in 1972. Mr. Abravanel's years of service as an international business consultant, including to the pharmaceutical industry, together with his service as a director at leading firms in Europe, provides a broad business and management perspective.

Dr. Sol J. Barer joined Teva's Board of Directors in January 2015. Dr. Barer is Managing Partner at SJ Barer Consulting. From 1987 to 2011, he served in top leadership roles at Celgene Corporation, including as Executive Chairman from 2010 to 2011, Chairman and CEO from 2007 to 2010, CEO from 2006 to 2010, President and Chief Operating Officer from 1994 to 2006 and President from 1993 to 1994. Prior to that, he was a founder of the biotechnology group at the chemical company Celanese Corporation, which was later spun off as Celgene. Dr. Barer serves on the board of directors of Contrafect, Amicus Therapeutics and Aegerion Pharmaceuticals. Dr. Barer is Chairman of the Board of InspireMD, Edge Therapeutics and Medgenics. Dr. Barer received his Ph.D. in organic and physical chemistry from Rutgers University in 1974 and his B.S. in Chemistry from Brooklyn College of the City University of New York in 1968. With his long career as a senior pharmaceutical executive and leadership roles in various biopharmaceutical companies, Dr. Barer provides broad and experienced knowledge of the global pharmaceutical business and industry as well as extensive scientific expertise.

Dr. Arie Belldegrun joined Teva's Board of Directors in 2013. Dr. Belldegrun is the Director of the Institute of Urologic Oncology and Professor and Chief of Urologic Oncology at the David Geffen School of Medicine at the University of California, Los Angeles (UCLA), where he has held the Roy and Carol Doumani Chair in Urologic Oncology since 2000. Dr. Belldegrun also serves as Chairman, President, CEO and Founder of Kite Pharma, Inc., Chairman of Arno Therapeutics, Inc. and Chairman of UroGen Pharma Ltd. (formerly TheraCoat Ltd.). Until 2013, he served as a director of Nile Therapeutics Inc. and until October 2014 he served as a director of SonaCare Medical LLC. Dr. Belldegrun was the founder and founding Chairman of Agensys, Inc. and the co-founder and founding Vice Chairman of the Board and Chairman of the Scientific Advisory Board of Cougar Biotechnology (which was acquired by Johnson & Johnson in 2009). Dr. Belldegrun is Chairman and Partner of Two River Consulting, LLC. Dr. Belldegrun has also held the positions of Chairman of the Molecular and Biological Technology Committee of the American Urological Association and member of its Technology Assessment Council; member of the Governor's Council on Bioscience for the State of California; biotechnology group leader of the Mayor of Los Angeles' Economy and Jobs Committee; and is the author of more than 500 scientific publications. Dr. Belldegrun received his medical degree at the Hebrew University Hadassah Medical School and conducted his post-doctoral studies in immunology at the Weizmann Institute of Science in Israel. He completed his urologic surgery residency at Harvard Medical School and his fellowship at the National Cancer Institute/National Institutes of Health. Dr. Belldegrun's career as a leading medical researcher and his entrepreneurial activities in various pharmaceutical ventures provide scientific expertise and pharmaceutical development experience.

Rosemary A. Crane joined Teva's Board of Directors in September 2015. Ms. Crane served as President and Chief Executive Officer of MELA Sciences, Inc. from 2013 to 2014. Ms. Crane was Head of Commercialization and a partner at Appletree Partners from 2011 to 2013. From 2008 to 2011, she served as President and Chief Executive Officer of Epocrates Inc. Ms. Crane served in various senior executive positions at Johnson & Johnson from 2002 to 2008, including as Group Chairman, OTC & Nutritional Group from 2006 to 2008, as Group Chairman, Consumer, Specialty Pharmaceuticals and Nutritionals from 2004 to 2006, and as Executive Vice President of Global Marketing for the Pharmaceutical Group from 2002 to 2004. Prior to that, she held various positions at Bristol-Myers Squibb from 1982 to 2002, including as President of U.S. Primary Care from 2000 to 2002 and as President of Global Marketing and Consumer Products from 1998 to 2000. Ms. Crane has served as Vice Chairman of the Board of Zealand Pharma A/S since 2015. Ms. Crane received an M.B.A. from Kent State University in 1986 and a B.A. in communications and English from the State University of New York in 1981. With over 30 years of experience in commercialization and business operations, primarily in the pharmaceutical and biotechnology industries, and more than 25 years of therapeutic and consumer drug launch expertise, Ms. Crane provides broad and experienced knowledge of the global pharmaceutical business and industry.

Amir Elstein rejoined Teva's Board of Directors in 2009. From January 2014 to July 2014, he served as Vice Chairman of the Board of Directors of Teva. Mr. Elstein serves as Chairman of the Board of Tower Semiconductor Ltd., Chairman of the Board of Governors of the Jerusalem College of Engineering and Chairman of the Board of the Israel Democracy Institute. Mr. Elstein also serves as Chairman and/or as a member of the board of directors of several academic, scientific, educational, social and cultural institutions. Mr. Elstein served as the Chairman of the Board of Directors of Israel Corporation from 2010 to 2013. From 2004 to 2008, Mr. Elstein was a member of Teva's senior management, where his most recent position was Executive Vice President, Global Pharmaceutical Resources. From 1995 to 2004, Mr. Elstein served on Teva's Board of Directors. Prior to joining Teva as an executive in 2004, Mr. Elstein held a number of executive positions at Intel Corporation, most recently as General Manager of Intel Electronics Ltd., an Israeli subsidiary of Intel Corporation. Mr. Elstein received a B.Sc. in physics and mathematics from the Hebrew University in Jerusalem in 1980, an M.Sc. in solid state physics from the Hebrew University in 1982 and a diploma of Senior Business Management from the Hebrew University in 1992. Mr. Elstein's leadership positions in various international corporations, including his experience as a chairman in international public companies and his service as an executive officer at Teva and other companies, provides global business management and pharmaceutical expertise.

Jean-Michel Halfon joined Teva's Board of Directors in 2014, serving as a statutory independent director under Israeli law. He currently serves as an independent consultant, providing consulting services to pharmaceutical, distribution, healthcare IT and R&D companies. From 2008 until 2010, Mr. Halfon served as President and General Manager of Emerging Markets at Pfizer Inc., after having served in various senior management positions since 1989. From 1987 until 1989, Mr. Halfon served as Director of Marketing in France for Merck & Co., Inc. Mr. Halfon received a B.S. from Ecole Centrale des Arts et Manufactures in 1974 and an M.B.A. from Institut Supérieur des Affaires in 1977. Mr. Halfon's years of experience in senior management at leading pharmaceutical companies, particularly his experience with emerging markets, provides expertise in international pharmaceutical operations and marketing.

Gerald M. Lieberman joined Teva's Board of Directors in September 2015. Mr. Lieberman is currently a special advisor at Reverence Capital Partners, a private investment firm focused on the middle-market financial services industry. From 2000 until 2009, Mr. Lieberman was an executive at AllianceBernstein L.P., where he served as President and Chief Operating Officer from 2004 to 2009, as Chief Operating Officer from 2003 to 2004 and as Executive Vice President, Finance and Operations from 2000 to 2003. From 1998 until 2000, he served as Senior Vice President, Finance and Administration at Sanford C. Bernstein & Co., Inc., until it was acquired by Alliance Capital in 2000, forming AllianceBernstein L.P. Prior to that, he served in various executive positions at Fidelity Investments and at Citicorp. Mr. Lieberman served on the board of directors of Forest Laboratories, LLC from 2011 to 2014, Computershare Ltd. from 2010 to 2012 and AllianceBernstein L.P. from

2004 to 2009. Mr. Lieberman received a B.S. in business from the University of Connecticut in 1969. With his many years of experience as an executive in leading financial services companies, Mr. Lieberman provides finance, risk management and operating expertise for large, complex organizations.

Galia Maor 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. Ms. Maor serves as a member of Council and on the Finance Committee of the Open University of Israel since 1988 and as Chairperson of the Circle of Friends of Sheba Medical Center in Israel since 2013. Ms. Maor holds honorary doctorates from the Technion-Israel Institute of Technology, Ben Gurion University and Bar Ilan University. She received a B.A. in economics and statistics from the Hebrew University in 1964 and an M.B.A. from the Hebrew University in 1967. Ms. Maor's experience in the private sector as one of Israel's leading banking executives, as well as her experience as a senior executive at Bank of Israel, provides financial, capital markets, accounting and regulatory expertise.

Joseph Nitzani joined Teva's Board of Directors in 2008, serving as a statutory independent director under Israeli law. From 2008 until 2010, Mr. Nitzani served as Chairman of Hadassah Medical Center, after serving as a director there from 1996 until 2008. Between 2001 and 2007, Mr. Nitzani held various management positions at Mizrahi-Tefachot Bank Ltd., where his most recent position was Head of the Client Assets Private Banking and Consulting Division. Previously, he served as Managing Director of the Government Companies Authority from 1991 to 1995 and CEO of the Tel-Aviv Stock Exchange from 1980 to 1991. Mr. Nitzani served as a director in three subsidiaries of Migdal Capital Markets Group from December 2009 (and as a Chairman of one of them from 2010) to 2013. Mr. Nitzani also served as a director of the Tel-Aviv Stock Exchange and of S&P Maalot, both from 2001 to 2007, and of Adanim Mortgage Bank from 2006 to 2008. Mr. Nitzani serves as chairman of the endowment fund and as a member of the investment funds committee of Tel Aviv University since 2012. Mr. Nitzani received a B.A. in economics from Bar-Ilan University in 1971 and an M.B.A. (with distinction) from Tel Aviv University in 1974. Mr. Nitzani's years as an executive in the banking, finance and insurance industries, as well as his governmental, regulatory and hospital administration experience, provides broad business, capital markets, financial, accounting, healthcare and regulatory expertise.

Ory Slonim rejoined Teva's Board of Directors in 2008. Mr. Slonim is an attorney who has been in private practice since 1970. Mr. Slonim previously served on Teva's Board of Directors from 1998 to 2003 as a statutory independent director. He served as a director and Chairman of the audit committee of U. Dori Group Ltd. from 1993 to 2011, as a director of Oil Refineries Ltd. from 2007 to 2012 and as Vice Chairman of Harel Insurance Investments and Financial Services Ltd. from 2008 to 2013. From 1988 to 2007, he served as Vice Chairman of the Board of Migdal Insurance and Financial Holdings Ltd. Mr. Slonim has served as Chairman of the Variety Club in Israel since 2006 and as Chairman of the Ethics Tribunal of the Israeli Press Council since 1994. Mr. Slonim is also a lecturer at Tel Aviv University (Lahav Plan) in Executives and Directors Risk Management Plans since 2005. Mr. Slonim received the Presidential Volunteer Medal in 1992 and the Presidential Medal of Distinction in 2012. Mr. Slonim received an LL.B degree from the Hebrew University in 1968. Mr. Slonim's legal background and many years of service on boards of leading firms in Israel provides expertise in risk management, governance and regulatory matters.

Gabrielle Sulzberger joined Teva's Board of Directors in September 2015, serving as a statutory independent director under Israeli law. Ms. Sulzberger has served as General Partner and Investment Manager of Rustic Canyon/Fontis Partners, L.P., a diversified investment fund, since its inception in October 2005. Ms. Sulzberger has served on the board of directors of Whole Foods Market, Inc. since 2003, where she chairs the audit committee, and on the board of directors of Brixmor Property Group since 2015. Ms. Sulzberger served on the board of directors of Stage Stores, Inc. from 2010 to 2015. She has also served as chief financial officer of several privately owned companies and as a principal in several private equity capital funds. Ms. Sulzberger

received a B.A. in urban studies from Princeton University in 1981, a J.D. from Harvard Law School and an M.B.A. from Harvard Business School, both in 1987. Ms. Sulzberger's entrepreneurial background, years of service as a public company director, including as chair of the audit committee, and her experience as a chief financial officer provides the Company with financial, leadership, strategy and risk assessment expertise.

The biography of *Erez Vigodman*, our President and Chief Executive Officer, and one of our directors, appears under "—Executive Officers" above.

Conflicts of Interest; Business Address

Except as otherwise disclosed in this offering memorandum, there are no potential conflicts of interest between the duties of the persons listed above to Teva and their private interests or other duties. The business address for all members of the board of directors and the executive officers is 5 Basel Street, P.O. Box 3190, Petach Tikva 4951033, Israel.

Board Practices

Our Board of Directors currently consists of 13 persons, including our President and Chief Executive Officer, of whom 12 have been determined to be independent within the meaning of applicable NYSE regulations, including our three statutory independent directors and our two designated independent directors (as further described below). See "Statutory Independent Directors, Designated Independent Directors and Financial Experts" below. The directors' terms are set forth in the table above. We do not consider Erez Vigodman, our President and Chief Executive Officer, to be independent under the NYSE regulations.

Our directors are generally entitled to review and retain copies of our documentation and examine our assets, as required to perform their duties as directors and to receive assistance, in special cases, from outside experts at our expense (subject to approval by the Board of Directors or by court).

Principles of Corporate Governance. We have adopted a set of corporate governance principles, which is available on our website at www.tevapharm.com. We place great emphasis on maintaining high standards of corporate governance and continuously evaluate and seek to improve our governance standards. These efforts are expressed in our corporate governance principles, our committee charters and the policies of our Board of Directors. Among other things, we have introduced stock ownership requirements for our executive officers and have adopted anti-pledging and anti-hedging policies for our executive officers and directors.

Annual Meetings. We encourage our directors to attend annual shareholder meetings.

Director Terms and Education. Our directors are generally elected in three classes for terms of approximately three years. Due to the complexity of our businesses and our extensive global activities, we value the insight and familiarity with our operations that a director is able to develop over his or her service on the Board of Directors. Because we believe that extended service on our Board enhances a director's ability to make significant contributions to Teva, we do not believe that arbitrary term limits on directors' service are appropriate. At the same time, it is the policy of the Board that directors should not expect to be renominated automatically.

In recent years, we have strengthened our Board of Directors with the addition of new highly qualified and talented directors, adding expertise as well as diversity to our Board of Directors. Through these efforts, we reduced the average tenure of our directors from 5.9 years of service to 4.2, low compared to industry standards. We also reduced the average age of our directors from 68.7 to 64.8, while decreasing the size of the Board of Directors to 13 members. Our Chairman of the Board is independent under NYSE regulations, and 12 out of 13 of our directors are independent under NYSE regulations. Our only non-independent director is our President and CEO, which facilitates collaboration between the Board of Directors and management. We continue to evaluate the size and composition of the Board of Directors to ensure that it maintains dynamic, exceptionally qualified members.

We provide an orientation program and a continuing education process for our directors, which include business and industry briefings, provision of materials, sessions from leading experts and professionals, meetings with key management and visits to Teva facilities. We evaluate and improve our education and orientation programs on an ongoing basis to ensure that our directors have the knowledge and background needed for them to best perform their duties.

Board Meetings. The Board of Directors holds at least six meetings each year to review significant developments affecting Teva and to consider matters requiring approval of the Board, with additional meetings scheduled when important matters require Board of Directors action between scheduled meetings. A majority of the meetings convened, but not fewer than four, must be in Israel. Members of senior management regularly attend Board meetings to report on and discuss their areas of responsibility. In 2015, each director attended at least 75% of the meetings of the Board of Directors and Board committees on which he or she served.

Executive Sessions of the Board. Selected members of management are typically invited by the Board of Directors to attend regularly scheduled Board meetings (or portions thereof). Our directors meet in executive session (i.e., without the presence of management, including our President and CEO) generally in connection with each regularly scheduled Board meeting and additionally as needed. Executive sessions are chaired by Prof. Yitzhak Peterburg.

Board Role in Risk Oversight. Management is responsible for assessing and managing risk, subject to oversight by the Board of Directors. Our annual risk assessment process includes both a top-down review of strategic risks and a bottom-up review of operational risks, which are presented twice a year to the Board. The Board executes its oversight responsibility for risk assessment and management directly by reviewing risk management policies and the risk appetite of our operations and business strategy and by instructing its committees to assist and advise in their areas of expertise, as described below. Each of the committees provides regular updates to the full Board regarding its activities.

- The Board oversees our risk management policies and risk appetite, including operational risks and risks relating to its business strategy and transactions. Various committees of the Board assist the Board in this oversight responsibility in their respective areas of expertise.

- The audit committee assists the Board with the oversight of our financial reporting, independent auditors, internal controls and internal audit function. It is charged with identifying any flaws in business management and recommending remedies, detecting fraud risks and implementing anti-fraud measures and overseeing our compliance with legal and regulatory requirements. The audit committee further discusses our policies with respect to risk assessment and management with respect to our financial reporting.

- The corporate responsibility committee oversees our policies and practices for legal, regulatory and internal compliance (other than regarding financial reporting) and reviews policies and practices that may seriously impact our reputation.

- The finance and investment committee reviews our financial risk management policies, including its investment guidelines, financings and foreign exchange and currency hedging.

- The human resources and compensation committee (the “Compensation Committee”) oversees compensation and other human resources-related issues and risks.

- The science and technology committee oversees risks relating to our intellectual property and research and development activities.

- The corporate governance and nominating committee overviews risks relating to our governance.

Director Service Contracts. Except for equity awards that accelerate upon termination, we do not have any contracts with any of our non-employee directors that provide for benefits upon termination of services. Information regarding director compensation can be found under "Compensation of Directors" above.

Communications with the Board. Shareholders, employees and other interested parties can contact any director or committee of the Board of Directors by writing to them care of Teva Pharmaceutical Industries Limited, 5 Basel Street, Petach Tikva, Israel, Attn: Company Secretary or Internal Auditor. Comments or complaints relating to Teva's accounting, internal controls or auditing matters will also be referred to members of the audit committee, as well as other appropriate Teva bodies. The Board of Directors has adopted a global "whistleblower" policy, which provides employees and others with an anonymous means of communicating with the audit committee.

Nominees for Directors. In accordance with the Israeli Companies Law, a nominee for service as a director must submit a declaration to Teva, prior to his or her election, specifying that he or she has the requisite qualifications to serve as a director and the ability to devote the appropriate time to performing his or her duties as such. All of our directors, have provided such declaration. A director who ceases to meet the statutory requirements to serve as a director (including as a statutory independent director or a designated independent director) must notify Teva to that effect immediately and his or her service as a director will terminate upon submission of such notice.

Statutory Independent Directors, Designated Independent Directors and Financial Experts

Under Israeli law, publicly held Israeli companies such as Teva are required to appoint at least two statutory independent directors, who must also serve on both the audit and compensation committees. All other committees exercising powers delegated by the board of directors must include at least one statutory independent director.

Statutory independent directors are appointed at the general meeting of shareholders and must meet certain independence criteria, all as provided under Israeli law. A statutory independent director is appointed for an initial term of three consecutive years, and may be reappointed for additional three-year terms, subject to certain conditions (including approval by our shareholders at a general meeting) as provided under the Israeli Companies Law and the regulations thereunder. Jean-Michel Halfon, Joseph Nitzani and Gabrielle Sulzberger currently serve in this capacity, with terms ending on July 30, 2017, September 25, 2017 and September 3, 2018, respectively.

Israeli law further requires that a statutory independent director have either financial and accounting expertise or professional competence, as determined by the company's board of directors according to criteria set forth under Israeli law, and generally at least one statutory independent director is required to have financial and accounting expertise. Teva has adopted a policy requiring that at least three directors qualify as financial and accounting experts, at least one of whom shall be a statutory independent director. In accordance with Israeli law and this policy, the Board of Directors has determined that Galia Maor, Joseph Nitzani and Gabrielle Sulzberger are financial and accounting experts under Israeli law.

In addition to the statutory independent directors, a director in a company such as Teva, who qualifies as an independent director under the relevant non-Israeli rules relating to independence standards, may be considered a designated independent director pursuant to the Israeli Companies Law if such director meets certain conditions listed in the Israeli Companies Law and regulations thereunder, provided such director has been designated as such by the audit committee. The audit committee has designated Galia Maor and Ory Slonim as designated independent directors under the Israeli Companies Law.

Committees of the Board

Teva's Articles of Association provide that the Board of Directors may delegate its powers to one or more committees as it deems appropriate to the extent such delegation is permitted under the Israeli Companies Law.

Each committee exercising powers delegated by the Board must include at least one statutory independent director, and the audit and compensation committees must include all statutory independent directors. The Board of Directors has appointed the standing committees listed below, as well as committees appointed from time to time for specific purposes determined by the Board.

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

Committee Composition

Name	Audit	Human Resources and Compensation	Corporate Governance and Nominating	Finance and Investment	Corporate Responsibility	Science and Technology
Prof. Yitzhak Peterburg						
Roger Abravanel		✓	✓	✓		
Dr. Sol J. Barer					VC	C
Dr. Arie Belldegrun						VC
Rosemary A. Crane					✓	✓
Amir Elstein			C	VC		✓
Jean-Michel Halfon	VC	C				✓
Gerald M. Lieberman		✓		✓		
Galia Maor	✓		✓	C		
Joseph Nitzani	C	VC	✓	✓	✓	
Ory Slonim	✓		VC		C	
Gabrielle Sulzberger	✓	✓			✓	
Erez Vigodman						

Key: "**C**" – Chairperson; "**VC**" – Vice Chairperson; "✓" – Member.

Audit Committee

The Israeli Companies Law mandates the appointment of an audit committee comprising at least three directors. Under the Israeli Companies Law, the audit committee must include all of the statutory independent directors, one of which shall serve as the chairman of the committee, must be comprised of a majority of directors meeting certain independence criteria and may not include certain directors. As a NYSE-listed company, Teva's audit committee must be comprised solely of independent directors, as defined by the SEC and NYSE regulations.

The responsibilities of our audit committee include, among others: (a) identifying flaws in the management of our business and making recommendations to the Board of Directors as to how to correct them and providing for arrangements regarding employee complaints with respect thereto; (b) making determinations and considering providing approvals concerning certain related party transactions and certain actions involving conflicts of interest; (c) reviewing the internal auditor's performance and approving the internal audit work program and examining our internal control structure and processes; and (d) examining the independent auditor's scope of work and fees and providing the corporate body responsible for determining the independent auditor's fees with its recommendations. Furthermore, the audit committee discusses the financial statements and presents to the Board of Directors its recommendations with respect to the proposed financial statements.

In accordance with the Sarbanes-Oxley Act and NYSE requirements, the audit committee is directly responsible for the appointment, compensation and oversight of the work of Teva's independent auditors. In addition, the audit committee is responsible for assisting the Board of Directors in monitoring Teva's financial statements, the effectiveness of Teva's internal controls and Teva's compliance with legal and regulatory

requirements. The audit committee also discusses Teva policies with respect to risk assessment and risk management , financial reporting and risks that may be material to Teva, and major legislative and regulatory developments that could materially impact Teva's contingent liabilities and risks.

The audit committee charter sets forth the scope of the committee's responsibilities, including its structure, processes and membership requirements; the committee's purpose; its specific responsibilities and authority with respect to registered public accounting firms, complaints relating to accounting, internal accounting controls or auditing matters, and its authority to engage advisors as determined by the audit committee.

All of the audit committee members have been determined to be independent as defined by the applicable NYSE and SEC rules, and Galia Maor and Ory Slonim, current members of the audit committee, have been designated by the audit committee as designated independent directors under the Israeli Companies Law.

The Board of Directors has determined that, of the current directors, Galia Maor, Joseph Nitzani and Gabrielle Sulzberger are "audit committee financial experts" as defined by applicable SEC regulations.

Human Resources and Compensation Committee

Publicly held Israeli companies are required to appoint a compensation committee comprising at least three directors. Teva's Compensation Committee includes only independent directors, as defined by the SEC and NYSE regulations.

The responsibilities of the Company's Compensation Committee include, among others: (i) reviewing and making recommendations to the Board of Directors with respect to the approval of a policy regarding the terms of office and employment of the company's directors and executive officers; (ii) reviewing and resolving whether or not to approve arrangements with respect to the terms of office and employment of directors and executive officers; (iii) overseeing the management of our compensation and other human resources-related issues and otherwise carrying out its responsibilities, and assisting the Board of Directors in carrying out its responsibilities, relating to these issues; (iv) establishing annual and long-term performance goals and objectives for our executive officers, as well as reviewing our overall compensation philosophy and policies and succession and talent development plans; (v) reviewing in consultation with the Chairman of the Board, any proposed organizational restructuring pertaining to the roles and responsibilities and the selection of new members to join the executive committee; (vi) overseeing the Company's labor practices for compliance with applicable laws, regulations and internal procedures; and (vii) preparing and regularly reviewing, in consultation with the Chairman of the Board, succession plans for the CEO, performing such functions with regard to other executive officers.

Corporate Governance and Nominating Committee

The role of the Company's 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 Company's finance and investment committee is to assist the Board of Directors in fulfilling its responsibilities with respect to the Company's financial and investment strategies and policies,

including determining policies on these matters and monitoring implementation. It is also authorized to approve certain financial transactions (such as material loans and other financing arrangements) and review Teva's financial risk management policies, as well as various other finance-related matters, including our global tax structure and allocation policies. According to the committee's charter, at least one of the committee's members must be qualified as a financial and accounting expert under applicable SEC regulations and/or the Israeli Companies Law.

The Board of Directors has determined that, of the current directors, Galia Maor, Joseph Nitzani and Gabrielle Sulzberger are financial and accounting experts under Israeli law.

Corporate Responsibility Committee

The role of the Company's corporate responsibility committee is to oversee Teva's: (i) commitment to being a responsible corporate citizen; (ii) policies and practices for complying with laws, regulations and internal procedures; (iii) policies and practices regarding issues that have the potential to seriously impact Teva's reputation; (iv) global public policy positions; and (v) community outreach.

A majority of committee members must be determined to be independent as defined by the applicable NYSE rules. The chairperson of the audit committee must serve as a member of the committee.

Science and Technology Committee

The Company's science and technology committee reviews and oversees the Company's overall strategic direction and investment in research and development and technological and scientific initiatives and evaluates and provides input to the Board of Directors and management of the Company in relation to the Company's research and development programs and technology with respect to their impact on the Company's potential business performance, growth and competitive position. The committee's responsilibiltes include reviewing and advising the Board of Directors and management (i) on Teva's strategy, objectives and priorities and robustness and quality of its current and planned research and development programs and technology initiatives; (ii) in scientific and research and development aspects, and relevant business implications of the Company's acquisitions, transactions and other business development activities; and (iii) the overall intellectual property strategy of the Company. The committee also assists the Board of Directors in its oversight of the Compnay's risk management in areas affecting or relating to research and development, technology and intellectual property, and endeavors to identify and provide the Board of Directors with strategic advice on significant emerging science and technology issues, innovations and trends.

All members of the committee must be determined to have scientific, medical or other related expertise. A majority of committee members must be determined to be independent as defined by the applicable NYSE rules.

Board and Committee Meetings

Board/Committee	No. of Meetings in 2015	Average Attendance Rate
Board of Directors	24	92%
Audit Committee	9	97%
Human Resources and Compensation Committee	12	96%
Corporate Governance and Nominating Committee	9	91%
Finance and Investment Committee	14	97%
Corporate Responsibility Committee	4	100%
Science and Technology Committee	5	95%

In 2015, each director attended at least 75% of the meetings of the Board and Board committees on which he or she served. In 2015, the Board of Directors and various Board committees met frequently to review and approve the important strategic activities throughout the year, including in connection with the Company's contemplated acquisition of Actavis Generics.

Code of Business Conduct

Teva has adopted a code of business conduct applicable to its directors, executive officers, and all other employees. A copy of the code is available to every Teva employee on Teva's intranet site, upon request to its human resources department, and to investors and the public 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.

Corporate Governance Practices

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

Employees

As of December 31, 2015, Teva's work force consisted of approximately 43,000 full-time-equivalent employees. In certain countries, we are party to collective bargaining agreements with certain groups of employees. We consider our labor relations with our employees around the world to be good.

The following table presents our work force by geographic area:

	December 31,		
	2015	2014	2013
United States	6,342	6,608	7,372
Europe	18,316	18,232	19,811
Rest of the World (excluding Israel)	11,256	11,202	10,599
Israel	6,974	6,967	7,163
Total	42,888	43,009	44,945

Share Ownership

As of January 10, 2016, our directors and executive officers as a group beneficially held 5,547,712 Teva shares (representing approximately 0.6% of the outstanding shares as of such date). These figures include options to purchase Teva shares that were vested on such date or that were scheduled to vest within the following 60 days. None of our directors or officers held 1% or more of our outstanding shares as of January 10, 2016.

For information regarding equity awards granted to our directors and executive officers, see "Compensation" above and, with respect to our stock-based compensation plans in general, see note 14c to our consolidated financial statements.

MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

Major Shareholders

Based on information known to us, as of February 10, 2016, FMR LLC (Fidelity) beneficially owned 84,104,104 Teva shares, representing approximately 9.2% of Teva's outstanding shares. To the best of our knowledge, as of February 11, 2016, 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, 2015, there were approximately 3,301 record holders of ADSs, whose holdings represented approximately 86.1% of the total outstanding ordinary shares. Substantially all of the record holders are residents of or domiciled in the U.S.

Related Party Transactions

In December 2012, Teva entered into a collaborative development and exclusive worldwide license agreement with Xenon for its compound XEN402. XEN402 (now designated TV-45070 by Teva) targets sodium channels found in sensory nerve endings that can increase in chronic painful conditions, and is currently in Phase 2 clinical development for neuropathic pain. Under the agreement, Teva paid Xenon an upfront fee of $41 million. In addition, Teva may be required to pay development, regulatory and sales-based milestones of up to $335 million. Xenon is also entitled to royalties on sales and has an option to participate in commercialization in the United States. As required by the agreement, in November 2014, Teva invested an additional $10 million in Xenon in connection with its initial public offering. Dr. Michael Hayden, Teva's President of Global R&D and Chief Scientific Officer, is the founder, a minority shareholder and a member of the board of directors of Xenon. In order to avoid potential conflicts of interest, Teva has established certain procedures to exclude Dr. Hayden from involvement in Teva's decision-making related to Xenon.

All of the related party transactions described above were reviewed and approved in accordance with the provisions of the Israeli Companies Law, Teva's Articles of Association and Teva policy.

DESCRIPTION OF TEVA FINANCE

Establishment and Domicile

Teva Finance is a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under Book 2 of the Dutch Civil Code on October 16, 2013. Teva Finance's commercial registration number at the Netherlands Chamber of Commerce is 59012161.

Business

Teva Finance is an indirect wholly owned subsidiary of Teva and a special purpose financing entity with no business operations other than the entry into of financing arrangements (including the issuance of notes) and certain ancillary arrangements in connection therewith. Teva Finance is included in the consolidated audited financial statements of Teva and will be included in the consolidated audited financial statements of Teva going forward.

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

Management

Teva Finance has a board of managing directors consisting of Teva Pharmaceuticals Europe B.V., which in turn has a board of managing directors consisting of the following:

Name	Age	Director Since	Position
Robert Koremans	48	2012	Managing Director
Dipankar Bhattacharjee	55	2013	Managing Director
Gianfranco Nazzi	48	2014	Managing Director
John Nason	59	2015	Managing Director
David Vrhovec	48	2016	Managing Director

The business address for all the members of the board of managing directors is Piet Heinkade 107, 1019 GM, Amsterdam, Netherlands. There are no potential conflicts of interest between the duties of the persons listed above to Teva Finance and their private interests or other duties.

Share Capital and Shareholders' Structure

The issued share capital in Teva Finance is legally and beneficially owned and controlled indirectly by Teva. The rights of Teva as a shareholder in Teva Finance are contained in the articles of association of Teva Finance and Teva Finance will be managed by its directors in accordance with those articles and with the provisions of Dutch law.

The sole shareholder of Teva Finance is Teva Pharmaceuticals Finance Netherlands B.V., which is a direct wholly owned subsidiary of Teva Pharmaceuticals Europe B.V., which, in turn, is a direct wholly owned subsidiary of Teva.

TAXATION

The following is a general description of certain tax considerations relating to the notes. It is not a complete analysis of all tax considerations relating to the notes whether in the EU, these countries or elsewhere that could be of relevance to a holder of notes. Prospective purchasers of notes should consult their own tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of these jurisdictions of acquiring, holding and disposing of notes and receiving payments of interest, principal and/or other amounts under the notes. This summary is based upon the law as in effect on the date of this offering memorandum and is subject to any change in law that may take effect after such date. Also, investors should note that the appointment by an investor in notes, or any person through which an investor holds notes, of a custodian, collection agent or similar person in relation to such notes in any jurisdiction may have tax implications. Investors should consult their own tax advisers in relation to the tax consequences for them of any such appointment.

The Common Reporting Standard

The Common Reporting Standard ("CRS") was published by the OECD in 2014. Its goal is to provide for the annual automatic exchange between governments of financial account information reported to them by local reporting financial institutions and relating to account holders who are tax residents in other participating jurisdictions. The amended Council Directive on Adminstrative Cooperation in the Field of Taxation 2011/16/EU ("DAC") implements CRS in the EU context. The DAC creates a mandatory obligation on all EU Member States to exchange financial account information in respect of residents in other EU Member States on an annual basis, commencing in 2017 in respect of the 2016 calendar year.

The Netherlands has enacted legislation in order to implement CRS and DAC into Dutch law, under which Dutch financial institutions (as defined) will be required to make a single return in respect of CRS and DAC. The issuer may qualify as a Dutch financial institution for such purposes. If so, the issuer will be entitled to require holders of the notes to provide any information regarding their and, in certain circumstances, their controlling persons' tax status, identity or residence, in order to satisfy any reporting requirements which the issuer may have as a result of CRS and DAC, and holders of the notes will be deemed, by their holding, to have authorized the automatic disclosure of such information by the issuer (or any nominated service provider) or any other person to the Netherlands Tax Authorities. The Netherlands Tax Authorities will exchange the information with the tax authorities of other participating jurisdictions, as applicable.

The Proposed Financial Transactions Tax ("FTT")

The European Commission has published a proposal for a Directive for a common FTT in those Member States which choose to participate under an "enhanced cooperation" procedure, currently comprising Belgium, Germany, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "participating Member States").

The proposed FTT has very broad scope and could, if introduced in its current form, apply to certain dealings in the notes (including secondary market transactions) in certain circumstances.

Under current proposals the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate and/or certain of the participating Member States may decide to withdraw.

United Kingdom Provision of Information Requirements

The comments below are of a general nature and are based on current United Kingdom ("UK") tax law and published practice of HM Revenue & Customs ("HMRC"), the UK tax authorities. Such law may be repealed, revoked or modified (possibly with retrospective effect) and such practice may change, resulting in UK tax consequences different from those discussed below. The comments below deal only with UK rules relating to information that may need to be provided to HMRC in connection with the notes. They do not deal with any other UK tax consequences of acquiring, owning or disposing of the notes. Each prospective investor should seek advice based on its particular circumstances from an independent tax adviser.

HMRC has powers to obtain information relating to securities in certain circumstances. This may include details of the beneficial owners of the notes (or the persons for whom the notes are held), details of the persons to whom payments derived from the notes are or may be paid and information and documents in connection with transactions relating to the notes. Information may be required to be provided by, amongst others, the holders of the notes, persons by or through whom payments derived from the notes are made or credited or who receive such payments (or who would be entitled to receive such payments if they were made), persons who effect or are a party to transactions relating to the notes on behalf of others and certain registrars or administrators. In certain circumstances, the information obtained by HMRC may be exchanged with tax authorities in other countries.

The Netherlands

For Dutch tax purposes, a holder of notes may include an individual who, or an entity that, does not have the legal title to any notes, but to whom nevertheless notes are attributed based either on such individual or entity owning a beneficial interest in notes or based on specific statutory provisions. These include statutory provisions pursuant to which notes are attributed to an individual who is, or who has directly or indirectly inherited from a person who was, the settlor, grantor or similar originator of a trust, foundation or similar entity that holds such notes.

The following summary is based on Dutch tax law as applied and interpreted by Dutch courts and as published and in effect on the date of this offering memorandum, without prejudice to any amendments introduced at a later date and implemented with or without retroactive effect.

For the purpose of this section, "Dutch Taxes" shall mean taxes of whatever nature levied by or on behalf of the Netherlands or any of its subdivisions or taxing authorities. The "Netherlands" means the part of the Kingdom of the Netherlands located in Europe.

Withholding tax

Any payments made under the notes will not be subject to withholding or deduction for, or on account of, any Dutch Taxes.

Taxes on income and capital gains

This paragraph does not describe the possible Dutch tax considerations or consequences that may be relevant to a holder of notes who is an individual and for whom the income or capital gains derived from the notes are attributable to employment activities, the income from which is taxable in the Netherlands, nor does this paragraph address the Dutch tax consequences for entities which are a resident of Aruba, Curaçao or Sint Maarten that have an enterprise which is carried on through a permanent establishment or a permanent representative on Bonaire, Sint Eustatius or Saba, and the notes are attributable to such permanent establishment or permanent representative.

A holder of notes will not be subject to any Dutch Taxes on any payment made to that holder under the notes or on any capital gain realized by the holder from the disposal, or deemed disposal, or redemption of the notes, except if:

(1) the holder of notes is, or is deemed to be, resident in the Netherlands for Dutch (corporate) income tax purposes;

(2) the holder of notes is an individual and has opted to be taxed as if resident in the Netherlands for Dutch income tax purposes;

(3) the holder of notes is an individual and derives profits from an enterprise, whether as entrepreneur (*ondernemer*) or pursuant to a co-entitlement to the net worth of the enterprise other than as a shareholder, which enterprise is, in whole or in part, carried on through a permanent establishment (*vaste inrichting*) or a permanent representative (*vaste vertegenwoordiger*) in the Netherlands to which the notes are attributable;

(4) the holder of notes is an individual and has a substantial interest (*aanmerkelijk belang*), or a fictitious substantial interest (*fictief aanmerkelijk belang*), in the issuer or derives benefits from miscellaneous activities (*overige werkzaamheden*) carried out in the Netherlands in respect of the notes, including, without limitation, activities which are beyond the scope of active portfolio investment activities;

(5) the holder of notes is not an individual and has a substantial interest, or a fictitious substantial interest, in the issuer, which (fictitious) substantial interest is not part of an artificial structure and one of the main purposes of the chosen ownership structure is the evasion of Dutch income tax or dividend withholding tax; or

(6) the holder of notes is not an individual and is entitled to a share in the profits of an enterprise or a co-entitlement to the net worth of an enterprise, other than by way of the holding of securities, which is effectively managed in the Netherlands and to which enterprise the notes are attributable.

Generally, a holder of notes has a substantial interest if such holder, alone or where such holder is an individual, together with his partner, directly or indirectly:

(1) owns shares representing five percent or more of the total issued capital of the issuer, or of the issued capital of any class of shares of the issuer;

(2) holds rights to directly or indirectly acquire shares, whether or not already issued, representing five percent or more of the total issued capital of the issuer, or of the issued capital of any class of shares of the issuer; or

(3) owns, or holds certain rights on, profit participating certificates that relate to five percent or more of the annual profit of the issuer or to five percent or more of the liquidation proceeds of the issuer.

A holder of notes who is an individual and has the ownership of shares of the issuer, directly or indirectly, will also have a substantial interest if his partner or one of certain relatives of the holder of notes or of his partner has a (fictitious) substantial interest.

For Dutch tax purposes, the ownership of shares of the issuer is attributed to a holder of notes based either on that holder owning a beneficial interest in shares of the issuer or based on specific statutory provisions. These include statutory provisions pursuant to which shares are attributed to an individual who is, or who has directly or indirectly inherited from a person who was, the settlor, grantor or similar originator of a trust, foundation or similar entity that holds the shares of the issuer, although the holder of notes does not have the legal title of such shares.

Generally, a holder of notes has a fictitious substantial interest if, without having an actual substantial interest in the issuer:

(1) the shares have been obtained under gift law, inheritance law or matrimonial law, on a non-recognition basis, while the disposing shareholder had a substantial interest in the issuer;

(2) the shares have been acquired pursuant to a share merger, legal merger or legal demerger, on an elective nonrecognition basis, while the holder of notes prior to this transaction had a substantial interest in a party to that transaction; or

(3) the shares held by the holder of notes, prior to dilution, qualified as a substantial interest and, by election, no gain was recognized upon disqualification of these shares.

Gift tax or inheritance tax

No Dutch gift tax or inheritance tax is due in respect of any gift of the notes by, or inheritance of the notes on the death of, a holder of notes, except if:

(1) at the time of the gift or death of the holder of notes, the holder of notes is resident, or deemed to be resident, in the Netherlands;

(2) the holder of notes passes away within 180 days after the date of the gift of the notes and is not, or is not deemed to be, at the time of the gift, but is, or is deemed to be, at the time of his death, resident in the Netherlands; or

(3) the gift of the notes is made under a condition precedent and the holder of notes is resident, or deemed to be resident, in the Netherlands at the time the condition is fulfilled.

For purposes of Dutch gift or inheritance tax, an individual who is of Dutch nationality will be deemed to be resident in the Netherlands if he has been a resident in the Netherlands at any time during the ten years preceding the date of the gift or his death. For purposes of Dutch gift tax, any individual, irrespective of his nationality, will be deemed to be resident in the Netherlands if he has been a resident in the Netherlands at any time during the 12 months preceding the date of the gift.

Other taxes

No other Dutch Taxes, including turnover tax and taxes of a documentary nature, such as capital tax, stamp or registration tax or duty, are payable by or on behalf of a holder of notes by reason only of the issue, acquisition or transfer of the notes.

Residency

Subject to the exceptions above, a holder of notes will not become resident, or a deemed resident, in the Netherlands for tax purposes, or become subject to Dutch Taxes, by reason only of the issuer's performance, or the holder's acquisition (by way of issue or transfer to it), holding and/or disposal of the notes.

Israel

The following is a summary of certain material Israeli tax considerations relating to the ownership of the notes by persons who are not residents of the State of Israel for Israeli tax purposes. It is not, however, a complete analysis of all the potential tax considerations that may be applicable to all potential investors.

The following discussion is for general information only. It is also applicable to beneficial owners of the notes. Investors considering the purchase of the notes should consult their own tax advisors with respect to the application of Israeli income tax laws to their particular situations as well as any tax consequences arising under any non-Israeli taxing jurisdiction or under any applicable tax treaty.

Israeli Tax Liability on Interest Payable by Teva to Non-Israeli Residents

An individual is subject to tax on interest at a reduced rate of up to 25%. The reduced rate is not available to an individual, if interest expenses are claimed as tax deductions with respect to the notes, if the individual is a "substantial shareholder," ("substantial shareholder" for these purposes is a shareholder who holds directly or indirectly, including with others, at least 10% of any means of control in the company), if there is a special relationship between the individual and the company paying out the interest (unless certain conditions are met), or if the interest is a business income of the individual. In such cases, the individual will be subject to tax on the interest at his marginal tax rate.

Corporate entities are subject to corporate tax on their interest income. The corporate tax rate is currently 25%.

Non-Israeli residents are required to file an income tax return in Israel if they have Israeli sourced interest income, unless the full amount of tax was withheld.

Withholding Taxes on Interest Payable by Teva to Non-Israeli Residents

An Israeli company paying interest on a note denominated in a foreign currency to an individual who is a non-Israeli resident is required to withhold tax at a rate of 25%, except for (i) interest paid to a "substantial shareholder" (as defined above), or (ii) interest paid to an employee, a service provider or a supplier of such Israeli company, who are subject to tax according to the highest marginal tax rate applicable to individuals. Tax liability with respect to interest paid to non-Israeli residents by an Israeli company may be reduced under an applicable tax treaty. To benefit from such reduced rate under an applicable tax treaty, such non-Israeli residents should file an Israeli tax return based on such lower rate.

An Israeli company paying interest on a similar note to a corporate entity will be subject to withholding tax in accordance with the applicable corporate tax rate for the year in which the interest is paid, such rate is currently 25%.

The aforementioned might only apply if Teva as a guarantor pays interest on the notes.

Original Issue Discount. For Israeli income tax purposes, any principal amount reflecting original issue discount is generally treated in the same manner as interest.

Teva and Teva Finance have agreed to pay certain additional amounts in connection with withholding taxes or deductions that may be imposed by Israeli or Dutch authorities. See "Description of the Notes and Guarantees."

SUBSCRIPTION AND SALE

We and the Joint Lead Managers, as representatives of the Managers, for the offering named below have entered into a subscription agreement dated July 21, 2016 with respect to the notes (the "Subscription Agreement"). Subject to certain conditions, pursuant to the Subscription Agreement, each Manager has severally, and not jointly, agreed to purchase the principal amount of notes indicated in the following table.

Manager	Principal Amount of 2020 Notes	Principal Amount of 2024 Notes	Principal Amount of 2028 Notes
Barclays Bank PLC	€ 157,500,000	€ 135,000,000	€ 67,500,000
BNP Paribas	157,500,000	135,000,000	67,500,000
Credit Suisse Securities (Europe) Limited	157,500,000	135,000,000	67,500,000
HSBC Bank plc	157,500,000	135,000,000	67,500,000
Merrill Lynch International	157,500,000	135,000,000	67,500,000
Mizuho International plc	157,500,000	135,000,000	67,500,000
Citigroup Global Markets Limited	157,500,000	135,000,000	67,500,000
Morgan Stanley & Co. International plc	157,500,000	135,000,000	67,500,000
RBC Europe Limited	157,500,000	135,000,000	67,500,000
SMBC Nikko Capital Markets Limited	157,500,000	135,000,000	67,500,000
Banca IMI S.p.A	109,200,000	93,600,000	46,800,000
Bank of China Limited London Branch	8,225,000	7,050,000	3,525,000
Banco Bilbao Vizcaya Argentaria, S.A.	8,225,000	7,050,000	3,525,000
Commerzbank Aktiengesellschaft	8,225,000	7,050,000	3,525,000
Lloyds Bank plc	8,225,000	7,050,000	3,525,000
MUFG Securities EMEA plc	8,225,000	7,050,000	3,525,000
PNC Capital Markets LLC	8,225,000	7,050,000	3,525,000
Scotiabank Europe plc	8,225,000	7,050,000	3,525,000
TD Securities (USA) LLC	8,225,000	7,050,000	3,525,000
Total	€1,750,000,000	€1,500,000,000	€750,000,000

We estimate that our share of the total expenses of the offering, excluding underwriting discounts and commissions, will be approximately $3 million.

We have agreed to indemnify the several Managers against, or contribute to payments that the Managers may be required to make in respect of, certain liabilities. The Subscription Agreement may be terminated in certain circumstances set out therein prior to delivery of and payment for the notes.

Conflicts of Interest

Certain of the Managers and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory, commercial banking and investment banking services and other commercial dealings in the ordinary course of business for us, for which they received or will receive customary fees, commissions and expenses. In particular, the Managers and/or affiliates of each of the Managers are lenders under the new term loan facility, the revolving line of credit and the bridge facility. As described in "Use of Proceeds," depending on the timing of the closing of the Actavis Generics acquisition, we may need to borrow additional funds under our bridge facility, which we expect to repay with the proceeds of this offering and the other contemplated offerings. In the event that the net proceeds of this offering are used to repay the borrowings under the bridge facility, the Managers and their affiliates that are lenders under that facility will receive the proceeds from this offering.

In addition, in the ordinary course of their business activities, the Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities)

and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. If the Managers or their affiliates have a lending relationship with us, they routinely hedge their credit exposure to us consistent with their customary risk management policies. Typically, the Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the notes offered hereby. Any such short positions could adversely affect future trading prices of the notes offered hereby. The Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Selling Restrictions

United States

The notes have not been and will not be registered under the Securities Act. Accordingly, the offering of the notes is being made outside the United States to non-U.S. Persons pursuant to Regulation S under the Securities Act. The Securities may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from or not subject to the registration requirements of the Securities Act.

Each Manager, severally and not jointly, has agreed that:

- It has not offered or sold, and will not offer or sell, the notes in the United States or to, or for the benefit or account of, a U.S. person (other than a distributor), in each case, as defined in Rule 902 of Regulation S (i) as part of its distribution at any time and (ii) otherwise until 40 days after the later of the commencement of the offering of the notes pursuant hereto and the closing date, other than in accordance with Regulation S or another exemption from the registration requirements of the Securities Act. Accordingly, neither it nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the notes. Terms used in this paragraph have the meanings given to them by Regulation S.

- At or prior to confirmation of a sale of notes by it to any distributor, dealer or person receiving a selling concession, fee or other remuneration during the 40 day restricted period referred to in Rule 903 of Regulation S, it will send to such distributor, dealer or person receiving a selling concession, fee or other remuneration a confirmation or notice to substantially the following effect:

  > "The notes covered hereby have not been registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and may not be offered and sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of your distribution at any time or (ii) otherwise until 40 days after the later of the date the notes were first offered to persons other than distributors in reliance upon Regulation S and the closing date, except in either case in accordance with Regulation S under the Securities Act, and in connection with any subsequent sale by you of the notes covered hereby in reliance on Regulation S under the Securities Act during the period referred to above to any distributor, dealer or person receiving a selling concession, fee or other remuneration, you must deliver a notice to substantially the foregoing effect. Terms used above have the meanings assigned to them in Regulation S under the Securities Act."

Upon original issuance, and until such time as the same is no longer required under the applicable requirements of the Securities Act, the notes shall bear the following legend:

> "THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, UNITED STATES PERSONS EXCEPT IN CERTAIN TRANSACTIONS EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THIS LEGEND SHALL CEASE TO APPLY UPON THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL THE NOTES."

Public Offer Selling Restrictions under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), each Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of notes to the public in that Relevant Member State, except that an offer to the public in that Relevant Member State may be made at any time with effect from and including the Relevant Implementation Date under the following exemption under the Prospectus Directive or:

- to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant Manager or Managers nominated by Teva Finance for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of notes shall require Teva Finance or Teva to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of notes to the public" in relation to any notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offering and the notes to be offered so as to enable an investor to decide to purchase or subscribe for the notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

This EEA selling restriction is an addition to any other selling restrictions set out in this offering memorandum.

United Kingdom

Each Manager has represented, warranted and agreed in the Subscription Agreement that:

- it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "FSMA")) received by it in connection with the issue or sale of the notes in circumstances in which Section 21(1) of the FSMA does not apply to Teva Finance or Teva; and

- it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the notes in, from or otherwise involving the United Kingdom.

The Netherlands

Each Manager, severally and not jointly, has agreed that it has not offered or sold, and will not offer or sell, the notes to the public in the Netherlands, other than exclusively to qualified investors (*gekwalificeerde beleggers*) within the meaning of the Financial Supervision Act (*Wet op het financieel toezicht*). For the purposes of this provision, the expression ''offer of notes to the public'' in relation to any notes in the Netherlands means to make a sufficiently specific offer addressed to more than one person as referred to in section 217(1) of Book 6 of the Dutch Civil Code to conclude a contract to purchase or otherwise acquire the notes, or to issue an invitation to make an offer of the notes.

Israel

This offering memorandum does not constitute a prospectus under the Israeli Securities Law, 5728-1968 (the "Israeli Securities Law") and has not been filed with, or approved by, the Israel Securities Authority and is not, and under no circumstances is to be construed as, an advertisement or a public offering of securities in Israel.

In Israel, this offering memorandum may be distributed only to, and may be directed only at, persons who have confirmed in writing that (a) they qualify as one of the types of investors listed in the First Addendum to the Israeli Securities Law, and are aware of the implications of being an investor of this type and agree thereto, and (b) they are acquiring the notes for their own account and not with a view to, or for resale in connection with, any distribution thereof.

General

Each Manager has represented, warranted and agreed that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers notes or possesses or distributes this offering memorandum or any other offering material relating to the notes. Persons into whose hands this offering memorandum comes are required by Teva Finance, Teva and the Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver notes or possess, distribute or publish this offering memorandum or any other offering material relating to the notes, in all cases at their own expense.

No action has been taken that would, or is intended to, permit a public offering of the notes or possession or distribution of this offering memorandum or any other offering or publicity material relating to the notes in any country or jurisdiction where any such action for that purpose is required. Accordingly, each Manager has undertaken that it will not, directly or indirectly, offer or sell any notes or have in its possession, distribute or publish any offering memorandum, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of notes by it will be made on the same terms.

LISTING AND GENERAL INFORMATION

Listing

Application has been made to the Irish Stock Exchange plc for the notes to be admitted to the Official List and to trading on its regulated market. The Irish Stock Exchange plc's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for us in connection with the notes and is not itself seeking admission of the notes to trading on the regulated market of the Irish Stock Exchange plc.

The total expenses of the admission to trading will be paid by us. We estimate that the total expenses relating to the admission to trading on the Irish Stock Exchange plc will be approximately €5,000.

There has been no material adverse change in our prospects since December 31, 2015, which is the date to which our most recent audited financial statements have been made publicly available.

There has been no significant change in our financial or trading position since March 31, 2016, which is the date to which our most recent unaudited financial statements have been made publicly available.

Except as disclosed in note 13 to our audited consolidated financial statements for the year ended December 31, 2015 and note 14 to our unaudited consolidated financial statements for the three months ended March 31, 2016, both of which are included elsewhere in this offering memorandum, we are not, and during the previous 12 months have not been, involved in any governmental, legal or arbitration proceedings relating to claims in amounts which may have or have had a significant effect on our financial position or profitability, nor, so far as we are aware, is any such governmental, litigation or arbitration proceeding involving us pending or threatened. See "Financial Statements of Teva."

Authorization

The creation and issuance of the notes have been authorized by Teva Finance's board of directors by resolutions adopted on July 15, 2016. The giving of the guarantees has been authorized by our board of directors by resolutions adopted on June 30, 2016.

Auditors

The consolidated financial statements of Teva as of December 31, 2015 and 2014, and for each of the three years in the period ended December 31, 2015 and the related financial statement schedule included elsewhere within this offering memorandum, and the effectiveness of Teva's internal control over financial reporting as of December 31, 2015 have been audited by Kesselman & Kesselman, independent registered public accounting firm in Israel, which is registered with the Public Company Accounting Oversight Board and a member of PricewaterhouseCoopers International Limited, as stated in their reports.

The audited special purpose combined financial statements of the global generics business and certain other assets of Allergan as of December 31, 2015 and 2014, and for each of the three years in the period ended December 31, 2015 have been included in this offering memorandum (which contains an explanatory paragraph related to the fact that the financial statements are not intended to be a complete presentation of the financial position or operations of the global generics business and certain other assets of Allergan as described in Note 1 to the financial statements), have been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in their report.

Rating Agencies

Following the announcement of the Actavis Generics acquisition, S&P and Moody's downgraded Teva's ratings to BBB and Baa1, respectively, and Moody's is expected to further downgrade Teva's ratings in connection with the consummation of the Actavis Generics acquisition to Baa2. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization.

Moody's is not established in the EU and has not applied for registration under Regulation (EU) No. 1060/2009 (the "CRA Regulation"). However, in the application for registration by Moody's for the registration of its EU-based entities under the CRA Regulation, it sought authorization to endorse the credit ratings of its non-EU entities through Moody's Investors Service Ltd. or Moody's Deutschland GmbH, which are established in the EU.

S&P is not established in the EU and is not registered in accordance with the CRA Regulation. However, it has confirmed that any ratings issued by it which are endorsed in the EU will be clearly identified as such.

ISINs and Common Codes

The notes have been accepted for clearance through Euroclear and Clearstream. The ISIN of the 2020 notes is XS1439749109, the ISIN of the 2024 notes is XS1439749281 and the ISIN of the 2028 notes is XS1439749364. The common code of the 2020 notes is 143974910, the common code of the 2024 notes is 143974928 and the common code of the 2028 notes is 143974936. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream is 42 Avenue JF Kennedy, L-1855 Luxembourg.

Available Information

For the life of this offering memorandum, hard copies of the following documents will be available for inspection from our registered office, the specified office of the trustee and the specified office of the listing agent:

(a) Teva and Teva Finance's constitutional documents;

(b) Teva's most recently published consolidated audited annual financial statements, including for the years ended December 31, 2015 and 2014, together with the audit reports issued in connection therewith. We currently file with the SEC and make publically available audited consolidated accounts on an annual basis;

(c) our most recently published unaudited interim financial statements, in each case together with any review reports issued in connection therewith. We currently publish unaudited consolidated interim accounts on a quarterly basis;

(d) the audited special purpose combined financial statements of Actavis Generics, including for the years ended December 31, 2015 and 2014, together with the audit reports issued in connection therewith;

(e) the most recently published unaudited special purpose combined financial statements of Actavis Generics, together with any review reports issued in connection therewith;

(f) the senior indenture (including the guarantees); and

(g) any supplemental indentures.

Validity of the Notes

Certain legal matters with respect to New York law with respect to the validity of the notes offered by this offering memorandum will be passed upon for Teva Finance by Willkie Farr & Gallagher LLP, New York, New York. Certain legal matters with respect to Dutch law with respect to the validity of the notes offered by this offering memorandum will be passed upon for Teva Finance by Van Doorne N.V., Netherlands. Certain legal matters with respect to Israeli law with respect to the validity of the notes offered by this offering memorandum will be passed upon for Teva Finance by Tulchinsky Stern Marciano Cohen Levitski & Co., Israel.

TEVA PHARMACEUTICAL INDUSTRIES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2016

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, are 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 our Rest of the World markets. References to "P&G" are to The Procter & Gamble Company, and references to "PGT" are to PGT Healthcare, the joint venture we formed with P&G. References to "R&D" are to Research and Development, to "S&M" are to Selling and Marketing and to "G&A" are to General and Administrative.

TEVA PHARMACEUTICAL INDUSTRIES LIMITED

CONSOLIDATED BALANCE SHEETS

(U.S. dollars in millions)
(Unaudited)

	March 31, 2016	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 5,964	$ 6,946
Accounts receivable	5,188	5,350
Inventories	3,963	3,966
Deferred income taxes	805	735
Other current assets	1,074	1,401
Total current assets	16,994	18,398
Other non-current assets	2,661	2,591
Property, plant and equipment, net	6,632	6,544
Identifiable intangible assets, net	8,566	7,675
Goodwill	20,273	19,025
Total assets	$55,126	$54,233
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term debt	$ 1,581	$ 1,585
Sales reserves and allowances	6,443	6,601
Accounts payable and accruals	3,528	3,594
Other current liabilities	1,353	1,225
Total current liabilities	12,905	13,005
Long-term liabilities:		
Deferred income taxes	1,698	1,748
Other taxes and long-term liabilities	1,313	1,195
Senior notes and loans	8,619	8,358
Total long-term liabilities	11,630	11,301
Commitments and contingencies, see note 13		
Total liabilities	24,535	24,306
Equity:		
Teva shareholders' equity:		
Preferred shares of NIS 0.10 par value per mandatory convertible preferred share; March 31, 2016 and December 31, 2015: authorized 5.0 million shares; issued 3.7 million shares and 3.4 million shares, respectively	3,620	3,291
Ordinary shares of NIS 0.10 par value per share; March 31, 2016 and December 31, 2015: authorized 2,500 million shares; issued 1,022 million shares and 1,016 million shares, respectively	52	52
Additional paid-in capital	18,096	17,757
Retained earnings	15,110	14,851
Accumulated other comprehensive loss	(2,236)	(1,955)
Treasury shares as of March 31, 2016 and December 31, 2015—108 million ordinary shares	(4,207)	(4,227)
	30,435	29,769
Non-controlling interests	156	158
Total equity	30,591	29,927
Total liabilities and equity	$55,126	$54,233

/s/ E. VIGODMAN
E. Vigodman
President and Chief Executive Officer

/s/ E. DESHEH
E. Desheh
Group Executive Vice President, Chief Financial Officer

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

TEVA PHARMACEUTICAL INDUSTRIES LIMITED

CONSOLIDATED STATEMENTS OF INCOME

(U.S. dollars in millions, except share and per share data)
(Unaudited)

	Three months ended March 31,	
	2016	2015
Net revenues	$4,810	$4,982
Cost of sales	2,019	2,146
Gross profit	2,791	2,836
Research and development expenses	389	332
Selling and marketing expenses	839	922
General and administrative expenses	304	307
Impairments, restructuring and others	119	299
Legal settlements and loss contingencies	(25)	227
Operating income	1,165	749
Financial expenses—net	298	192
Income before income taxes	867	557
Income taxes	228	104
Share in losses of associated companies—net	6	9
Net income	633	444
Net loss attributable to non-controlling interests	(3)	(2)
Net income attributable to Teva	636	446
Dividends on preferred shares	66	—
Net income attributable to ordinary shareholders	$ 570	$ 446
Earnings per share attributable to ordinary shareholders:		
Basic	$ 0.62	$ 0.52
Diluted	$ 0.62	$ 0.52
Weighted average number of shares (in millions):		
Basic	913	851
Diluted	920	859

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

TEVA PHARMACEUTICAL INDUSTRIES LIMITED

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(U.S. dollars in millions)
(Unaudited)

	Three months ended March 31,	
	2016	2015
Net income	$ 633	$ 444
Other comprehensive (income) loss, net of tax:		
Currency translation adjustment	(255)	800
Unrealized (gain) loss from derivative financial instruments, net	336	(208)
Unrealized (gain) loss from available-for-sale securities, net	199	(11)
Unrealized gain on defined benefit plans	—	(3)
Total other comprehensive loss	280	578
Total comprehensive income (loss)	353	(134)
Comprehensive loss attributable to the non-controlling interests	(2)	(1)
Comprehensive income (loss) attributable to Teva	$ 355	$(133)

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)
(Unaudited)

	Three months ended March 31,	
	2016	2015
Operating activities:		
Net income	$ 633	$ 444
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization	305	335
Venezuela impairment of net monetary assets	246	—
Net change in operating assets and liabilities	189	557
Deferred income taxes—net and uncertain tax positions	(51)	(190)
Stock-based compensation	24	29
Impairment of long-lived assets	13	67
Research and development in process	10	—
Other items	7	128
Net gain from sale of long-lived assets and investments	—	(16)
Net cash provided by operating activities	1,376	1,354
Investing activities:		
Acquisitions of subsidiaries, net of cash acquired	(2,236)	—
Purchases of property, plant and equipment	(172)	(185)
Purchases of investments and other assets	(29)	(118)
Other investing activities	18	2
Proceeds from sales of long-lived assets and investments	2	82
Net cash used in investing activities	(2,417)	(219)
Financing activities:		
Proceeds from issuance of ordinary shares, net of issuance costs	329	—
Proceeds from issuance of mandatory convertible preferred shares, net of issuance costs	329	—
Dividends paid on ordinary shares	(307)	(290)
Dividends paid on preferred shares	(60)	—
Repayment of long-term loans and other long-term liabilities	(41)	(1,458)
Net change in short-term debt	38	17
Other financing activities	(31)	(48)
Proceeds from exercise of options by employees	13	166
Proceeds from long-term loans and other long-term liabilities	(3)	2,145
Purchases of treasury shares	—	(439)
Net cash provided by financing activities	267	93
Translation adjustment on cash and cash equivalents	(208)	(58)
Net change in cash and cash equivalents	(982)	1,170
Balance of cash and cash equivalents at beginning of period	6,946	2,226
Balance of cash and cash equivalents at end of period	$ 5,964	$ 3,396

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

NOTE 1—Basis of presentation:

The accompanying unaudited consolidated financial statements have been prepared on the same basis as the annual consolidated financial statements. In the opinion of management, the financial statements reflect all adjustments necessary to fairly state the financial position and results of operations of Teva Pharmaceutical Industries Limited ("Teva" or the "Company"). These consolidated financial statements and notes thereto are unaudited and should be read in conjunction with the Company's audited financial statements included in its Annual Report on Form 20-F for the year ended December 31, 2015, as filed with the Securities and Exchange Commission ("SEC"). Amounts at December 31, 2015 were derived from the audited balance sheet at that date, but not all disclosures required by accounting principles generally accepted in the United States are included. The results of operations for the three months ended March 31, 2016 are not necessarily indicative of results that could be expected for the entire fiscal year.

NOTE 2—Recently adopted and issued accounting pronouncements:

In March 2016, the Financial Accounting Standards Board ("FASB") issued guidance on stock compensation. The guidance is intended to simplify several aspects of the accounting for share-based payments, including income tax consequences, classification of awards as either equity or liabilities, and classification in the statement of cash flows. The guidance will be effective for fiscal years beginning after December 15, 2016, including interim periods within that year. Teva is currently evaluating the potential effect of the guidance on its consolidated financial statements.

In February 2016, the FASB issued guidance on leases. The guidance requires entities to record lease assets and lease liabilities on the balance sheet and disclose key information about leasing arrangements. The guidance will become effective for interim and annual periods beginning after December 15, 2018 (early adoption is permitted) and is required to be adopted at the earliest period presented using a modified retrospective approach. Teva is currently evaluating the potential effect of the guidance on its consolidated financial statements.

In January 2016, the FASB issued guidance which updates certain aspects of recognition, measurement, presentation and disclosure of equity investments. The guidance requires entities to recognize changes in fair value in net income rather than in accumulated other comprehensive income. The guidance is effective for interim and annual periods beginning after December 15, 2017 (early adoption is permitted). Teva is currently evaluating the potential effect of the guidance on its consolidated financial statements.

In November 2015, the FASB issued guidance on balance sheet classification of deferred taxes. The guidance requires entities to present all deferred tax assets and liabilities, along with any related valuation allowance, as non-current on the balance sheet. The guidance is effective for interim and annual periods beginning after December 15, 2016 (early adoption is permitted). Teva is currently evaluating the potential effect of the guidance on its consolidated financial statements.

In May 2014, the FASB issued guidance on revenue from contracts with customers that will supersede most current revenue recognition guidance, including industry-specific guidance. The underlying principle is that an entity will recognize revenue upon the transfer of goods or services to customers in an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. In March and April 2016, the FASB issued

additional guidance regarding identifying performance obligations and licensing, and certain principal versus agent considerations. The guidance is effective for the interim and annual periods beginning on or after December 15, 2017 (early adoption is permitted for the interim and annual periods beginning on or after December 15, 2016). The guidance permits the use of either a retrospective or cumulative effect transition method. Teva is currently evaluating the impact of the guidance on its consolidated financial statements.

NOTE 3—Certain transactions:

Japanese business venture:

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

Teva assigned 49% in the business venture to Takeda in consideration of the contribution of its off-patented products business in Japan. The business venture will be consolidated in Teva's financial statements commencing April 1, 2016, and is expected to increase Teva's sales in the Japanese market. Takeda's interest in the business venture will be accounted for under "net income (loss) attributable to non-controlling interests."

Rimsa acquisition:

On March 3, 2016, Teva completed the acquisition of Representaciones e Investigaciones Médicas, S.A. de C.V. ("Rimsa"), a leading pharmaceutical manufacturing and distribution company in Mexico, along with a portfolio of products and companies, intellectual property, assets and pharmaceutical patents in Latin America and Europe, for an amount of $2.3 billion, in a cash free, debt free set of transactions. Teva financed the transaction using cash on hand.

The table below summarizes the preliminary estimates of the fair value of the assets acquired and liabilities assumed and resulting goodwill. These preliminary estimates are subject to revision, which may result in adjustments to the preliminary values presented below, when the appraisals are finalized.

	U.S.$ in millions
Current assets	$ 113
Deferred taxes and other assets	590
Identifiable intangible assets:	
Product rights	781
Research and development in-process	177
Trade names / customer relationships	49
Goodwill	1,074
Total assets acquired	2,784
Current liabilities	56
Other liabilities	401
Total liabilities assumed	457
Net assets acquired	$2,327

Pro forma information giving effect to the acquisition has not been provided as the results would not be material.

Actavis Generics acquisition:

On July 27, 2015, Teva announced that it entered into a definitive agreement with Allergan plc to acquire Allergan's worldwide generic pharmaceutical business ("Actavis Generics"). Teva will pay total consideration of $33.75 billion in cash and approximately 100 million Teva shares, to be issued to Allergan at the closing of the transaction. At the time of the announcement, total consideration was estimated to be $40.5 billion. However, the final consideration will be based on the closing price of Teva's ordinary shares at the date of acquisition. Teva expects that closing will occur in June 2016, based upon its current estimate of the timing to obtain clearance from the U.S. Federal Trade Commission. Teva previously received regulatory approval from the European Commission for the acquisition, subject to certain divestitures.

Teva entered into a $22 billion bridge loan credit agreement and a separate $5 billion term loan facility with various banks, to finance a portion of the Actavis Generics acquisition. Any loan under the bridge facility would bear an interest rate of LIBOR plus a margin ranging from 0.30% to 1.65%, so long as Teva maintains an investment-grade credit rating. The term facility contemplates two tranches of $2.5 billion each, with the first tranche maturing in full after three years and bearing an interest rate of LIBOR plus a margin ranging from 1.000% to 1.375% based on Teva's credit rating from time to time and the second tranche maturing in five years with payment installments each year and bearing an interest rate of LIBOR plus a margin ranging from 1.125% to 1.5%, based on Teva's credit rating from time to time. To date, Teva has not drawn any funds under the bridge loan or the term facility. Teva expects to offer various tranches of debt securities, either in lieu of drawing under the bridge loan facility or to repay amounts borrowed thereunder.

NOTE 4—Inventories:

Inventories consisted of the following:

	March 31, 2016	December 31, 2015
	U.S. $ in millions	
Finished products	$2,010	$2,050
Raw and packaging materials	1,227	1,195
Products in process	525	535
Materials in transit and payments on account	201	186
	$3,963	$3,966

NOTE 5—Earnings per share:

Basic earnings per share is computed by dividing net income attributable to Teva's ordinary shareholders by the weighted average number of ordinary shares outstanding (including fully vested restricted share units ("RSUs")) during the period, net of treasury shares.

In computing diluted earnings per share for the three months ended March 31, 2016 and 2015, basic earnings per share was adjusted to take into account the potential dilution that could occur upon the exercise of options and non-vested RSUs granted under employee stock compensation plans, and convertible senior debentures, using the treasury stock method.

Additionally, for the three months ended March 31, 2016, no account was taken of the potential dilution of the mandatory convertible preferred shares amounting to 59 million weighted average shares, since they had an anti-dilutive effect on earnings per share.

NOTE 6—Revenue recognition:

The Company recognizes revenues from product sales, including sales to distributors when persuasive evidence of an arrangement exists, delivery has occurred, the selling price is fixed or determinable and collectability is reasonably assured. This generally occurs when products are shipped and title and risk and rewards for the products are transferred to the customer.

Revenues from product sales are recorded net of provisions for estimated chargebacks, rebates, returns, prompt pay discounts and other deductions, such as shelf stock adjustments, which can be reasonably estimated. When sales provisions are not considered reasonably estimable by Teva, the revenue is deferred to a future period when more information is available to evaluate the impact.

Provisions for chargebacks, rebates including Medicaid and other governmental program discounts and other promotional items, such as shelf stock adjustments, are included in sales reserves and allowances ("SR&A") 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, 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.

Sales reserves and allowances consisted of the following:

	March 31, 2016	December 31, 2015
	U.S. $ in millions	
Rebates	$3,194	$3,382
Medicaid	1,402	1,319
Chargebacks	1,023	1,091
Returns	608	598
Other	216	211
	$6,443	$6,601

NOTE 7—Equity:

Accumulated other comprehensive loss

The following tables present the changes in the components of accumulated other comprehensive loss for the three months ended March 31, 2016 and 2015:

		Three months ended March 31, 2016				
Components of accumulated other comprehensive loss	Description of the reclassification to the statement of income	Other comprehensive (income) loss before reclassifications	Amounts reclassified to the statement of income	Net other comprehensive (income) loss before tax	Corresponding income tax	Net other comprehensive (income) loss after tax
				U.S.$ in millions		
Currency translation adjustment	Currency translation adjustment, reclassified to share in losses of associated companies-net	$(253)	$ (3)	$(256)	$ 1	$(255)
Unrealized (gain) loss from available-for-sale securities		201	—	201	(2)	199
Unrealized (gain) loss from derivative financial instruments		336	—	336	—	336
Unrealized (gain) loss on defined benefit plans		—	*	*	*	*
Total accumulated other comprehensive (income) loss		$ 284	$ (3)	$ 281	$ (1)	$ 280

Components of accumulated other comprehensive loss	Description of the reclassification to the statement of income	Three months ended March 31, 2015: Other comprehensive (income) loss before reclassifications	Amounts reclassified to the statement of income	Net other comprehensive (income) loss before tax	Corresponding income tax	Net other comprehensive (income) loss after tax
		U.S.$ in millions				
Currency translation adjustment		$ 800	$—	$800	$—	$ 800
Unrealized (gain) loss from available-for-sale securities		(10)	—	(10)	(1)	(11)
Unrealized (gain) loss from derivative financial instruments	Loss on derivative financial instruments**	(192)	(16)	(208)	—	(208)
Unrealized (gain) loss on defined benefit plans	Loss on defined benefit plans, reclassified to various statement of income items***	—	(1)	(1)	(2)	(3)
Total accumulated other comprehensive (income) loss		$ 598	$ (17)	$581	$ (3)	$ 578

* Represents an amount less than $0.5 million.
** $26 million loss reclassified to financial expenses—net and $10 million gain reclassified to net revenues.
*** Reclassified to cost of sales, research and development expenses, selling and marketing expenses and general and administrative expenses.

Share repurchase program

In October 2014, Teva's board of directors authorized the Company to increase its share repurchase program to up to $3 billion of its ordinary shares and American Depositary Shares. As of March 31, 2016, $2.1 billion remained available for repurchases. This repurchase authorization has no time limit. Repurchases may be commenced or suspended at any time.

Teva did not repurchase any of its shares during the first quarter of 2016, and as of March 31, 2016 and December 31, 2015, Teva's treasury share balance amounted to 108 million shares.

The following table summarizes the shares repurchased and the amount Teva spent on these repurchases:

	Three months ended March 31, 2016	Three months ended March 31, 2015
	in millions	
Amount spent on shares repurchased	$—	$439
Number of shares repurchased	—	7.7

NOTE 8—Debt obligations

Short-term debt is mainly comprised of current maturities of long-term liabilities and convertible debentures.

Long-term debt includes the following:

	Weighted average interest rate as of March 31, 2016	Maturity	March 31, 2016	December 31, 2015
	%		(U.S. $ in millions)	
Senior notes EUR 1,300 million	1.25%	2023	$1,462	$1,409
Senior notes EUR 1,000 million	2.88%	2019	1,132	1,092
Senior notes EUR 700 million	1.88%	2027	790	762
Senior notes USD 950 million	2.40%	2016	950	950
Senior notes USD 844 million	2.95%	2022	843	843
Senior notes USD 789 million	6.15%	2036	780	780
Senior notes USD 700 million	2.25%	2020	700	700
Senior notes USD 613 million	3.65%	2021	612	611
Senior notes USD 588 million	3.65%	2021	586	586
Senior notes CHF 450 million	1.50%	2018	466	455
Fair value hedge accounting adjustments			44	(10)
Total senior notes			8,365	8,178
Term loan JPY 65 billion	0.99%	2017	583	544
Term loan JPY 35 billion	1.42%	2019	311	290
Term loan JPY 35 billion	LIBOR +0.3%	2018	311	290
Other loans JPY 5 billion	1.67%	2016	—	39
Total loans			1,205	1,163
Debentures USD 15 million	7.20%	2018	15	15
Other	7.48%	2026	8	5
Total debentures and others			23	20
Less current maturities			(950)	(989)
Derivative instruments			—	11
Less debt issuance cost*			(24)	(25)
Total long-term debt			$8,619	$8,358

* In accordance with FASB guidance, effective January 1, 2016, some debt issuance costs are presented net of long-term debt. Prior periods were adjusted to conform with the guidance.

NOTE 9—Fair value measurement:

Teva's financial instruments consist mainly of cash and cash equivalents, investment in securities, current and non-current receivables, short-term credit, accounts payable and accruals, long-term loans and other long-term senior notes and loans, convertible senior debentures and derivatives.

The fair value of the financial instruments included in working capital and non-current receivables approximates their carrying value. The fair value of long-term bank loans mostly approximates their carrying value, since they bear interest at rates close to the prevailing market rates.

Financial instruments measured at fair value

The Company measures fair value and discloses fair value measurements for financial assets and liabilities. Fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The accounting standard establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable inputs that are based on inputs not quoted on active markets, but corroborated by market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible and considers counterparty credit risk in its assessment of fair value.

Financial items carried at fair value as of March 31, 2016 and December 31, 2015 are classified in the tables below in one of the three categories described above:

	March 31, 2016			
	Level 1	Level 2	Level 3	Total
	U.S. $ in millions			
Cash and cash equivalents:				
Money markets	$ 134	$—	$ —	$ 134
Cash deposits and other	5,830	—	—	5,830
Investment in securities:				
Equity securities	1,150	—	—	1,150
Structured investment vehicles	—	95	—	95
Other	12	—	1	13
Derivatives:				
Asset derivatives—options and forward contracts	—	31	—	31
Asset derivatives—treasury locks, interest rate, cross currency and forward starting interest rate swaps	—	107	—	107
Liabilities derivatives—options and forward contracts	—	(16)	—	(16)
Liabilities derivatives—treasury locks, interest rate and forward starting interest rate swaps	—	(33)	—	(33)
Contingent consideration*	—	—	(824)	(824)
Total	$7,126	$184	$(823)	$6,487

	December 31, 2015			
	Level 1	Level 2	Level 3	Total
	U.S. $ in millions			
Cash and cash equivalents:				
Money markets	$ 162	$—	$ —	$ 162
Cash deposits and other	6,784	—	—	6,784
Investment in securities:				
Equity securities	1,352	—	—	1,352
Structured investment vehicles	—	94	—	94
Other	11	—	1	12
Derivatives:				
Asset derivatives—options and forward contracts	—	25	—	25
Asset derivatives—interest rate, cross-currency and forward starting interest rate swaps	—	105	—	105
Liability derivatives—options and forward contracts	—	(11)	—	(11)
Liability derivatives—treasury locks, interest rate and forward starting interest rate swaps	—	(26)	—	(26)
Contingent consideration*	—	—	(812)	(812)
Total	$8,309	$187	$(811)	$7,685

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

Teva determined the fair value of the liability or asset for the contingent consideration based on a probability-weighted discounted cash flow analysis. This fair value measurement is based on significant unobservable inputs in the market and thus represents a Level 3 measurement within the fair value hierarchy. The fair value of the contingent consideration is based on several factors, such as: the cash flows projected from the success of unapproved product candidates; the probability of success 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 risk adjusted discount rate for fair value measurement.

The contingent consideration is evaluated quarterly or more frequently if circumstances dictate. Changes in the fair value of contingent consideration are recorded in earnings.

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:

	Three months ended March 31, 2016	Year ended December 31, 2015
	U.S. $ in millions	
Fair value at the beginning of the period	$(811)	$(616)
Auction-rate securities realized	—	(13)
Additional contingent consideration resulting from:		
Eagle license	—	(128)
Gecko acquisition	—	(5)
Adjustments to provisions for contingent consideration:		
Labrys acquisition	—	(311)
Eagle license	(37)	(63)
MicroDose acquisition	(3)	(10)
Cephalon acquisition	(11)	(5)
NuPathe acquisition	—	(10)
Settlement of contingent consideration:		
Labrys acquisition	25	350
Eagle acquisition	15	—
Adjustments to contingent considerations due to changes in purchase price allocations and others	(1)	—
Fair value at the end of the period	$(823)	$(811)

Financial instruments not measured at fair value

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

	Estimated fair value*	
	March 31, 2016	December 31, 2015
	U.S. $ in millions	
Senior notes included under long-term liabilities	$7,659	$7,305
Senior notes and convertible senior debentures included under short-term liabilities	1,625	1,778
Total	$9,284	$9,083

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

Investment in securities

The fair value, amortized cost and gross unrealized holding gains and losses of such securities are presented in the below table:

	Fair value	Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses
		U.S. $ in millions		
March 31, 2016	$1,392	$1,276	$151	$35
December 31, 2015	$1,620	$1,303	$338	$21

Devaluation in Venezuela

Venezuela has experienced hyperinflation in recent years. The government of Venezuela currently has two official exchange rates: the DIPRO rate of 10 bolivars per U.S. dollar (which replaced the CENCOEX rate of 6.3 in March 2016) and the DICOM rate, which fluctuates and is currently approximately 200 bolivars per U.S. dollar (which replaced the SIMADI rate in March 2016; also in March 2016, the SICAD rate of 13.5 was eliminated). In addition, remittance of cash outside of Venezuela is limited.

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

As a result of the new regulation, Teva impaired its monetary balance sheet items as of March 31, 2016 using the new DIPRO rate (instead of the CENCOEX rate it previously used), with the net difference of $246 million recorded in “financial expenses—net.”

In the event of an additional devaluation or if a less favorable exchange rate is used, Teva would be exposed to further potential impairments of net monetary assets in Venezuela, which, as of March 31, 2016, amounted to approximately $346 million.

NOTE 10—Derivative instruments and hedging activities:

The following table summarizes the notional amounts for hedged items, when transactions are designated as hedge accounting:

	March 31, 2016	December 31, 2015
	U.S. $ in millions	
Forward starting interest rate swap—cash flow hedge	$3,750	$3,500
Treasury lock—cash flow hedge	1,500	500
Interest rate swap—fair value hedge	1,294	1,294
Cross-currency swap—cash flow hedge	588	588

The following table summarizes the classification and fair values of derivative instruments:

	Fair value			
	Designated as hedging instruments		Not designated as hedging instruments	
Reported under	March 31, 2016	December 31, 2015	March 31, 2016	December 31, 2015
	U.S. $ in millions			
Asset derivatives:				
Other current assets:				
Forward starting interest rate swap- cash flow hedge	$ 5	$ 26	$—	$—
Treasury locks—cash flow hedge	1	—	—	—
Option and forward contracts	—	—	31	25
Other non-current assets:				
Cross-currency swaps—cash flow hedge	57	78	—	—
Interest rate swaps—fair value hedge	44	1	—	—
Liability derivatives:				
Other current liabilities:				
Forward starting interest rate swaps-cash flow hedge	(11)	(10)	—	—
Treasury locks—cash flow hedge	(22)	(5)	—	—
Option and forward contracts	—	—	(16)	(11)
Senior notes and loans:				
Interest rate swaps—fair value hedge	—	(11)	—	—

Derivatives on foreign exchange contracts mainly 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 $14 million and $26 million were recognized under financial expenses-net for the three months ended March 31, 2016 and 2015, respectively. Such gains offset the revaluation of the balance sheet items also recorded under financial expenses-net.

With respect to the interest rate and cross-currency swap agreements, gains of $5 million and $9 million were recognized under financial expenses-net for the three months ended March 31, 2016 and 2015, respectively. Such gains mainly reflect the differences between the fixed interest rate and the floating interest rate.

In the second half of 2015 and the first quarter of 2016, Teva entered into forward starting interest rate swap and treasury lock agreements designated as cash flow hedges of future debt issuances, anticipated in connection with the Actavis Generics acquisition, with respect to $3.75 billion and $1.5 billion notional amounts, respectively. These agreements hedge the variability in anticipated future interest payments due to possible changes in the benchmark interest rate between the date the agreements were entered into and the expected date of future debt issuances in 2016, at which time these agreements are intended to be settled. Upon completion of a debt issuance and settlement of the swap and treasury lock agreements, the change in fair value of these instruments recorded as part of other comprehensive income will be amortized under financial expenses-net over the life of the debt.

Certain of the forward starting interest rate swaps and treasury lock agreements matured during the first quarter of 2016, generating a loss of $275 million due to a decline in interest rates, and will be settled by June 30, 2016. This loss is recorded in other comprehensive income. In the first quarter of 2016, Teva entered into similar transactions designated as cash flow hedge to effectively continue the original cash flow hedge transactions.

NOTE 11—Other expenses:

a. Impairments, restructuring and others consisted of the following:

	Three months ended March 31,	
	2016	2015
Contingent consideration	$ 51	$244
Acquisition expenses	24	1
Restructuring expenses	19	3
Impairments of long-lived assets	13	65
Integration expenses	13	—
Other	(1)	(14)
Total	$119	$299

b. Possible impairment of Teva's in-process R&D:

As of March 31, 2016, the carrying value of Teva's in-process R&D asset Revascor® (mesenchymal precursor cells), which was in-licensed from Mesoblast Ltd., was $258 million. This drug candidate is in a phase 3 trial for congestive heart failure. Under Teva's agreement with Mesoblast, in the second quarter of 2016 Teva may have the right to terminate its participation in the development of Revascor®. If Teva chooses not to continue with the trial, a full impairment of the in-process R&D asset would be recorded in the second quarter of 2016. Such an event would likely lead Teva to reassess the carrying value of its equity interest in Mesoblast, which is currently $75 million, and the related balance in other comprehensive income related to currency translation of $72 million.

NOTE 12—Legal settlements and loss contingencies:

Legal settlements and loss contingencies for the three months ended March 31, 2016 amounted to income of $25 million, compared to expenses of $227 million for the three months ended March 31, 2015. The expenses in 2015 were mainly related to $282 million in additional reserves related to the settlement of the modafinil antitrust litigation, partially offset by insurance proceeds relating to the settlement of the pantoprazole patent litigation.

NOTE 13—Contingencies:

General

From time to time, Teva and/or its subsidiaries are subject to claims for damages and/or equitable relief arising in the ordinary course of business. In addition, as described below, in large part as a result of the nature of its business, Teva is frequently subject to litigation. Teva believes that it has meritorious defenses to all actions brought against it and vigorously pursues the defense or settlement of each such action. Except as described below, Teva does not currently have a reasonable basis to estimate the loss, or range of loss, that is reasonably possible with respect to matters disclosed in this note.

Teva records a provision in its financial statements to the extent that it concludes that a contingent liability is probable and the amount thereof is estimable. Based upon the status of these cases, management's assessments of the likelihood of damages, and the advice of counsel, no provisions have been made regarding the matters disclosed in this note, except as noted below. Litigation outcomes and contingencies are unpredictable, and excessive verdicts can occur. Accordingly, management's assessments involve complex judgments about future events and often rely heavily on estimates and assumptions.

Based on currently available information, Teva believes that none of the proceedings brought against it described below is likely to have a material adverse effect on its financial condition. However, if one or more of such proceedings were to result in final judgments against Teva, such judgments could be material to its results of operations and cash flows in a given period. In addition, Teva incurs significant legal fees and related expenses in the course of defending its positions even if the facts and circumstances of a particular litigation do not give rise to a provision in the financial statements.

In connection with third-party agreements, Teva may under certain circumstances be required to indemnify, and may be indemnified by, in unspecified amounts, the parties to such agreements against third-party claims. Teva's agreements with third parties may require Teva to indemnify them, or require them to indemnify Teva, for the costs and damages incurred in connection with product liability claims, in specified or unspecified amounts.

Except as otherwise noted, all of the litigation matters disclosed below involve claims arising in the United States. All third-party sales figures given below are based on IMS data.

Intellectual Property Litigation

From time to time, Teva seeks to develop generic versions of patent-protected pharmaceuticals for sale prior to patent expiration in various markets. In the United States, to obtain approval for most generics prior to the expiration of the originator's patents, Teva must challenge the patents under the procedures set forth in the Hatch-Waxman Act of 1984, as amended. To the extent that Teva seeks to utilize such patent challenge procedures, Teva is and expects to be involved in patent litigation regarding the validity, enforceability or infringement of the originator's patents. Teva may also be involved in patent litigation involving the extent to which its product or manufacturing process techniques may infringe other originator or third-party patents.

Additionally, depending upon a complex analysis of a variety of legal and commercial factors, Teva may, in certain circumstances, elect to market a generic version even though litigation is still pending. This could be before any court decision is rendered or while an appeal of a lower court decision is pending. To the extent Teva elects to proceed in this manner, it could face substantial liability for patent infringement if the final court decision is adverse to Teva.

The general rule for damages in patent infringement cases in the United States is that the patentee should be compensated by no less than a reasonable royalty, and it may also be able in certain circumstances to be compensated for its lost profits. The amount of a reasonable royalty award would be calculated based on the sales of Teva's generic product. The amount of lost profits would be based on the lost sales of the branded product. The launch of an authorized generic and other generic competition may be relevant to the damages calculation. In addition, the patentee may seek consequential damages as well as enhanced damages of up to three times the profits lost by the patent holder for willful infringement, although courts have typically awarded much lower multiples.

Teva is also involved in litigation regarding patents in other countries where it does business, particularly in Europe, where Teva has in recent years increased the number of launches of its generic versions of branded pharmaceuticals prior to the expiration of the innovator's patents. The laws concerning generic pharmaceuticals and patents differ from country to country. Damages for patent infringement in Europe may include lost profits or a reasonable royalty, but enhanced damages for willful infringement are generally not available.

On April 28, 2015, Teva launched its 2 mg, 5 mg, 10 mg, 15 mg, 20 mg, and 30 mg aripiprazole tablets, which are the AB-rated versions of Otsuka's Abilify®, which had annual sales according to IMS of approximately $7.8 billion for the twelve months ending December 2014. Otsuka has sued Teva in New Jersey federal court for infringement of patents that expire in March 2023 and March 2027. On April 16, 2015, the court denied Otsuka's motion for a temporary restraining order based on one of the patents in suit. On January 20, 2016, the court issued an order granting summary judgment on the grounds that Teva's generic product does not infringe Otsuka's patent directed to using aripriprazole in combination with certain anti-depressants. Otsuka plans to seek interlocutory appeal of this decision. The court has not yet issued decisions on the other patents in suit. No trial date has been scheduled. Were Otsuka ultimately to be successful in its allegation of patent infringement, Teva could be required to pay damages relating to past sales of its aripiprazole products and enjoined from future sales until patent expiry. The amount of damages, if any, would be determined through a separate trial.

Product Liability Litigation

Teva's business inherently exposes it to potential product liability claims, and in recent years the number of product liability claims asserted against Teva has increased. Teva maintains a program of insurance, which may include commercial insurance, self-insurance (including direct risk retention), or a combination of both approaches, in amounts and on terms that it believes are reasonable and prudent in light of its business and related risks. However, Teva sells, and will continue to sell, pharmaceuticals that are not covered by insurance; in addition, it may be subject to claims for which insurance coverage is denied as well as claims that exceed its policy limits. Product liability coverage for pharmaceutical companies is becoming more expensive and increasingly difficult to obtain. As a result, Teva may not be able to obtain the type and amount of commercial insurance it desires, or any commercial insurance on reasonable terms, in all of its markets.

Teva and/or its subsidiaries have been named as defendants in approximately 4,000 product liability lawsuits brought against them and other manufacturers by approximately 4,400 plaintiffs claiming injuries (including allegations of neurological disorders, such as tardive dyskinesia) from the long- term 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. The California litigation includes about half of the total plaintiffs. In the New Jersey proceeding, the trial court granted the defendants' motion to dismiss, on federal preemption grounds, all claims other than those based on an alleged failure to timely update the label. The appellate court affirmed this dismissal. In addition, on April 11, 2016, the New Jersey Supreme Court heard oral argument on Teva's further appeal of the decision with respect to the update claims. All of the cases in the New Jersey proceeding with respect to the generic defendants have been stayed pending resolution of the appeal.

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.

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 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 entered into between Cephalon, Inc., now a Teva subsidiary ("Cephalon"), and various generic pharmaceutical companies in late 2005 and early 2006 to resolve patent litigation involving certain finished modafinil products (marketed as Provigil®) were unlawful because they had the effect of excluding generic competition. The case also alleges that Cephalon improperly asserted its Provigil® patent against the generic pharmaceutical companies. The first lawsuit was brought by King Drug Company of Florence, Inc. on behalf of itself and as a proposed class action on behalf of any other person or entity that purchased Provigil® directly from Cephalon (the "Direct Purchaser Class"). Similar allegations have been made in a number of additional complaints, including those filed on behalf of a proposed class of end payors of Provigil (the "End Payor Class"), by certain individual end payors, by certain retail chain pharmacies and by Apotex, Inc. (collectively, these cases are referred to as the "Philadelphia Modafinil Action"). Separately, Apotex challenged Cephalon's Provigil® patent, and in October 2011, the Court found the patent to be invalid and unenforceable based on inequitable conduct. This decision was affirmed on appeal in April 2013. Teva has either settled or reached agreements in principle to settle with all of the plaintiffs in the Philadelphia Modafinil Action.

In February 2008, following an investigation, the FTC sued Cephalon only, 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 (the "FTC Modafinil Action").

In addition to the Philadelphia Modafinil Action and the FTC Modafinil Action, the City of Providence, Rhode Island and the State of Louisiana have also filed lawsuits against Cephalon and other Teva subsidiaries. Cephalon and other Teva subsidiaries have also received notices of potential claims related to the Provigil® settlement agreements by certain other claimants. 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.

On May 28, 2015, Cephalon entered into a consent decree with the FTC under which the FTC dismissed its claims against Cephalon in the FTC Modafinil Action in exchange for payment of $1.2 billion (less set-offs for prior settlements) by Cephalon and Teva into a settlement fund. The net amount paid into the settlement fund may be used to settle certain other related cases, including the claims still pending in the litigation described above, as well as other government investigations. Under the consent decree, Teva also agreed to certain injunctive relief with respect to the types of settlement agreements Teva may enter into to resolve patent litigation in the United States for a period of ten years. If, at the end of the ten years, the entire settlement fund has not been fully disbursed, any amount remaining will be paid to the Treasurer of the United States. On July 16, 2015, Teva made a payment into the settlement fund for the difference of $1.2 billion less the amount of the agreed-upon settlements reached as of that date. Management recorded an additional charge of $398 million in the second quarter of 2015 as a result of the settlement with the FTC.

In April 2011, the European Commission opened a formal investigation against both Cephalon and Teva to assess whether the 2005 settlement agreement between the parties might have had the object or effect of hindering the entry of generic modafinil. The opening of proceedings indicates that the Commission will investigate the case as a matter of priority, but does not mean that there has been a definitive finding of violation of law.

Barr Laboratories, Inc., a subsidiary of Teva ("Barr"), is a defendant in actions in California, Florida and Kansas alleging that a January 1997 patent litigation settlement agreement between Barr and Bayer Corporation was anticompetitive and violated state antitrust and consumer protection laws. In the California case, the trial court granted defendants' summary judgment motions, and the California Court of Appeal affirmed in October 2011. While an appeal was pending before the California Supreme Court, the trial court approved a $74 million class settlement with Bayer. On May 7, 2015, the California Supreme Court reversed and remanded the case back to the trial court for a rule of reason inquiry as to the remaining defendants, including Barr. A trial has been scheduled for October 2016. Based on the plaintiffs' expert testimony in a prior federal multidistrict litigation, estimated sales of ciprofloxacin in California were approximately $500 million during the alleged damages period.

Barr remains a party to both the California and Florida actions. In the Kansas action, the court granted preliminary approval of the settlement Bayer entered into with plaintiffs on June 5, 2015. On July 22, 2015, Barr and the remaining co-defendants also agreed to settle with the plaintiffs. The settlement has been submitted to the court for approval, following which the case will be dismissed.

In December 2011, three groups of plaintiffs sued Wyeth and Teva for alleged violations of the antitrust laws in connection with their settlement of patent litigation involving extended release venlafaxine (generic Effexor® XR) entered into in November 2005. The cases were filed by a purported class of direct purchasers, by a purported class of indirect purchasers and by certain chain pharmacies. The plaintiffs claim that the settlement agreement between Wyeth and Teva unlawfully delayed generic entry. On October 7, 2014, the court granted Teva's motion to dismiss in the direct purchaser cases, after which the parties agreed that the court's reasoning applied equally to the indirect purchaser cases. Plaintiffs filed notices of appeal, and the Third Circuit has

consolidated the appeal with a separate antitrust case in which Teva is not a party, *In re Lipitor Antitrust Litigation*, solely for purposes of disposition by the same appellate panel. Annual sales of Effexor® XR were approximately $2.6 billion at the time of settlement and at the time generic versions were launched in July 2010.

In February 2012, two purported classes of direct-purchaser plaintiffs sued GlaxoSmithKline ("GSK") and Teva for alleged violations of the antitrust laws in connection with their settlement of patent litigation involving lamotrigine (generic Lamictal®) entered into in February 2005. In August 2012, a purported class of indirect purchaser plaintiffs filed a nearly identical complaint against GSK and Teva. The plaintiffs claim that the settlement agreement unlawfully delayed generic entry and seek unspecified damages. In December 2012, the District Court dismissed the cases. On January 24, 2014, the District Court denied the direct purchaser plaintiffs' motion for reconsideration and affirmed its original dismissal of the cases. On June 26, 2015, the Third Circuit reversed and remanded for further proceedings. The defendants' petitions for review by the full court were denied on September 23, 2015. On February 19, 2016, Teva and GSK filed a petition for a writ of certiorari in the United States Supreme Court. Litigation has resumed in the district court in both the direct purchaser and indirect purchaser actions. Teva and GSK filed a motion for judgment on the pleadings in the indirect purchaser action on December 28, 2015, which the District Court granted in part and denied in part on March 22, 2016. 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.

On June 18, 2014, two groups of end payors sued AstraZeneca and Teva, as well as Ranbaxy and Dr. Reddy's, in the Philadelphia Court of Common Pleas for violating the antitrust laws by entering into settlement agreements to resolve the esomeprazole (generic Nexium®) patent litigation (the "Philadelphia Esomeprazole Actions"). These end payors had opted out of a class action that was filed in the Massachusetts federal court in September 2012 and resulted in a jury verdict in December 2014 in favor of AstraZeneca and Ranbaxy (the "Massachusetts Action"). Prior to the jury verdict, Teva settled with all plaintiffs for $24 million. The allegations in the Philadelphia Esomeprazole Actions are nearly identical to those in the Massachusetts Action. The Philadelphia Esomeprazole Actions are stayed pending resolution of the Massachusetts Action, which is currently on appeal to the First Circuit with respect to the claims against the non-settling defendants AstraZeneca and Ranbaxy.

In April 2013, purported classes of direct purchasers of, and end payors for, Niaspan® (extended release niacin) sued Teva and Abbott for violating the antitrust laws by entering into a settlement agreement in April 2005 to resolve patent litigation over the product. A multidistrict litigation has been established in the United States District Court for the Eastern District of Pennsylvania. Teva and Abbott's motion to dismiss was denied on September 8, 2014. In March, April and December 2015 and in January 2016, several individual direct purchaser opt-out plaintiffs filed complaints with allegations nearly identical to those of the direct purchaser class. Annual sales of Niaspan® were approximately $416 million at the time of the settlement and approximately $1.1 billion at the time generic competition commenced in September 2013.

Since July 2013, numerous lawsuits have been filed in several federal courts by purported classes of end payors for, and direct purchasers of, Solodyn® ER (minocycline hydrochloride) against Medicis, the innovator, and several generic manufacturers, including Teva. The lawsuits allege, among other things, that the settlement agreements between Medicis and the generic manufacturers violated the antitrust laws. Teva entered into its agreement with Medicis in March 2009. A multidistrict litigation has been established in the United States District Court for the District of Massachusetts. On September 12, 2014, plaintiffs filed an amended complaint that did not name Teva as a defendant. Annual sales of Solodyn® ER were approximately $380 million at the time Teva settled, and approximately $765 million at the time generic competition entered the market on a permanent basis in November 2011.

Since November 2013, numerous lawsuits have been filed in several federal courts by purported classes of end payors for, and direct purchasers of, Aggrenox® (dipyridamole/aspirin tablets) against Boehringer Ingelheim ("BI"), the innovator, and several Teva subsidiaries. The lawsuits allege, among other things, that the settlement agreement between BI and Barr entered into in August 2008 violated the antitrust laws. A multidistrict litigation has been established in the United States District Court for the District of Connecticut. Teva and BI's motion to dismiss was denied on March 23, 2015. Defendants' motion for certification for an immediate appeal of that decision was granted on July 21, 2015, but the Second Circuit denied hearing the appeal. Annual sales of Aggrenox® were approximately $340 million at the time of the settlement, and were approximately $455 million at the time generic competition began in July 2015. Teva launched a generic version of Aggrenox® in July 2015.

Since January 2014, numerous lawsuits have been filed in the United States District Court for the Southern District of New York by purported classes of end payors for and direct purchasers of ACTOS® and ACTO*plus* Met® (pioglitazone and pioglitazone plus metformin) against Takeda, the innovator, and several generic manufacturers, including Teva. The lawsuits allege, among other things, that the settlement agreements between Takeda and the generic manufacturers violated the antitrust laws. Teva entered into its agreement with Takeda in December 2010. Defendants' motions to dismiss with respect to the end payor lawsuits were granted on September 23, 2015. On October 22, 2015, the end payors filed a notice of appeal of this ruling, and on March 22, 2016, a stipulation was filed dismissing Teva and the other generic defendants from the appeal. The lawsuits brought by the direct purchasers were stayed pending a ruling on the motions to dismiss the end payor lawsuits. Following the ruling on the motions to dismiss in the end payor lawsuits, the direct purchaser plaintiffs amended their complaint. Defendants have moved to dismiss that complaint. At the time of the settlement, annual sales of ACTOS® were approximately $3.7 billion and annual sales of ACTO*plus* Met® were approximately $500 million. At the time generic competition commenced in August 2012, annual sales of ACTOS® were approximately $2.8 billion and annual sales of ACTO*plus* Met® were approximately $430 million.

On September 8, 2014, the FTC sued AbbVie Inc. and certain of its affiliates ("AbbVie") and Teva in the United States District Court for the Eastern District of Pennsylvania alleging that they violated the antitrust laws when they entered into a settlement agreement to resolve the AndroGel® patent litigation and a supply agreement under which AbbVie would supply authorized generic product for TriCor® to Teva. The FTC alleges that Teva agreed to delay the entry of its generic testosterone gel product in exchange for entering into the TriCor supply agreement. On May 6, 2015, the court granted Teva's motion to dismiss the FTC's claim as to Teva. The FTC's motions for reconsideration and for entry of partial final judgment to permit an immediate appeal were denied.

Since May 29, 2015, two lawsuits have been filed in the United States District Court for the Southern District of New York by a purported class of direct purchasers of, and a purported class of end payors for, Namenda IR® (memantine hydrochloride) against Forest Laboratories, LLC and Actavis PLC, the innovator, and several generic manufacturers, including Teva. The direct purchasers withdrew their complaint and filed an amended complaint that did not name Teva as a defendant. Defendants have moved to dismiss the claims made by the end payors. The lawsuits allege, among other things, that the settlement agreements between Forest and the generic manufacturers violated the antitrust laws. Teva entered into its agreement with Forest in November 2009. Annual sales of Namenda IR® at the time of the settlement were approximately $1.1 billion, and are currently approximately $1.4 billion.

Government Investigations and Litigation Relating to Pricing and Marketing

Teva is involved in government investigations and litigation arising from the marketing and promotion of its specialty pharmaceutical products in the United States. Many of these investigations originate through what are known as *qui tam* complaints, in which the government reviews a complaint filed under seal by a whistleblower

(a "relator") that alleges violations of the federal False Claims Act. The government considers whether to investigate the allegations and will, in many cases, issue subpoenas requesting documents and other information, including conducting witness interviews. The government must decide whether to intervene and pursue the claims as the plaintiff. Once a decision is made by the government, the complaint is unsealed. If the government decides not to intervene, then the relator may decide to pursue the lawsuit on his own without the active participation of the government.

Under the federal False Claims Act, the government (or relators who pursue the claims without the participation of the government in the case) may seek to recover up to three times the amount of damages in addition to a civil penalty of $5,500 to $11,000 for each allegedly false claim submitted to the government for payment. Generally speaking, these cases take several years for the investigation to be completed and, ultimately, to be resolved (either through litigation or settlement) after the complaint is unsealed. In addition, some states have pursued investigations under state false claims statutes or consumer protection laws, either in conjunction with a government investigation or separately. There is often collateral litigation that arises from public disclosures of government investigations, including the filing of class action lawsuits by third party payors alleging fraud-based claims or by shareholders alleging violations of the securities laws.

A number of state attorneys general and others have filed various actions against Teva and/or certain of its subsidiaries in the United States relating to reimbursements or drug price reporting under Medicaid or other programs. Such price reporting is alleged to have caused governments and others to pay inflated reimbursements for covered drugs. Teva and its subsidiaries have reached settlements in most of these cases, and remain parties to litigation in Illinois. A provision for the cases has been included in the financial statements. Trial in the Illinois case concluded in the fourth quarter of 2013, and post-trial briefing has been submitted and is under consideration. The State of Illinois is seeking approximately $100 million in compensatory damages. Any such damages ultimately awarded by the court (which would be determined through a separate trial) are subject to automatic trebling. In addition, the state is seeking unspecified statutory penalties that could range, depending on the method used for calculation, from a de minimis amount to well over $100 million. Teva denies any liability, and will argue that even if the court finds liability, compensatory damages and penalties should be significantly less than the amount sought by the state.

Several *qui tam* complaints have been unsealed in recent years as a result of government decisions not to participate in the cases. The following is a summary of certain government investigations, *qui tam* actions and related matters.

In December 2009, the United States District Court for the District of Massachusetts unsealed a complaint alleging that numerous drug manufacturers, including certain Teva subsidiaries, violated the federal False Claims Act in connection with Medicaid reimbursement for certain vitamins, dietary supplements and DESI products that were allegedly ineligible for reimbursement. The Department of Justice declined to join in the matter. The defendants, including Teva, filed a motion to dismiss, which was granted on February 25, 2013. The plaintiffs' deadline to appeal the dismissal has not yet expired.

In September 2013, the State of Louisiana filed a complaint seeking unspecified damages against 54 pharmaceutical companies, including several Teva subsidiaries. The complaint asserts that each of the defendants allegedly defrauded the state by falsely representing that its products were FDA-approved drugs, which allegedly caused the state Medicaid program to pay millions of dollars in reimbursement claims for products that it would not otherwise have covered. The case was dismissed without prejudice in September 2015, with the court finding that the state was not a proper plaintiff. The state has appealed this decision.

Cephalon has received and responded to subpoenas related to Treanda®, Nuvigil® and Fentora®. In March 2013, a federal False Claims Act complaint filed against Cephalon in the United States District Court for the Southern District of New York was unsealed. The case was transferred to the Eastern District of Pennsylvania. The complaint alleges off-label promotion of Treanda® and Fentora®. The court granted Cephalon's motion to dismiss the Fentora claims and denied Cephalon's motion to dismiss the Treanda® claims. In January 2014, a separate federal False Claims Act complaint that had been filed in the United States District Court for the Eastern District of Pennsylvania was served on Cephalon. The complaint alleges off-label promotion of Fentora®, Nuvigil® and Provigil®. The court dismissed the Fentora® claims and denied Cephalon's motion to dismiss the Provigil® and Nuvigil® claims. On August 13, 2015, Cephalon submitted a motion to modify the court's order denying its motion to dismiss the relators' Provigil® claims. On February 2, 2016, the District Court granted Cephalon's motion for judgment on the pleadings as to Provigil® claims that allegedly occurred prior to February 28, 2008. Relators' motion for reconsideration is pending.

In May 2014, counsel for Santa Clara County and Orange County, purportedly on behalf of the People of California, filed a complaint in the Superior Court for Orange County, California against Teva and Cephalon, along with several other pharmaceutical companies, contending that defendants allegedly engaged in improper marketing of opioids, including Actiq® and Fentora®. In June 2014, the City of Chicago filed a similar complaint against Teva and Cephalon in the Circuit Court of Cook County, Illinois, which has been removed to the Northern District of Illinois. Both complaints assert claims under state law based upon alleged improper marketing of opioids, and both seek a variety of damages, including restitution, civil penalties, disgorgement of profits, treble damages, attorneys' fees and injunctive relief. Neither complaint specifies the exact amount of damages at issue. Teva and Cephalon filed motions to dismiss in both the California and Chicago actions. In the California action, in August 2015, the Court granted the defendants' demurrer, or motion to dismiss, on primary jurisdiction grounds and the case has been stayed. In the Chicago action, all claims against Teva and Cephalon were dismissed without prejudice. In August 2015, the City of Chicago filed a second amended complaint and defendants have filed motions to dismiss the second amended complaint. The City filed its opposition to the motion to dismiss on February 18, 2016, and the defendants replied on April 15, 2016.

In December 2015, the Mississippi Attorney General filed a lawsuit against Teva Pharmaceuticals USA, Inc. and Cephalon along with the same defendants named in the California and Chicago actions described above. The Mississippi complaint is similar to the California and Chicago complaints, asserts claims under Mississippi state law based upon alleged improper marketing of opioids, including Actiq® and Fentora®, and seeks a variety of damages including restitution, civil penalties, disgorgement of profits, treble damages, attorneys' fees and injunctive relief. The complaint does not specify the exact amount of damages at issue. Teva Pharmaceuticals USA, Inc. and Cephalon, along with the co-defendants named in the action, filed joint and individual motions to dismiss on March 8, 2016.

On January 8, 2014, Teva received a civil investigative demand from the United States Attorney for the Southern District of New York seeking documents and information from January 1, 2006 related to sales, marketing and promotion of Copaxone® and Azilect®. The demand states that the government is investigating possible civil violations of the federal False Claims Act. On March 12, 2015, the docket in this matter and a False Claims Act civil *qui tam* complaint concerning this matter were unsealed by the court, which revealed that the United States Attorney had notified the court on November 18, 2014 that it had declined to intervene in and proceed with the lawsuit. The *qui tam* relators, however, are moving forward with the lawsuit. On June 5, 2015, Teva filed motions to dismiss the complaint. On February 22, 2016, the Court stayed its decision on the relators' claims based on state and local laws, denied Teva's motions to dismiss the False Claims Act claims, and instructed the relators to amend their complaint with additional information. On March 23, 2016, the relators filed an amended complaint. On April 11, 2016, Teva filed an answer.

For several years, Teva has been conducting a voluntary worldwide investigation into business practices that may have implications under the U.S. Foreign Corrupt Practices Act ("FCPA"). Teva has engaged outside counsel to assist in its investigation, which was prompted by the receipt, beginning in 2012, of subpoenas and informal document requests from the SEC and the Department of Justice ("DOJ") to produce documents with respect to compliance with the FCPA in certain countries. Teva has provided and will continue to provide documents and other information to the SEC and the DOJ, and is cooperating with these agencies in their investigations of these matters. In the course of its investigation, which is substantially complete, Teva has identified certain business practices and transactions in Russia, certain European countries, certain Latin American countries and other countries in which it conducts business, which likely constitute violations of the FCPA and/or local law. In connection with its investigation, Teva has also become aware that Teva affiliates in certain countries under investigation provided to local authorities inaccurate or altered information relating to marketing or promotional practices. Teva has brought and continues to bring these issues to the attention of the SEC and the DOJ. Teva cannot predict at this time the impact on the Company as a result of these matters, which may include material fines in amounts that are not currently estimable, limitations on the Company's conduct, the imposition of a compliance monitor and/or other civil and criminal penalties.

Environmental Matters

Teva and some of its subsidiaries are party to a number of environmental proceedings, or has received claims, including some brought pursuant to the Comprehensive Environmental Response, Compensation and Liability Act (commonly known as the Superfund law) or other national, federal, provincial or state and local laws imposing liability for alleged noncompliance with various environmental laws and regulations or for the investigation and remediation of releases of hazardous substances and for natural resource damages. Many of these proceedings and claims seek to require the generators of hazardous wastes disposed of at a third-party-owned site, or the party responsible for a release of hazardous substances into the environment that impacted a site, to investigate and clean up the site or to pay for such activities, including for oversight by governmental authorities, the response costs associated with such oversight and any related damages to natural resources. Teva has received claims, or has been made a party to these proceedings, along with other potentially responsible parties, as an alleged generator of wastes that were disposed of or treated at third-party waste disposal sites, or as a result of an alleged release from one of Teva's facilities or former facilities that may have adversely impacted the environment.

In many of these cases, the government or private litigants allege that the responsible parties are jointly and severally liable for the investigation and cleanup costs. Although the liability among the responsible parties, under certain circumstances, may be joint and several, these proceedings are frequently resolved so that the allocation of cleanup and other costs among the parties reflects the relative contributions of the parties to the site conditions and takes into account other pertinent factors. Teva's potential liability varies greatly at each of the sites in the proceedings or for which claims have been asserted; for some sites the costs of the investigation, cleanup and natural resource damages have not yet been determined, and for others Teva's allocable share of liability has not been determined. At other sites, Teva has been paying a share of the costs, the amounts of which have not been, and are not expected to be, material. Teva has taken an active role in identifying those costs, to the extent they are identifiable and estimable, which do not include reductions for potential recoveries of cleanup costs from insurers, indemnitors, former site owners or operators or other potentially responsible parties. In addition, enforcement proceedings relating to alleged federal, state, commonwealth or local 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 or commonwealth costs and natural resource damages, and have required, or may require, that corrective measures and enhanced compliance measures be implemented.

NOTE 14—Segments:

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

Teva's other activities include the over-the-counter ("OTC") medicines business, distribution activity mainly in Israel and Hungary and medical devices. The OTC activity is primarily conducted through a joint venture with P&G, which combines Teva's production capabilities and market reach with P&G's marketing expertise and expansive global platform.

Teva's chief executive officer, who is the chief operating decision maker ("CODM"), reviews financial information prepared on a consolidated basis, accompanied by disaggregated information about revenues and contributed profit by the two identified reportable segments, namely generic and specialty medicines, and revenues by geographical markets.

The accounting policies of the individual segments are the same as those described in the summary of significant accounting policies in Note 1 to the annual consolidated financial statements included in Teva's Annual Report on Form 20-F for the year ended December 31, 2015.

Segment profit consists of gross profit, less S&M and R&D expenses related to the segment. Segment profit does not include G&A expenses, amortization and certain other items.

Teva manages its assets on a total company basis, not by segments, as many of its assets are shared or commingled. Teva's CODM does not regularly review asset information by reportable segment, and therefore Teva does not report asset information by reportable segment.

Teva's chief executive officer reviews the Company's strategy and organizational structure on a continuing basis. Any changes in strategy may lead to a reevaluation of Teva's current segments and goodwill assignment.

Segment information

The following tables present profit by segments and a reconciliation of Teva's segment profit to Teva's consolidated income before income taxes, for the three months ended March 31, 2016 and 2015:

	Generics		Specialty	
	Three months ended March 31,		Three months ended March 31,	
	2016	2015	2016	2015
	U.S.$ in millions		U.S.$ in millions	
Revenues	$2,170	$2,621	$2,152	$1,956
Gross profit	999	1,284	1,871	1,678
R&D expenses	136	111	229	215
S&M expenses	279	374	457	486
Segment profit	$ 584	$ 799	$1,185	$ 977

	Three months ended March 31,	
	2016	2015
	U.S.$ in millions	
Generic medicines profit	$ 584	$ 799
Specialty medicines profit	1,185	977
Total segment profit	1,769	1,776
Profit of other activities	51	50
Total profit	1,820	1,826
Amounts not allocated to segments:		
Amortization	189	220
General and administrative expenses	304	307
Impairments, restructuring and others	119	299
Legal settlements and loss contingencies	(25)	227
Other unallocated amounts	68	24
Consolidated operating income	1,165	749
Financial expenses—net	298	192
Consolidated income before income taxes	$ 867	$ 557

Segment revenues by geographic area:

	Three months ended March 31,	
	2016	2015
	U.S.$ in millions	
Generic Medicines		
United States	$ 976	$1,439
Europe*	671	680
Rest of the World	523	502
Total Generic Medicines	2,170	2,621
Specialty Medicines		
United States	1,677	1,479
Europe*	394	405
Rest of the World	81	72
Total Specialty Medicines	2,152	1,956
Other Revenues		
United States	4	3
Europe*	170	182
Rest of the World	314	220
Total Other Revenues	488	405
Total Revenues	$4,810	$4,982

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

Net revenues from specialty medicines:

	Three months ended March 31,	
	2016	2015
	U.S. $ in millions	
CNS	$1,323	$1,220
Copaxone®	1,006	924
Azilect®	113	107
Nuvigil®	103	85
Respiratory	366	265
ProAir®	173	124
QVAR®	134	98
Oncology	268	264
Treanda® and Bendeka™	155	157
Women's health	110	129
Other Specialty	85	78
Total Specialty Medicines	$2,152	$1,956

A significant portion of Teva's revenues, and a higher proportion of the profits, come from the manufacture and sale of patent-protected pharmaceuticals. Many of Teva's specialty medicines are covered by several patents that expire at different times. Nevertheless, once patent protection has expired, or has been lost prior to the expiration date as a result of a legal challenge, Teva no longer 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 Teva's results of operations and financial condition.

In particular, Teva relies heavily on sales of Copaxone®, its leading specialty medicine. A key element of Teva's business strategy for Copaxone® is maintaining patients on the three-times-a-week 40 mg/mL version introduced in 2014, and protecting our patents for the 40 mg/mL version. Any substantial reduction in the number of patients taking Copaxone®, whether due to increased use of oral medicines or other competing products, including competing 20 mg/mL generic products (with one generic version introduced in the U.S. in 2015 and one approved in Europe in 2016), would likely have a material adverse effect on Teva's financial results and cash flow.

Copaxone® 40 mg/mL is protected by three U.S. Orange Book patents that expire in 2030, which are being challenged in paragraph IV litigation and in patent office proceedings in the United States. A fourth U.S. Orange Book patent expiring in 2030 was issued in October 2015 and in March 2016 we received a notice of allowance on a fifth patent, which should issue within the next few months. It is also protected by one European patent expiring in 2030, the validity of which was confirmed by the European Patent Office in December 2015, which rejected all invalidity claims.

For the three months ended March 31, 2016, Copaxone® revenues in the United States, which include revenues from both Copaxone® 20 mg/mL and Copaxone® 40 mg/mL products, amounted to $821 million (approximately 31% of U.S. revenues) and Copaxone® revenues outside the United States amounted to $185 million (approximately 9% of non-U.S. revenues).

The profit of the multiple sclerosis franchise, which is comprised of Copaxone® products and laquinimod (a developmental compound for the treatment of multiple sclerosis), was $805 million for the three months ended March 31, 2016, compared to $657 million for the three months ended March 31, 2015. The profit of the multiple sclerosis franchise is comprised of Copaxone® revenues and cost of goods sold as well as S&M and R&D expenses related to the MS franchise. It does not include G&A expenses, amortization and non-recurring items. The profit of the multiple sclerosis franchise as a percentage of Copaxone® revenues was 80% for the three months ended March 31, 2016 and 71.1% for the three months ended March 31, 2015.

TEVA PHARMACEUTICAL INDUSTRIES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders of
TEVA PHARMACEUTICAL INDUSTRIES LIMITED

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of comprehensive income, of changes in equity and of cash flows present fairly, in all material respects, the financial position of Teva Pharmaceutical Industries Limited and its subsidiaries at December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management and Board of Directors are responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in ''Report of Teva Management on Internal Control Over Financial Reporting'' appearing under Item 15(b). Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and Board of Directors and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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

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

Tel-Aviv, Israel
February 11, 2016

/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,	
	2015	2014
ASSETS		
Current assets:		
Cash and cash equivalents	$ 6,946	$ 2,226
Accounts receivable	5,350	5,408
Inventories	3,966	4,371
Deferred income taxes	735	993
Other current assets	1,401	1,398
Total current assets	18,398	14,396
Other non-current assets	2,616	1,569
Property, plant and equipment, net	6,544	6,535
Identifiable intangible assets, net	7,675	5,512
Goodwill	19,025	18,408
Total assets	$54,258	$46,420
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term debt	$ 1,585	$ 1,761
Sales reserves and allowances	6,601	5,849
Accounts payable and accruals	3,594	3,171
Other current liabilities	1,225	1,508
Total current liabilities	13,005	12,289
Long-term liabilities:		
Deferred income taxes	1,748	1,101
Other taxes and long-term liabilities	1,195	1,109
Senior notes and loans	8,383	8,566
Total long-term liabilities	11,326	10,776
Commitments and contingencies, see note 13		
Total liabilities	24,331	23,065
Equity:		
Teva shareholders' equity:		
Preferred shares of NIS 0.10 par value per mandatory convertible preferred share; December 31, 2015: authorized 5 million shares; issued 3.4 million shares	3,291	—
Ordinary shares of NIS 0.10 par value per share; December 31, 2015 and December 31, 2014: authorized 2,500 million shares; issued 1,016 million shares and 957 million shares, respectively	52	50
Additional paid-in capital	17,757	14,121
Retained earnings	14,851	14,436
Accumulated other comprehensive loss	(1,955)	(1,343)
Treasury shares as of December 31, 2015 and December 31, 2014—108 million ordinary shares and 105 million ordinary shares, respectively	(4,227)	(3,951)
	29,769	23,313
Non-controlling interests	158	42
Total equity	29,927	23,355
Total liabilities and equity	$54,258	$46,420

/S/ E. VIGODMAN
E. Vigodman
President and Chief Executive Officer

/S/ E. DESHEH
E. Desheh
Group Executive Vice President, Chief Financial Officer

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

TEVA PHARMACEUTICAL INDUSTRIES LIMITED

CONSOLIDATED STATEMENTS OF INCOME

(U.S. dollars in millions, except share and per share data)

	Year ended December 31,		
	2015	2014	2013
Net revenues	$19,652	$20,272	$20,314
Cost of sales	8,296	9,216	9,607
Gross profit	11,356	11,056	10,707
Research and development expenses	1,525	1,488	1,427
Selling and marketing expenses	3,478	3,861	4,080
General and administrative expenses	1,239	1,217	1,239
Impairments, restructuring and others	1,131	650	788
Legal settlements and loss contingencies	631	(111)	1,524
Operating income	3,352	3,951	1,649
Financial expenses—net	1,000	313	399
Income before income taxes	2,352	3,638	1,250
Income taxes	634	591	(43)
Share in losses of associated companies—net	121	5	40
Net income	1,597	3,042	1,253
Net income (loss) attributable to non-controlling interests	9	(13)	(16)
Net income attributable to Teva	1,588	3,055	1,269
Accrued dividends on preferred shares	15	—	—
Net income attributable to ordinary shareholders	$ 1,573	$ 3,055	$ 1,269
Earnings per share attributable to ordinary shareholders:			
Basic	$ 1.84	$ 3.58	$ 1.49
Diluted	$ 1.82	$ 3.56	$ 1.49
Weighted average number of shares (in millions):			
Basic	855	853	849
Diluted	864	858	850

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

TEVA PHARMACEUTICAL INDUSTRIES LIMITED

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(U.S. dollars in millions)

	Year ended December 31,		
	2015	2014	2013
Net income	$ 1,597	$ 3,042	$1,253
Other comprehensive income (loss), net of tax:			
Currency translation adjustment	(1,102)	(1,440)	(22)
Unrealized gain (loss) on derivative financial instruments, net	135	237	(104)
Unrealized gain (loss) from available-for-sale securities, net	319	(12)	12
Unrealized gain (loss) on defined benefit plans, net	35	(43)	42
Total other comprehensive loss	(613)	(1,258)	(72)
Total comprehensive income	984	1,784	1,181
Comprehensive income (loss) attributable to the non-controlling interests	8	(19)	(14)
Comprehensive income attributable to Teva	$ 976	$ 1,803	$1,195

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

TEVA PHARMACEUTICAL INDUSTRIES LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Teva shareholders' equity									
	Ordinary shares									
	Number of shares (in millions)	Stated value	MCPS**	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury shares	Total Teva shareholders' equity	Non-controlling interests	Total equity
						(U.S. dollars in millions)				
Balance at January 1, 2013	944	$50	$ —	$13,474	$12,346	$ (17)	$(3,085)	$22,768	$ 99	$22,867
Changes during 2013:										
Comprehensive income (loss)					1,269	(74)		1,195	(14)	1,181
Exercise of options by employees and vested RSUs	3	*		73			18	91		91
Stock-based compensation expense				64				64		64
Dividends					(1,080)			(1,080)		(1,080)
Purchase of treasury shares							(497)	(497)		(497)
Disposition of non-controlling interests									(12)	(12)
Other	*	*		17			7	24	(2)	22
Balance at December 31, 2013	947	50	—	13,628	12,535	(91)	(3,557)	22,565	71	22,636
Changes during 2014:										
Comprehensive income (loss)					3,055	(1,252)		1,803	(19)	1,784
Exercise of options by employees and vested RSUs	10	*		408			106	514		514
Stock-based compensation expense				95				95		95
Dividends					(1,156)			(1,156)		(1,156)
Purchase of treasury shares							(500)	(500)		(500)
Disposition of non-controlling interests								—	(14)	(14)
Other	*	*		(10)	2			(8)	4	(4)
Balance at December 31, 2014	957	50	—	14,121	14,436	(1,343)	(3,951)	23,313	42	23,355
Changes during 2015:										
Comprehensive income (loss)					1,588	(612)		976	8	984
Ordinary shares issuance***	54	2		3,289				3,291		3,291
MCPS issuance***			3,291					3,291		3,291
Exercise of options by employees and vested RSUs	5	*		225			163	388		388
Stock-based compensation expense				117				117		117
Dividends to ordinary shareholders					(1,155)			(1,155)		(1,155)
Accrued dividends to preferred shareholders					(15)			(15)		(15)
Purchase of treasury shares							(439)	(439)		(439)
Acquisition of non-controlling interests								—	103	103
Other				5	(3)			2	5	7
Balance at December 31, 2015	1,016	$52	$3,291	$17,757	$14,851	$(1,955)	$(4,227)	$29,769	$158	$29,927

* Represents an amount less than 0.5 million.

** Mandatory convertible preferred shares.

*** Net of issuance costs.

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

TEVA PHARMACEUTICAL INDUSTRIES LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

(U.S. dollars in millions)

	Year ended December 31,		
	2015	2014	2013
Operating activities:			
Net income	$ 1,597	$ 3,042	$ 1,253
Adjustments to reconcile net income to net cash provided by operations:			
Depreciation and amortization	1,308	1,508	1,642
Net change in operating assets and liabilities	967	290	968
Other than temporary loss on investment in securities	736	6	—
Impairment of long-lived assets	361	387	524
Deferred income taxes—net and uncertain tax positions	237	(226)	(1,380)
Other items	146	24	143
Impairment of equity investment—net	124	—	—
Stock-based compensation	117	95	64
Net (gain) loss from sale of long-lived assets and investments	(86)	1	18
Research and development in process	35	—	5
Net cash provided by operating activities	5,542	5,127	3,237
Investing activities:			
Acquisitions of businesses, net of cash acquired	(3,309)	(363)	(39)
Purchases of investments and other assets	(2,003)	(324)	(160)
Purchases of property, plant and equipment	(772)	(929)	(1,031)
Proceeds from sales of long-lived assets and investments	524	196	187
Other investing activities	(5)	(30)	(104)
Net cash used in investing activities	(5,565)	(1,450)	(1,147)
Financing activities:			
Proceeds from issuance of ordinary shares, net of issuance costs	3,291	—	—
Proceeds from issuance of mandatory convertible preferred shares, net of issuance costs	3,291	—	—
Repayment of long-term loans and other long-term liabilities	(2,521)	(839)	(3,133)
Proceeds from long-term loans and other long-term liabilities	2,099	—	338
Dividends paid	(1,155)	(1,156)	(1,089)
Purchases of treasury shares	(439)	(500)	(497)
Proceeds from exercise of options by employees	388	514	91
Other financing activities	(178)	(9)	23
Net change in short-term debt	29	(385)	384
Net cash provided by (used in) financing activities	4,805	(2,375)	(3,883)
Translation adjustment on cash and cash equivalents	(62)	(114)	(48)
Net change in cash and cash equivalents	4,720	1,188	(1,841)
Balance of cash and cash equivalents at beginning of year	2,226	1,038	2,879
Balance of cash and cash equivalents at end of year	$ 6,946	$ 2,226	$ 1,038

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

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(U.S. dollars in millions)

Supplemental cash flow information:

	Year ended December 31,		
	2015	2014	2013
Interest paid	$ 243	$294	$ 331
Income taxes paid, net of refunds	$ 802	$675	$ 1,298*

* Including, for 2013, payments amounting to $790 million for Amendment 69 and settlements with the Israeli tax authorities. See note 15.

Net change in operating assets and liabilities:

	Year ended December 31,		
	2015	2014	2013
Accounts receivable net of sales reserves and allowances	$ 763	$ 710	$ 85
Inventories	129	230	399
Other current assets	87	(36)	106
Accounts payable and accruals and other current liabilities	(12)	(614)	378
	$ 967	$ 290	$ 968

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

TEVA PHARMACEUTICAL INDUSTRIES LIMITED

Notes to Consolidated Financial Statements

NOTE 1—SIGNIFICANT ACCOUNTING POLICIES:

a. General:

Operations

Teva Pharmaceutical Industries Limited (the "Parent Company"), headquartered in Israel, together with its subsidiaries and associated companies (the "Company," "Teva" or the "Group"), is engaged in the development, manufacturing, marketing and distribution of generic, specialty, and other pharmaceutical products. The majority of the Group's revenues are in the United States and Europe. The Group's main manufacturing facilities are located in Israel, Hungary, United States, Germany, Canada, Japan, Ireland, the United Kingdom, the Czech Republic, Croatia, Italy and India.

Accounting principles

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States ("US GAAP").

Functional currency

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

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

The financial statements for our Venezuelan business, which has 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 preferential rate. A highly inflationary economy is one that has cumulative inflation of approximately 100 percent or more over a 3-year period. See note 16a.

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported years. Actual results could differ from those estimates.

As applicable to these consolidated financial statements, the most significant estimates and assumptions relate to uncertain tax positions, valuation allowances, assessment of impairment of intangible assets and goodwill, purchase price allocation on acquisitions, contingencies, restructuring and sales and reserves allowances.

b. Principles of consolidation:

The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries and Variable Interest Entities ("VIEs") for which the Company is considered the primary

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

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

The Company includes the results of operations of acquired businesses from the date of acquisition.

c. Investee companies:

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

d. Cash and cash equivalents:

All highly liquid investments, which include short-term bank deposits and money market instruments, that are not restricted as to withdrawal or use, and investment in short-term debentures, the period to maturity of which did not exceed three months at the time of investment, are considered to be cash equivalents.

e. Inventories:

Inventories are valued at the lower of cost or market. Cost of raw and packaging materials is determined mainly on a moving average basis. Cost of purchased products is determined mainly on a standard cost basis, approximating average costs. Cost of manufactured finished products and products in process is calculated assuming normal manufacturing capacity as follows: raw and packaging materials component is determined mainly on a moving average basis, while the capitalized production costs are determined either on an average basis over the production period, or on a standard cost basis, approximating average costs.

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.

Teva updated its inventory policy to verify that inventory is measured against net realizable value, as defined by the new accounting pronouncement.

f. Investment in securities:

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

Unrealized gains of available for sale securities, net of taxes, are reflected in other comprehensive income. Unrealized losses considered to be temporary are reflected in other comprehensive income; unrealized losses that

are considered to be other-than-temporary are charged to income as an impairment charge. Realized gains and losses for both debt and equity securities are included in financial expense, net.

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

g. Long-lived assets:

Teva's long-lived, non-current assets are comprised mainly of goodwill, identifiable intangible assets and property, plant and equipment. Teva reviews its long-lived assets and performs detailed testing whenever potential impairment indicators are present. In addition, the Company performs impairment testing as of October 1 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 does not result in a more likely than not indication of impairment, no further impairment testing is required. If it does result in a more likely than not indication of impairment, the impairment test is performed.
- In step one of the impairment test, Teva compares the fair value of the reporting units to the carrying value of net assets allocated to the reporting units. If the fair value of the reporting unit exceeds the carrying value of the net assets allocated to that unit, goodwill is not impaired, and no further testing is required. Otherwise, Teva must perform the second step of the impairment test to measure the amount of the impairment.
- In the second step, the reporting unit's fair value is allocated to all the assets and liabilities of the reporting unit, including any unrecognized intangible assets, in a hypothetical analysis that simulates the business combination principles to derive an implied goodwill value. If the implied fair value of the reporting unit's goodwill is less than its carrying value, the difference is recorded as an impairment.

Identifiable intangible assets

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

Definite life intangible assets consist mainly of acquired product rights and other rights relating to products for which marketing approval was received from the U.S. Food and Drug Administration ("FDA") or the equivalent agencies in other countries. These assets are amortized using mainly the straight-line method over their estimated period of useful life, or based on economic effect models, if more appropriate, which is

determined by identifying the period in which substantially all of the cash flows are expected to be generated. Amortization of acquired developed products is recorded under cost of sales. Amortization of marketing and distribution rights is recorded under selling and marketing expenses.

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

Indefinite life intangible assets are mainly comprised of research and development in-process. Teva monitors development for any triggering events. Annually or when triggering events are present, Teva determines the fair value of the asset based on discounted cash flows on and records an impairment loss if book value exceeds fair value.

Research and development in-process acquired in a business combination is capitalized as an indefinite life intangible asset until the related research and development efforts are either completed or abandoned. In the reporting period where they are treated as indefinite life intangible assets, they are not amortized but rather are monitored and tested for impairment. Upon completion of the related research and development efforts, management determines the useful life of the intangible assets and amortizes them accordingly. In case of abandonment, the related research and development assets are impaired.

Property, plant and equipment

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

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

h. Contingencies:

The Company and its subsidiaries are involved in various patent, product liability, commercial, government investigations, environmental claims and other legal proceedings that arise from time to time in the ordinary course of business. Except for income tax contingencies or contingent consideration or other contingent liabilities incurred or acquired in a business combination, Teva records accruals for these types of contingencies to the extent that Teva concludes their occurrence is probable and that the related liabilities are estimable. When accruing these costs, the Company will recognize an accrual in the amount within a range of loss that is the best estimate within the range. When no amount within the range is a better estimate than any other amount, the Company accrues for the minimum amount within the range. Teva records anticipated recoveries under existing insurance contracts that are virtually certain of occurring at the gross amount that is expected to be collected. Legal costs are expensed as incurred. Contingent consideration and other contingent liabilities incurred or acquired in a business combination are recorded at a probability weighted assessment of their fair value and monitored on an ongoing basis for changes in that value.

i. Uncertain tax positions:

Teva recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position.

The tax benefit recognized in the financial statements for a particular tax position is based on the largest benefit that is more likely than not to be realized. Teva regularly re-evaluates its tax positions based on developments in its tax audits, statute of limitations expirations, changes in tax laws and new information that can affect the technical merits and change the assessment of Teva's ability to sustain the tax benefit. In addition, the Company classifies interest and penalties recognized in the financial statements relating to uncertain tax position under the income taxes line item.

Provisions for uncertain tax positions, whereas Teva has net operating losses to offset additional income taxes that would result from the settlement of the tax position, are presented as a reduction of the deferred tax assets for such net operating loss.

j. Treasury shares:

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

k. Stock-based compensation:

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

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

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

l. Revenue recognition:

The Company recognizes revenues from product sales, including sales to distributors when persuasive evidence of an arrangement exists, delivery has occurred, the selling price is fixed or determinable and collectability is reasonably assured. This generally occurs when products are shipped and title and risk and rewards for the products are transferred to the customer.

Revenues from product sales are recorded net of provisions for estimated chargebacks, rebates, returns, prompt pay discounts and other deductions, such as shelf stock adjustments, which can be reasonably estimated. When sales provisions are not considered reasonably estimable by Teva, the revenue is deferred to a future period when more information is available to evaluate the impact.

Provisions for chargebacks, rebates including Medicaid and other governmental program discounts, and other promotional items, such as shelf stock adjustments, are included in sales, reserves and allowances under current liabilities. Prompt payment discounts are netted against accounts receivable.

Calculations for these deductions from sales are based on historical experience and the specific terms in the individual agreements. Chargebacks and rebates are the largest components of sales reserves and allowances.

Provisions for chargebacks are determined using historical chargeback experience and expected chargeback levels and wholesaler sales information for new products, which are compared to externally obtained distribution channel reports for reasonableness. Rebates are recognized based on contractual obligations in place at the time of sales with consideration given to relevant factors that may affect the payment as well as historical experience for estimated market activity. Shelf-stock adjustments are granted to customers based on the existing inventory of a customer following decreases in the invoice or contract price of the related product and are estimated based on expected market performance. Teva records a reserve for estimated sales returns by applying historical experience of customer returns to the amounts invoiced and the amount of returned products to be destroyed versus products that can be placed back in inventory for resale.

Revenue resulting from the achievement of milestone events stipulated in agreements is recognized when the milestone is achieved. Milestones are based upon the occurrence of a substantive element specified in the contract or as a measure of substantive progress towards completion under the contract.

Revenues from licensees, sales of licensed products and technology are recorded in accordance with the contract terms, when third-party sales can be reliably measured and collection of the funds is reasonably assured.

Revenues include royalty income and income from services, which amounted to $140 million, $167 million and $182 million in the years ended December 31, 2015, 2014 and 2013, respectively.

m. Research and development:

Research and development expenses are charged to income as incurred. Participations and grants in respect of research and development expenses are recognized as a reduction of research and development expenses as the related costs are incurred, or as the related milestone is met. Upfront fees received in connection with cooperation agreements are deferred and recognized over the period of the applicable agreements as a reduction of research and development expenses.

Advance payments for goods or services that will be used or rendered for future research and development activities are deferred 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 $127 million, $151 million and $232 million for the years ended December 31, 2015, 2014 and 2013, respectively.

o. Advertising expenses:

Advertising expenses are charged to income as incurred. Advertising expenses for the years ended December 31, 2015, 2014 and 2013 were $297 million, $302 million and $321 million, respectively.

p. Deferred income taxes:

Deferred income taxes are determined utilizing the “asset and liability” method based on the estimated future tax effects of temporary differences between the financial accounting and tax basis of assets and liabilities

under the applicable tax laws, and on tax rates anticipated to be in effect when the deferred income taxes are expected to be paid or realized. A valuation allowance is provided if, based upon the weight of available evidence, it is more likely than not that a portion of the deferred income tax assets will not be realized. In determining whether a valuation allowance is needed, Teva considers all available evidence, including historical information, long range forecast of future taxable income and evaluation of tax planning strategies. Amounts recorded for valuation allowance can result from a complex series of judgments about future events and can rely on estimates and assumptions. Deferred income tax liabilities and assets are classified as 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 15f.

q. Earnings per share:

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

In computing diluted earnings per share, basic earnings per share are adjusted to take into account the potential dilution that could occur upon: (i) the exercise of options and non-vested RSUs and PSUs granted under employee stock compensation plans and one series of convertible senior debentures, using the treasury stock method; (ii) the conversion of the remaining convertible senior debentures using the "if-converted" method, by adding to net income interest expense on the debentures and amortization of issuance costs, net of tax benefits, and by adding the weighted average number of shares issuable upon assumed conversion of the debentures; and (iii) the conversion of the mandatory convertible preferred shares using the "if-converted" method by adding to net income attributable to ordinary shareholders the dividends on the preferred shares and by adding the weighted average number of shares issuable upon assumed conversion of the mandatory convertible preferred shares.

r. Concentration of credit risks:

Most of Teva's cash and cash equivalents (which along with investment in securities amounted to $8.4 billion at December 31, 2015) 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 57.2% of Teva's consolidated revenues and a relatively small portion of total trade accounts after netting amounts in 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, interest rate swap contracts and treasury locks). The transactions are designed to hedge the Company's currency and interest rate exposures. The Company does not enter into derivative transactions for trading purposes.

Derivative instruments that qualify for hedge accounting are recognized on the balance sheet at their fair value.

For derivative instruments that are designated as a fair value hedge, the gain or loss on the derivative instrument as well as the offsetting gain or loss on the hedged item attributable to the hedged risk are recognized in "financial expenses—net" in the statements of income during the current period.

For derivative instruments that are designated and qualify as a cash-flow hedge, the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income and reclassified into earnings in the same line item associated with the anticipated transaction in the same period or periods during which the hedged transaction affects earnings. The remaining gain or loss on the derivative instrument (i.e., the ineffective portion), if any, is recognized in the statement of income during the current period.

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

Derivative instruments that do not qualify for hedge accounting are recognized on the balance sheet at their fair value, with changes in the fair value recognized as a component of "financial expenses—net" in the statements of income. The cash flows associated with these derivatives are reflected as cash flows from operating activities in the consolidated statements of cash flows.

t. Fair value measurement:

The Company measures fair value and discloses fair value measurements for financial assets and liabilities. Fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The accounting standard establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable inputs that are based on inputs not quoted on active markets, but corroborated by market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible and considers credit risk in its assessment of fair value.

u. Collaborative arrangements:

A Collaborative agreements are contractual arrangements in which the parties are active participants to the arrangement and are exposed to the significant risks and rewards that are dependent on the ultimate commercial success of the endeavor. See note 2.

The Company recognizes revenue generated and costs incurred on sales to third parties as it relate to a collaborative agreement as gross or net. If the Company is the principal participant in a transaction, revenues are recorded on a gross basis; otherwise, revenues are recorded on a net basis.

v. Segment reporting:

The Company's business includes two reporting segments: generic and specialty medicines. The generics segment develops, manufactures, sells and distributes generic or branded generic medicines as well as active pharmaceutical ingredients ("API"). The specialty segment engages in the development, manufacture, sale and distribution of branded specialty medicines such as those for central nervous system and respiratory indications, as well as those marketed in the women's health, oncology and other specialty businesses. See note 20.

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.

x. Reclassifications:

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

y. Recently issued accounting pronouncements:

In November 2015, the Financial Accounting Standards Board (the "FASB") issued guidance on balance sheet classification of deferred taxes. The new guidance requires entities to present all deferred tax assets and liabilities, along with any related valuation allowance, as non-current on the balance sheet. The guidance is effective for interim and annual periods beginning after December 15, 2016 (early adoption is permitted). Teva is currently evaluating the potential effect of the guidance on its consolidated financial statements.

In September 2015, the FASB issued guidance on current accounting for measurement-period adjustments. The new guidance requires entities to recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. Measurement period adjustments were previously required to be retrospectively adjusted as of the acquisition date. The provisions of this update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015 (early adoption is permitted), and should be applied prospectively. Teva does not expect this guidance to have a material effect on its consolidated financial statements at the time of adoption of this standard.

In July 2015, the FASB issued guidance on current accounting for inventory measurement. The new guidance requires entities to measure inventory at the lower of cost or net realizable value. Net realizable value is

defined by the guidance as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. The guidance is effective for the interim and annual periods beginning on or after December 15, 2016 (early adoption is permitted). Teva adopted the new guidance in the third quarter of 2015, and it had an immaterial impact on its consolidated financial statements.

In April 2015, the FASB issued guidance on debt issuance costs. The guidance requires entities to present debt issuance costs related to a recognized debt liability as a direct deduction from the carrying amount of that debt in the balance sheet. This guidance does not contain guidance for debt issuance costs related to line-of-credit arrangements. Consequently, in August 2015, the FASB issued additional guidance to add paragraphs indicating that the SEC staff would not object to an entity deferring and presenting debt issuance costs related to line-of-credit arrangements as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. The guidance is effective for the interim and annual periods beginning on or after December 15, 2015. Teva does not expect this guidance to have a material effect on its consolidated financial statements at the time of adoption of this standard.

In February 2015, the FASB issued amended guidance on current accounting for consolidation of certain entities. Pursuant to this guidance, reporting enterprises should evaluate whether (a) they should consolidate limited partnerships and similar entities, (b) fees paid to a decision maker or service provider are variable interests in a variable interest entity ("VIE"), and (c) variable interests in a VIE held by related parties of the reporting enterprise require the reporting enterprise to consolidate the VIE. The guidance is effective for the interim and annual periods beginning on or after December 15, 2015. Teva does not expect this guidance to have a material effect on its consolidated financial statements at the time of adoption of this standard.

In May 2014, the FASB issued guidance on revenue from contracts with customers that will supersede most current revenue recognition guidance, including industry-specific guidance. The underlying principle is that an entity will recognize revenue upon the transfer of goods or services to customers in an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The guidance is effective for the interim and annual periods beginning on or after December 15, 2017 (early adoption is permitted for the interim and annual periods beginning on or after December 15, 2016). The guidance permits the use of either a retrospective or cumulative effect transition method. Teva is currently evaluating the impact of the guidance on its consolidated financial statements.

NOTE 2—CERTAIN TRANSACTIONS:

a. Business transactions:

Japanese business venture:

In November 2015, Teva and Takeda Pharmaceutical Company Limited ("Takeda") entered into a definitive agreement to establish a partnership in Japan. The new business venture, intended to create a leading generic pharmaceutical company in Japan, is expected to start operating in the second calendar quarter of 2016.

Teva will have a 51% stake in the new company and Takeda will have the remaining 49%; as such, Teva is expected to consolidate the business venture as part of the consolidated financial statements. As the transaction will not become effective until closing, there was no material financial impact for Teva in 2015.

Rimsa acquisition:

On October 1, 2015, Teva entered into a definitive agreement to acquire Representaciones e Investigaciones Médicas, S.A. de C.V. ("Rimsa"), a leading pharmaceutical company in Mexico, along with a portfolio of products, companies, intellectual property, assets and pharmaceutical patents, for an aggregate of $2.3 billion, in a cash free, debt free set of transactions. This acquisition is expected to add a portfolio of patent-protected drugs to Teva's business in Latin America.

The transaction is expected to be funded through a combination of available cash and lines of credit. Subject to satisfaction of the closing conditions, Teva expects the acquisition to close in the first quarter of 2016.

Actavis Generics acquisition:

On July 27, 2015, Teva announced that it entered into a definitive agreement with Allergan plc to acquire Allergan's worldwide generic pharmaceutical business ("Actavis Generics"). Teva will pay total consideration of $33.75 billion in cash and approximately 100 million Teva shares, to be issued to Allergan at the closing of the transaction. At the time of the announcement, total consideration was estimated to be $40.5 billion. However, the final consideration will be based on the closing price of Teva's ordinary shares at the date of acquisition. Closing of the transaction is subject to certain conditions, including relevant regulatory approvals. We continue to work toward satisfying all conditions in order to close by the end of the first quarter of 2016; however, it is possible that closing may be slightly delayed.

On September 25, 2015, Teva entered into a $27 billion bridge loan credit agreement with various banks, to finance a portion of the Actavis Generics acquisition. Any loan under the bridge facility would bear an interest rate of LIBOR plus a margin ranging from 0.30% to 1.65%, so long as Teva maintains an investment-grade credit rating. On November 16, 2015, Teva reduced the amount of the bridge loan from $27 billion to $22 billion and entered into term facilities amounting to $5 billion with a syndicate of banks. The term facilities are split into two tranches of $2.5 billion each, with the first tranche maturing in full after three years and the second tranche maturing in five years with payment installments each year. To date, Teva has not drawn any funds under the bridge loan or the term facilities.

On December 8, 2015, Teva closed public offerings consisting of 54 million American Depositary Shares ("ADSs") at $62.50 per ADS and 3,375,000 of its 7.00% mandatory convertible preferred shares at $1,000 per share. On January 6, 2016, Teva sold an additional 5.4 million ADSs and 337,500 mandatory convertible preferred shares pursuant to the exercise of the underwriters' over-allotment option. The net proceeds from the offerings were approximately $7.2 billion, after estimated underwriting discounts, commissions and offering expenses payable by Teva. Teva intends to use the net proceeds from these offerings towards the cash portion of the purchase price for Actavis Generics and related fees and expenses, for the pending acquisition of Rimsa or otherwise for general corporate purposes. Pending such use, the Company used certain of such proceeds to repay certain indebtedness.

Auspex acquisition:

In May 2015, Teva acquired Auspex Pharmaceuticals, Inc. ("Auspex"), an innovative biopharmaceutical company specializing in applying deuterium chemistry to known molecules to create novel therapies with improved safety and efficacy profiles, for net cash consideration of $3.3 billion.

The table below summarizes the preliminary estimates of the fair value of the assets acquired and liabilities assumed and resulting goodwill. These preliminary estimates are subject to revision, which may result in adjustments to the preliminary values presented below.

	U.S.$ in millions
Cash and cash equivalents	$ 201
Other current assets	6
Deferred taxes and other assets	126
Identifiable intangible assets:	
Research and development in-process	3,143
Goodwill	1,146
Total assets acquired	4,622
Current liabilities	29
Deferred taxes	1,131
Total liabilities assumed	1,160
Net assets acquired	$3,462

Pro forma information giving effect to the acquisition has not been provided as the results would not be material.

Eagle license agreement:

On February 13, 2015, Teva entered into an exclusive license agreement with Eagle Pharmaceuticals, Inc. ("Eagle") for Eagle's EP-3102, a bendamustine hydrochloride rapid infusion product for the treatment of chronic lymphocytic leukemia (CLL) and indolent B-cell non-Hodgkin lymphoma (NHL).

Under the terms of the agreement, Eagle received an upfront cash payment of $30 million, a first milestone payment of $15 million and may receive up to $65 million in additional milestone payments as well as royalties on net sales.

As the transaction was accounted as a business combination, the acquisition consideration was attributed to net assets on the basis of fair value of assets acquired and liabilities assumed based on a preliminary valuation.

Other 2015 transactions:

During 2015, Teva acquired stakes in Gecko Health Innovations, Inc., Immuneering Corporation and Microchips Biotech, Inc. for an aggregate of approximately $102 million and certain contingent payments.

Labrys acquisition:

In July 2014, Teva fully acquired Labrys Biologics, Inc. ("Labrys") for an upfront cash payment of $207 million and up to $625 million in contingent payments upon achievement of certain milestones. Labrys is a development stage biotechnology company focused on treatments for chronic migraine and episodic migraine.

At the time of the acquisition, the potential additional payments were evaluated and recorded at a fair value of $251 million.

Pro forma information giving effect to the acquisition has not been provided as the results would not be material.

NuPathe acquisition:

In February 2014, Teva completed the acquisition of NuPathe Inc. ("NuPathe"). NuPathe's leading product is Zecuity®, a prescription migraine patch approved by the FDA for the acute treatment of migraine with or without aura in adults.

Teva purchased all of NuPathe's shares for consideration of $163 million and up to $130 million in contingent payments upon the achievement of sales-based milestones for Zecuity®. At the time of the acquisition, these potential additional payments were evaluated and recorded at a fair value of $106 million, based on the probability of achieving these milestones.

Pro forma information giving effect to the acquisition has not been provided as the results would not be material.

b. Significant collaborative agreements:

The Company has entered into alliances and other arrangements with third parties to acquire rights to products it does not have, to access markets it does not operate in and to otherwise share development costs or business risks. The Company's most significant agreements of this nature are summarized below.

With Takeda:

During 2014, Teva and Takeda entered into agreements allowing Takeda to commercialize Teva's innovative treatments for Parkinson's disease and multiple scleroses (marketed globally under the product names Copaxone® and Azilect®) in Japan. Under these agreements, Teva is entitled to certain development, regulatory and sales-based milestones and royalty payments.

With The Procter & Gamble Company ("P&G"):

In November 2011, Teva formed PGT Healthcare, a consumer healthcare joint venture with The Procter & Gamble Company ("P&G"). Headquartered in Geneva, Switzerland, the joint venture focuses on branded OTC medicines in categories such as cough/cold and allergy, digestive wellness, vitamins, minerals and supplements, analgesics and skin medications, and operates in all markets outside North America. Its leading brands are Vicks®, Metamucil®, Pepto-Bismol®, and ratiopharm. PGT Healthcare's strengths include P&G's strong brand-building, consumer-led innovation and go-to-market capabilities; Teva's broad geographic reach, experience in R&D, regulatory and manufacturing expertise and extensive portfolio of products, and each company's scale and operational efficiencies.

Teva owns 49% of the joint venture, and P&G holds a controlling financial interest of 51%. The Company recognizes profits of the joint venture based on Teva's ownership percentage. The joint venture has certain independent operations and contracts for other services from its two partners in an effort to leverage their scale and capabilities and thereby maximize efficiencies. Such services include research and development, manufacturing, sales and distribution, administration and other services, provided under agreements with the joint venture. The partners have certain rights to terminate the joint venture after seven years and earlier under other circumstances.

In July 2014, Teva sold its U.S. OTC plants, which were purchased as part of the agreement, back to P&G.

c. Agreements with related parties:

In December 2012, Teva entered into a collaborative development and exclusive worldwide license agreement with Xenon for its compound XEN402. XEN402 (now designated TV-45070 by Teva) targets sodium channels found in sensory nerve endings that can increase in chronic painful conditions, and is currently in Phase II clinical development for a variety of pain-related disorders. Under the agreement, Teva paid Xenon an upfront fee of $41 million. In addition, Teva may be required to pay development, regulatory and sales-based milestones of up to $335 million. Xenon is also entitled to royalties on sales and has an option to participate in commercialization in the United States. As required by the agreement, in November 2014, Teva invested an additional $10 million in Xenon in connection with its initial public offering. Dr. Michael Hayden, Teva's President of Global R&D and Chief Scientific Officer, is the founder, a minority shareholder and a member of the board of directors of Xenon. In order to avoid potential conflicts of interest, Teva has established certain procedures to exclude Dr. Hayden from involvement in Teva's decision-making related to Xenon.

NOTE 3—FAIR VALUE MEASUREMENT:

Financial items carried at fair value as of December 31, 2015 and 2014 are classified in the tables below in one of the three categories described in note 1t:

	December 31, 2015			
	Level 1	Level 2	Level 3	Total
	U.S. $ in millions			
Cash and cash equivalents:				
Money markets	$ 162	$—	$ —	$ 162
Cash deposits and other	6,784	—	—	6,784
Investment in securities:				
Equity securities	1,352	—	—	1,352
Structured investment vehicles	—	94	—	94
Other	11	—	1	12
Derivatives:				
Asset derivatives—options and forward contracts	—	25	—	25
Asset derivatives—interest rate, cross-currency and forward starting interest rate swaps	—	105	—	105
Liabilities derivatives—options and forward contracts	—	(11)	—	(11)
Liabilities derivatives—treasury locks, interest rate and forward starting interest rate swaps	—	(26)	—	(26)
Contingent consideration*	—	—	(812)	(812)
Total	$8,309	$187	$(811)	$7,685

	December 31, 2014			
	Level 1	Level 2	Level 3	Total
	U.S. $ in millions			
Cash and cash equivalents:				
Money markets	$ 10	$—	$ —	$ 10
Cash deposits and other	2,216	—	—	2,216
Escrow fund	125	—	—	125
Investment in securities:				
Auction rate securities	—	—	13	13
Equity securities	66	—	—	66
Structured investment vehicles	—	96	—	96
Other, mainly debt securities	73	—	1	74
Derivatives:				
Asset derivatives—options and forward contracts	—	82	—	82
Asset derivatives—cross-currency swaps	—	20	—	20
Liability derivatives—options and forward contracts	—	(54)	—	(54)
Liability derivatives—interest rate swaps	—	(43)	—	(43)
Contingent consideration*	—	—	(630)	(630)
Total	$2,490	$101	$(616)	$1,975

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

Teva determined the fair value of the liability or asset of contingent consideration based on a probability-weighted discounted cash flow analysis. This fair value measurement is based on significant unobservable inputs in the market and thus represents a Level 3 measurement within the fair value hierarchy. The fair value of the contingent consideration is based on several factors, such as: the cash flows projected from the success of unapproved product candidates; the probability of success for product candidates including risks associated with uncertainty regarding achievement and payment of milestone events; the time and resources needed to complete the development and approval of product candidates; the life of the potential commercialized products and associated risks of obtaining regulatory approvals in the U.S. and Europe and the discount rate for fair value measurement.

The contingent consideration is evaluated quarterly or more frequently if circumstances dictate. Changes in the fair value of contingent consideration are recorded in earnings under impairments, restructuring and others.

Significant changes in unobservable inputs, mainly the probability of success and cash flows projected, could result in material changes to the contingent consideration liability.

The following table summarizes the activity for those financial assets and liabilities where fair value measurements are estimated utilizing Level 3 inputs.

	December 31, 2015	December 31, 2014
	U.S. $ in millions	
Fair value at the beginning of the period	$(616)	$(347)
Auction rate securities realized	(13)	(5)
Additional contingent consideration resulting from:		
Eagle license	(128)	—
Labrys acquisition	—	(251)
Gecko acquisition	(5)	—
NuPathe acquisition	—	(83)
Adjustments to provisions for contingent consideration:		
Labrys acquisition	(311)	(1)
Eagle license	(63)	—
MicroDose acquisition	(10)	83
Cephalon acquisition	(5)	(56)
NuPathe acquisition	(10)	(6)
Settlement of contingent consideration:		
Labrys acquisition	350	—
Cephalon acquisition	—	21
Sale of animal health unit	—	(5)
Adjustments to contingent considerations due to changes in purchase price allocations and others	—	34
Fair value at the end of the period	$(811)	$(616)

Financial instruments not measured at fair value

Teva's financial instruments consist mainly of cash and cash equivalents, investments in securities, current and non-current receivables, short-term credit, accounts payable and accruals, loans and senior notes, convertible senior debentures and derivatives.

The fair value of the financial instruments included in working capital and non-current receivables approximates their carrying value. The fair value of long-term bank loans mostly approximates their carrying value, since they bear interest at rates close to the prevailing market rates.

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

	Estimated fair value*	
	December 31,	
	2015	2014
	(U.S. $ in millions)	
Senior notes included under long-term liabilities	$(7,305)	$(7,776)
Senior notes and convertible senior debentures included under short-term liabilities	(1,778)	(1,731)
Fair value at the end of the period	$(9,083)	$(9,507)

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

NOTE 4—INVESTMENT IN SECURITIES:

a. Available-for-sale securities:

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

At December 31, 2015 and 2014, the fair value, amortized cost and gross unrealized holding gains and losses of such securities are as follows:

	Fair value	Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses
		(U.S. $ in millions)		
December 31, 2015	$1,620	$1,303	$338	$21
December 31, 2014	$ 259	$ 266	$ 19	$26

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

During the second quarter of 2015, Teva acquired a less than 5% interest in Mylan shares. As the decline in fair value of this interest was considered to be other-than-temporary, on June 30, 2015, a loss of $105 million was recorded under impairments, restructuring and others, reflecting the difference between the purchase price of this interest and its fair value as of June 30, 2015. On September 30, 2015, an additional loss of $623 million was recorded under financial expenses-net, reflecting the difference between the book value of this interest and its fair value. Total loss from the decline in value of the Mylan shares was $728 million. See notes 17 and 18. As of December 31, 2015, unrealized gain of $312 million was recorded in other comprehensive income.

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

	December 31,	
	2015	2014
	(U.S. $ in millions)	
Other non-current assets	$1,447	$176
Cash and cash equivalents, mainly money market funds	162	10
Other current assets	11	73
	$1,620	$259

b. Contractual maturities:

The contractual maturities of debt securities are as follows:

	December 31, 2015
	(U.S. $ in millions)
2016	$173
2021 and thereafter	95
	$268

NOTE 5—INVENTORIES:

Inventories, net of reserves, consisted of the following:

	December 31,	
	2015	2014
	(U.S. $ in millions)	
Finished products	$2,050	$2,268
Raw and packaging materials	1,195	1,279
Products in process	535	638
Materials in transit and payments on account	186	186
	$3,966	$4,371

NOTE 6—PROPERTY, PLANT AND EQUIPMENT:

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

	December 31,	
	2015	2014
	(U.S. $ in millions)	
Machinery and equipment	$ 5,071	$4,893
Buildings	2,591	2,653
Computer equipment and other assets	1,492	1,391
Payments on account	525	571
Land*	394	372
	10,073	9,880
Less—accumulated depreciation	3,529	3,345
	$ 6,544	$6,535

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

Depreciation expenses were $449 million, $464 million and $458 million in the years ended December 31, 2015, 2014 and 2013, respectively. During the years ended December 31, 2015, 2014 and 2013, Teva had impairments of property, plant and equipment in the amount of $96 million, $163 million and $61 million, respectively. See note 18.

NOTE 7—GOODWILL:

The changes in the carrying amount of goodwill for the years ended December 31, 2015 and 2014 were as follows:

	Generics	Specialty	Other	Total
		(U.S. $ in millions)		
Balance as of January 1, 2014	$9,088	$8,668	$1,225	$18,981
Changes during year:				
Goodwill acquired	—	183	—	183
Translation differences and other	(358)	(349)	(49)	(756)
Balance as of December 31, 2014	$8,730	$8,502	$1,176	$18,408
Changes during year:				
Goodwill acquired*	—	1,212	—	1,212
Translation differences and other	(265)	(294)	(36)	(595)
Balance as of December 31, 2015	$8,465	$9,420	$1,140	$19,025

* Mainly due to the Auspex acquisition in May 2015.

As of December 31, 2015, 2014 and 2013, the Company determined that there were no impairments to goodwill.

NOTE 8—IDENTIFIABLE INTANGIBLE ASSETS:

Identifiable intangible assets consisted of the following:

	Original amount net of impairment		Accumulated amortization		Amortized balance	
			December 31,			
	2015	2014	2015	2014	2015	2014
			(U.S. $ in millions)			
Product rights	$ 9,047	$ 9,606	$5,876	$5,343	$3,171	$4,263
Trade names	212	243	40	54	172	189
Research and development in process	4,332	1,060	—	—	4,332	1,060
Total	$13,591	$10,909	$5,916	$5,397	$7,675	$5,512

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 $838 million, $1,036 million and $1,180 million in the years ended December 31, 2015, 2014 and 2013, 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 acquisitions and related assets: SD809—multiple indications and SDJ60 idiopathic pulmonary fibrosis (Auspex)—$3,143 million; LBR-101 (Labrys)—$444 million; Revascor® (Cephalon)—$258 million; Reslizumab (formerly known as Cinquil®, Cephalon)—$215 million; Technology (Immuneering)—$87 million; Technology (Microchips)—$76 million; LAMA/LABA (MicroDose)—$62 million and TD Hydrocodone (Cephalon)—$47 million. In-process research and development carry intrinsic risks that the asset might not succeed in advanced phases and will be impaired in future periods.

Impairment of identifiable intangible assets amounted to $265 million, $224 million and $393 million in the years ended December 31, 2015, 2014 and 2013, respectively, and are recorded in earnings under impairments, restructuring and others. See note 18.

As of December 31, 2015, the estimated aggregate amortization of intangible assets for the years 2016 to 2020 is as follows: 2016—$584 million; 2017—$521 million; 2018—$518 million; 2019—$430 million and 2020—$368 million.

NOTE 9—SALES RESERVES AND ALLOWANCES:

Sales reserves and allowances consisted of the following:

	December 31,	
	2015	2014
	(U.S. $ in millions)	
Rebates	$3,382	$2,842
Medicaid	1,319	1,099
Chargebacks	1,091	1,129
Returns	598	593
Other	211	186
	$6,601	$5,849

NOTE 10—LONG-TERM EMPLOYEE-RELATED OBLIGATIONS:

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

	December 31,	
	2015	2014
	(U.S. $ in millions)	
Accrued severance obligations	$123	$146
Defined benefit plans	157	188
Total	$280	$334

As of December 31, 2015 and 2014, the Group had $140 million and $146 million, respectively, deposited in funds managed by financial institutions that are earmarked by management to cover severance pay liability mainly in respect of Israeli employees. Such deposits are not considered to be "plan assets" and are therefore included in long-term investments and receivables.

Most of the change resulted from actuarial updates, as well as from exiting from several defined benefit plans in several countries.

The Company expects to expense an approximate contribution of $126 million in 2016 to the pension funds and insurance companies in respect of its severance and pension pay obligations.

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

b. Terms of arrangements:

Israel

Israeli law generally requires payment of severance pay upon dismissal of an employee or upon termination of employment in certain other circumstances. The Parent Company and its Israeli subsidiaries make ongoing deposits into employee pension plans to fund their severance liabilities. According to the general collective pension agreement in Israel, Company deposits with respect to employees who were employed by the Company after the agreement took effect are made in lieu of the Company's severance liability, therefore no obligation is provided for in the financial statements. Severance pay liabilities with respect to employees who were employed by the Parent Company and its Israeli subsidiaries prior to the collective pension agreement effective date, as well as employees who have special contractual arrangements, are provided for in the financial statements based upon the number of years of service and the latest monthly salary.

Europe

Many of the employees in the Company's European subsidiaries are entitled to a retirement grant when they leave. In the consolidated financial statements, the liability of the subsidiaries is accrued, based on the length of service and remuneration of each employee at the balance sheet date. Other employees in Europe are entitled to a pension according to a defined benefit scheme providing benefits based on final or average pensionable pay or according to a hybrid pension scheme that provides retirement benefits on a defined benefit and a defined contribution basis. Independent certified actuaries value these schemes and determine the rates of contribution payable. Pension costs for the defined benefit section of the scheme are accounted for on the basis of charging the expected cost of providing pensions over the period during which the subsidiaries benefit from the employees' services. The Company uses December 31 as the measurement date for defined benefit plans.

North America

The Company's North American subsidiaries mainly provide various defined contribution plans for the benefit of their employees. Under these plans, contributions are based on specified percentages of pay. Additionally, a multi-employer plan is maintained in accordance with various union agreements.

Latin America

The majority of the employees in Latin America are entitled to severance under local law. The severance payments are calculated based on service term and employee remuneration, and accruals are maintained to reflect these amounts. In some Latin American countries it is Teva's practice to offer retirement health benefits to qualifying employees. Based on the specific plan requirements, benefits accruals are maintained to reflect the estimated amounts or adjusted if future plans are modified.

The Company expects to pay the following future minimum benefits to its employees: $8 million in 2016; $7 million in 2017; $11 million in 2018; $11 million in 2019; $8 million in 2020 and $50 million between 2020 to 2024. These amounts do not include amounts that might be paid to employees who cease working with the Company before their normal retirement age.

NOTE 11—DEBT OBLIGATIONS:

a. Short-term debt:

	Weighted average interest rate as of December 31	Maturity	December 31, 2015	December 31, 2014
			(U.S. $ in millions)	
Bank and financial institutions	2.05%		$ 75	$ 46
Convertible debentures (see note 12)	0.25%	2026	521	530
Current maturities of long-term liabilities			989	1,185
Total short term debt			$1,585	$1,761

Short-term debt has an earliest date of repayment within 12 months.

Line of credit:

In November 2015, the Company entered into a $3 billion five-year unsecured syndicated credit facility (which will increase to $4.5 billion upon closing of the Actavis Generics acquisition, see note 2), replacing the previous $3 billion facility. As of December 31, 2015, the credit facility remained unutilized.

b. Long-term debt includes the following:

	Weighted average interest rate as of December 31, 2015	Maturity	December 31, 2015	December 31, 2014
	%		(U.S. $ in millions)	
Senior notes USD 613 million (1)	3.65%	2021	$ 611	$ 873
Senior notes USD 588 million (1)	3.65%	2021	586	873
Senior notes USD 700 million	2.25%	2020	700	700
Senior notes USD 950 million	2.40%	2016	950	950
Senior notes EUR 1,000 million	2.88%	2019	1,092	1,213
Senior notes USD 789 million (1)	6.15%	2036	780	974
Senior notes USD 844 million (1)	2.95%	2022	843	1,297
Senior notes CHF 450 million	1.50%	2018	455	455
Senior notes EUR 1,300 million (2)	1.25%	2023	1,409	—
Senior notes EUR 700 million (2)	1.88%	2027	762	—
Senior notes USD 1,000 million (3)	3.00%	2015	—	1,000
Fair value hedge accounting adjustments			(10)	(43)
Total senior notes			$8,178	$8,292
Term loan EUR 122 million (4)	EURIBOR + 1.0%	2015	—	148
Term loan JPY 35 billion	1.42%	2019	290	293
Term loan JPY 65 billion	0.99%	2017	544	549
Term loan JPY 35 billion	LIBOR +0.3%	2018	290	293
Other loans JPY 5 billion (5)	1.67%	2019	39	118
Total loans			$1,163	$1,401
Debentures USD 15 million	7.20%	2018	15	15
Other	7.48%	2026	5	—
Total debentures and others			$ 20	$ 15
Less current maturities			989	1,185
Derivative instruments			11	43
Total long term debt (6)			$8,383	$8,566

1. In February 2015, Teva consummated a cash tender offer for certain of its outstanding senior notes. Teva paid $1.3 billion in aggregate consideration (applicable purchase price including premium and accrued interest) to redeem $1.2 billion aggregate principal amount of senior notes.

   Concurrently, Teva terminated an interest swap agreement designated as fair value hedge relating to its 2.95% senior notes due 2022 with respect to $456 million notional amount. In addition, Teva terminated a cross-currency swap agreement designated as cash flow hedge relating to its 3.65% senior notes due 2021 with respect to $287 million notional amount.

   The Company recorded $143 million expense in connection with the debt tender offer and the termination of the related swap agreements, recognized under financial expenses—net (see note 17).

2. In March 2015, Teva Pharmaceutical Finance Netherlands II B.V., a Teva finance subsidiary, issued senior notes in an aggregate principal amount of €2.0 billion, comprised of: €1.3 billion due in March 2023 bearing interest of 1.25% and €0.7 billion due in March 2027 bearing interest of 1.88%. All such notes are guaranteed by Teva.

3. In June 2015, Teva repaid at maturity $1.0 billion principal amount of its 3% fixed rate senior notes and settled the related $1.0 billion notional amount cross-currency swap agreement designated as cash flow hedge of these notes.
4. In January 2015, Teva repaid a loan from the European Investment Bank (EIB) in the amount of €122 million. The loan had borne interest determined on the basis of EURIBOR + 1%.
5. Comprised of several JPY loans. Maturity was computed using weighted averages. Management expects the loans to be repaid in 2016.
6. Long term debt as of December 31, 2015 is effectively denominated (taking into consideration cross currency swap agreements) in the following currencies: euro 46%, U.S. dollar 35%, JPY 14% and Swiss franc 5%.

Certain loan agreements and debentures contain restrictive covenants, mainly the requirement to maintain certain financial ratios. As of December 31, 2015, the Company met all financial covenants.

The Company and certain subsidiaries entered into negative pledge agreements with certain banks and institutional investors. Under the agreements, the Company and such subsidiaries have undertaken not to register floating charges on assets in favor of any third parties without the prior consent of the banks, to maintain certain financial ratios and to fulfill other restrictions, as stipulated by the agreements.

The required annual principal payments of long-term debt as of December 31, 2015, starting with the year 2017, are as follows:

	December 31, 2015
	(U.S. $ in millions)
2017	$ 544
2018	760
2019	1,382
2020	700
2021 and thereafter	4,997
	$8,383

NOTE 12—CONVERTIBLE SENIOR DEBENTURES:

Convertible senior debentures amounted to $521 and $530 million principal amount of our 0.25% convertible senior debentures due 2026 as of December 31, 2015 and 2014, respectively. These convertible senior debentures include a “net share settlement” feature according to which the principal amount will be paid in cash and in case of conversion, only the residual conversion value above the principal amount will be paid in Teva shares. Due to the “net share settlement” feature, exercisable at any time, these convertible senior debentures are classified in the balance sheet under short-term debt. Holders of the convertible debentures were able to cause Teva to redeem the debentures on February 1, 2016 and have another right to cause Teva to do so on February 1, 2021.

NOTE 13—COMMITMENTS AND CONTINGENCIES:

a. Commitments:

Pending acquisitions:

On October 1, 2015, Teva agreed to acquire Rimsa for $2.3 billion in cash and on July 27, 2015, it announced its agreement to acquire Actavis Generics for $33.75 billion in cash and approximately 100 million Teva shares. See note 2.

Preferred dividends:

The Company pays dividends under its outstanding mandatory convertible preferred shares. See note 14b.

Operating leases:

As of December 31, 2015, minimum future rentals under operating leases of buildings, machinery and equipment for periods in excess of one year were as follows: 2016—$141 million; 2017—$115 million; 2018—$92 million; 2019—$59 million; 2020—$39 million; 2021 and thereafter—$111 million.

The lease fees expensed in each of the years ended December 31, 2015, 2014 and 2013 were $122 million, $153 million and $117 million, respectively.

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.

Royalty expenses are reported in cost of goods sold if related to the acquisition of a product, and if not are included in sales and marketing expenses. The royalty expense in each of the years ended December 31, 2015, 2014 and 2013 were $911 million, $987 million and $1.1 billion, respectively.

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, 2015, were all milestones and targets, for compounds in Phase II and more advanced stages of development, to be achieved, the total contingent payments could reach an aggregate of up to approximately $2.3 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 matters disclosed in this note.

Teva records a provision in its financial statements to the extent that it concludes that a contingent liability is probable and the amount thereof is estimable. Based upon the status of these cases, management's assessments of the likelihood of damages, and the advice of counsel, no provisions have been made regarding the matters disclosed in this note, except as noted below. Litigation outcomes and contingencies are unpredictable, and excessive verdicts can occur. Accordingly, management's assessments involve complex judgments about future events and often rely heavily on estimates and assumptions.

Based on currently available information, Teva believes that none of the proceedings brought against it described below is likely to have a material adverse effect on its financial condition. However, if one or more of such proceedings were to result in final judgments against Teva, such judgments could be material to its results of operations and cash flow in a given period. In addition, Teva incurs significant legal fees and related expenses in the course of defending its positions even if the facts and circumstances of a particular litigation do not give rise to a provision in the financial statements.

In connection with third-party agreements, Teva may under certain circumstances be required to indemnify, and may be indemnified by, in unspecified amounts, the parties to such agreements against third-party claims. Teva's agreements with third parties may require Teva to indemnify them, or require them to indemnify Teva, for the costs and damages incurred in connection with product liability claims, in specified or unspecified amounts.

Except as otherwise noted, all of the litigation matters disclosed below involve claims arising in the United States. All third-party sales figures given below are based on IMS data.

Intellectual Property Litigation

From time to time, Teva seeks to develop generic versions of patent-protected pharmaceuticals for sale prior to patent expiration in various markets. In the United States, to obtain approval for most generics prior to the expiration of the originator's patents, Teva must challenge the patents under the procedures set forth in the Hatch-Waxman Act of 1984, as amended. To the extent that Teva seeks to utilize such patent challenge procedures, Teva is and expects to be involved in patent litigation regarding the validity, enforceability or infringement of the originator's patents. Teva may also be involved in patent litigation involving the extent to which its product or manufacturing process techniques may infringe other originator or third-party patents.

Additionally, depending upon a complex analysis of a variety of legal and commercial factors, Teva may, in certain circumstances, elect to market a generic version even though litigation is still pending. This could be before any court decision is rendered or while an appeal of a lower court decision is pending. To the extent Teva elects to proceed in this manner, it could face substantial liability for patent infringement if the final court decision is adverse to Teva.

The general rule for damages in patent infringement cases in the United States is that the patentee should be compensated by no less than a reasonable royalty, and it may also be able in certain circumstances to be compensated for its lost profits. The amount of a reasonable royalty award would be calculated based on the sales of Teva's generic product. The amount of lost profits would be based on the lost sales of the branded product. The launch of an authorized generic and other generic competition may be relevant to the damages calculation. In addition, the patentee may seek consequential damages as well as enhanced damages of up to three times the profits lost by the patent holder for willful infringement, although courts have typically awarded much lower multiples.

Teva is also involved in litigation regarding patents in other countries where it does business, particularly in Europe, where Teva has in recent years increased the number of launches of its generic versions of branded pharmaceuticals prior to the expiration of the innovator's patents. The laws concerning generic pharmaceuticals and patents differ from country to country. Damages for patent infringement in Europe may include lost profits or a reasonable royalty, but enhanced damages for willful infringement are generally not available.

In June 2013, Teva settled its pantoprazole patent litigation with Wyeth and agreed to pay $1.6 billion, which was completed on October 1, 2014. Teva has sought insurance coverage to defray such amount, and to date, Teva has recovered approximately $339 million from certain of its insurance carriers.

In September 2012, Teva launched its 10, 20, 30, 40, 50, and 60 mg methylphenidate ER products, which are the AB-rated generic versions of UCB's Metadate CD® capsules, which had annual sales of approximately $154 million for the twelve months ended September 2012. In December 2012, UCB sued Teva in the United States District Court for the Northern District of Georgia for infringement of UCB's formulation patent, which expires in October 2020. On March 18, 2015, the District Court granted Teva's motion for summary judgment of noninfringement. The case was dismissed on May 12, 2015. Teva continues to sell its methylphenidate ER products.

On April 28, 2015, Teva launched its 2 mg, 5 mg, 10 mg, 15 mg, 20 mg, and 30 mg aripiprazole tablets, which are the AB-rated versions of Otsuka's Abilify®, which had annual sales according to IMS of approximately $7.8 billion for the twelve months ending December 2014. Otsuka has sued Teva in New Jersey federal court for infringement of patents that expire in March 2023 and March 2027. On April 16, 2015, the court denied Otsuka's motion for a temporary restraining order based on one of the patents in suit. On January 20, 2016, the court issued an order granting summary judgment on the grounds that Teva's generic product does not infringe Otsuka's patent directed to using aripriprazole in combination with certain anti-depressants. Otsuka plans to seek interlocutory appeal of this decision. The court has not yet issued decisions on the other patents in suit. No trial date has been scheduled. Were Otsuka ultimately to be successful in its allegation of patent infringement, Teva could be required to pay damages relating to past sales of its aripiprazole products and enjoined from future sales until patent expiry. The amount of damages, if any, would be determined through a separate trial.

Product Liability Litigation

Teva's business inherently exposes it to potential product liability claims, and in recent years the number of product liability claims asserted against Teva has increased. Teva maintains a program of insurance, which may include commercial insurance, self-insurance (including direct risk retention), or a combination of both approaches, in amounts and on terms that it believes are reasonable and prudent in light of its business and related risks. However, Teva sells, and will continue to sell, pharmaceuticals that are not covered by insurance; in addition, it may be subject to claims for which insurance coverage is denied as well as claims that exceed its policy limits. Product liability coverage for pharmaceutical companies is becoming more expensive and increasingly difficult to obtain. As a result, Teva may not be able to obtain the type and amount of commercial insurance it desires, or any commercial insurance on reasonable terms, in all of its markets.

Teva and/or its subsidiaries have been named as defendants in approximately 4,000 product liability lawsuits brought against them and other manufacturers by approximately 4,400 plaintiffs claiming injuries (including allegations of neurological disorders, such as tardive dyskinesia) from the long-term 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. The California litigation includes about half of the total plaintiffs. In the New Jersey proceeding, the trial court granted the defendants' motion to dismiss, on federal preemption grounds, all claims other than those based on an alleged failure to timely update the label. The appellate court affirmed, and the New Jersey Supreme Court has agreed to hear Teva's further appeal of the decision with respect to the update claims. All of the cases in the New Jersey proceeding with respect to the generic defendants have been stayed pending resolution of the appeal.

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.

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 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 entered into between Cephalon, Inc., now a Teva subsidiary ("Cephalon"), and various generic pharmaceutical companies in late 2005 and early 2006 to resolve patent litigation involving certain finished modafinil products (marketed as Provigil®) were unlawful because they had the effect of excluding generic competition. The case also alleges that Cephalon improperly asserted its Provigil® patent against the generic pharmaceutical companies. The first lawsuit was brought by King Drug Company of Florence, Inc. on behalf of itself and as a proposed class action on behalf of any other person or entity that purchased Provigil® directly from Cephalon (the "Direct

Purchaser Class"). Similar allegations have been made in a number of additional complaints, including those filed on behalf of a proposed class of end payors of Provigil (the "End Payor Class"), by certain individual end payors, by certain retail chain pharmacies and by Apotex, Inc. (collectively, these cases are referred to as the "Philadelphia Modafinil Action"). Separately, Apotex challenged Cephalon's Provigil® patent, and in October 2011, the Court found the patent to be invalid and unenforceable based on inequitable conduct. This decision was affirmed on appeal in April 2013. Teva has either settled or reached agreements in principle to settle with all of the plaintiffs in the Philadelphia Modafinil Action.

In February 2008, following an investigation, the FTC sued Cephalon only, 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 (the "FTC Modafinil Action").

In addition to the Philadelphia Modafinil Action and the FTC Modafinil Action, the City of Providence, Rhode Island and the State of Louisiana have also filed lawsuits against Cephalon and other Teva subsidiaries. Cephalon and other Teva subsidiaries have also received notices of potential claims related to the Provigil® settlement agreements by certain other claimants. 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.

On May 28, 2015, Cephalon entered into a consent decree with the FTC under which the FTC dismissed its claims against Cephalon in the FTC Modafinil Action in exchange for payment of $1.2 billion (less set-offs for prior settlements) by Cephalon and Teva into a settlement fund. The net amount paid into the settlement fund may be used to settle certain other related cases, including the claims still pending in the litigation described above, as well as other government investigations. Under the consent decree, Teva also agreed to certain injunctive relief with respect to the types of settlement agreements Teva may enter into to resolve patent litigation in the United States for a period of ten years. If, at the end of the ten years, the entire settlement fund has not been fully disbursed, any amount remaining will be paid to the Treasurer of the United States. On July 16, 2015, Teva made a payment into the settlement fund for the difference of $1.2 billion less the amount of the agreed-upon settlements reached as of that date. Management recorded an additional charge of $398 million in the second quarter of 2015 as a result of the settlement with the FTC.

In April 2011, the European Commission opened a formal investigation against both Cephalon and Teva to assess whether the 2005 settlement agreement between the parties might have had the object or effect of hindering the entry of generic modafinil. The opening of proceedings indicates that the Commission will investigate the case as a matter of priority, but does not mean that there has been a definitive finding of violation of law.

Barr Laboratories, Inc., a subsidiary of Teva ("Barr"), is a defendant in actions in California, Florida and Kansas alleging that a January 1997 patent litigation settlement agreement between Barr and Bayer Corporation was anticompetitive and violated state antitrust and consumer protection laws. In the California case, the trial court granted defendants' summary judgment motions, and the California Court of Appeal affirmed in October 2011. While an appeal was pending before the California Supreme Court, the trial court approved a $74 million class settlement with Bayer. On May 7, 2015, the California Supreme Court reversed and remanded the case back to the trial court for a rule of reason inquiry as to the remaining defendants, including Barr. A trial has been scheduled for October 2016. Based on the plaintiffs' expert testimony in a prior federal multidistrict litigation, estimated sales of ciprofloxacin in California were approximately $500 million during the alleged damages period.

Barr remains a party to both the California and Florida actions. In the Kansas action, the court granted preliminary approval of the settlement Bayer entered into with plaintiffs on June 5, 2015. On July 22, 2015, Barr and the remaining co-defendants also agreed to settle with the plaintiffs. The settlement has been submitted to the court for approval, following which the case will be dismissed.

In December 2011, three groups of plaintiffs sued Wyeth and Teva for alleged violations of the antitrust laws in connection with their settlement of patent litigation involving extended release venlafaxine (generic Effexor® XR) entered into in November 2005. The cases were filed by a purported class of direct purchasers, by a purported class of indirect purchasers and by certain chain pharmacies. The plaintiffs claim that the settlement agreement between Wyeth and Teva unlawfully delayed generic entry. On October 7, 2014, the court granted Teva's motion to dismiss in the direct purchaser cases, after which the parties agreed that the court's reasoning applied equally to the indirect purchaser cases. Plaintiffs filed notices of appeal, and the Third Circuit has consolidated the appeal with a separate antitrust case in which Teva is not a party, *In re Lipitor Antitrust Litigation*, solely for purposes of disposition by the same appellate panel. Annual sales of Effexor® XR were approximately $2.6 billion at the time of settlement and at the time generic versions were launched in July 2010.

In February 2012, two purported classes of direct-purchaser plaintiffs sued GlaxoSmithKline ("GSK") and Teva for alleged violations of the antitrust laws in connection with their settlement of patent litigation involving lamotrigine (generic Lamictal®) entered into in February 2005. In August 2012, a purported class of indirect purchaser plaintiffs filed a nearly identical complaint against GSK and Teva. The plaintiffs claim that the settlement agreement unlawfully delayed generic entry and seek unspecified damages. In December 2012, the District Court dismissed the cases. On January 24, 2014, the District Court denied the direct purchaser plaintiffs' motion for reconsideration and affirmed its original dismissal of the cases. On June 26, 2015, the Third Circuit reversed and remanded for further proceedings. The defendants' petitions for review by the full court were denied on September 23, 2015. Litigation has resumed in the district court in both the direct purchaser and indirect purchaser actions. Teva and GSK filed a motion for judgment on the pleadings in the indirect purchaser action on December 28, 2015. 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.

On June 18, 2014, two groups of end payors sued AstraZeneca and Teva, as well as Ranbaxy and Dr. Reddy's, in the Philadelphia Court of Common Pleas for violating the antitrust laws by entering into settlement agreements to resolve the esomeprazole (generic Nexium®) patent litigation (the "Philadelphia Esomeprazole Actions"). These end payors had opted out of a class action that was filed in the Massachusetts federal court in September 2012 and resulted in a jury verdict in December 2014 in favor of AstraZeneca and Ranbaxy (the "Massachusetts Action"). Prior to the jury verdict, Teva settled with all plaintiffs for $24 million. The allegations in the Philadelphia Esomeprazole Actions are nearly identical to those in the Massachusetts Action. The Philadelphia Esomeprazole Actions are stayed pending resolution of the Massachusetts Action, which is currently on appeal to the First Circuit with respect to the claims against the non-settling defendants AstraZeneca and Ranbaxy.

In April 2013, purported classes of direct purchasers of, and end payors for, Niaspan® (extended release niacin) sued Teva and Abbott for violating the antitrust laws by entering into a settlement agreement in April 2005 to resolve patent litigation over the product. A multidistrict litigation has been established in the United States District Court for the Eastern District of Pennsylvania. Teva and Abbott's motion to dismiss was denied on September 8, 2014. In March, April and December 2015 and in January 2016, several individual direct purchaser opt-out plaintiffs filed complaints with allegations nearly identical to those of the direct purchaser class. Annual sales of Niaspan® were approximately $416 million at the time of the settlement and approximately $1.1 billion at the time generic competition commenced in September 2013.

Since July 2013, numerous lawsuits have been filed in several federal courts by purported classes of end payors for, and direct purchasers of, Solodyn® ER (minocycline hydrochloride) against Medicis, the innovator, and several generic manufacturers, including Teva. The lawsuits allege, among other things, that the settlement agreements between Medicis and the generic manufacturers violated the antitrust laws. Teva entered into its agreement with Medicis in March 2009. A multidistrict litigation has been established in the United States District Court for the District of Massachusetts. On September 12, 2014, plaintiffs filed an amended complaint that did not name Teva as a defendant. Annual sales of Solodyn® ER were approximately $380 million at the time Teva settled, and approximately $765 million at the time generic competition entered the market on a permanent basis in November 2011.

Since November 2013, numerous lawsuits have been filed in several federal courts by purported classes of end payors for, and direct purchasers of, Aggrenox® (dipyridamole/aspirin tablets) against Boehringer Ingelheim ("BI"), the innovator, and several Teva subsidiaries. The lawsuits allege, among other things, that the settlement agreement between BI and Barr entered into in August 2008 violated the antitrust laws. A multidistrict litigation has been established in the United States District Court for the District of Connecticut. Teva and BI's motion to dismiss was denied on March 23, 2015. Defendants' motion for certification for an immediate appeal of that decision was granted on July 21, 2015, but the Second Circuit denied hearing the appeal. Annual sales of Aggrenox® were approximately $340 million at the time of the settlement, and were approximately $455 million at the time generic competition began in July 2015. Teva launched a generic version of Aggrenox® in July 2015.

Since January 2014, numerous lawsuits have been filed in the United States District Court for the Southern District of New York by purported classes of end payors for and direct purchasers of ACTOS® and ACTO*plus* Met® (pioglitazone and pioglitazone plus metformin) against Takeda, the innovator, and several generic manufacturers, including Teva. The lawsuits allege, among other things, that the settlement agreements between Takeda and the generic manufacturers violated the antitrust laws. Teva entered into its agreement with Takeda in December 2010. Defendants' motions to dismiss with respect to the end payor lawsuits were granted on September 23, 2015. On October 22, 2015, the end payors filed a notice of appeal of this ruling. The lawsuits brought by the direct purchasers were stayed pending a ruling on the motions to dismiss the end payor lawsuits. Following the ruling on the motions to dismiss in the end payor lawsuits, the direct purchaser plaintiffs amended their complaint. Defendants have moved to dismiss that complaint. At the time of the settlement, annual sales of ACTOS® were approximately $3.7 billion and annual sales of ACTO*plus* Met® were approximately $500 million. At the time generic competition commenced in August 2012, annual sales of ACTOS® were approximately $2.8 billion and annual sales of ACTO*plus* Met® were approximately $430 million.

On September 8, 2014, the FTC sued AbbVie Inc. and certain of its affiliates ("AbbVie") and Teva in the United States District Court for the Eastern District of Pennsylvania alleging that they violated the antitrust laws when they entered into a settlement agreement to resolve the AndroGel® patent litigation and a supply agreement under which AbbVie would supply authorized generic product for TriCor® to Teva. The FTC alleges that Teva agreed to delay the entry of its generic testosterone gel product in exchange for entering into the TriCor supply agreement. On May 6, 2015, the court granted Teva's motion to dismiss the FTC's claim as to Teva. The FTC's motions for reconsideration and for entry of partial final judgment to permit an immediate appeal were denied.

Since May 29, 2015, two lawsuits have been filed in the United States District Court for the Southern District of New York by a purported class of direct purchasers of, and a purported class of end payors for, Namenda IR® (memantine hydrochloride) against Forest Laboratories, LLC and Actavis PLC, the innovator, and several generic manufacturers, including Teva. The direct purchasers withdrew their complaint and filed an amended complaint that did not name Teva as a defendant. Defendants have moved to dismiss the claims made by the end payors. The lawsuits allege, among other things, that the settlement agreements between Forest and the generic manufacturers violated the antitrust laws. Teva entered into its agreement with Forest in November

2009. Annual sales of Namenda IR® at the time of the settlement were approximately $1.1 billion, and are currently approximately $1.4 billion.

Government Investigations and Litigation Relating to Pricing and Marketing

Teva is involved in government investigations and litigation arising from the marketing and promotion of its specialty pharmaceutical products in the United States. Many of these investigations originate through what are known as *qui tam* complaints, in which the government reviews a complaint filed under seal by a whistleblower (a "relator") that alleges violations of the federal False Claims Act. The government considers whether to investigate the allegations and will, in many cases, issue subpoenas requesting documents and other information, including conducting witness interviews. The government must decide whether to intervene and pursue the claims as the plaintiff. Once a decision is made by the government, the complaint is unsealed. If the government decides not to intervene, then the relator may decide to pursue the lawsuit on his own without the active participation of the government.

Under the federal False Claims Act, the government (or relators who pursue the claims without the participation of the government in the case) may seek to recover up to three times the amount of damages in addition to a civil penalty of $5,500 to $11,000 for each allegedly false claim submitted to the government for payment. Generally speaking, these cases take several years for the investigation to be completed and, ultimately, to be resolved (either through litigation or settlement) after the complaint is unsealed. In addition, some states have pursued investigations under state false claims statutes or consumer protection laws, either in conjunction with a government investigation or separately. There is often collateral litigation that arises from public disclosures of government investigations, including the filing of class action lawsuits by third party payors alleging fraud-based claims or by shareholders alleging violations of the securities laws.

A number of state attorneys general and others have filed various actions against Teva and/or certain of its subsidiaries in the United States relating to reimbursements or drug price reporting under Medicaid or other programs. Such price reporting is alleged to have caused governments and others to pay inflated reimbursements for covered drugs. Teva and its subsidiaries have reached settlements in most of these cases, and remain parties to litigation in Illinois. A provision for the cases has been included in the financial statements. Trial in the Illinois case, on liability only, concluded in the fourth quarter of 2013, and post-trial briefing has been submitted and is under consideration. The State of Illinois is seeking approximately $100 million in compensatory damages. Any such damages ultimately awarded by the court (which would be determined through a separate trial) are subject to automatic trebling. In addition, the state is seeking unspecified statutory penalties that could range, depending on the method used for calculation, from a de minimis amount to well over $100 million. Teva denies any liability, and will argue that even if the court finds liability, compensatory damages and penalties should be significantly less than the amount sought by the state.

Several *qui tam* complaints have been unsealed in recent years as a result of government decisions not to participate in the cases. The following is a summary of certain government investigations, *qui tam* actions and related matters.

In December 2009, the United States District Court for the District of Massachusetts unsealed a complaint alleging that numerous drug manufacturers, including certain Teva subsidiaries, violated the federal False Claims Act in connection with Medicaid reimbursement for certain vitamins, dietary supplements and DESI products that were allegedly ineligible for reimbursement. The Department of Justice declined to join in the matter. The defendants, including Teva, filed a motion to dismiss, which was granted on February 25, 2013. The plaintiffs' deadline to appeal the dismissal has not yet expired.

In September 2013, the State of Louisiana filed a complaint seeking unspecified damages against 54 pharmaceutical companies, including several Teva subsidiaries. The complaint asserts that each of the defendants allegedly defrauded the state by falsely representing that its products were FDA-approved drugs, which allegedly caused the state Medicaid program to pay millions of dollars in reimbursement claims for products that it would not otherwise have covered. The case was dismissed without prejudice in September 2015, with the court finding that the state was not a proper plaintiff. The state has appealed this decision.

Cephalon has received and responded to subpoenas related to Treanda®, Nuvigil® and Fentora®. In March 2013, a federal False Claims Act complaint filed against Cephalon in the United States District Court for the Southern District of New York was unsealed. The case was transferred to the Eastern District of Pennsylvania. The complaint alleges off-label promotion of Treanda® and Fentora®. The court granted Cephalon's motion to dismiss the Fentora claims and denied Cephalon's motion to dismiss the Treanda® claims. In January 2014, a separate federal False Claims Act complaint that had been filed in the United States District Court for the Eastern District of Pennsylvania was served on Cephalon. The complaint alleges off-label promotion of Fentora®, Nuvigil® and Provigil®. The court dismissed the Fentora® claims and denied Cephalon's motion to dismiss the Provigil® and Nuvigil® claims. On August 13, 2015, Cephalon submitted a motion to modify the court's order denying its motion to dismiss the relators' Provigil® claims.

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. In March 2015, the court denied the plaintiffs' motion for class certification and that decision was affirmed by the Third Circuit in August 2015. Cephalon has entered into an agreement to resolve the named plaintiffs' individual claims without admitting any liability, and the case was dismissed on January 14, 2016. Cephalon is defending a separate putative class action law suit in the same court with similar off-label claims involving Provigil® and Gabitril® brought by the American Federation of State, County and Municipal Employees, District Council 47 Health and Welfare Fund. The plaintiffs voluntarily dismissed their complaint on January 29, 2016.

In July 2014, the court granted Cephalon and Teva's motion to dismiss an action brought by certain Travelers entities that was filed in the Eastern District of Pennsylvania alleging off-label marketing of Actiq® and Fentora®. The plaintiffs' motion to amend the judgment and file a second amended complaint was denied on September 24, 2014, and the plaintiffs have appealed. On August 10, 2015, the Third Circuit Court of Appeals entered an order affirming the district court's order dismissing the case with prejudice. 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®. In September 2015, Cephalon reached an agreement in principle to resolve this case without admitting any liability, and the case was dismissed on December 17, 2015.

In May 2014, counsel for Santa Clara County and Orange County, purportedly on behalf of the People of California, filed a complaint in the Superior Court for Orange County, California against Teva and Cephalon, along with several other pharmaceutical companies, contending that defendants allegedly engaged in improper marketing of opioids, including Actiq® and Fentora®. In June 2014, the City of Chicago filed a similar complaint against Teva and Cephalon in the Circuit Court of Cook County, Illinois, which has been removed to the Northern District of Illinois. Both complaints assert claims under state law based upon alleged improper marketing of opioids, and both seek a variety of damages, including restitution, civil penalties, disgorgement of profits, treble damages, attorneys' fees and injunctive relief. Neither complaint specifies the exact amount of damages at issue. Teva and Cephalon filed motions to dismiss in both the California and Chicago actions. In the

California action, in August 2015, the Court granted the defendants' demurrer, or motion to dismiss, on primary jurisdiction grounds and the case has been stayed. In the Chicago action, all claims against Teva and Cephalon were dismissed without prejudice. In August 2015, the City of Chicago filed a second amended complaint and defendants have filed motions to dismiss the second amended complaint.

In December 2015, the Mississippi Attorney General filed a lawsuit against Teva Pharmaceuticals USA, Inc. and Cephalon along with the same defendants named in the California and Chicago actions described above. The Mississippi complaint is similar to the California and Chicago complaints, asserts claims under Mississippi state law based upon alleged improper marketing of opioids, including Actiq® and Fentora®, and seeks a variety of damages including restitution, civil penalties, disgorgement of profits, treble damages, attorneys' fees and injunctive relief. The complaint does not specify the exact amount of damages at issue. Teva and Cephalon intend to move to dismiss the complaint.

On January 8, 2014, Teva received a civil investigative demand from the United States Attorney for the Southern District of New York seeking documents and information from January 1, 2006 related to sales, marketing and promotion of Copaxone® and Azilect®. The demand states that the government is investigating possible civil violations of the federal False Claims Act. On March 12, 2015, the docket in this matter and a False Claims Act civil *qui tam* complaint concerning this matter were unsealed by the court, which revealed that the United States Attorney had notified the court on November 18, 2014 that it had declined to intervene in and proceed with the lawsuit. The *qui tam* relators, however, are moving forward with the lawsuit. On June 5, 2015, Teva filed motions to dismiss the complaint, which remains pending.

For several years, Teva has been conducting a voluntary worldwide investigation into business practices that may have implications under the U.S. Foreign Corrupt Practices Act ("FCPA"). Teva has engaged outside counsel to assist in its investigation, which was prompted by the receipt, beginning in 2012, of subpoenas and informal document requests from the SEC and the Department of Justice ("DOJ") to produce documents with respect to compliance with the FCPA in certain countries. Teva has provided and will continue to provide documents and other information to the SEC and the DOJ, and is cooperating with these agencies in their investigations of these matters. In the course of its investigation, which is substantially complete, Teva has identified certain business practices and transactions in Russia, certain European countries, certain Latin American countries and other countries in which it conducts business, which likely constitute violations of the FCPA and/or local law. In connection with its investigation, Teva has also become aware that Teva affiliates in certain countries under investigation provided to local authorities inaccurate or altered information relating to marketing or promotional practices. Teva has brought and continues to bring these issues to the attention of the SEC and the DOJ. Teva cannot predict at this time the impact on the Company as a result of these matters, which may include material fines in amounts that are not currently estimable, limitations on the Company's conduct, the imposition of a compliance monitor and/or other civil and criminal penalties.

Shareholder Litigation

On December 18, 2013, a putative class action securities lawsuit was filed in the United States District Court for the Southern District of New York on behalf of purchasers of Teva's securities between January 1, 2012 and October 29, 2013. The complaint alleges that Teva and certain directors and officers violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, and that the individual defendants violated Section 20 of the Exchange Act, by making false and misleading statements that failed to disclose the existence of significant internal discord between Teva's board of directors and senior management concerning execution of Teva's strategies, including implementation of a cost reduction program. On March 2, 2015, prior to any ruling by the court on the motion, and without any payment by Teva, the plaintiff voluntarily dismissed the lawsuit.

Other Litigation

In January 2013, GSK filed a lawsuit against Teva for violations of the Lanham Act in the marketing of its Budeprion XL 300 mg product. The lawsuit alleges that Teva made false representations in claiming that Budeprion XL 300 mg was bioequivalent to GSK's Wellbutrin® XL 300 mg and "implicitly communicated" that the product was as safe and efficacious as GSK's product. At the time Teva began selling Budeprion XL 300 mg, annual sales of Wellbutrin® XL 300 mg were approximately $1 billion. In April 2013, Teva filed a motion to dismiss the complaint on the grounds that GSK cannot retroactively challenge through the Lanham Act a determination of bioequivalence made by the FDA, and that Teva's alleged statements, which merely repeated the FDA approval status of Wellbutrin®, were not false or misleading as a matter of law. On March 10, 2014, the motion was denied, and Teva's motion for reconsideration was denied on July 18, 2014. This matter was settled in November 2015 and the case was dismissed.

Environmental Matters

Teva is party to a number of environmental proceedings, or has received claims, including some brought pursuant to the Comprehensive Environmental Response, Compensation and Liability Act (commonly known as the Superfund law) or other national, federal, provincial or state and local laws imposing liability for alleged noncompliance with various environmental laws and regulations or for the investigation and remediation of releases of hazardous substances and for natural resource damages. Many of these proceedings and claims seek to require the generators of hazardous wastes disposed of at a third-party-owned site, or the party responsible for a release of hazardous substances into the environment that impacted a site, to investigate and clean up the site or to pay for such activities, including for oversight by governmental authorities, the response costs associated with such oversight and any related damages to natural resources. Teva has received claims, or has been made a party to these proceedings, along with other potentially responsible parties, as an alleged generator of wastes that were disposed of or treated at third-party waste disposal sites, or as a result of an alleged release from one of Teva's facilities or former facilities that may have adversely impacted the environment.

In many of these cases, the government or private litigants allege that the responsible parties are jointly and severally liable for the investigation and cleanup costs. Although the liability among the responsible parties, under certain circumstances, may be joint and several, these proceedings are frequently resolved so that the allocation of cleanup and other costs among the parties reflects the relative contributions of the parties to the site conditions and takes into account other pertinent factors. Teva's potential liability varies greatly at each of the sites in the proceedings or for which claims have been asserted; for some sites the costs of the investigation, cleanup and natural resource damages have not yet been determined, and for others Teva's allocable share of liability has not been determined. At other sites, Teva has been paying a share of the costs, the amounts of which have not been, and are not expected to be, material. Teva has taken an active role in identifying those costs, to the extent they are identifiable and estimable, which do not include reductions for potential recoveries of cleanup costs from insurers, indemnitors, former site owners or operators or other potentially responsible parties. In addition, enforcement proceedings relating to alleged federal, state, commonwealth or local 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 or commonwealth costs and natural resource damages, and have required, or may require, that corrective measures and enhanced compliance measures be implemented.

NOTE 14—EQUITY:

a. Ordinary shares and ADSs

As of December 31, 2015, there were 1 billion ordinary shares issued (December 31, 2014—957 million). Teva ordinary shares are traded on the Tel-Aviv Stock Exchange 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.

On December 8, 2015, the Company completed an offering of 54 million ADSs at $62.50 per share. The net proceeds from the offering of $3.3 billion, together with the net proceeds of $3.3 billion from the mandatory convertible preferred shares offering referred to below, will be used to finance a portion of the cash consideration payable in connection with the Actavis Generics acquisition and related fees and expenses, to finance the pending Rimsa acquisition or otherwise for general corporate purposes.

On January 6, 2016, Teva sold an additional 5.4 million ADSs, pursuant to the underwriters' exercise in full of their overallotment option. As a result, Teva received an additional $329 million in net proceeds, for an aggregate of approximately $3.62 billion including the initial closing.

b. Mandatory convertible preferred shares

Also, on December 8, 2015, the Company completed an offering of 3,375,000 of its 7% mandatory convertible preferred shares. The mandatory convertible preferred shares have no voting rights and rank senior to Teva's ordinary shares with respect to dividends and distributions upon our liquidation, winding-up or dissolution. Dividends on the mandatory convertible preferred shares are payable on a cumulative basis when, as and if declared by Teva's board of directors at an annual rate of 7% on the liquidation preference of $1,000.00 per mandatory convertible preferred share. Declared dividends will be paid in cash on March 15, June 15, September 15 and December 15 of each year commencing March 15, 2016, through and including December 15, 2018.

Dividends accumulate from the most recent date as to which dividends shall have been paid or, if no dividends have been paid, from the first original issue date and, to the extent legally permitted and declared by the board of directors, such dividend will be paid in cash on each dividend payment date; provided that any undeclared or unpaid dividends will continue to accumulate. So long as any mandatory convertible preferred share remains outstanding, no dividend or distribution shall be declared or paid on Teva's ordinary shares, ADSs or any other class or series of junior shares, and none of Teva's ordinary shares, ADSs or any other class or series of junior shares shall be purchased, redeemed or otherwise acquired for consideration by us or any of Teva's subsidiaries unless all accumulated and unpaid dividends for all preceding dividend periods have been declared and paid upon, or a sufficient sum of cash has been set apart for the payment of such dividends upon, all outstanding mandatory convertible preferred shares.

Each mandatory convertible preferred share will automatically convert on December 15, 2018 (the "mandatory conversion date") into between 13.3 and 16.0 ADSs, subject to anti-dilution adjustments. The number of ADSs issuable upon conversion of the mandatory convertible preferred shares will be determined based on the volume weighted average price per ADS over the 20 consecutive trading day period beginning on and including the 22nd scheduled trading day immediately preceding the mandatory conversion date. At any time prior to the mandatory conversion date, other than during a fundamental change conversion period as defined, holders of the mandatory convertible preferred shares may elect to convert each mandatory convertible preferred share into ADSs at the minimum conversion rate of 13.3 ADSs per mandatory convertible preferred share, subject to anti-dilution adjustments.

In addition, holders may elect to convert their mandatory convertible preferred shares during a specified period beginning on the fundamental change effective date, in which case such mandatory convertible preferred shares will be converted into ADSs at the fundamental change conversion rate and converting holders will also be entitled to receive a fundamental change dividend make-whole amount and any accumulated but unpaid dividends.

As of December 31, 2015, the accrued dividends payable on the mandatory convertible preferred shares amounted to $15 million.

On January 6, 2016, Teva sold an additional 337,500 mandatory convertible preferred shares pursuant to the underwriters exercise in full of their overallotment option. As a result, Teva received an additional $329 million in net proceeds, for an aggregate of approximately $3.62 billion including the initial closing. These additional 337,500 mandatory convertible preferred shares accumulated dividends from December 8, 2015.

Share repurchase program

In October 2014, Teva's board of directors authorized the Company to increase its share repurchase program up to $3 billion of its ordinary shares and ADSs. As of December 31, 2015, $2.1 billion remain available for repurchases. This repurchase authorization has no time limit. Repurchases may be commenced or suspended at any time or from time to time.

The following table summarizes the shares repurchased and the amount Teva spent on these repurchases:

	Year ended December 31,		
	2015	2014	2013
		(in millions)	
Amount spent on shares repurchased	$439	$500	$ 497
Number of shares repurchased	7.7	8.7	12.8

c. Stock-based compensation plans:

Stock-based compensation plans are comprised of employee stock option plans, RSUs, PSUs, and other equity-based awards to employees, officers and directors. The purpose of the plans is to enable the Company to attract and retain qualified personnel and to motivate such persons by providing them with equity participation in the Company.

On June 29, 2010, the Teva 2010 Long-Term Equity-Based Incentive Plan was approved by the shareholders, under which 70 million equivalent share units, including options exercisable into ordinary shares, RSUs and PSUs, were approved for grant. The 2010 Plan expired on June 28, 2015 (except with respect to awards outstanding on that date), and no additional awards under the 2010 Plan may be made. At the date of its expiration, there remained 12.2 million shares available for grant as options (or option equivalents).

On September 3, 2015, the Teva 2015 Long-Term Equity-Based Incentive Plan was approved by the shareholders, under which 43.7 million equivalent share units, including options exercisable into ordinary shares, RSUs and PSUs, were approved for grant.

As of December 31, 2015, 43.4 million equivalent share units remained available for future awards.

In the past, Teva had various employee stock and incentive plans under which stock options and other share-based awards were granted. Stock options and other share-based awards granted under such prior plans continue in accordance with the terms of the respective plans.

The vesting period of the outstanding options, RSUs and PSUs is generally from 1 to 4 years from the date of grant. The rights of the ordinary shares obtained from the exercise of options, RSUs or PSUs are identical to those of the other ordinary shares of the Company. The contractual term of these options is primarily for seven years in prior plans and ten years for options granted under the 2010 and 2015 plans described above.

Status of options

A summary of the status of the options as of December 31, 2015, 2014 and 2013, and changes during the years ended on those dates, is presented below (the number of options represents ordinary shares exercisable in respect thereof).

	Year ended December 31,					
	2015		2014		2013	
	Number (in thousands)	Weighted average exercise price	Number (in thousands)	Weighted average exercise price	Number (in thousands)	Weighted average exercise price
Balance outstanding at beginning of year	26,733	$45.91	32,481	$45.05	36,580	$44.40
Changes during the year:						
Granted	7,655	59.82	6,935	48.60	1,701	38.37
Exercised	(8,127)	46.88	(11,423)	45.05	(2,797)	32.17
Forfeited	(1,028)	48.96	(1,260)	46.11	(3,003)	45.51
Balance outstanding at end of year	25,233	49.69	26,733	45.91	32,481	45.05
Balance exercisable at end of year	11,299	44.67	12,632	47.16	17,082	47.30

The weighted average fair value of options granted during the years was estimated by using the Black-Scholes option-pricing model as follows:

	Year ended December 31,		
	2015	2014	2013
Weighted average fair value	$10.9	$9.3	$6.6

The fair value of these options was estimated on the date of grant, based on the following weighted average assumptions:

	Year ended December 31,		
	2015	2014	2013
Dividend yield	2.3%	2.9%	3.3%
Expected volatility	24%	25%	23%
Risk-free interest rate	1.8%	1.9%	2.1%
Expected term	5 years	6 years	9 years

The expected term was estimated based on the weighted average period the options granted are expected to be outstanding taking into consideration the current vesting of options and the historical exercise patterns of existing options. The expected volatility assumption used is based on a blend of the historical and implied volatility of the Company's stock. The risk-free interest rate used is based on the yield of U.S. Treasuries with a maturity closest to the expected term of the options granted. The dividend yield assumption reflects the expected dividend yield based on historical dividends and expected dividend growth.

The following tables summarize information at December 31, 2015 regarding the number of ordinary shares issuable upon (1) outstanding options and (2) vested options:

(1) Number of ordinary shares issuable upon exercise of outstanding options

Range of exercise prices	Balance at end of period (in thousands)	Weighted average exercise price	Weighted average remaining life	Aggregate intrinsic value (in thousands)
	Number of shares	$	Years	$
$35.11 - $40.10	3,398	38.61	7.10	91,858
$40.11 - $45.10	4,707	41.93	6.09	111,613
$45.11 - $50.10	7,533	48.55	7.33	128,738
$50.11 - $55.10	1,881	52.18	2.20	25,323
$55.11 - $60.10	1,434	57.85	8.22	11,173
$60.11 - $66.00	6,280	60.27	9.14	33,715
Total	25,233	49.69	7.19	402,420

(2) Number of ordinary shares issuable upon exercise of vested options

Range of exercise prices	Balance at end of period (in thousands)	Weighted average exercise price	Weighted average remaining life	Aggregate intrinsic value (in thousands)
	Number of shares	$	Years	$
$35.11 - $40.10	2,741	38.74	7.02	73,742
$40.11 - $45.10	3,830	41.83	5.87	91,203
$45.11 - $50.10	2,732	48.42	5.97	47,054
$50.11 - $55.10	1,747	52.12	1.72	23,616
$55.11 - $60.10	189	59.58	1.67	1,147
$60.11 - $66.00	60	63.32	1.27	136
Total	11,299	44.67	5.44	236,898

The aggregate intrinsic value in the above tables represents the total pre-tax intrinsic value, based on the Company's closing stock price of $65.64 on December 31, 2015, 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, 2015 was 11 million.

The total intrinsic value of options exercised during the years ended December 31, 2015, 2014 and 2013 was $120 million, $74 million and $19 million, respectively, based on the Company's average stock price of $61.66, $51.57 and $38.99 during the years then ended, respectively.

Status of non-vested RSUs

The fair value of RSUs and PSUs is estimated based on the market value of the Company's stock on the date of award grant, less an estimate of dividends that will not accrue to RSU and PSU holders prior to vesting.

The following table summarizes information about the number of RSUs and PSUs issued and outstanding:

	Year ended December 31,					
	2015		2014		2013	
	Number (in thousands)	Weighted average grant date fair value	Number (in thousands)	Weighted average grant date fair value	Number (in thousands)	Weighted average grant date fair value
Balance outstanding at beginning of year	2,466	$43.05	2,512	$40.48	3,744	$41.04
Granted	1,519	56.75	1,342	46.09	289	35.80
Vested	(1,112)	41.04	(1,146)	41.55	(1,222)	41.04
Forfeited	(322)	48.27	(242)	40.05	(299)	40.98
Balance outstanding at end of year	2,551	51.43	2,466	43.05	2,512	40.48

The Company has expensed compensation costs, net of estimated forfeitures, based on the grant-date fair value. For the years ended December 31, 2015, 2014 and 2013, the Company recorded stock-based compensation costs as follows:

	Year ended December 31,		
	2015	2014	2013
	(U.S. $ in millions)		
Employee stock options	$ 62	$47	$40
RSUs and PSUs	55	38	24
Total stock-based compensation expense	117	85	64
Tax effect on stock-based compensation expense	19	14	14
Net effect	$ 98	$71	$50

The total unrecognized compensation cost before tax on employee stock options and RSU/PSUs amounted to $98 million and $96 million, respectively, at December 31, 2015, and is expected to be recognized over a weighted average period of approximately 1.4 years.

d. Dividends and accumulated other comprehensive income (loss):

Commencing in April 2015, dividends on our ordinary shares were declared in U.S. dollars. Dividends paid per share in the years ended December 31, 2015, 2014 and 2013 were $1.36, $1.34 and $1.28, respectively. Subsequent to December 31, 2015, the Company declared an additional dividend of $0.34 per share in respect of the fourth quarter of 2015.

The components of accumulated other comprehensive loss attributable to Teva are presented in the table below:

	December 31,		
	2015	2014	2013
	(U.S. $ in millions)		
Currency translation adjustment	$(2,384)	$(1,283)	$ 151
Unrealized loss on defined benefit plans, net	(58)	(93)	(50)
Unrealized gain (loss) on derivative financial instruments, net	175	40	(197)
Unrealized gain (loss) from available-for-sale securities, net	312	(7)	5
Accumulated other comprehensive loss attributable to Teva	$(1,955)	$(1,343)	$ (91)

The following tables present the changes in the components of accumulated other comprehensive loss attributable to Teva for the years ended December 31, 2015, 2014 and 2013:

		Year ended December 31, 2015				
Components of accumulated other comprehensive loss	Description of the reclassification to the statement of income	Other comprehensive income (loss) before reclassifications	Amounts reclassified to the statement of income	Net other comprehensive income (loss) before tax	Corresponding income tax	Net other comprehensive income (loss) after tax
				(U.S.$ in millions)		
Currency translation adjustment	Currency translation adjustment, reclassified to share in (income) losses of associated companies—net	$(1,131)	$ 24	$(1,107)	$ 6	$(1,101)
Unrealized gain (loss) from available-for-sale securities	Loss on marketable securities*	(413)	737	324	(5)	319
Unrealized gain (loss) from derivative financial instruments	Gain on derivative financial instruments**	137	(2)	135	—	135
Unrealized gain (loss) on defined benefit plans	Gain on defined benefit plans, reclassified to various statement of income items***	33	4	37	(2)	35
Total accumulated other comprehensive income (loss)		$(1,374)	$763	$ (611)	$ (1)	$ (612)

Components of accumulated other comprehensive loss	Description of the reclassification to the statement of income	Year ended December 31, 2014				
		Other comprehensive income (loss) before reclassifications	Amounts reclassified to the statement of income	Net other comprehensive income (loss) before tax	Corresponding income tax	Net other comprehensive income (loss) after tax
		(U.S.$ in millions)				
Currency translation adjustment	Currency translation adjustment, reclassified to financial expenses—net	$(1,429)	$(5)	$(1,434)	$—	$(1,434)
Unrealized gain (loss) from available-for-sale securities	Gain on marketable securities, reclassified to financial expenses—net	(12)	2	(10)	(2)	(12)
Unrealized gain (loss) from derivative financial instruments	Loss on derivative financial instruments, reclassified to net revenues	240	(3)	237	—	237
Unrealized gain (loss) on defined benefit plans	Loss on defined benefit plans, reclassified to various statement of income items***	(55)	(2)	(57)	14	(43)
Total accumulated other comprehensive income (loss)		$(1,256)	$(8)	$(1,264)	$ 12	$(1,252)

Components of accumulated other comprehensive loss	Description of the reclassification to the statement of income	Year ended December 31, 2013				
		Other comprehensive income (loss) before reclassifications	Amounts reclassified to the statement of income	Net other comprehensive income (loss) before tax	Corresponding income tax	Net other comprehensive income (loss) after tax
		(U.S.$ in millions)				
Currency translation adjustment	Currency translation adjustment, reclassified to financial expenses—net	$ (46)	$17	$ (29)	$ 5	$ (24)
Unrealized gain (loss) from available-for-sale securities	Gain on marketable securities, reclassified to financial expenses—net	18	(6)	12	—	12
Unrealized gain (loss) from derivative financial instruments	Loss on derivative financial instruments, reclassified to net revenues	(111)	7	(104)	—	(104)
Unrealized gain (loss) on defined benefit plans	Loss on defined benefit plans, reclassified to various statement of income items***	20	24	44	(2)	42
Total accumulated other comprehensive income (loss)		$(119)	$42	$ (77)	$ 3	$ (74)

* $632 million loss reclassified to financial expenses—net and $105 million loss reclassified to impairments, restructuring and others.

** $26 million loss reclassified to financial expenses—net and $28 million gain reclassified to net revenues.

*** Affected cost of sales, research and development expenses, selling and marketing expenses and general and administrative expenses.

NOTE 15—INCOME TAXES:

a. Income before income taxes:

	Year ended December 31,		
	2015	2014	2013
	(U.S. $ in millions)		
Parent Company and its Israeli subsidiaries	$1,932	$2,139	$1,303
Non-Israeli subsidiaries	420	1,499	(53)
	$2,352	$3,638	$1,250

b. Income taxes:

	Year ended December 31,		
	2015	2014	2013
	(U.S. $ in millions)		
In Israel	$149	$ 147	$ 197
Outside Israel	485	444	(240)
	$634	$ 591	$ (43)
Current	$298	$ 879	$ 1,096
Deferred	336	(288)	(1,139)
	$634	$ 591	$ (43)

	Year ended December 31,		
	2015	2014	2013
	(U.S. $ in millions)		
Income before income taxes	$2,352	$3,638	$1,250
Statutory tax rate in Israel	26.5%	26.5%	25%
Theoretical provision for income taxes	$ 623	$ 964	$ 313
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	(337)	(524)	(535)
Amendment 69 payments and finalization of prior years' tax audits, net of decrease of related uncertain tax positions	—	—	248
Non-Israeli subsidiaries	447	88	(275)
Increase (decrease) in other uncertain tax positions—net	(99)	63	206
Effective consolidated income taxes	$ 634	$ 591	$ (43)

The effective tax rate is the result of a variety of factors, including the geographic mix and type of products sold during the year, different effective tax rates applicable to non-Israeli subsidiaries that have tax rates above Teva's average tax rates, the impact of impairment, restructuring and legal settlement charges and adjustments to valuation allowances on deferred tax assets on such subsidiaries.

c. Deferred income taxes:

	December 31, 2015	December 31, 2014
	(U.S. $ in millions)	
Short-term deferred tax assets—net:		
Inventory related	$ 382	$ 383
Sales reserves and allowances	254	357
Provision for legal settlements	89	229
Provisions for employee-related obligations	45	66
Carryforward losses and deductions (*)	60	59
Other	64	78
	894	1,172
Valuation allowance—in respect of carryforward losses and deductions that may not be utilized	(190)	(213)
	$ 704	$ 959

* The amounts are shown after reduction for unrecognized tax benefits of $108 million and $143 million, at December 31, 2015 and 2014, respectively, where Teva has net operating loss carryforwards, similar tax losses, and/or tax credit carryforwards that are available, under the tax law of the applicable jurisdiction, to offset any additional income taxes that would result from the settlement of a tax position.

	December 31, 2015	December 31, 2014
	(U.S. $ in millions)	
Long-term deferred tax assets (liabilities)—net:		
Intangible assets	$(1,900)	$(1,098)
Carryforward losses and deductions(*)(**)	989	1,043
Property, plant and equipment	(207)	(218)
Provisions for employee related obligations	65	39
Other	125	(21)
	(928)	(255)
Valuation allowance—in respect of carryforward losses and deductions that may not be utilized	(570)	(458)
	$(1,498)	$ (713)
	$ (794)	$ 246

* The amounts are shown after reduction for unrecognized tax benefits of $70 million and $150 million as of December 31, 2015 and 2014, respectively.

** This amount represents the tax effect of gross carryforward losses and deductions with the following expirations: 2017-2018—$47 million; 2019-2025—$334 million; 2026 and thereafter—$205 million. The remaining balance—$473 million—can be utilized with no expiration date.

The deferred income taxes are reflected in the balance sheets among:

	December 31,	
	2015	2014
	(U.S. $ in millions)	
Current assets—deferred income taxes	$ 735	$ 993
Current liabilities—other current liabilities	(31)	(34)
Other non-current assets	250	388
Long-term liabilities—deferred income taxes	(1,748)	(1,101)
	$ (794)	$ 246

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 15f.

d. Uncertain tax positions:

The following table summarizes the activity of Teva's gross unrecognized tax benefits:

	Year ended December 31,		
	2015	2014	2013
	(U.S. $ in millions)		
Balance at the beginning of the year	$713	$665	$ 903
Increase (decrease) related to prior year tax positions, net	(6)	38	29
Increase related to current year tax positions	43	51	176
Decrease related to settlements with tax authorities and lapse of applicable statutes of limitations	(99)	(38)	(461)
Other	(3)	(3)	18
Balance at the end of the year	$648	$713	$ 665

Uncertain tax positions, mainly of a long-term nature, included accrued potential penalties and interest of $101 million, $87 million and $75 million as of December 31, 2015, 2014 and 2013, respectively. The total amount of interest and penalties reflected in the consolidated statements of income was a net increase of $14 million for the year ended December 31, 2015, a net increase of $12 million for the year ended December 31, 2014 and a net release of $69 million for the year ended December 31, 2013. Substantially all the above uncertain tax benefits, if recognized, would reduce Teva's annual effective tax rate. Teva does not expect uncertain tax positions to change significantly over the next 12 months, except in the case of settlements with tax authorities, the likelihood and timing of which is difficult to estimate.

e. Tax assessments:

Teva files income tax returns in various jurisdictions with varying statutes of limitations. The Parent Company and its subsidiaries in Israel have received final tax assessments through tax year 2007.

In 2013, Teva settled the 2005-2007 income tax assessment with the Israeli tax authorities, paying $213 million. No further taxes are due in relation to these years. Certain guidelines which were set pursuant to the agreement reached in relation to the 2005-2007 assessment have been implemented in the audit of tax years 2008-2011, and are reflected in the provisions.

Following the audit of Teva's 2008 Israeli corporate tax returns, the Israeli tax authorities issued a tax assessment decree for 2008-2010 and a tax assessment for 2011, 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 and 2008, respectively.

f. Basis of taxation:

The Company and its subsidiaries are subject to tax in many jurisdictions, and a certain degree of estimation is required in recording the assets and liabilities related to income taxes. The Company believes that its accruals for tax liabilities are adequate for all open years. The Company considers various factors in making these assessments, including past history, recent interpretations of tax law, and the specifics of each matter. Because tax regulations are subject to interpretation and tax litigation is inherently uncertain, these assessments can involve a series of complex judgments regarding future events.

Under Amendment 68 to the Israeli Investment Law ("Amendment 68"), which Teva started applying in 2014, upon an irrevocable election made by a company, a uniform corporate tax rate will apply to all qualifying industrial income of such company ("Preferred Enterprise"), 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 Preferred Enterprise will be freely distributable as dividends, subject to a withholding tax of 20% or lower, under an applicable tax treaty. "Special Industrial Companies" that meet more stringent criteria (significant investment, R&D or employment thresholds) will enjoy further reduced tax rates of 5% in Zone A and 8% elsewhere. In order to be classified as a "Special Industrial Company," the approval of three governmental authorities in Israel is required.

Teva is currently examining its eligibility to be regarded as a "Special Industrial Company" under the new law.

Under the incentive regime that applied to Teva until 2013, 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 level of foreign ownership in each tax year, the tax rate ranged between 10% (when foreign ownership exceeded 90%) to 25% (when the foreign ownership was below 49%).

Pursuant to Amendment 69 to the Israeli Investment Law ("Amendment 69"), a company that elected by November 11, 2013 to pay a reduced corporate tax rate as set forth in that amendment (rather than the tax rate applicable to Approved Enterprise income) with respect to undistributed exempt income accumulated by the company until December 31, 2011 is entitled to distribute a dividend from such income without being required to pay additional corporate tax with respect to such dividend. A company that has so elected must make certain qualified investments in Israel over the five-year period commencing in 2013. A company that has elected to apply the amendment cannot withdraw from its election.

During 2013, Teva applied the provisions of Amendment 69 to certain exempt profits accrued prior to 2012 by Teva and one of its Israeli subsidiaries. Consequently, the Company paid $577 million corporate tax on exempt income of $9.4 billion. Part of this income was distributed as dividends during 2013, while the remainder is available to be distributed as dividends in future years with no additional corporate tax liability. As a result, Teva was required to invest $286 million in its industrial enterprises in Israel over a five year period. Such investment may be in the form of the acquisition of industrial assets (excluding real estate assets), investment in R&D in Israel, or payroll payments to new employees to be hired by the enterprise. Teva already fully invested the required amount in 2013.

The amount of tax-exempt profits earned by the Company from Approved Enterprises through December 31, 2013 that were not released under Amendment 69 is approximately $9.7 billion, and the tax that would have been payable had the Company distributed dividends out of that income is approximately $1.5 billion. However, deferred taxes have not been provided for such tax-exempt income, as the Company intends to permanently reinvest these profits and does not currently foresee a need to distribute dividends out of these earnings (see note 1p).

Likewise, the Company intends to reinvest, rather than distribute, the income of its foreign subsidiaries. An assessment of the tax that would have been payable had the Company's foreign subsidiaries distributed their income to the Company is not practicable because of the multiple levels of corporate ownership and multiple tax jurisdictions involved in each hypothetical dividend distribution.

Income not eligible for Preferred Enterprise benefits is taxed at a regular rate, which was 26.5% in 2015. In January 2016, the regular tax rate in Israel was reduced to 25% from 2016 and thereafter.

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

Non-Israeli subsidiaries are taxed according to the tax laws in their respective country of residence. Certain manufacturing subsidiaries operate in several jurisdictions outside Israel, some of which benefit from tax incentives such as reduced tax rates, investment tax credits and accelerated deductions.

NOTE 16—DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES:

a. Foreign exchange risk management:

In 2015, approximately 43% of Teva's revenues came from sales outside of the United States. As a result, Teva is subject to significant foreign currency risks.

The Company enters into forward exchange contracts in non-functional currencies and purchases and writes non-functional currency options in order to hedge the currency exposure on identifiable balance sheet items. In addition, the Company takes steps to reduce exposure by using "natural" hedging. The Company also acts to offset risks in opposite directions among the companies in the Group. The currency hedged items are usually denominated in the following main currencies: the new Israeli shekel (NIS), the euro (EUR), the Swiss franc (CHF), the British pound (GBP), the Hungarian forint (HUF), the Croatian kuna (HRK), other European currencies and Latin American currencies such as the Mexican peso (MXN).

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.

Venezuela has experienced hyper-inflation in recent years and has several official exchange rates, which deviate significantly among themselves as well as from unofficial market rates. In addition, remittance of cash outside of Venezuela is limited. Teva currently prepares its financial statements using the official preferential industry exchange rate of 6.3 bolivars per U.S. dollar. If such exchange rate is no longer able to be used as a result of a devaluation or other changing circumstances, Teva is exposed to a potential loss of its net monetary assets in Venezuela, which, as of December 31, 2015, amounted to approximately $487 million using the official exchange rate.

b. Interest risk management:

The Company raises capital through various debt instruments, including straight notes that bear a fixed or variable interest rate, bank loans, securitizations and convertible debentures. In some cases, the Company has swapped from a fixed to a floating interest rate ("fair value hedge") and from a fixed to a fixed interest rate with an exchange from a currency other than the functional currency ("cash flow hedge"), thereby reducing overall interest expenses or hedging risks associated with interest rate fluctuations.

c. Derivative instrument disclosure:

The following table summarizes the notional amounts for hedged items, when transactions are designated as hedge accounting:

	December 31,	
	2015	2014
	(U.S. $ in millions)	
Forward starting interest rate swap—cash flow hedge	$3,500	$ —
Interest rate swap—fair value hedge	1,294	1,750
Cross-currency swap—cash flow hedge	588	1,875
Treasury lock—cash flow hedge	500	—
Forecasted transactions—cash flow hedge	—	280

The following table summarizes the classification and fair values of derivative instruments:

Reported under	Fair value			
	Designated as hedging instruments		Not designated as hedging instruments	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
	(U.S. $ in millions)			
Asset derivatives:				
Other current assets:				
Cross-currency swaps—cash flow hedge	$—	$ 14	$—	$—
Forward starting interest rate swaps—cash flow hedge	26	—	—	—
Option and forward contracts—cash flow hedge	—	14		
Option and forward contracts	—	—	25	68
Other non-current assets:				
Cross-currency swaps—cash flow hedge	78	6	—	—
Interest rate swaps—fair value hedge	1	—	—	—
Liability derivatives:				
Other current liabilities:				
Forward starting interest rate swaps—cash flow hedge	(10)	—	—	—
Treasury lock—cash flow hedge	(5)	—	—	—
Option and forward contracts—cash flow hedge	—	(1)	—	—
Option and forward contracts	—	—	(11)	(53)
Senior notes and loans:				
Interest rate swaps—fair value hedge	(11)	(43)	—	—

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 $26 million, $85 million and $76 million were recognized under financial expenses—net for the years ended December 31, 2015, 2014 and 2013 respectively. Such gains 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 $27 million, $41 million and $35 million were recognized under financial expenses—net for the years ended December 31, 2015, 2014 and 2013, respectively. Such gains mainly reflect the differences between the fixed interest rate and the floating interest rate.

In connection with the debt tender offer completed in February 2015, Teva terminated certain of its derivatives designated as hedging instruments and recognized a loss of $36 million under financial expenses-net. See note 11.

In the third and fourth quarters of 2015, Teva entered into forward starting interest rate swap and treasury lock agreements designated as cash flow hedges of future debt issuances, anticipated in connection with the Actavis Generics acquisition, with respect to $3.5 billion and $500 million notional amounts, respectively. These agreements hedge the variability in anticipated future interest payments due to changes in the benchmark interest

rate between the date the agreements were entered into and the expected date of future debt issuances in 2016, at which time these agreements are intended to be settled. Upon completion of a debt issuance and settlement of the swap agreements, the change in fair value of these instruments recorded as part of other comprehensive income (loss) will be amortized under financial expenses-net over the life of the debt.

In January 2016, Teva entered into additional forward starting interest rate swap and treasury lock agreements, designated as cash flow hedge of the anticipated future debt issuance, with respect to $250 million and $1 billion notional amounts, respectively.

d. Securitization:

In April 2011, Teva established an accounts receivable securitization program with BNP Paribas Bank. Under the program, Teva sells, on an ongoing basis, certain accounts receivable and the right to the collections on those accounts receivable to BNP Paribas.

Once sold to BNP Paribas, the accounts receivable and rights to collection are separate and distinct from Teva's own assets. These assets are unavailable to Teva's creditors should Teva become insolvent. BNP Paribas has all the rights ensuing from the sale of the securitized accounts receivable, including the right to pledge or exchange the assets it received. Consequently, the accounts receivable in Teva's consolidated balance sheets is presented net of the securitized receivables.

As of December 31, 2015 and 2014, the balance of Teva's securitized assets sold amounted to $445 million and $585 million, respectively. Gains and losses related to these transactions were immaterial for the three years ended December 31, 2015.

The following table summarizes the net balance outstanding under the outstanding securitization program:

	As of and for the year ended December 31,	
	2015	2014
	(U.S. $ in millions)	
Sold receivables at the beginning of the year	$ 585	$ 590
Proceeds from sale of receivables	3,447	4,287
Cash collections (remitted to the owner of the receivables)	(3,532)	(4,202)
Effect of currency exchange rate changes	(55)	(90)
Sold receivables at the end of the year	$ 445	$ 585

NOTE 17—FINANCIAL EXPENSES- NET:

	Year ended December, 31		
	2015	2014	2013
	(U.S. $ in millions)		
Other-than-temporary impairment of securities	$ 631	$ 6	$—
Interest expenses and other bank charges	270	300	314
Income from investments	(34)	(24)	(32)
Foreign exchange (gains) losses—net	(9)	30	8
Other- mainly debt tender offer and termination of related swap agreements	142	1	109
Total finance expense—net	$1,000	$313	$399

NOTE 18—OTHER EXPENSES:

a. Impairments, restructuring and others:

Impairments, restructuring and others consisted of the following:

	Year ended December 31,		
	2015	2014	2013
	(U.S. $ in millions)		
Impairment of long-lived assets (see notes 6 and 8)	$ 361	$387	$524
Contingent consideration (see note 3)	399	(20)	36
Acquisition costs	211	13	27
Restructuring	183	246	201
Other	(23)	24	—
Total	$1,131	$650	$788

Impairments

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

Impairment of long-lived assets in 2015 amounted to $361 million, comprised of:

1. Identifiable intangible assets impairments of $265 million were recorded, comprised of impairment of $133 million, following a decrease in sales projections of Synribo®, and other product rights impairments of $132 million due to current market conditions and supply chain challenges in various Teva markets. In 2014 and 2013, impairments of identifiable intangible assets were $224 million and $393 million, respectively.
2. Property, plant and equipment—$96 million, based on management decisions regarding their expected use as a result of Teva's planned plant rationalization, which triggered a reassessment of fair value. In 2014 and 2013, property, plant and equipment impairment was $163 million and $61 million, respectively.

Contingent consideration

In 2015, Teva recorded $399 million of contingent consideration expenses, including $311 million following the positive phase 2b results of TEV-48125 in both chronic and episodic migraine prevention and $63 million due to the FDA approval of Bendeka™, compared to income of $20 million in 2014 and an expense of $36 million in 2013.

Acquisition costs

In 2015, Teva recorded $211 million of acquisition expenses, comprised mainly of expenses related to its intended Actavis Generics and Rimsa acquisitions as well as a $105 million expense, reflecting the difference between the purchase price of the interest acquired in Mylan and its fair value as of June 30, 2015, compared to $13 million and $27 million in 2014 and 2013, respectively.

Restructuring

In 2015, Teva recorded $183 million of restructuring expenses, compared to $246 million and $201 million in 2014 and 2013, respectively. These expenses were primarily incurred in various initiatives as part of cost saving efforts.

b. Share in losses of associated companies—net:

Share in losses of associated companies—net amounted to $121 million, compared to $5 million in 2014.

Following an other-than-temporary loss in value of our investment in Mesoblast due to adverse changes in market conditions, an impairment of $171 million was recorded for the year ended December 31, 2015 under "Share in losses of associated companies—net".

In addition, a $24 million currency translation adjustment was reclassified from accumulated other comprehensive loss to "Share in losses of associated companies—net", due to dilution of our equity holdings in Mesoblast.

The amounts mentioned above were recorded net of income tax of $71 million.

NOTE 19—LEGAL SETTLEMENTS AND LOSS CONTINGENCIES:

Legal settlements and loss contingencies for 2015 amounted to $631 million, compared to a gain of $111 million and an expense of $1.5 billion in 2014 and 2013, respectively. The 2015 balance is comprised mainly of additional reserves related to the settlement of the modafinil antitrust litigation, partially offset by insurance proceeds relating to the settlement of the pantoprazole patent litigation.

NOTE 20—SEGMENTS:

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

Teva's other activities include the over-the-counter ("OTC") medicines business, distribution activity mainly in Israel and Hungary and medical devices. The OTC activity is primarily conducted through a joint venture with P&G, which combines Teva's production capabilities and market reach with P&G's marketing expertise and expansive global platform.

Teva's chief executive officer, who is the chief operating decision maker ("CODM"), reviews financial information prepared on a consolidated basis, accompanied by disaggregated information about revenues and contributed profit by the two identified reportable segments, namely generic and specialty medicines, and revenues by geographical markets.

The accounting policies of the individual segments are the same as those described in the summary of significant accounting policies in note 1 to the consolidated financial statements.

Segment profit consists of gross profit, less S&M and R&D expenses related to the segment. Segment profit does not include G&A expenses, amortization and certain other items. Beginning in 2015, expenses related to

equity compensation are excluded from segment results. The data presented has been conformed to reflect the exclusion of equity compensation expenses for all periods.

Teva manages its assets on a total company basis, not by segments, as many of its assets are shared or commingled. Teva's CODM does not regularly review asset information by reportable segment, and therefore Teva does not report asset information by reportable segment.

During 2014, the classification of certain of Teva's products was changed, in line with the Company's strategy. The comparable figures have been conformed to reflect the revised classification for all periods.

Teva's chief executive officer reviews the Company's strategy and organizational structure on a continuing basis. Any changes in strategy may lead to a reevaluation of Teva's current segments and goodwill assignment.

a. Segment information:

	Generics			Specialty		
	Year ended December 31,			Year ended December 31,		
	2015	2014	2013	2015	2014	2013
	(U.S.$ in millions)			(U.S.$ in millions)		
Revenues	$9,546	$9,814	$9,902	$8,338	$8,560	$8,388
Gross profit	4,499	4,253	4,083	7,200	7,457	7,274
R&D expenses	513	512	488	918	872	877
S&M expenses	1,304	1,575	1,915	1,921	1,990	1,856
Segment profit	$2,682	$2,166	$1,680	$4,361	$4,595	$4,541

	Year ended December 31,		
	2015	2014	2013
	U.S.$ in millions		
Generic medicines profit	$2,682	$2,166	$1,680
Specialty medicines profit	4,361	4,595	4,541
Total segment profit	7,043	6,761	6,221
Profit of other activities	318	226	243
Total profit	7,361	6,987	6,464
Amounts not allocated to segments:			
Amortization	838	1,036	1,180
General and administrative expenses	1,239	1,217	1,239
Legal settlements and loss contingencies	631	(111)	1,524
Impairments, restructuring and others	1,131	650	788
Other unallocated amounts	170	244	84
Consolidated operating income	3,352	3,951	1,649
Financial expenses—net	1,000	313	399
Consolidated income before income taxes	$2,352	$3,638	$1,250

b. Segment revenues by geographic area:

	Year ended December 31,		
	2015	2014	2013
	(U.S.$ in millions)		
Generic Medicines			
United States	$ 4,793	$ 4,418	$ 4,172
Europe*	2,706	3,148	3,362
Rest of the World	2,047	2,248	2,368
Total Generic Medicines	9,546	9,814	9,902
Specialty Medicines			
United States	6,442	6,110	6,025
Europe*	1,518	1,898	1,854
Rest of the World	378	552	509
Total Specialty Medicines	8,338	8,560	8,388
Other Revenues			
United States	14	106	264
Europe*	666	777	772
Rest of the World	1,088	1,015	988
Total Other Revenues	1,768	1,898	2,024
Total Revenues	$19,652	$20,272	$20,314

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

c. Net revenues from specialty medicines were as follows:

	Year ended December 31,		
	2015	2014	2013
	(U.S. $ in millions)		
CNS	$5,213	$5,575	$5,545
Copaxone®	4,023	4,237	4,328
Azilect®	384	428	371
Nuvigil®	373	388	320
Respiratory	1,129	957	964
ProAir®	549	478	429
Qvar®	392	286	328
Oncology	1,201	1,180	1,005
Treanda®	741	767	709
Women's health	461	504	510
Other Specialty	334	344	364
Total Specialty Medicines	$8,338	$8,560	$8,388

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

A significant portion of Teva's revenues, and a higher proportion of Teva's profits, come from the manufacture and sale of patent-protected pharmaceuticals. Many of Teva's specialty medicines are covered by several patents that expire at different times. Nevertheless, once patent protection has expired, or has been lost

prior to the expiration date as a result of a legal challenge, Teva no longer has patent exclusivity on these products, and subject to regulatory approval, generic pharmaceutical manufacturers are able to produce similar (or purportedly similar) products and sell them for a lower price. The commencement of generic competition, even in the form of non-equivalent products, can result in a substantial decrease in revenues for a particular specialty medicine in a very short time. Any such expiration or loss of intellectual property rights could therefore significantly adversely affect Teva's results of operations and financial condition.

In particular, Teva relies heavily on sales of Copaxone®, its leading specialty medicine. A key element of Teva's business strategy for Copaxone® is the continued migration of current daily Copaxone® 20 mg/mL patients to the three-times-a-week 40 mg/mL version introduced in 2014, and the maintenance of patients on that new version. Any substantial reduction in the number of patients taking Copaxone®, whether due to the competing 20 mg/mL generic product introduced in June 2015 or to the increased use of oral medicines or other competing products, would likely have a material adverse effect on Teva's financial results and cash flow.

Copaxone® 40 mg/mL is protected by three U.S. Orange Book patents that expire in 2030, which are being challenged in paragraph IV litigation and in patent office proceedings in the United States, and a fourth U.S. Orange Book patent expiring in 2030 that was issued in October 2015. It is also protected by one European patent expiring in 2030, the validity of which was confirmed by the European Patent Office in December 2015, which rejected all invalidity claims.

In 2015, Copaxone® revenues in the United States, which include revenues from both Copaxone® 20 mg/mL and the new Copaxone® 40 mg/mL product, amounted to $3.2 billion in the U.S. (approximately 29% of Teva's total 2015 U.S. revenues) and approximately $783 million in markets outside the U.S. (approximately 9% of Teva's total 2015 non-U.S. revenues).

Teva's multiple sclerosis franchise includes Copaxone® products and laquinimod (a developmental compound for the treatment of multiple sclerosis). The profitability of the multiple sclerosis franchise is comprised of Copaxone® revenues and cost of goods sold as well as S&M and R&D expenses related to the MS franchise. It does not include G&A expenses, amortization and non-recurring items. Teva's MS franchise profitability was 77%, 75% and 76% in 2015, 2014 and 2013, respectively.

d. Supplemental data—major customers:

The percentages of total consolidated revenues for the years ended December 31, 2015, 2014 and 2013 to one customer were 20%, 18% and 17%, respectively. The percentage of total consolidated revenues from another customer accounted for 20%, 17% and 13% for the years ended December 31, 2015, 2014 and 2013, respectively. Most of Teva's revenues from these customers were in the United States. The balances due from the Company's largest customer accounted for 30% and 31% of the gross trade accounts receivable at December 31, 2015 and 2014, respectively. Sales reserves and allowances on these balances are recorded in current liabilities.

e. Property, plant and equipment—by geographical location were as follows:

	December 31,	
	2015	2014
	(U.S. $ in millions)	
Israel	$2,159	$1,949
United States	629	691
Croatia	539	515
Hungary	506	520
Japan	415	446
Germany	332	367
Other	1,964	2,047
Total property, plant and equipment	$6,544	$6,535

NOTE 21—EARNINGS PER SHARE:

The net income attributable to Teva and the weighted average number of ordinary shares used in computation of basic and diluted earnings per share for the years ended December 31, 2015, 2014 and 2013 are as follows:

	2015	2014	2013
	(U.S. $ in millions, except share data)		
Net income attributable to ordinary shareholders	$1,573	$3,055	$1,269
Interest expense on convertible senior debentures, and issuance costs, net of tax benefits	—	*	*
Net income used for the computation of diluted earnings per share	$1,573	$3,055	$1,269
Weighted average number of shares used in the computation of basic earnings per share	855	853	849
Add:			
Additional shares from the assumed exercise of employee stock options and unvested RSUs	5	3	1
Weighted average number of additional shares issued upon the assumed conversion of convertible senior debentures	4	2	*
Weighted average number of shares used in the computation of diluted earnings per share	864	858	850

* Represents an amount less than 0.5 million.

In computing dilutive earnings per share for the years ended December 31, 2015, 2014 and 2013, no account was taken of the potential dilution of the assumed exercise of employee stock options, amounting to 1 million, 1 million and 7 million weighted average shares, respectively, since they had an anti-dilutive effect on earnings per share.

Additionally, in computing dilutive earnings per share for the year ended December 31, 2015, no account was taken of both the potential dilution of the mandatory convertible preferred shares amounting to three million weighted average shares and the accrued dividend to preferred shares amounting to $15 million, 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 11, 2016 appearing in the 2015 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 11, 2016

/s/ Kesselman & Kesselman

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

TEVA PHARMACEUTICAL INDUSTRIES LIMITED
SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS
Three Years Ended December 31, 2015
(U.S. $ in millions)

Column A	Column B	Column C		Column D	Column E
	Balance at beginning of period	Charged to costs and expenses	Charged to other accounts	Deductions	Balance at end of period
Allowance for doubtful accounts:					
Year ended December 31, 2015	$149	$ 18	$ (6)	$ (15)	$146
Year ended December 31, 2014	$187	$ 22	$ (18)	$ (42)	$149
Year ended December 31, 2013	$145	$ 44	$ 3	$ (5)	$187
Allowance in respect of carryforward tax losses:					
Year ended December 31, 2015	$671	$249	$ 1	$(161)	$760
Year ended December 31, 2014	$791	$128	$—	$(248)	$671
Year ended December 31, 2013	$726	$182	$—	$(117)	$791

Exhibit 8

TEVA PHARMACEUTICAL INDUSTRIES LIMITED

Subsidiaries
At December 31, 2015

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

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

GLOBAL GENERICS BUSINESS AND CERTAIN OTHER ASSETS OF ALLERGAN PLC

Unaudited Special Purpose Combined Statements of Net Assets Acquired as of March 31, 2016 and December 31, 2015 and Special Purpose Combined Statements of Revenues and Direct Expenses for the quarters ended March 31, 2016, and 2015

GLOBAL GENERICS BUSINESS AND CERTAIN OTHER ASSETS OF ALLERGAN PLC

Index to the Unaudited Special Purpose Combined Financial Statements

GLOBAL GENERICS BUSINESS AND CERTAIN OTHER ASSETS OF ALLERGAN PLC

Unaudited Special Purpose Combined Statements of Net Assets Acquired March 31, 2016 and December 31, 2015

($ in millions)

	March 31, 2016	December 31, 2015
Assets acquired:		
Accounts receivable, net	$ 2,014.1	$ 2,089.7
Inventories	1,190.6	1,138.5
Other current assets	311.4	302.8
Property, plant and equipment, net	1,292.4	1,293.9
Product rights and other intangibles	2,579.9	2,683.3
Goodwill	3,706.6	3,686.0
Non-current deferred tax assets	241.7	232.4
Other non-current assets	32.1	32.9
Total assets acquired	**11,368.8**	**11,459.5**
Liabilities assumed:		
Accounts payable and accrued expenses	1,318.9	1,456.2
Income taxes payable	77.0	33.9
Other current liabilities	23.4	17.3
Other taxes payable	61.1	68.9
Long-term deferred tax liabilities	310.8	345.4
Long-term liabilities	89.0	95.7
Total liabilities assumed	**1,880.2**	**2,017.4**
Net assets acquired	**$ 9,488.6**	**$ 9,442.1**

The accompanying notes are an integral part of these special purpose combined financial statements.

GLOBAL GENERICS BUSINESS AND CERTAIN OTHER ASSETS OF ALLERGAN PLC

Unaudited Special Purpose Combined Statements of Revenues and Direct Expenses for the quarter ended March 31, 2016, and 2015

($ in millions)

	Quarter Ended March 31,	
	2016	2015
Net revenues	$1,289.6	$1,676.7
Direct expenses:		
Cost of sales (excludes amortization and impairment of acquired intangibles including product rights)	$ 709.7	$ 751.0
Research and development	113.7	113.3
Selling and marketing	115.3	166.3
General and administrative	141.2	157.1
Amortization	122.0	134.9
Asset sales, impairments, and contingent consideration charges, net	—	53.2
Other expense/(income)	(0.6)	—
Total direct expenses	1,201.3	1,375.8
Revenues less direct expenses	**$ 88.3**	**$ 300.9**

The accompanying notes are an integral part of these special purpose combined financial statements

GLOBAL GENERICS BUSINESS AND CERTAIN OTHER ASSETS OF ALLERGAN PLC

Notes to the Unaudited Special Purpose Combined Financial Statements

NOTE 1—Basis of Presentation

Background

Allergan plc ("Allergan" or the "Company") is focused on developing, manufacturing and commercializing innovative branded pharmaceuticals ("brand", "branded" or "specialty brand"), high-quality generic and over-the-counter ("OTC") medicines and biologic products for patients around the world. The Company has operations in more than 100 countries. The Generics Business (defined below) is focused on maintaining a leading position within both the North American, and in particular, the United States ("U.S."), market and key international markets and strengthening its global position by offering a consistent and reliable supply of quality products.

On July 26, 2015, Allergan plc entered into a master purchase agreement (the "Teva Agreement"), under which Teva Pharmaceutical Industries Ltd. ("Teva") agreed to acquire the Company's global generic pharmaceuticals business and certain other assets (the "Teva Transaction"). Under the Teva Agreement, upon the closing of the Teva Transaction, Allergan will receive $33.75 billion in cash and 100.3 million Teva ordinary shares (or American Depository Shares with respect thereto), which approximates $6.75 billion in Teva stock using the then-current stock price at the time the Teva Transaction was announced, in exchange for which Teva will acquire Allergan's global generics business, including the U.S. and international generic commercial units, Allergan's third-party supplier Medis, Allergan's global generic manufacturing operations, Allergan's global generic R&D unit, Allergan's international OTC commercial unit (excluding OTC eye care products) and some established international brands (the "Generics Business" or "Business"). The transaction is subject to customary closing conditions and is expected to close in the second quarter of 2016. The cash portion of the purchase price will be impacted by Allergan plc leaving a certain level of cash balances to be maintained in local bank accounts so as not to disrupt normal operating activities upon transaction closing. These unaudited financial statements are required to be prepared and provided to Teva in connection with the agreement.

Basis of Presentation

The accompanying Special Purpose Combined Financial Statements (the "Financial Statements") should be read in conjunction with the Global Generics Business and Certain Other Assets of Allergan plc report dated February 29, 2016 for the year ended December 31, 2015 ("Annual Report"). Certain information and footnote disclosures normally included in annual financial statements have been condensed or omitted from the accompanying Financial Statements. The accompanying year end Statement of Net Assets Acquired was derived from the audited Financial Statements dated February 29, 2016. The accompanying interim financial statements are unaudited. The interim financial data as of March 31, 2016 and for the three months ended March 31, 2016 and 2015 is unaudited. In the opinion of management, the interim financial data includes all adjustments, consisting only of normal recurring adjustments, necessary to a fair statement of the results for the interim periods.

The accompanying Financial Statements are prepared in accordance with accounting principles generally accepted in the U.S. ("GAAP"). These Financial Statements are based upon the Teva Agreement and relief from SEC Rule 3-05, *Significant Acquisition Carve-out Financial Statement Reporting Requirements*, obtained by Teva from the Securities and Exchange Commission. As a result of the Teva Agreement, the Company is divesting the stock of certain legal entities of the Business and certain product rights to Teva. These special purpose combined financial statements are not intended to be a complete presentation of financial position, results of operations, or cash flows of the Business in conformity with GAAP.

Due to the extent to which the Business has been integrated into Allergan during the periods required to be covered by the Financial Statements, the presentation of full or carve-out financial statements for the Business in accordance with the Securities and Exchange Commission's Regulation S-X, including a reasonable and appropriate allocation of corporate overhead, interest and taxes, is impracticable. Thus, Statements of Net Assets Acquired and Statements of Revenues and Direct Expenses have been prepared.

The Financial Statements have been derived from the accounting records of Allergan using historical results of operations and financial position and only present the net assets acquired and the associated revenues and direct expenses, including certain allocated expenses, of the Business. The net assets acquired include legal entities transferred and assets specifically identified in the Teva Agreement.

All significant intercompany accounts and transactions within the Business have been eliminated.

The Financial Statements are not necessarily indicative of the results of operations or financial position that would have occurred if the Business had been an independent company.

Separate cash balances are not maintained for the Business. Cash receipts and disbursements relating to operations of the Business are aggregated with the cash activities for the entire corporation of Allergan.

The Business utilizes a centralized approach to cash management and financing of operations. The Business' cash was available for use and was regularly transferred to centralized treasury at its discretion. Any cash required to fund the operations of the Business was obtained through Allergan's centralized treasury function. As the Business has historically been managed as part of the operations of Allergan and has not been operated as a stand-alone entity, it is impractical to prepare historical cash flow information regarding the Business' operating, investing, and financing cash flows. As such, Statements of Cash Flows are not presented.

Allocation of Costs & Expenses

These Financial Statements include revenues generated by the Business, less expenses directly attributable to the Business, and allocations of direct operating costs incurred by Allergan relating to the Business. Direct expenses include such items as sales and marketing, depreciation, amortization, research and development, distribution, employee compensation and benefits for direct employees and any other expenses directly related to the Business. Direct expenses from Allergan were based upon certain designated costs and time spent by the respective departments directly supporting the Business.

The Financial Statements reflect a consistent application of methodology for each reporting period presented. Allocations of Allergan corporate overhead not directly related to the operations of the Business, as well as allocations of interest or income taxes, have been excluded from these financial statements.

The operations of the Business are included in the consolidated federal income tax return of Allergan in the U.S., to the extent appropriate, or are included in the state and local returns of certain other affiliates of Allergan. A provision for income taxes has not been presented in these Financial Statements as the Business has not operated as a standalone unit and no allocation of Allergan's income tax provision/benefit has historically been made to the Business per above. While the allocation of the provision for income taxes was impractical, Teva will be acquiring or assuming certain income tax assets and liabilities which have been reflected in these Financial Statements. The Business determined the deferred tax assets and liabilities based on the differences between the financial reporting and tax basis of assets and liabilities measured using the enacted tax rates that

will be in effect when the differences are expected to reverse. The Business recognizes tax liabilities based upon its estimate of whether, and the extent to which, additional taxes will be due when such estimates are more-likely-than-not to be sustained. Income tax positions must meet a more-likely-than-not recognition threshold to be recognized. Income tax positions that previously failed to meet the more-likely-than-not threshold are recognized in the first financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not threshold are derecognized in the first financial reporting period in which that threshold is no longer met. The Business evaluates the realizability of its deferred tax assets by assessing its valuation allowance and by adjusting the amount of such allowance, if necessary. The factors used to assess the likelihood of realization include the Business' forecast of future taxable income and available tax planning strategies that could be implemented to realize the net deferred tax assets. Failure to achieve forecasted taxable income in applicable tax jurisdictions could affect the ultimate realization of deferred tax assets.

There was no direct interest expense incurred by or allocated to the Business as no third party debt will be transferred under the Teva Agreement; therefore, no interest expense has been reflected in these financial statements.

NOTE 2—Summary of Significant Accounting Policies

The following are interim updates to certain of the policies described in "Note 2" of the notes to the Business' audited Financial Statements for the year ended December 31, 2015.

Revenue Recognition

General

Revenue from product sales is recognized when title and risk of loss to the product transfers to the customer, which is based on the transaction shipping terms. Recognition of revenue also requires reasonable assurance of collection of sales proceeds, the seller's price to the buyer to be fixed or determinable and the completion of all performance obligations. The Business warrants products against defects and for specific quality standards, permitting the return of products under certain circumstances. Product sales are recorded net of all sales-related deductions including, but not limited to: chargebacks, trade discounts, billback adjustments, sales returns and allowances, commercial and government rebates and fee-for-service arrangements with certain distributors, which are referred to in the aggregate as "SRA" allowances.

Royalty and commission revenue is recognized as a component of net revenues in accordance with the terms of their respective contractual agreements when collectability is reasonably assured and when revenue can be reasonably measured.

Provisions for SRAs

As is customary in the pharmaceutical industry, the Business' gross product sales are subject to a variety of deductions in arriving at reported net product sales. When the Business recognizes gross revenue from the sale of products, an estimate of SRA is recorded, which reduces the gross product revenues. Accounts receivable and/or accrued liabilities are also reduced and/or increased by the SRA amount. These provisions are estimated based on historical payment experience, historical relationship of the deductions to gross product revenues, government regulations, estimated utilization or redemption rates, estimated customer inventory levels and current contract sales terms with direct and indirect customers. The estimation process used to determine the Business' SRA

provision has been applied on a consistent basis and no material revenue adjustments have been necessary to increase or decrease the Business' reserves for SRA as a result of a significant change in underlying estimates. The Business uses a variety of methods to assess the adequacy of the SRA reserves to ensure that the Business' financial statements are fairly stated.

Chargebacks—A chargeback represents an amount payable in the future to a wholesaler for the difference between the invoice price paid by the Business' wholesale customer for a particular product and the negotiated contract price that the wholesaler's customer pays for that product. The chargeback provision and related reserve varies with changes in product mix, changes in customer pricing and changes to estimated wholesaler inventories. The provision for chargebacks also takes into account an estimate of the expected wholesaler sell-through levels to indirect customers at certain contract prices. The Business validates the chargeback accrual quarterly through a review of the inventory reports obtained from the Business' largest wholesale customers. This customer inventory information is used to verify the estimated liability for future chargeback claims based on historical chargeback and contract rates. These large wholesalers represent the vast majority of the recipients of the Business' chargeback payments. We continually monitor current pricing trends and wholesaler inventory levels to ensure the liability for future chargebacks is fairly stated.

Rebates—Rebates include volume related incentives to direct and indirect customers, third-party managed care and Medicare Part D rebates, Medicaid rebates and other government rebates. Rebates are accrued based on an estimate of claims to be paid for product sold into trade by the Business. Volume rebates are generally offered to customers as an incentive to use the Business' products and to encourage greater product sales. These rebate programs include contracted rebates based on customers' purchases made during an applicable monthly, quarterly or annual period. The provision for third-party rebates is estimated based on the Business' customers' contracted rebate programs and the Business' historical experience of rebates paid. Any significant changes to the Business' customer rebate programs are considered in establishing the provision for rebates. The provisions for government rebates are based, in part, upon historical experience of claims submitted by the various states / authorities, contractual terms and government regulations. We monitor legislative changes to determine what impact such legislation may have on the Business' provision.

Cash Discounts—Cash discounts are provided to customers that pay within a specific period. The provision for cash discounts is estimated based upon invoice billings, utilizing historical customer payment experience. The Business' experience of payment history is fairly consistent and most customer payments qualify for the cash discount.

Returns and Other Allowances—The Business' provision for returns and other allowances include returns, pricing adjustments, promotional allowances and billback adjustments.

Consistent with industry practice, the Business maintains a returns policy that allows customers to return product for a credit. In accordance with the Business' policy, credits for customer returns of products are applied against outstanding account activity or are settled in cash. Product exchanges are not permitted. Customer returns of product are generally not resalable. The Business' estimate of the provision for returns is based upon historical experience, product expiration dates and current trends of actual customer returns.

Additionally, the Business considers other factors when estimating the current period returns provision, including levels of inventory in the distribution channel, as well as significant market changes which may impact future expected returns.

Pricing adjustments, which includes shelf stock adjustments, are credits issued to reflect price decreases in selling prices charged to the Business' direct customers. Shelf stock adjustments are based upon the amount of

product the Business' customers have in their inventory at the time of an agreed-upon price reduction. The provision for shelf stock adjustments is based upon specific terms with the Business' direct customers and includes estimates of existing customer inventory levels based upon their historical purchasing patterns. The Business regularly monitors all price changes to evaluate the Business' reserve balances. The adequacy of these reserves is readily determinable as pricing adjustments and shelf stock adjustments are negotiated and settled on a customer-by-customer basis.

Promotional allowances are credits that are issued in connection with a product launch or as an incentive for customers to carry the Business' product. The Business establishes a reserve for promotional allowances based upon contractual terms.

Billback adjustments are credits that are issued to certain customers who purchase directly from the Business as well as indirectly through a wholesaler. These credits are issued in the event there is a difference between the customer's direct and indirect contract price. The provision for billbacks is estimated based upon historical purchasing patterns of qualified customers who purchase product directly from us and supplement their purchases indirectly through the Business' wholesale customers.

Accounts receivable balances in the Business' consolidated financial statements are presented net of SRA estimates. SRA balances in accounts receivable were $1,151.4 million and $1,306.6 million at March 31, 2016 and December 31, 2015, respectively. SRA balances within accounts payable and accrued expenses were $446.9 million and $436.6 million at March 31, 2016 and December 31, 2015, respectively. The movements in the SRA reserve balances for the three months ended March 31, 2016 are as follows ($ in millions):

Balance at December 31, 2015	**$ 1,743.2**
Provision related to reduce gross product sales to net product sales	2,199.0
Payments and other	(2,343.9)
Balance at March 31, 2016	**$ 1,598.3**

Litigation and Contingencies

The Business is involved in various legal proceedings in the normal course of its business, including product liability litigation, intellectual property litigation, employment litigation and other litigation. Additionally, the Business, in consultation with its counsel, assesses the need to record a liability for contingencies on a case-by-case basis in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 450 "Contingencies" ("ASC 450"). Accruals are recorded when the Business determines that a loss related to a matter is both probable and reasonably estimable. These accruals are adjusted periodically as assessment efforts progress or as additional information becomes available. Acquired contingencies in business combinations are recorded at fair value to the extent determinable, otherwise in accordance ASC 450.

Restructuring Costs

The Business records liabilities for costs associated with exit or disposal activities in the period in which the liability is incurred. In accordance with existing benefit arrangements, employee severance costs are accrued when the restructuring actions are probable and estimable. 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. The Business also incurs costs with contract terminations and costs of transferring products as part of restructuring activities. Restructuring expenses for the quarters ended March 31, 2016, and 2015 were $10.4 million and $75.1 million, respectively.

Recent Accounting Pronouncements

On May 28, 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606), with an effective date for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period, for public business entities, certain not-for-profit entities, and certain employee benefit plans. The effective date for ASU 2014-09 was deferred by one year through the issuance of ASU 2015-14, Revenue from Contracts with Customers—Deferral of the Effective Date, to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The Business is evaluating the impact, if any, the pronouncement will have on both historical and future financial positions and results of operations.

In January 2016, the FASB issued Accounting Standards Update 2016-01, which changes the requirement to require equity securities (including other ownership interests, such as partnerships, unincorporated joint ventures, and limited liability companies) to be measured at fair value with changes in the fair value recognized through net income. This update is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The adoption of this guidance is not anticipated to have a material impact on the Business' financial position or results of operations.

In February 2016, the FASB issued Accounting Standards Update 2016-02, which states that a lessee should recognize the assets and liabilities that arise from leases. This update is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Business is evaluating the impact, if any, the pronouncement will have on our financial positions and results of operations.

In March 2016, the FASB issued ASU No. 2016-09, Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. The amendments are intended to improve the accounting for employee share-based payments and affect all organizations that issue share-based payment awards to their employees. Several aspects of the accounting for share-based payment award transactions are simplified, including: (a) income tax consequences; (b) classification of awards as either equity or liabilities; and (c) classification on the statement of cash flows. The amendments are effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early adoption is permitted for any organization in any interim or annual period. The Business is evaluating the impact the pronouncement will have on our financial positions and results of operations.

In March 2016, the FASB has issued ASU No. 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net). The amendments relate to when another party, along with the entity, is involved in providing a good or service to a customer. Topic 606 Revenue from Contracts with Customers requires an entity to determine whether the nature of its promise is to provide that good or service to the customer (i.e., the entity is a principal) or to arrange for the good or service to be provided to the customer by the other party (i.e., the entity is an agent). The amendments are intended to improve the operability and understandability of the implementation guidance on principal versus agent considerations. The effective date and transition of these amendments is the same as the effective date and

transition requirements in Topic 606. The Business is evaluating the impact, if any, the pronouncement will have on both historical and future financial positions and results of operations.

In April 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing. The amendments clarify the following two aspects of Topic 606: (a) identifying performance obligations; and (b) the licensing implementation guidance. The amendments do not change the core principle of the guidance in Topic 606. The effective date and transition requirements for the amendments are the same as the effective date and transition requirements in Topic 606. The Business is evaluating the impact, if any, the pronouncement will have on both historical and future financial positions and results of operations.

NOTE 3—Acquisitions and Other Agreements

The Business had the following material transactions in the year ended December 31, 2015.

Auden Mckenzie

On May 29, 2015 the Business acquired Auden Mckenzie Holdings Limited ("Auden"), a business specializing in the development, licensing and marketing of niche generic medicines and proprietary brands in the United Kingdom ("UK") and across Europe for approximately 323.7 million British Pounds, or $495.9 million (the "Auden Acquisition").

Recognition and Measurement of Assets Acquired and Liabilities Assumed at Fair Value

The Auden Acquisition has been accounted for using the acquisition method of accounting. This method requires that assets acquired and liabilities assumed in a business combination be recognized at their fair values as of the acquisition date.

The following table summarizes the final fair values of the tangible and identifiable intangible assets acquired and liabilities assumed at the acquisition date ($ in millions):

	Amount
Cash and cash equivalents	$ 32.2
Inventory	49.1
IPR&D intangible assets	38.6
Intangible assets	342.4
Goodwill	123.3
Other assets and liabilities	7.2
Contingent consideration	(17.3)
Deferred tax liabilities, net	(79.6)
Net assets acquired	**$495.9**

Australia

On May 1, 2015, the Business divested its Australian generics business to Amneal Pharmaceuticals LLC for upfront consideration of $5.0 million plus future royalties. The Business impaired intangible assets of $36.1

million and miscellaneous assets and goodwill allocated to the business of $2.5 million in the quarter ended March 31, 2015. The impairment was recorded in the Business' Financial Statements.

NOTE 4—Related Party Transactions

Related party balances are as follows ($ in millions):

	March 31, 2016	March 31, 2015
Related party sales and cost of sales	$11.2	$17.7

Allergan plc has a separate segment—Anda Distribution, which distributes generic and branded pharmaceutical products manufactured by third parties, as well as by the Company and the Business, primarily to independent pharmacies, pharmacy chains, pharmacy buying groups and physicians' offices. Most of the inventory in the Anda Distribution operations are from third party manufacturers, however, Anda Distribution also distributes some of the Business' products and some products of collaboration partners of the Company. The Business determined that Anda Distribution is a related party as Anda Distribution distributes certain of the Business' products, and as such, has included the sales and cost of sales information above. Product sales and cost of sales of the Business are sold to Anda Distribution at cost. No related party receivables or payables related to the Anda Distribution relationship have been included in the Statement of Net Assets Acquired as they will not be transferred under the Teva Agreement.

Allergan plc will also have continuing involvement with Teva after the close of the transaction. As a result of the Teva Transaction, the Company will hold an approximate 10% equity stake in Teva, continue to distribute products being divested to Teva through the Anda Distribution segment, and purchase product manufactured by Teva for sale in Allergan plc's US Brands segment as part of ongoing transitional service and contract manufacturing agreements. Transitional service agreements will be in place between Allergan and the Business to effect the transitional period of the transaction.

NOTE 5—Inventories

Inventories consist of finished goods held for sale and distribution, raw materials and work-in-process.

Inventories consisted of the following ($ in millions):

	March 31, 2016	December 31, 2015
Raw materials	$ 400.2	$ 399.4
Work-in-process	138.0	138.2
Finished goods	782.8	712.4
Less: inventory reserves	(130.4)	(111.5)
Inventories	**$1,190.6**	**$1,138.5**

NOTE 6—Product Rights and Other Intangible Assets

Product Rights and Other Intangible Assets

Product rights and other intangible assets have been acquired through various business combinations and asset acquisitions. Product rights and other intangible assets consisted of the following ($ in millions):

Cost Basis	March 31, 2016	December 31, 2015
Total definite-lived intangible assets	$5,169.9	$5,102.5
Total indefinite-lived intangible assets	$ 145.7	$ 149.5
Total product rights and related intangibles	$5,315.6	$5,252.0

Accumulated Amortization	March 31, 2016	December 31, 2015
Total definite-lived intangible assets	$(2,735.7)	$(2,568.7)
Net Product Rights and Other Intangibles	$ 2,579.9	$ 2,683.3

The Business re-evaluates the carrying value of identifiable intangible and long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The Business continually evaluates the appropriateness of useful lives assigned to long-lived assets, including product rights.

Amortization expense was $122.0 million and $134.9 million for the quarters ended March 31, 2016, and 2015, respectively.

Assuming no additions, disposals or adjustments are made to the carrying value and/or useful lives of the intangible assets, annual amortization expense on product rights and other related intangibles as of March 31, 2016 over each of the next five years is estimated to be as follows ($ in millions):

	Amortization Expense
2016 remaining	$365.9
2017	$454.2
2018	$384.0
2019	$307.2
2020	$186.1
2021	$130.4

The above amortization expense is an estimate. Actual amounts may change for such estimated amounts due to fluctuations in foreign currency rates, additional intangible asset acquisitions, finalization of preliminary fair value estimates, potential impairments, accelerated amortization or other events.

GLOBAL GENERICS BUSINESS AND CERTAIN OTHER ASSETS OF ALLERGAN PLC

Notes to the Unaudited Special Purpose Combined Financial Statements

NOTE 7—Accounts Payables and Accrued Expenses

Accounts payable and accrued expenses consisted of the following ($ in millions):

	March 31, 2016	December 31, 2015
Accrued third-party rebates and indirect returns	$ 446.9	$ 436.6
Litigation-related reserves and legal fees	140.3	149.8
Accrued payroll and related benefits	99.8	149.7
Royalties payable	68.7	130.7
Other accrued expenses	264.7	317.3
Total accrued expenses	$1,020.4	$1,184.1
Accounts payable	298.5	272.1
Accounts payable and accrued expenses	$1,318.9	$1,456.2

NOTE 8—Commitments and Contingencies

The Business and its affiliates are involved in various disputes, governmental and/or regulatory inspections, inquires, investigations and proceedings, and litigation matters that arise from time to time in the ordinary course of business. The process of resolving matters through litigation or other means is inherently uncertain and it is possible that an unfavorable resolution of these matters will adversely affect the Business, its results of operations, financial condition and cash flows. The Business' general practice is to expense legal fees as services are rendered in connection with legal matters, and to accrue for liabilities when losses are probable and reasonably estimable.

The Business evaluates, on a quarterly basis, developments in legal proceedings and other matters that could cause an increase or decrease in the amount of the liability that is accrued. As of March 31, 2016, the Business' consolidated balance sheet includes accrued loss contingencies of approximately $120.0 million.

The Business' legal proceedings range from cases brought by a single plaintiff to mass tort actions and class actions with thousands of putative class members. These legal proceedings, as well as other matters, involve various aspects of our business and a variety of claims (including, but not limited to, qui tam actions, antitrust, product liability, breach of contract, securities, patent infringement and trade practices), some of which present novel factual allegations and/or unique legal theories. In addition, a number of the matters pending against us are at very early stages of the legal process (which in complex proceedings of the sort faced by us often extend for several years). As a result, some matters have not yet progressed sufficiently through discovery and/or development of important factual information and legal issues to enable us to estimate a range of possible loss. In those proceedings in which plaintiffs do request publicly quantified amounts of relief, the Business does not believe that the quantified amounts are meaningful because they are merely stated jurisdictional limits, exaggerated and/or unsupported by the evidence or applicable burdens of proof.

Antitrust Litigation

Actos® Litigation. On December 31, 2013 two putative class actions, on behalf of putative classes of indirect purchaser plaintiffs, were filed in the federal court for the Southern District of New York against Actavis plc and certain of its affiliates alleging that Watson Pharmaceuticals, Inc.'s ("Watson" now known as Actavis, Inc.) 2010 patent lawsuit settlement with Takeda Pharmaceutical, Co. Ltd. related to Actos ® (pioglitazone hydrochloride and metformin "Actos ®") is unlawful. Several additional complaints have also been filed.

Plaintiffs then filed a consolidated, amended complaint on May 20, 2014. The amended complaint generally alleges an overall scheme that included Watson improperly delaying the launch of its generic version of Actos ® in exchange for substantial payments from Takeda in violation of federal and state antitrust and consumer protection laws. The complaint seeks declaratory and injunctive relief and unspecified damages. Defendants have moved to dismiss the amended complaint. On September 23, 2015, the court granted the motion to dismiss the indirect purchasers' complaint in its entirety. The indirect purchaser plaintiffs have appealed the dismissal of their complaint. In May 2015, two additional putative class action complaints, each of which makes similar allegations against the Business and Takeda, were filed by plaintiffs on behalf of a putative class of direct purchasers. Defendants have moved to dismiss the direct purchasers' complaint.

AndroGel. The Business believes that it has substantial meritorious defenses to the claims alleged. However, these actions, if successful, could adversely affect the Business and could have a material adverse effect on the business, results of operations, financial condition and cash flows. *AndroGel® Litigation.* On January 29, 2009, the U.S. Federal Trade Commission and the State of California filed a lawsuit in federal district court in California alleging that the September 2006 patent lawsuit settlement between Watson and Solvay Pharmaceuticals, Inc. ("Solvay"), related to AndroGel ® 1% (testosterone gel) CIII is unlawful. The complaint generally alleged that Watson improperly delayed its launch of a generic version of AndroGel ® in exchange for Solvay's agreement to permit Watson to co-promote AndroGel ® for consideration in excess of the fair value of the services provided by Watson, in violation of federal and state antitrust and consumer protection laws. The complaint sought equitable relief and civil penalties. On February 2 and 3, 2009, three separate lawsuits alleging similar claims were filed in federal district court in California by various private plaintiffs purporting to represent certain classes of similarly situated claimants. On April 8, 2009, the Court transferred the government and private cases to the United States District Court for the Northern District of Georgia. The FTC and the private plaintiffs filed amended complaints on May 28, 2009. The private plaintiffs amended their complaints to include allegations concerning conduct before the U.S. Patent and Trademark Office (the "USPTO"), conduct in connection with the listing of Solvay's patent in the FDA "Orange Book," and sham litigation. Additional actions alleging similar claims have been filed in various courts by other private plaintiffs purporting to represent certain classes of similarly situated direct or indirect purchasers of AndroGel ® . The Judicial Panel on Multidistrict Litigation ("JPML") transferred all federal court actions then pending outside of Georgia to that district. The district court then granted the Business' motion to dismiss all claims except the private plaintiffs' sham litigation claims. After the dismissal was upheld by the Eleventh Circuit Court of Appeals, the FTC petitioned the United States Supreme Court to hear the case. On June 17, 2013, the Supreme Court issued a decision, holding that the settlements between brand and generic drug companies which include a payment from the brand company to the generic competitor must be evaluated under a "rule of reason" standard of review and ordered the case remanded (the "Supreme Court AndroGel Decision"). The case is now back in the district court in Georgia. On August 5, 2014 the indirect purchaser plaintiffs filed an amended complaint which the Business answered on September 15, 2014.

The Business believes it has substantial meritorious defenses and intends to defend itself vigorously. However, these actions, if successful, could adversely affect the Business and could have a material adverse effect on the business, results of operations, financial condition and cash flows.

Cipro® Litigation. Beginning in July 2000, a number of suits were filed against Watson and certain Business affiliates including The Rugby Group, Inc. ("Rugby") in various state and federal courts alleging claims under various federal and state competition and consumer protection laws. The actions generally allege that the defendants engaged in unlawful, anticompetitive conduct in connection with alleged agreements, entered into prior to Watson's acquisition of Rugby from Sanofi Aventis ("Sanofi"), related to the development, manufacture

and sale of the drug substance ciprofloxacin hydrochloride, the generic version of Bayer's brand drug, Cipro ®. The actions generally seek declaratory judgment, damages, injunctive relief, restitution and other relief on behalf of certain purported classes of individuals and other entities. While many of these actions have been dismissed, actions remain pending in various state courts, including California, Kansas, Tennessee, and Florida. There has been activity in Tennessee and Florida since 2003. In the action pending in Kansas, plaintiffs' motion for class certification has been fully briefed. In the action pending in the California state court, following the decision from the United States Supreme Court in the *Federal Trade Commission v. Actavis* matter involving AndroGel ®, described above, Plaintiffs and Bayer announced that they reached an agreement to settle the claims pending against Bayer and Bayer has now been dismissed from the action. Plaintiffs are continuing to pursue claims against the generic defendants, including Watson and Rugby. The remaining parties submitted letter briefs to the court regarding the impact of the Supreme Court AndroGel Decision and on May 7, 2015, the California Supreme Court issued a ruling, consistent with the Supreme Court AndroGel Decision discussed above, that the settlements between brand and generic drug companies which include a payment from the brand company to the generic competitor must be evaluated under a "rule of reason" standard of review.

In addition to the pending actions, the Business understands that various state and federal agencies are investigating the allegations made in these actions. Sanofi has agreed to defend and indemnify Watson and its affiliates in connection with the claims and investigations arising from the conduct and agreements allegedly undertaken by Rugby and its affiliates prior to Watson's acquisition of Rugby, and is currently controlling the defense of these actions.

Lidoderm® Litigation. On November 8, 2013, a putative class action was filed in the federal district court against Actavis, Inc. and certain of its affiliates alleging that Watson's 2012 patent lawsuit settlement with Endo Pharmaceuticals, Inc. related to Lidoderm® (lidocaine transdermal patches, "Lidoderm®") is unlawful. The complaint, asserted on behalf of putative classes of direct purchaser plaintiffs, generally alleges that Watson improperly delayed launching generic versions of Lidoderm® in exchange for substantial payments from Endo in violation of federal and state antitrust and consumer protection laws. The complaint seeks declaratory and injunctive relief and damages. Additional lawsuits containing similar allegations have followed on behalf of other classes of putative direct purchasers and suits have been filed on behalf of putative classes of end-payer plaintiffs. The Business anticipates additional claims or lawsuits based on the same or similar allegations may be filed. On April 3, 2014 the JPML consolidated the cases in federal district court in California. Defendants filed motions to dismiss each of the plaintiff classes' claims. On November 17, 2014, the court issued an order granting the motion in part but denying it with respect to the claims under Section 1 of the Sherman Act. Plaintiffs then filed an amended, consolidated complaint on December 19, 2014. Defendants have responded to the amended consolidated complaint. On March 5, 2015, a group of five retailers filed a civil antitrust complaint in their individual capacities regarding Lidoderm® in the same court where it was consolidated with the direct and indirect purchaser class complaints. The retailer complaint recites similar facts and asserts similar legal claims for relief to those asserted in the related cases described above. The five retailers amended their complaint on July 27, 2015. On March 30, 2016, the U.S. Federal Trade Commission filed a lawsuit in federal district court in the Eastern District of Pennsylvania against the company, one of its Global Generics business subsidiaries, Watson Laboratories, Inc., Endo Pharmaceuticals Inc. and others arising out of patent settlements relating to Lidoderm and Opana ER (generic oxymorphone extended release tablets). The Lidoderm settlement was reached by Endo Pharmaceuticals Inc. and Watson Laboratories, Inc. in May 2012, and all allegations against the Business and Watson Laboratories, Inc. relate to the Lidoderm settlement only. The FTC action as to Watson Laboratories, Inc. parallels the allegations contained in the private litigation, and seeks monetary and equitable relief.

The Business believes it has substantial meritorious defenses and intends to defend itself vigorously. However, these actions, if successful, could adversely affect the Business and could have a material adverse effect on the business, results of operations, financial condition and cash flows.

Commercial Litigation

Generic Drug Pricing Litigation. On March 2, 2016, a putative class action complaint was filed against Allergan plc and several other defendants in federal court in Pennsylvania on behalf of a putative class of direct and indirect purchasers of certain pharmaceutical products. Three additional indirect purchaser class action complaints were in the same court, two were filed on March 25, 2016 and one was filed on April 25, 2016. Each of the complaints allege that the defendants engaged in a conspiracy to fix, maintain and/or stabilize the prices of certain generic drug products. The Business intends to vigorously defend against this action. However, this action, if successful, could adversely affect the Business and could have a material adverse effect on the business, results of operations, financial condition and cash flows.

FDA Litigation

In May 2002, Business subsidiary Watson Laboratories, Inc. reached an agreement with the FDA on the terms of a consent decree with respect to its Corona, California manufacturing facility. The court approved the consent decree on May 13, 2002 (*United States of America v. Watson Laboratories, Inc., et. al* ., United States District Court for the Central District of California, EDCV-02-412-VAP). The consent decree applies only to the Business' Corona, California facility and not other manufacturing sites. The decree requires that the Corona, California facility complies with the FDA's current Good Manufacturing Practices ("cGMP") regulations.

Pursuant to the agreement, the Business hired an independent expert to conduct inspections of the Corona facility at least once each year. In January 2016 the independent expert concluded its most recent inspection of the Corona facility. At the conclusion of the inspection, the independent expert reported its opinion to the FDA that, based on the findings of the audit of the facility, the FDA's applicable cGMP requirements, applicable FDA regulatory guidance, and the collective knowledge, education, qualifications and experience of the expert's auditors and reviewers, the systems at the Corona facility audited and evaluated by the expert are in compliance with the FDA's cGMP regulations. However, the FDA is not required to accept or agree with the independent expert's opinion. The FDA has conducted periodic inspections of the Corona facility since the entry of the consent decree, and concluded its most recent general cGMP inspection in December 2014. At the conclusion of the inspection, the FDA inspectors issued a Form 483 to the facility identifying certain observations concerning the instances where the facility failed to follow cGMP regulations. The facility promptly responded to the Form 483 observations. If in the future, the FDA determines that, with respect to its Corona facility, the Business has failed to comply with the consent decree or FDA regulations, including cGMPs, or has failed to adequately address the FDA's inspectional observations, the consent decree allows the FDA to order a variety of actions to remedy the deficiencies. These actions could include ceasing manufacturing and related operations at the Corona facility, and recalling affected products. Such actions, if taken by the FDA, could have a material adverse effect on the business, its results of operations, financial position and cash flows.

Patent Litigation

Oxymorphone Extended-Release Tablets (Generic version of Opana® ER). On December 11, 2012, Endo Pharmaceuticals Inc. ("Endo") sued Actavis, Inc. and Actavis South Atlantic LLC ("Actavis South Atlantic") in the United States District Court for the Southern District of New York, alleging that sales of the Business' 7.5 mg

and 15 mg oxymorphone extended-release tablets, generic versions of Endo's Opana ® ER, infringe U.S. Patent Nos. 7,851,482; 8,309,122; and 8,329,216. Thereafter, FDA approved Actavis' 5 mg, 10 mg, 20 mg, 30 mg, and 40 mg oxymorphone extended-release tablets and Endo filed a motion for a preliminary injunction seeking to prevent Actavis from selling the new strengths. On September 12, 2013, the district court denied Endo's motion for a preliminary injunction and Actavis immediately launched the new strengths. On March 31, 2014, the Federal Circuit reversed the district court's denial of Endo's motion for a preliminary injunction and remanded the matter to the district court for further consideration. On January 13, 2015, Endo dismissed its claims against Actavis concerning the '482 patent. Trial with respect to the '122 and '216 patents began on March 23, 2015 and concluded on April 24, 2015. On August 14, 2015, the court found the '122 and '216 patents valid and infringed and ordered Actavis to cease selling its generic product within 60 days. Actavis filed a motion to amend the judgment to remove the injunction on continuing sales or in the alternative stay the injunction pending appeal. On October 8, 2015, the court tolled the 60 day period for Actavis to cease selling its generic product while the court considers the motion to amend the judgment. The motion is currently pending. On April 29, 2016, the district court denied Actavis' motion to amend the judgment to remove the injunction on continuing sales or in the alternative for a stay pending appeal, and Actavis discontinued selling its generic products. On May 3, 2016, Actavis filed in the Federal Circuit an emergency motion to stay the injunction pending appeal. That motion is currently pending. On November 7, 2014, Endo and Mallinckrodt LLC sued Actavis and certain of its affiliates in the United States District Court for the District of Delaware, alleging that sales of the Business' generic versions of Opana ® ER, 5mg, 7.5 mg, 10 mg, 15 mg, 20 mg, 30 mg and 40 mg, infringe U.S. Patent Nos. 7,808,737 (which the USPTO recently issued to Endo) and 8,871,779 (which Endo licensed from Mallinckrodt). The case is currently pending, and trial is scheduled to begin on February 21, 2017. On September 23, 2015, the Magistrate Judge recommended granting Actavis' motion to dismiss the '737 patent for invalidity/unpatentable subject matter. On November 17, 2015 the District Court Judge upheld the Magistrate's recommendation regarding invalidity of the '737 patent and dismissed that patent from the case. The Business believes it has substantial meritorious defenses to the case. However, Actavis has sold and is continuing to sell its generic versions of Opana ® ER during the pendency of the above actions. Therefore, an adverse final determination that one of the patents in suit is valid and infringed could have an adverse effect on the business, results of operations, financial condition and cash flows.

Product Liability Litigation

Alendronate Litigation. Beginning in 2010, approximately 129 product liability suits on behalf of approximately 170 plaintiffs have been filed against the Business and certain of its affiliates, including Cobalt Laboratories, as well as other manufacturers and distributors of alendronate for personal injuries including AFF and ONJ allegedly arising out of the use of alendronate. The actions are pending in various state and federal courts. Several of the cases were consolidated in an MDL proceeding in federal court in New Jersey. In 2012, the MDL court granted the Business' motion to dismiss all of the cases then pending against the Business in the New Jersey MDL. The Third Circuit affirmed the dismissal. Any new cases against the Business filed in the MDL are subject to dismissal unless plaintiffs can establish that their claims should be exempted from the 2012 dismissal order. Other cases were consolidated in an MDL in federal court in New York, where the Business filed a similar motion to dismiss. The Court granted, in part, the motion to dismiss which has resulted in the dismissal of several other cases. The Business has also been served with six cases that are part of a consolidated litigation in the California state court. In 2012, the California court partially granted a motion filed on behalf of all generic defendants seeking dismissal. Appeals in the California cases have been exhausted and the Business has not yet been able to determine how that will affect the cases filed against it. The remaining active cases are part of a mass tort coordinated proceeding in New Jersey state court. In the New Jersey proceeding, the Court granted, in part, a motion to dismiss. The Business believes that it has substantial meritorious defenses to these cases and maintains product liability insurance against such cases. However, litigation is inherently uncertain and the

Business cannot predict the outcome of this litigation. These actions, if successful, or if our indemnification arrangements or insurance do not provide sufficient coverage against such claims, could adversely affect the Business and could have a material adverse effect on the business, results of operations, financial condition and cash flows.

Metoclopramide Litigation. Beginning in 2009, a number of product liability suits were filed against certain Business affiliates, including legacy Actavis and Watson companies, as well as other manufacturers and distributors of metoclopramide, for personal injuries allegedly arising out of the use of metoclopramide. Approximately 1,500 cases remain pending against Actavis, Watson and/or its affiliates in state and federal courts, representing claims by multiple plaintiffs. Discovery in these cases has not progressed beyond the preliminary stages as the Business has taken steps to dismiss the suits based on preemption including through initiating or defending appeals on such motions.

The Business believes that, with respect to the majority of the cases against the legacy Watson companies, it will be defended in and indemnified by Pliva, Inc., an affiliate of Teva, from whom the Business purchased its metoclopramide product line in late 2008. With respect to the cases pending against the legacy Actavis companies, the Business recently reached an agreement in principle to resolve the majority of the matters. The Business believes that it has substantial meritorious defenses to these cases and maintains product liability insurance against such cases. However, litigation is inherently uncertain and the Business cannot predict the outcome of this litigation. These actions, if successful, or if our indemnification arrangements or insurance do not provide sufficient coverage against such claims, could adversely affect the Business and could have a material adverse effect on the business, results of operations, financial condition and cash flows.

Propoxyphene Litigation. Beginning in 2011, a number of product liability suits were filed against Watson and certain of its affiliates, as well as other manufacturers and distributors of propoxyphene, for personal injuries including adverse cardiovascular events or deaths allegedly arising out of the use of propoxyphene. Cases are pending against Watson and/or its affiliates in various state and federal courts, representing claims by approximately 1,400 plaintiffs. A number of the cases were consolidated in an MDL in federal district court in Kentucky. On June 22, 2012, the MDL court granted the generic defendants' joint motion to dismiss the remaining MDL cases. On June 27, 2014, the Sixth Circuit affirmed the district court's dismissal. Plaintiffs did not file a petition for a writ of certiorari with the United States Supreme Court. In addition, approximately 35 cases were filed in California state court. These cases were removed to federal district courts and, after disputes over whether the cases should be remanded to state court, the Ninth Circuit Court of Appeals determined that the removals to federal court were proper. Many of the cases in California federal courts were transferred to the U.S. District Court for the Eastern District of Kentucky and consolidated for all pretrial proceedings in front of Judge Reeves, who presided over the MDL proceedings. The Court has issued a Show Cause Order requiring plaintiffs to show cause on or before April 18, 2016 why their claims against the Generic Defendants (including Watson) should not be dismissed pursuant to the Court's prior order in the MDL dismissing all of the claims against the Generic Defendants with prejudice. The vast majority of these cases have been dismissed against the Generic Defendants, some voluntarily dismissed with prejudice and some dismissed on procedural grounds without prejudice. Three of the seven cases that remained in California district court have now been transferred to the Eastern District of Kentucky, and the others are likely to follow and to become subject to the Court's Show Cause Order. Once the remaining procedural matters are resolved, the defendants will file demurrers and motions to dismiss the remaining suits pursuant to the Court's Show Cause Order. In addition, approximately eight lawsuits have been filed in Oklahoma which plaintiffs are seeking to have remanded from federal to state court. The Business believes that it has substantial meritorious defenses to these cases and maintains product liability insurance against such cases. However, litigation is inherently uncertain and the Business cannot predict the

outcome of this litigation. These actions, if successful, or if insurance does not provide sufficient coverage against such claims, could adversely affect the Business and could have a material adverse effect on the business, results of operations, financial condition and cash flows.

Government Investigations, Government Litigation and Qui Tam Litigation

Actavis. On June 25, 2015, the Business received a subpoena from the U.S. Department of Justice ("DOJ"), Antitrust Division seeking information relating to the marketing and pricing of certain of the Business' generic products and communications with competitors about such products. The Business intends to cooperate fully with the DOJ's requests.

Patent Settlement Investigations. The Business and various of its affiliates have received letters and investigatory subpoenas from the U.S. Federal Trade Commission ("FTC") indicating that the FTC is conducting a nonpublic investigations into certain agreements the Business have made to settle patent disputes with other brand and generic pharmaceutical companies. The Business is cooperating in responding to the investigations.

Governmental Reimbursement and Drug Pricing Investigations and Litigation. The Business has also received investigatory subpoenas from the U.S. Attorney's Office and various state agencies requesting information and documents relating to certain categories of drug pricing including, but not limited to, Average Wholesale Price ("AWP"), Wholesale Acquisition Cost ("WAC"), Average Manufacturer Price ("AMP") and Best Price ("BP"). The Business intends to cooperate with this subpoena.

Beginning in 1999, the Business was informed by the DOJ that it, along with numerous other pharmaceutical companies, is a defendant in a *qui tam* action brought in 1995 under the U.S. False Claims Act. Since that time, the Business also received and responded to notices or subpoenas from the U.S. House Committee on Energy and Commerce as well as from Attorneys General of various states, including Florida, Nevada, New York, California and Texas, relating to pharmaceutical pricing issues and whether allegedly improper actions by pharmaceutical manufacturers led to excessive payments by Medicare and/or Medicaid. Other state and federal inquiries regarding pricing and reimbursement issues are anticipated.

The Business and certain of its subsidiaries have also been named as defendants in various lawsuits filed by numerous states and qui tam relators, including Wisconsin, Kentucky, Illinois, Mississippi, Missouri, South Carolina, Utah, Kansas and Louisiana. These actions allege generally that the plaintiffs (all governmental entities) were overcharged for their share of Medicaid drug reimbursement costs as a result of reporting by manufacturers of AWP that did not correspond to actual provider costs of prescription drugs. In 2011, Watson settled certain claims made against it by a relator in a *qui tam* action brought against the Business on behalf of the United States. The settlement of that *qui tam* action resolved all claims on behalf of the United States asserted in that action except for claims relating to the federal share of Medicaid payments made by the States of Alabama, Alaska, Kentucky, Idaho, Illinois, South Carolina and Wisconsin. The Business subsequently settled all claims, including the claims on behalf of the United States, brought by Alabama. In addition, the Business has reached settlements with the states of the Louisiana, Missouri, Kansas and South Carolina. In addition, the Business has begun having discussions with the plaintiffs in the Illinois and Wisconsin actions about a possible resolution of those matters. The court in the Utah case dismissed that state's claims against the Business. The case against Watson on behalf of Kentucky was tried in November 2011. The jury reached a verdict in Watson's favor on each of Kentucky's claims against Watson. An agreed form of judgment has been entered and the case now has been dismissed with prejudice. The case against Watson on behalf of Mississippi was tried from November 2012 through April 2013. On August 28, 2013, the court issued a ruling in favor of the state and awarded the state $12.4 million in compensatory damages and civil penalties, and on March 20, 2014 issued its

ruling imposing an additional $17.9 million in punitive damages. Post-trial motions were filed and denied by the court. The Business is appealing both the original and punitive damage awards.

On December 28, 2015, a putative class action complaint was filed in state court in Pennsylvania on behalf of a putative class of private payers. The complaint alleges that manufacturers of generic drugs including Actavis Group and Watson Pharmaceuticals, Inc., caused plaintiffs to overpay for prescription drug products through the use of inflated AWPs. The complaint alleges violations of the Pennsylvania Unfair Trade Practices and Consumer Protection Law, negligent misrepresentation/fraud, unjust enrichment, civil conspiracy and aiding and abetting. Defendants removed this action to the federal court in Pennsylvania under the Class Action Fairness Act. An additional complaint then was filed in state court in Pennsylvania on behalf an individual indirect purchaser containing similar allegations to the class complaint.

With regard to the remaining drug pricing actions, the Business believes that it has meritorious defenses and intends to vigorously defend itself in those actions. The Business continually monitors the status of these actions and may settle or otherwise resolve some or all of these matters on terms that the Business deems to be in its best interests. However, the Business can give no assurance that it will be able to settle the remaining actions on terms it deems reasonable, or that such settlements or adverse judgments in the remaining actions, if entered, will not exceed the amounts of the liability reserves. Additional actions by other states, cities and/or counties are anticipated. These actions and/or the actions described above, if successful, could adversely affect the Business and could have a material adverse effect on the business, results of operations, financial condition and cash flows.

DESI Drug Reimbursement Litigation. In December 2009, the Business learned that numerous pharmaceutical companies, including certain subsidiaries of the Business, were named as defendants in a *qui tam* action pending in federal court in Massachusetts. The tenth amended complaint, which was served on certain of the Business' subsidiaries, alleges that the defendants falsely reported to the United States that certain pharmaceutical products, including those subject to the Food and Drug Administration's Drug Efficacy Study Implementation ("DESI") review program, were eligible for Medicaid reimbursement and thereby allegedly caused false claims for payment to be made through the Medicaid program. The Business' subsidiaries named in the action together with all other named defendants filed a Joint Motion to Dismiss the Tenth Amended Complaint on December 9, 2011. On February 25, 2013, the court granted the motion to dismiss as to all defendants. The plaintiff may appeal. On September 11, 2013, a similar action was filed against certain Business subsidiaries as well as Warner Chilcott and numerous other pharmaceutical company defendants by the State of Louisiana based on the same core set of allegations as asserted in the federal court action in Massachusetts. Defendants filed exceptions to plaintiffs' complaint. On June 28, 2015, the State of Louisiana filed an amended complaint and defendants promptly moved to dismiss. On September 21, 2015, the court granted defendants' motion to dismiss the amended complaint in its entirety. Additional actions alleging similar claims could be asserted. The Business believes that it has meritorious defenses to the claims and intends to vigorously defend itself against such allegations. However, these actions or similar actions, if successful, could adversely affect the Business and could have a material adverse effect on the business, results of operations, financial condition and cash flows.

Medicaid Price Adjustments. The Business has notified the Centers for Medicare and Medicaid Services ("CMS") that certain of the legacy Actavis group's Medicaid price submissions require adjustment for the period 2007 through 2012. The Business is in the process of completing the resubmissions. Based on prevailing CMS practices the Business does not expect to incur penalties in connection with the resubmissions. With respect to periods prior to 2007, the Business has advised CMS that its records are insufficient to support a reliable recalculation of its price submissions, and has proposed not to recalculate the price submissions for such periods.

Because there are insufficient records to support a reliable recalculation of its price submissions prior to 2007, at this time the amount of any potential liability related to the price submissions prior to 2007 is not estimable and the Business has not concluded that any liability for periods prior to 2007 is probable. The Business believes it has substantial meritorious positions and defenses with respect to these pricing resubmission matters. However, if CMS were to successfully pursue claims against the Business for the periods in question, such claims could adversely affect the Business and could have a material adverse effect on the business, results of operations, financial condition and cash flows.

Hydrocortisone Investigation. On March 8, 2016, the Business and certain of its affiliates received notice from the UK Competition and Markets Authority ("CMA") that it has launched a formal investigation under Section 25 of the Competition Act of 1998 ("CA98") into suspected abuse of dominance by a Business subsidiary in relation to the supply of 10mg and 20mg hydrocortisone tablets. The CMA is investigating whether the conduct infringes the Chapter II prohibition of the CA98 and/or Article 102 of the Treaty on the Functioning of the European Union. The Business is fully cooperating with the investigation. This government investigation could adversely affect the Business and could have a material adverse effect on the business, results of operations, financial condition and cash flows.

Paroxetine Investigation. On April 19, 2013, the UK Office of Fair Trading (which closed in April, 2014 in connection with a government restructuring and transferred responsibility for this matter to the U.K. CMA) issued a Statement of Objections against GlaxoSmithKline ("GSK") and various generic drug companies, including Actavis UK Limited, formerly known as Alpharma Limited, now a subsidiary of the Business, alleging that GSK's settlements with such generic drug companies improperly delayed generic entry of paroxetine, in violation of the United Kingdom's competition laws. The Business has responded to the Statement of Objections, however, on February 12, 2016 the UK CMA imposed a fine on the Business. The Business believes it has substantial meritorious defenses to the allegations. However, an adverse determination in the matter could have an adverse effect on the business, results of operations, financial condition and cash flows.

Romanian Investigation. In July 2015, the Business received a subpoena as part of a nationwide investigation of the pharmaceutical industry conducted by the Romanian government. The purpose of the investigation is to gather documents and information, and to examine sponsorship arrangements concluded with certain oncologists and hematologists during the period from January 2012 through June 2015. The Business is fully cooperating with the investigation. This government investigation could adversely affect the Business and could have a material adverse effect on the business, results of operations, financial condition and cash flows.

The Business and its affiliates are involved in various other disputes, governmental and/or regulatory inspections, inquires, investigations and proceedings that could result in litigation, and other litigation matters that arise from time to time. The process of resolving matters through litigation or other means is inherently uncertain and it is possible that an unfavorable resolution of these matters will adversely affect the business, its results of operations, financial condition and cash flows.

NOTE 9—Subsequent Events

The Business has evaluated transactions that occurred as of the issuance of these financial statements, May 10, 2016, for purposes of disclosures of unrecognized subsequent events.

GLOBAL GENERICS BUSINESS AND CERTAIN OTHER ASSETS OF ALLERGAN PLC

Special Purpose Combined Statements of Net Assets Acquired as of December 31, 2015 and December 31, 2014 and Special Purpose Combined Statements of Revenues and Direct Expenses for the years ended December 31, 2015, 2014 and 2013

GLOBAL GENERICS BUSINESS AND CERTAIN OTHER ASSETS OF ALLERGAN PLC

Index to Special Purpose Combined Financial Statements

Independent Auditor's Report

To the Management of Allergan plc

We have audited the accompanying special purpose combined financial statements of the Global Generics Business and Certain Other Assets of Allergan plc, which comprise the special purpose combined statements of net assets acquired as of December 31, 2015 and 2014, and the related special purpose combined statements of revenues and direct expenses for each of the three years in the period ended December 31, 2015.

Management's Responsibility for the Special Purpose Combined Financial Statements

Management is responsible for the preparation and fair presentation of the special purpose combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of special purpose combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the special purpose combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special purpose combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special purpose combined financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the special purpose combined financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the special purpose combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the special purpose combined financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the special purpose combined financial statements referred to above present fairly, in all material respects, the assets and liabilities of the Global Generics Business and Certain Other Assets of Allergan plc as of December 31, 2015 and December 31, 2014, and the results of their revenues and direct expenses for each of the three years in the period ended December 31, 2015 in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

The accompanying special purpose combined financial statements were prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission for inclusion in the Current Report on Form 6-K of Teva Pharmaceutical Industries Ltd. as described in Note 1 and are not intended to be a complete presentation of the financial position or operations of the Global Generics Business and Certain Other Assets of Allergan plc. Our opinion is not modified with respect to this matter.

As discussed in Note 2 to the special purpose combined financial statements, the Global Generics Business and Certain Other Assets of Allergan plc has changed the manner in which it classifies deferred income taxes in 2015. Our opinion is not modified with respect to this matter.

/s/ PricewaterhouseCoopers LLP

Florham Park, New Jersey
February 29, 2016

GLOBAL GENERICS BUSINESS AND CERTAIN OTHER ASSETS OF ALLERGAN PLC

Special Purpose Combined Statements of Net Assets Acquired December 31, 2015 and 2014

($ in millions)

	December 31,	
	2015	2014
Assets acquired:		
Accounts receivable, net	$ 2,089.7	$ 1,463.7
Inventories	1,138.5	1,090.9
Other current assets	302.8	253.9
Assets held for sale	—	36.2
Current deferred tax assets	—	23.3
Property, plant and equipment, net	1,293.9	1,311.3
Product rights and other intangibles	2,683.3	3,097.7
Goodwill	3,686.0	3,623.9
Non-current deferred tax assets	232.4	72.7
Other non-current assets	32.9	81.9
Total assets acquired	**11,459.5**	**11,055.5**
Liabilities assumed:		
Accounts payable and accrued expenses	1,456.2	1,387.7
Income taxes payable	33.9	16.6
Current deferred tax liabilities	—	6.3
Other current liabilities	17.3	13.5
Other taxes payable	68.9	102.9
Long-term deferred tax liabilities	345.4	307.9
Long-term liabilities	95.7	127.5
Total liabilities assumed	**2,017.4**	**1,962.4**
Net assets acquired	**$ 9,442.1**	**$ 9,093.1**

The accompanying notes are an integral part of these special purpose combined financial statements.

GLOBAL GENERICS BUSINESS AND CERTAIN OTHER ASSETS OF ALLERGAN PLC

Special Purpose Combined Statements of Revenues and Direct Expenses for the years ended December 31, 2015, 2014, 2013

($ in millions)

	Years ended December 31,		
	2015	2014	2013
Net revenues	**$6,184.4**	**$6,374.0**	**$6,134.9**
Direct expenses:			
Cost of sales (excludes amortization and impairment of acquired intangibles including product rights)	3,047.7	3,088.9	3,304.3
Research and development	431.5	482.1	425.6
Selling and marketing	561.3	650.3	645.5
General and administrative	696.2	534.2	580.2
Amortization	559.0	652.1	538.9
Asset sales, impairments, and contingent consideration charges, net	62.4	19.5	901.7
Other expense/(income)	9.3	14.2	(38.4)
Total direct expenses	**5,367.4**	**5,441.3**	**6,357.8**
Revenues less direct expenses	**$ 817.0**	**$ 932.7**	**$ (222.9)**

The accompanying notes are an integral part of these special purpose combined financial statements.

GLOBAL GENERICS BUSINESS AND CERTAIN OTHER ASSETS OF ALLERGAN PLC

Notes to the Special Purpose Combined Financial Statements

NOTE 1—Basis of Presentation

Background

Allergan plc ("Allergan" or the "Company") is a global specialty pharmaceutical company engaged in the development, manufacturing, marketing, and distribution of brand name pharmaceutical products ("brand", "branded" or "specialty brand"), medical aesthetics, generic, branded generic, biosimilar and over-the-counter ("OTC") pharmaceutical products. The Company has operations in more than 100 countries. The Generics Business (defined below) is focused on maintaining a leading position within both the North American, and in particular, the United States ("U.S."), market and key international markets and strengthening its global position by offering a consistent and reliable supply of quality products.

On July 26, 2015, Allergan plc entered into a master purchase agreement (the "Teva Agreement"), under which Teva Pharmaceutical Industries Ltd. ("Teva") agreed to acquire the Company's global generic pharmaceuticals business and certain other assets (the "Teva Transaction"). Under the Teva Agreement, upon the closing of the Teva Transaction, Allergan will receive $33.75 billion in cash and 100.3 million Teva ordinary shares (or American Depository Shares with respect thereto), which approximates $6.75 billion in Teva stock using the then-current stock price at the time the Teva Transaction was announced, in exchange for which Teva will acquire Allergan's global generics business, including the United States ("U.S.") and international generic commercial units, Allergan's third-party supplier Medis, Allergan's global generic manufacturing operations, Allergan's global generic R&D unit, Allergan's international over-the-counter (OTC) commercial unit (excluding OTC eye care products) and some established international brands (the "Generics Business" or "Business"). The transaction is subject to customary closing conditions and is expected to close in the first quarter of 2016; however, it is possible that closing could slip beyond the end of the first quarter. The cash portion of the purchase price will be impacted by Allergan plc leaving a certain level of cash balances to be maintained in local bank accounts so as not to disrupt normal operating activities upon transaction closing.

Basis of Presentation

The accompanying Special Purpose Combined Financial Statements (the "Financial Statements") are prepared in accordance with accounting principles generally accepted in the U.S. ("GAAP"). These Financial Statements are based upon the Teva Agreement and relief from SEC Rule 3-05, *Significant Acquisition Carve-out Financial Statement Reporting Requirements*, obtained by Teva from the Securities and Exchange Commission. As a result of the Teva Agreement, the Company is divesting the stock of certain legal entities of the Business and certain product rights to Teva. These special purpose combined financial statements are not intended to be a complete presentation of financial position, results of operations, or cash flows of the Business in conformity with GAAP.

Due to the extent to which the Business has been integrated into Allergan during the periods required to be covered by the Financial Statements, the presentation of full or carve-out financial statements for the Business in accordance with the Securities and Exchange Commission's Regulation S-X, including a reasonable and appropriate allocation of corporate overhead, interest and taxes, is impracticable. Thus, Statements of Net Assets Acquired and Statements of Revenues and Direct Expenses have been prepared.

The Financial Statements have been derived from the accounting records of Allergan using historical results of operations and financial position and only present the net assets acquired and the associated revenues and direct expenses, including certain allocated expenses, of the Business. The net assets acquired include legal entities transferred and assets specifically identified in the Teva Agreement.

All significant intercompany accounts and transactions within the Business have been eliminated.

The Financial Statements are not necessarily indicative of the results of operations or financial position that would have occurred if the Business had been an independent company.

Separate cash balances are not maintained for the Business. Cash receipts and disbursements relating to operations of the Business are aggregated with the cash activities for the entire corporation of Allergan.

The Business utilizes a centralized approach to cash management and financing of operations. The Business' cash was available for use and was regularly transferred to centralized treasury at its discretion. Any cash required to fund the operations of the Business was obtained through Allergan's centralized treasury function. As the Business has historically been managed as part of the operations of Allergan and has not been operated as a stand-alone entity, it is impractical to prepare historical cash flow information regarding the Business' operating, investing, and financing cash flows. As such, Statements of Cash Flows are not presented.

Allocation of Costs & Expenses

These Financial Statements include revenues generated by the Business, less expenses directly attributable to the Business, and allocations of direct operating costs incurred by Allergan relating to the Business. Direct expenses include such items as sales and marketing, depreciation, amortization, research and development, distribution, employee compensation and benefits for direct employees and any other expenses directly related to the Business. Direct expenses from Allergan were based upon certain designated costs and time spent by the respective departments directly supporting the Business.

The Financial Statements reflect a consistent application of methodology for each reporting period presented. Allocations of Allergan corporate overhead not directly related to the operations of the Business, as well as allocations of interest or income taxes, have been excluded from these financial statements.

The operations of the Business are included in the consolidated federal income tax return of Allergan in the U.S., to the extent appropriate, or are included in the state and local returns of certain other affiliates of Allergan. A provision for income taxes has not been presented in these Financial Statements as the Business has not operated as a standalone unit and no allocation of Allergan's income tax provision/benefit has historically been made to the Business per above. While the allocation of the provision for income taxes was impractical, Teva will be acquiring or assuming certain income tax assets and liabilities which have been reflected in these Financial Statements. The Business determined the deferred tax assets and liabilities based on the differences between the financial reporting and tax basis of assets and liabilities measured using the enacted tax rates that will be in effect when the differences are expected to reverse. The Business recognizes tax liabilities based upon its estimate of whether, and the extent to which, additional taxes will be due when such estimates are more-likely-than-not to be sustained. Income tax positions must meet a more-likely-than-not recognition threshold to be recognized. Income tax positions that previously failed to meet the more-likely-than-not threshold are recognized in the first financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not threshold are derecognized in the first financial reporting period in which that threshold is no longer met. The Business evaluates the realizability of its deferred tax assets by assessing its valuation allowance and by adjusting the amount of such allowance, if necessary. The factors used to assess the likelihood of realization include the Business' forecast of future taxable income and available tax planning strategies that could be implemented to realize the net deferred tax assets. Failure to achieve forecasted taxable income in applicable tax jurisdictions could affect the ultimate realization of deferred tax assets.

There was no direct interest expense incurred by or allocated to the Business as no third party debt will be transferred under the Teva Agreement; therefore, no interest expense has been reflected in these financial statements.

NOTE 2—Summary of Significant Accounting Policies

Use of Estimates

Management is required to make certain estimates and assumptions in order to prepare consolidated financial statements in conformity with GAAP. Such estimates and assumptions affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities in the consolidated financial statements and accompanying notes. The Business' most significant estimates relate to the determination of SRA's (defined below) included within either accounts receivable or accrued liabilities, the valuation of inventory balances, the determination of useful lives for intangible assets, pension and other post-retirement benefit plan assumptions and the assessment of expected cash flows used in evaluating goodwill and other long-lived assets for impairment and recognition and measurement of assets acquired and liabilities assumed in business combinations at fair value. The estimation process required to prepare the Business' consolidated financial statements requires assumptions to be made about future events and conditions, and as such, is inherently subjective and uncertain. The Business' actual results could differ materially from those estimates. Also, as discussed in Note 1, the Financial Statements include estimates that are not necessarily indicative of the amounts that would have resulted if the Business had been operated as a stand-alone entity.

Foreign Currency Translation

For most of the Business' international operations, the local currency has been determined to be the functional currency. The results of its non-U.S. dollar based operations are translated to U.S. dollars at the average exchange rates during the period. Assets and liabilities are translated at the rate of exchange prevailing on the balance sheet date.

The Business realizes foreign currency gains / (losses) in the normal course of business based on movement in the applicable exchange rates. These gains / (losses) are included as a component of general and administrative expenses.

Inventories

Inventories consist of finished goods held for sale and distribution, raw materials and work in process. Inventory includes product pending approval by the U.S. Food and Drug Administration ("FDA"), by other regulatory agencies or product that has not been launched due to contractual restrictions. This inventory consists of generic pharmaceutical products that are capitalized only when the bioequivalence of the product is demonstrated or the product has already received regulatory approval and is awaiting a contractual triggering event to enter the marketplace. Inventory also includes pharmaceutical products which represent FDA approved indications. Inventory valuation reserves are established based on a number of factors/situations including, but not limited to, raw materials, work in process, or finished goods not meeting product specifications, product obsolescence, or application of the lower of cost (first-in, first-out method) or market (net realizable value) concepts.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, less accumulated depreciation. Major renewals and improvements are capitalized, while routine maintenance and repairs are expensed as incurred. At the time property, plant and equipment are retired from service, the cost and accumulated depreciation is removed from the respective accounts.

Depreciation expense is computed principally on the straight-line method, over the estimated useful lives of the related assets. The following table provides the range of estimated useful lives used for each asset type:

Computer software / hardware (including internally developed)	3-10 years
Machinery and equipment	3-15 years
Research and laboratory equipment	3-10 years
Furniture and fixtures	3-10 years
Buildings, improvements, leasehold improvements and other	4-50 years
Transportation equipment	3-20 years

The Business assesses property, plant and equipment for impairment whenever events or changes in circumstances indicate that an asset's carrying amount may not be recoverable.

Product Rights and Other Definite-Lived Intangible Assets

Our product rights and other definite-lived intangible assets are stated at cost, less accumulated amortization, and are amortized using the economic benefit model or the straight-line method, if results are materially aligned, over their estimated useful lives. We determine amortization periods for product rights and other definite-lived intangible assets based on our assessment of various factors impacting estimated useful lives and cash flows. Such factors include the product's position in its life cycle, the existence or absence of like products in the market, various other competitive and regulatory issues, and contractual terms. Significant changes to any of these factors may result in a reduction in the intangibles useful life and an acceleration of related amortization expense, which could cause our net results to decline.

Product rights and other definite-lived intangible assets are tested periodically for impairment when events or changes in circumstances indicate that an asset's carrying value may not be recoverable. The impairment testing involves comparing the carrying amount of the asset to the forecasted undiscounted future cash flows. In the event the carrying value of the asset exceeds the undiscounted future cash flows, the carrying value is considered not recoverable and an impairment exists. An impairment loss is measured as the excess of the asset's carrying value over its fair value, calculated using discounted future cash flows. The computed impairment loss is recognized in revenues less direct expenses. Assets which are not impaired may require an adjustment to the remaining useful lives for which to amortize the asset. Our projections of discounted cash flows use a discount rate determined by our management to be commensurate with the risk inherent in our business model. Our estimates of future cash flows attributable to our other definite-lived intangible assets require significant judgment based on our historical and anticipated results and are subject to many factors. Different assumptions and judgments could materially affect the calculation of the fair value of the other definite-lived intangible assets which could trigger impairment.

Goodwill and Intangible Assets with Indefinite-Lives

The Business tests goodwill and intangible assets with indefinite-lives for impairment annually in the second quarter by comparing the fair value of each of the Business' reporting units to the respective carrying value of the reporting units. Additionally, the Business may perform interim tests if an event occurs or circumstances change that could potentially reduce the fair value of a reporting unit below its carrying amount. The Business has determined that it has one segment (the Global Generics Business) and multiple reporting units. The carrying value of each reporting unit is determined by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those reporting units.

Goodwill is considered impaired if the carrying amount of the net assets exceeds the fair value of the reporting unit. Impairment, if any, would be recorded in revenues less direct expenses.

During the second quarter of 2013, the Business completed an extensive review of its operating businesses, including exploring options for addressing overall profitability of seven Western European commercial operations consisting of, among other things, restructuring their operations, refocusing their activities on specific sub-markets, as well as potential divestitures of such businesses to other third parties. The potential impact of these conditions was considered in the Business' projections when determining the indicated fair value of its then current reporting units for the impairment tests that were performed during the second quarter of 2013. Upon completion of step one of the impairment analysis for each of the Business' reporting units, it was concluded that the fair value of the then current Actavis Pharma—Europe reporting unit was below its carrying value including goodwill. The fair value of the Business' reporting units was estimated based on a discounted cash flow model using management's business plans and projections as the basis for expected future cash flows for approximately five years and residual growth rates ranging from 2% to 4% thereafter. Management believes that the assumptions it used for the impairment tests performed are consistent with those that would be utilized by a market participant in performing a similar valuation of its reporting units. A separate discount rate was utilized for each reporting unit that was derived from published sources and, on a weighted average basis, a discount rate of 8% was utilized using the Business' weighted average cost of risk of the reporting unit and the rate of return a market participant would expect. As a result of completing step two of the Business' impairment analysis, the Business recorded an impairment of the then current Actavis Pharma—Europe reporting unit of $647.5 million, recorded within asset sales, impairments, and contingent consideration charges, net representing primarily all of the goodwill allocated to this reporting unit, in the year ended December 31, 2013.

Acquired in-process research and development ("IPR&D") intangible assets represent the value assigned to acquired research and development projects that, as of the date acquired, represent the right to develop, use, sell and/or offer for sale a product or other intellectual property that the Business has acquired with respect to products and/or processes that have not been completed or approved. The IPR&D intangible assets are subject to impairment testing until completion or abandonment of each project. Upon abandonment, the assets are impaired. Impairment testing requires the development of significant estimates and assumptions involving the determination of estimated net cash flows for each year for each project or product (including net revenues, cost of sales, R&D costs, selling and marketing costs and other costs which may be allocated), the appropriate discount rate to select in order to measure the risk inherent in each future cash flow stream, the assessment of each asset's life cycle, the potential regulatory and commercial success risks, and competitive trends impacting the asset and each cash flow stream as well as other factors. The major risks and uncertainties associated with the timely and successful completion of the IPR&D projects include legal risk, market risk and regulatory risk. Changes in these assumptions could result in future impairment charges. No assurances can be given that the underlying assumptions used to prepare the discounted cash flow analysis will not change or the timely completion of each project to commercial success will occur. For these and other reasons, actual results may vary significantly from estimated results.

Upon successful completion of each project and approval of the product, we will make a separate determination of the useful life of the intangible, transfer the amount to currently marketed products ("CMP") and amortization expense will be recorded over the estimated useful life.

Revenue Recognition

General

Revenue from product sales is recognized when title and risk of loss to the product transfers to the customer, which is based on the transaction shipping terms. Recognition of revenue also requires reasonable assurance of collection of sales proceeds, the seller's price to the buyer to be fixed or determinable and the completion of all performance obligations. The Business warrants products against defects and for specific quality standards, permitting the return of products under certain circumstances. Product sales are recorded net of all sales-related deductions including, but not limited to: chargebacks, trade discounts, billback adjustments, sales returns and allowances, commercial and government rebates and fee-for-service arrangements with certain distributors, which are referred to in the aggregate as "SRA" allowances.

Royalty and commission revenue is recognized as a component of net revenues in accordance with the terms of their respective contractual agreements when collectability is reasonably assured and when revenue can be reasonably measured.

Provisions for SRAs

As is customary in the pharmaceutical industry, the Business' gross product sales are subject to a variety of deductions in arriving at reported net product sales. When the Business recognizes gross revenue from the sale of products, an estimate of SRA is recorded, which reduces the gross product revenues. Accounts receivable and/or accrued liabilities are also reduced and/or increased by the SRA amount. These provisions are estimated based on historical payment experience, historical relationship of the deductions to gross product revenues, government regulations, estimated utilization or redemption rates, estimated customer inventory levels and current contract sales terms with direct and indirect customers. The estimation process used to determine the Business' SRA provision has been applied on a consistent basis and no material revenue adjustments have been necessary to increase or decrease the Business' reserves for SRA as a result of a significant change in underlying estimates. The Business uses a variety of methods to assess the adequacy of the SRA reserves to ensure that the Business' financial statements are fairly stated.

Chargebacks—A chargeback represents an amount payable in the future to a wholesaler for the difference between the invoice price paid by the Business' wholesale customer for a particular product and the negotiated contract price that the wholesaler's customer pays for that product. The chargeback provision and related reserve varies with changes in product mix, changes in customer pricing and changes to estimated wholesaler inventories. The provision for chargebacks also takes into account an estimate of the expected wholesaler sell-through levels to indirect customers at certain contract prices. The Business validates the chargeback accrual quarterly through a review of the inventory reports obtained from the Business' largest wholesale customers. This customer inventory information is used to verify the estimated liability for future chargeback claims based on historical chargeback and contract rates. These large wholesalers represent the vast majority of the recipients of the Business' chargeback payments. We continually monitor current pricing trends and wholesaler inventory levels to ensure the liability for future chargebacks is fairly stated.

Rebates—Rebates include volume related incentives to direct and indirect customers, third-party managed care and Medicare Part D rebates, Medicaid rebates and other government rebates. Rebates are accrued based on an estimate of claims to be paid for product sold into trade by the Business. Volume rebates are generally offered to customers as an incentive to use the Business' products and to encourage greater product sales. These rebate programs include contracted rebates based on customers' purchases made during an applicable monthly,

quarterly or annual period. The provision for third-party rebates is estimated based on the Business' customers' contracted rebate programs and the Business' historical experience of rebates paid. Any significant changes to the Business' customer rebate programs are considered in establishing the provision for rebates. The provisions for government rebates are based, in part, upon historical experience of claims submitted by the various states / authorities, contractual terms and government regulations. We monitor legislative changes to determine what impact such legislation may have on the Business' provision.

Cash Discounts—Cash discounts are provided to customers that pay within a specific period. The provision for cash discounts is estimated based upon invoice billings, utilizing historical customer payment experience. The Business' experience of payment history is fairly consistent and most customer payments qualify for the cash discount.

Returns and Other Allowances—The Business' provision for returns and other allowances include returns, pricing adjustments, promotional allowances and billback adjustments.

Consistent with industry practice, the Business maintains a returns policy that allows customers to return product for a credit. In accordance with the Business' policy, credits for customer returns of products are applied against outstanding account activity or are settled in cash. Product exchanges are not permitted. Customer returns of product are generally not resalable. The Business' estimate of the provision for returns is based upon historical experience, product expiration dates and current trends of actual customer returns.

Additionally, the Business considers other factors when estimating the current period returns provision, including levels of inventory in the distribution channel, as well as significant market changes which may impact future expected returns.

Pricing adjustments, which includes shelf stock adjustments, are credits issued to reflect price decreases in selling prices charged to the Business' direct customers. Shelf stock adjustments are based upon the amount of product the Business' customers have in their inventory at the time of an agreed-upon price reduction. The provision for shelf stock adjustments is based upon specific terms with the Business' direct customers and includes estimates of existing customer inventory levels based upon their historical purchasing patterns. The Business regularly monitors all price changes to evaluate the Business' reserve balances. The adequacy of these reserves is readily determinable as pricing adjustments and shelf stock adjustments are negotiated and settled on a customer-by-customer basis.

Promotional allowances are credits that are issued in connection with a product launch or as an incentive for customers to carry the Business' product. The Business establishes a reserve for promotional allowances based upon contractual terms.

Billback adjustments are credits that are issued to certain customers who purchase directly from the Business as well as indirectly through a wholesaler. These credits are issued in the event there is a difference between the customer's direct and indirect contract price. The provision for billbacks is estimated based upon historical purchasing patterns of qualified customers who purchase product directly from us and supplement their purchases indirectly through the Business' wholesale customers.

The following table summarizes the activity in our major categories of SRA ($ in millions):

	Chargebacks	Rebates	Return and Other Allowances	Cash Discounts	Total
Balance at December 31, 2012	$ 130.3	$ 820.0	$ 170.6	$ 27.6	$ 1,148.5
Provision related to sales in 2013	2,125.5	2,008.9	817.6	158.8	5,110.8
Credits and payments	(2,031.2)	(2,057.0)	(573.4)	(147.9)	(4,809.5)
Balance at December 31, 2013	**$ 224.6**	**$ 771.9**	**$ 414.8**	**$ 38.5**	**$ 1,449.8**
Provision related to sales in 2014	4,173.8	1,761.1	705.0	195.0	6,834.9
Credits and payments	(3,836.5)	(1,795.2)	(768.5)	(192.5)	(6,592.7)
Balance at December 31, 2014	**$ 561.9**	**$ 737.8**	**$ 351.3**	**$ 41.0**	**$ 1,692.0**
Provision related to sales in 2015	5,882.2	1,967.8	657.0	251.0	8,758.0
Credits and payments	(5,825.1)	(1,961.1)	(685.2)	(235.4)	(8,706.8)
Balance at December 31, 2015	**$ 619.0**	**$ 744.5**	**$ 323.1**	**$ 56.6**	**$ 1,743.2**

Accounts receivable balances in the Business' consolidated financial statements are presented net of SRA estimates. SRA balances in accounts receivable were $1,306.6 million and $1,294.6 million at December 31, 2015 and 2014, respectively. SRA balances within accounts payable and accrued expenses were $436.6 million and $397.4 million at December 31, 2015 and 2014, respectively.

Litigation and Contingencies

The Business is involved in various legal proceedings in the normal course of its business, including product liability litigation, intellectual property litigation, employment litigation and other litigation. Additionally, the Business, in consultation with its counsel, assesses the need to record a liability for contingencies on a case-by-case basis in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 450 "Contingencies" ("ASC 450"). Accruals are recorded when the Business determines that a loss related to a matter is both probable and reasonably estimable. These accruals are adjusted periodically as assessment efforts progress or as additional information becomes available. Acquired contingencies in business combinations are recorded at fair value to the extent determinable, otherwise in accordance ASC 450.

R&D Activities

R&D activities are expensed as incurred and consist of self-funded R&D costs, the costs associated with work performed under collaborative R&D agreements, regulatory fees, and license and milestone payments, if any.

Allocation of Acquisition Fair Values to Assets Acquired and Liabilities Assumed

We account for acquired businesses using the acquisition method of accounting, which requires that assets acquired and liabilities assumed be recorded at the date of acquisition at their respective fair values. The consolidated financial statements and results of operations reflect an acquired business after the completion of the acquisition. The fair value of the consideration paid, including contingent consideration, is assigned to the

underlying net assets of the acquired business based on their respective fair values as determined using a market participant concept. Any excess of the purchase price over the estimated fair values of the net assets acquired is recorded as goodwill.

The most material line items impacted by the allocation of acquisition fair values are:

- Intangible assets (including IPR&D assets upon successful completion of the project and approval of the product) which are amortized to amortization expense over the expected life of the asset. Significant judgments are used in determining the estimated fair values assigned to the assets acquired and liabilities assumed and in determining estimates of useful lives of long-lived assets. Fair value determinations and useful life estimates are based on, among other factors, estimates of expected future net cash flows, estimates of appropriate discount rates used to present value expected future net cash flow streams, the timing of approvals for IPR&D projects and the timing of related product launch dates, the assessment of each asset's life cycle, the impact of competitive trends on each asset's life cycle and other factors. These judgments can materially impact the estimates used to allocate acquisition date fair values to assets acquired and liabilities assumed and the future useful lives. For these and other reasons, actual results may vary significantly from estimated results.
- Fixed asset valuations which are depreciated over the expected life of the asset. Significant judgments are used in determining the estimated fair values assigned to the assets acquired and in determining estimates of useful lives of long-lived assets. Fair value determinations and useful life estimates are based on, among other factors, estimates of expected future net cash flows, estimates of appropriate discount rates and intended uses of the assets.
- Inventory is recorded at fair market value factoring in selling price and costs to dispose. Inventory acquired is typically valued higher than replacement cost.

Retirement and Benefit Plans

Certain employees are covered under various retirement, medical, pension and share-based payment plans that are sponsored by Allergan or its affiliates. Direct benefit expenses associated with these plans are charged to the Business and are included in the Combined Statements of Revenues and Direct Expenses. The expenses associated with these plans for the years ended December 31, 2015, 2014 and 2013 were not material.

Restructuring Costs

The Business records liabilities for costs associated with exit or disposal activities in the period in which the liability is incurred. In accordance with existing benefit arrangements, employee severance costs are accrued when the restructuring actions are probable and estimable. 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. The Business also incurs costs with contract terminations and costs of transferring products as part of restructuring activities. Restructuring expenses for the years ended December 31, 2015, 2014 and 2013 were $82.2 million, $77.4 million and $73.8 million, respectively.

Income Taxes

The financial statements do not include a tax provision, however, certain deferred tax assets and liabilities are included as part of the Transaction since they are related to the legal entities being acquired by Teva. The primary deferred tax assets and liabilities relate to inventory, property plant and equipment, intangible assets and tax loss carryforwards. Furthermore, the Business has included uncertain tax positions in other taxes payable and the deferred tax accounts, where appropriate.

Recent Accounting Pronouncements

In April 2014, the FASB issued ASU No. 2014-08 "Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity." Under the new guidance, a disposal of a component of an entity or group of components of an entity that represents a strategic shift that has, or will have, a major effect on operations and financial results is a discontinued operation when any of the following occurs: (i) it meets the criteria to be classified as held for sale, (ii) it is disposed of by sale, or (iii) it is disposed of other than by sale. Also, a business that, on acquisition, meets the criteria to be classified as held for sale is reported in discontinued operations. Additionally, the new guidance requires expanded disclosures about discontinued operations, as well as disclosure of the pre-tax profit or loss attributable to a disposal of an individually significant component of an entity that does not qualify for discontinued operations presentation. The guidance is effective prospectively for all disposals (or classifications as held for sale) of components of an entity and all businesses that, on acquisition, are classified as held for sale, that occur within annual periods beginning on or after December 15, 2014, and interim periods within those years. The adoption of this guidance did not have a material impact on the Business' financial position or results of operations, however, future transactions may be impacted.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers: Topic 606" ("ASU 2014-09") and the International Accounting Standards Board ("IASB") issued International Financial Reporting Standards ("IFRS") 15, "Revenue from Contracts with Customers." The issuance of these documents completes the joint effort by the FASB and the IASB to improve financial reporting by creating common revenue recognition guidance for GAAP and IFRS. ASU 2014-09 affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards (e.g., insurance contracts or lease contracts). ASU 2014-09 will supersede the revenue recognition requirements in Topic 605, "Revenue Recognition," and most industry-specific guidance. ASU 2014-09 also supersedes some cost guidance included in Subtopic 605-35, "Revenue Recognition—Construction-Type and Production-Type Contracts." In addition, the existing requirements for the recognition of a gain or loss on the transfer of nonfinancial assets that are not in a contract with a customer (e.g., assets within the scope of Topic 360, "Property, Plant, and Equipment," and intangible assets within the scope of Topic 350, "Intangibles—Goodwill and Other") are amended to be consistent with the guidance on recognition and measurement (including the constraint on revenue) in this ASU.

The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments in ASU 2014-09 are effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. The Business is evaluating the impact, if any, this pronouncement will have on future financial positions and results of operations.

In January 2015, the FASB issued ASU No. 2015-01 "Income Statement—Extraordinary and Unusual Items (Subtopic 225-20)" to eliminate the concept of extraordinary items. As a result, an entity will no longer (i) segregate an extraordinary item for the results of ordinary operations; (ii) separately present an extraordinary item on its income statement, net of tax, after income from continuing operations; and (iii) disclose income taxes and earnings-per-share data applicable to an extraordinary item. However, the ASU does not affect the reporting and disclosure requirements for an event that is unusual in nature or that occurs infrequently. The guidance is for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. A reporting entity may apply the amendments prospectively. A reporting entity also may apply the amendments retrospectively to all prior periods presented in the financial statements. Early adoption is permitted provided that the guidance is

applied from the beginning of the fiscal year of adoption. The effective date is the same for both public business entities and all other entities. The adoption of this guidance is not anticipated to have a material impact on the Business' financial position or results less direct expenses.

In May 2015, the FASB issued ASU No. 2015-07, "Fair Value Measurement: Topic 820 Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)." The amendments remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. The amendments are effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. The adoption of this guidance is not anticipated to have a material impact on the Business' financial position or results less direct expenses.

In July 2015, the FASB issued ASU No. 2015-12 "Plan Accounting: Defined Benefit Pension Plans (Topic 960), Defined Contribution Pensions Plans (Topic 962) and Health and Welfare Benefit Plans (Topic 965)." GAAP requires plans to disclose (i) individual investments that represent five percent or more of net assets available for benefits and (ii) the net appreciation or depreciation for investments by general type. Stakeholders said that while less costly to prepare, those disclosures do not provide decision-useful information. The amendments in this update will eliminate those requirements for both participant-directed investments and nonparticipant-directed investments. Plan investments need to be disaggregated only by general type within the statement of net assets available for benefits or within the footnotes and no longer required to provide the disclosures by investment class. The net appreciation or depreciation in investments for the period still will be required to be presented in the aggregate, but will no longer be required to be disaggregated and disclosed by general type. The guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015. The adoption of this guidance is not anticipated to have a material impact on the Business' financial position or results less direct expenses.

On September 25, 2015, the FASB issued Accounting Standards Update 2015-16 (ASU 2015-16), which changes the requirement to restate prior period financial statements for measurement period adjustments. The new guidance requires that measurement period adjustments be recognized in the reporting period in which the adjustment amount is determined. This includes the cumulative impact of measurement period adjustments on current and prior periods. The cumulative adjustment would be reflected within the respective financial statement line items affected. The adoption of this guidance is not anticipated to have a material impact on the Business' financial position or results less direct expenses.

In November 2015, the FASB ASU No. 2015-17 "Income Taxes (Topic 704): Balance Sheet Classification of Deferred Taxes." The amendments require that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The amendments apply to all entities that present a classified statement of financial position. The current requirement that deferred tax liabilities and assets of a tax-paying component of an entity be offset and presented as a single amount is not affected by the amendments in this update. The Business has elected to adopt this guidance prospectively in the year ended December 31, 2015 and prior balance sheets were not retrospectively adjusted.

NOTE 3—Acquisitions and Other Agreements

During the years ended December 31, 2015, 2014 and 2013, the Business had the following material transactions:

2015 Transactions

The following are the material transactions that were entered into / completed in the year ended December 31, 2015.

Auden Mckenzie

On May 29, 2015 the Business acquired Auden Mckenzie Holdings Limited ("Auden"), a Business specializing in the development, licensing and marketing of niche generic medicines and proprietary brands in the United Kingdom ("UK") and across Europe for approximately 323.7 million British Pounds, or $495.9 million (the "Auden Acquisition"). The assets acquired and liabilities assumed are included in the Teva Transaction. A preliminary allocation of the purchase price resulted in approximately $381.0 million of intangible assets, $123.3 million of goodwill, and $17.3 million of contingent consideration included in the Business' Financial Statements. In the year ended December 31, 2015, the Business impaired IPR&D assets of $6.7 million due to future projected contribution of the assets.

Recognition and Measurement of Assets Acquired and Liabilities Assumed at Fair Value

The Auden Acquisition has been accounted for using the acquisition method of accounting. This method requires that assets acquired and liabilities assumed in a business combination be recognized at their fair values as of the acquisition date. As of December 31, 2015, certain amounts relating to the valuation of tax-related matters, intangible assets and inventory have not been finalized. The following table summarizes the preliminary fair values of the tangible and identifiable intangible assets acquired and liabilities assumed at the acquisition date ($ in millions):

	Amount
Cash and cash equivalents	$ 32.2
Inventory	49.1
IPR&D intangible assets	38.6
Intangible assets	342.4
Goodwill	123.3
Other assets and liabilities	7.2
Contingent consideration	(17.3)
Deferred tax liabilities, net	(79.6)
Net assets acquired	**$495.9**

IPR&D and Intangible Assets

IPR&D intangible assets represent the value assigned to acquired R&D projects that, as of the acquisition date, had not established technological feasibility and had no alternative future use. The IPR&D intangible assets are capitalized and accounted for as indefinite-lived intangible assets and will be subject to impairment testing until completion or abandonment of the projects. Upon successful completion of each project and launch of the

product, the Business will make a separate determination of the estimated useful life of the IPR&D intangible asset and the related amortization will be recorded as an expense over the estimated useful life ("IPR&D Acquisition Accounting").

The estimated fair value of the IPR&D and identifiable intangible assets was determined using the "income approach," which is a valuation technique that provides an estimate of the fair value of an asset based on market participant expectations of the cash flows an asset would generate over its remaining useful life. Some of the more significant assumptions inherent in the development of those asset valuations include the estimated net cash flows for each year for each asset or product (including net revenues, cost of sales, R&D costs, selling and marketing costs and working capital/asset contributory asset charges), the appropriate discount rate to select in order to measure the risk inherent in each future cash flow stream, the assessment of each asset's life cycle, the potential regulatory and commercial success risks, competitive trends impacting the asset and each cash flow stream as well as other factors (the "IPR&D and Intangible Asset Valuation Technique").

The fair value of the IPR&D and CMP intangible assets was determined using the IPR&D and Intangible Asset Valuation Technique. The discount rate used to arrive at the present value of CMPs was 15.0% and for IPR&D intangible assets was 16.0% to reflect the internal rate of return and incremental commercial uncertainty in the cash flow projections. No assurances can be given that the underlying assumptions used to prepare the discounted cash flow analysis will not change. For these and other reasons, actual results may vary significantly from estimated results.

The acquired intangible assets represent generic products with multiple useful lives across multiple therapeutic areas.

Goodwill

Among the primary reasons the Business acquired Auden and factors that contributed to the preliminary recognition of goodwill were to expand the Business' pipeline of generics products. Goodwill from the Auden Acquisition of $123.3 million is included as a component of assets held for sale.

Contingent Consideration

As part of the acquisition, the Business is required to pay royalties based on the sales of hydrocortisone. The Business estimated the acquisition accounting fair value of the contingent consideration to be $17.3 million using a probability weighted approach that considered the possible outcomes of the scenarios relating to the specified product.

Australia

On May 1, 2015, the Business divested its Australian generics business to Amneal Pharmaceuticals LLC for upfront consideration of $5.0 million plus future royalties, (the "Australia Transaction"). The Business impaired intangible assets of $36.1 million and miscellaneous assets and goodwill allocated to the business of $2.5 million in the year ended December 31, 2015. The impairment was recorded in the Business' Financial Statements.

2014 Transactions

The following are the material transactions that were completed in the year ended December 31, 2014.

Forest Laboratories

On July 1, 2014, Allergan acquired Forest Laboratories, Inc. ("Legacy Forest") for $30.9 billion including outstanding indebtedness assumed of $3.3 billion, equity consideration of $20.6 billion, which includes outstanding equity awards, and cash consideration of $7.1 billion (the "Forest Acquisition"). A portion of the acquired assets acquired relating to Legacy Forest's international business is being divested as part of the Teva Transaction, including $621.0 million of intangible assets at the time of the acquisition.

Silom Medical Company

On April 1, 2014, the Business acquired Silom Medical Company ("Silom"), a privately held generic pharmaceutical company focused on developing and marketing therapies in Thailand, for consideration of approximately $103.0 million in cash (the "Silom Acquisition"). The Silom Acquisition expanded the Business' position in the Thai generic pharmaceutical market, with leading positions in the ophthalmic and respiratory therapeutic categories and a strong cardiovascular franchise. As a result of the Silom Acquisition, the Business acquired intangible assets of $64.0 million and goodwill of $20.0 million. The assets acquired and liabilities assumed are included in the Teva Transaction.

Lincolnton Manufacturing Facility

During the second quarter of 2014, the Business sold its Lincolnton manufacturing facility to G&W NC Laboratories, LLC ("G&W") for $21.5 million. In addition, the Business and G&W entered into a supply agreement, whereby G&W will supply the Business product during a specified transition period. The Business allocated the fair value of the consideration to the business sold of $25.8 million and the supply agreement, which resulted in a prepaid asset to be amortized into cost of sales over the transition period of $4.3 million. As a result of the final sales terms, the Business recorded a gain on business sold of $0.9 million during the year ended December 31, 2014.

Corona Facility

During the year ended December 31, 2014, we held for sale assets in our Corona, California manufacturing facility. As a result, the Business recognized an impairment charge of $20.0 million in the year ended December 31, 2014, which was recorded in asset sales, impairments, and contingent consideration charges, net. As of December 31, 2014, the assets held for sale relating to Corona were $36.2 million.

2013 Transactions

The following are the material transactions that were completed in the year ended December 31, 2013.

Actavis (Foshan) Pharmaceuticals Co., Ltd. Assets Held for Sale

During the year ended December 31, 2013, the Business held its Chinese subsidiary, Actavis (Foshan) Pharmaceuticals Co., Ltd., for sale, which resulted in an impairment charge of $8.4 million in the fourth quarter of 2013. On January 24, 2014, the Business completed an agreement with Zhejiang Chiral Medicine Chemicals Co., Ltd to acquire its interest in Foshan.

Western European Divestiture

During the year ended December 31, 2013, the Business held for sale its then current commercial infrastructure in France, Italy, Spain, Portugal, Belgium, Germany and the Netherlands, including products, marketing authorizations and dossier license rights. The Business believes that the divestiture allowed the Business to focus on faster growth markets including Central and Eastern Europe, and other emerging markets which we believe will enhance the Business' long-term strategic objectives. On January 17, 2014, the Business announced its intention to enter into an agreement with Aurobindo Pharma Limited ("Aurobindo") to sell these businesses. On April 1, 2014, the Business completed the sale of the assets in Western Europe.

In connection with the sale of the Business' Western European assets, the Business entered into a supply agreement whereby the Business will supply product to Aurobindo over a period of five years. In the second quarter of 2014, the Business allocated the fair value of the consideration for the sale of the Western European assets of $65.0 million to each element of the agreement, including the supply of product.

As a result of the transactions, the Business recognized a loss on the net assets held for sale of $34.3 million in the year ended December 31, 2013. In addition, the Business recognized a loss on the disposal of the assets in the year ended December 31, 2014 of $20.9 million and deferred revenue of $10.1 million to be recognized over the course of the supply agreement.

Warner Chilcott Acquisition

On October 1, 2013, the Company completed the Warner Chilcott Acquisition in a stock for stock transaction for a value, including the assumption of debt, of $9.2 billion. As part of the transaction, the Company acquired an established brands business in Europe as well as manufacturing facilities including Puerto Rico and Larne, Northern Ireland, all of which are being divested as part of the Teva Transaction as well as intangible assets valued at approximately $395.0 million at the time of acquisition.

NOTE 4—Related Party Transactions

Related party balances are as follows ($ in millions):

	December 31, 2015	December 31, 2014	December 31, 2013
Related party sales and cost of sales	$66.5	$75.6	$55.1

Allergan plc has a separate segment—Anda Distribution, which distributes generic and branded pharmaceutical products manufactured by third parties, as well as by the Company and the Business, primarily to independent pharmacies, pharmacy chains, pharmacy buying groups and physicians' offices. Most of the inventory in the Anda Distribution operations are from third party manufacturers, however, Anda Distribution also distributes some of the Business' products and some products of collaboration partners of the Company. The Business determined that Anda Distribution is a related party as Anda Distribution distributes certain of the Business' products, and as such, has included the sales and cost of sales information above. Product sales and cost of sales of the Business are sold to Anda Distribution at cost. No related party receivables or payables related to the Anda Distribution relationship have been included in the Statement of Net Assets Acquired as they will not be transferred under the Teva Agreement.

Allergan plc will also have continuing involvement with Teva after the close of the transaction. As a result of the Teva Transaction, the Company will hold an approximate 10% equity stake in Teva, continue to distribute

Teva products through the Anda Distribution segment, and purchase product manufactured by Teva for sale in Allergan plc's US Brands segment as part of ongoing transitional service and contract manufacturing agreements. Transitional service agreements will be in place between Allergan and the Business to effect the transitional period of the transaction.

NOTE 5—Inventories

Inventories consist of finished goods held for sale and distribution, raw materials and work-in-process.

Inventories consisted of the following ($ in millions):

	December 31, 2015	December 31, 2014
Raw materials	$ 399.4	$ 420.7
Work-in-process	138.2	123.0
Finished goods	712.4	660.6
Less: inventory reserves	(111.5)	(113.4)
Inventories	**$1,138.5**	**$1,090.9**

NOTE 6—Property, plant and equipment, net

Property, plant & equipment, net consisted of the following ($ in millions):

	December 31, 2015	December 31, 2014
Machinery and equipment	$ 874.8	$ 824.1
Land, building and leasehold improvements	756.5	865.5
Other assets	448.8	415.1
Construction in process	156.7	114.1
Total property, plant and equipment	2,236.8	2,218.8
Less: accumulated depreciation and impairments	(942.9)	(907.5)
Property, plant and equipment, net	**$1,293.9**	**$1,311.3**

Depreciation expense was $146.1 million, $159.6 million and $166.9 million in the years ended December 31, 2015, 2014 and 2013, respectively.

NOTE 7—Product Rights and Other Intangible Assets

Product Rights and Other Intangible Assets

Product rights and other intangible assets have been acquired through various business combinations and asset acquisitions. Product rights and other intangible assets consisted of the following ($ in millions):

Cost Basis	December 31, 2015	December 31, 2014
Total definite-lived intangible assets	$5,102.5	$5,140.4
Total indefinite-lived intangible assets	$ 149.5	$ 184.1
Total product rights and related intangibles	$5,252.0	$5,324.5

Accumulated Amortization	December 31, 2015	December 31, 2014
Total definite-lived intangible assets	$(2,568.7)	$(2,226.8)
Net Product Rights and Other Intangibles	$ 2,683.3	$ 3,097.7

The Business re-evaluates the carrying value of identifiable intangible and long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The Business continually evaluates the appropriateness of useful lives assigned to long-lived assets, including product rights.

Amortization expense was $559.0 million, $652.1 million and $538.9 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Assuming no additions, disposals or adjustments are made to the carrying value and/or useful lives of the intangible assets, annual amortization expense on product rights and other related intangibles as of December 31, 2015 over each of the next five years is estimated to be as follows ($ in millions):

	Amortization Expense
2016	$486.3
2017	$450.4
2018	$380.9
2019	$304.6
2020	$183.8

The above amortization expense is an estimate. Actual amounts may change for such estimated amounts due to fluctuations in foreign currency rates, additional intangible asset acquisitions, finalization of preliminary fair value estimates, potential impairments, accelerated amortization or other events.

NOTE 8—Accounts Payables and Accrued Expenses

Accounts payable and accrued expenses consisted of the following ($ in millions):

	December 31, 2015	December 31, 2014
Accrued third-party rebates and indirect returns	$ 436.6	$ 397.4
Litigation-related reserves and legal fees	149.8	156.7
Accrued payroll and related benefits	149.7	179.1
Royalties payable	130.7	83.5
Other accrued expenses	317.3	253.7
Total accrued expenses	$1,184.1	$1,070.4
Accounts payable	272.1	317.3
Accounts payable and accrued expenses	$1,456.2	$1,387.7

NOTE 9—Pension and Other Postretirement Benefit Plans

Defined Benefit Plan Obligations

The Business has numerous defined benefit plans offered to employees around the world. For these plans, retirement benefits are generally based on an employee's years of service and compensation. Funding requirements are determined on an individual country and plan basis and are subject to local country practices and market circumstances.

The net periodic benefit cost of the defined benefit plans for the Business for the years ended December 31, 2015, 2014 and 2013 was as follows ($ in millions):

	Defined Benefit Year Ended December 31,		
	2015	2014	2013
Service cost	$ 6.1	$ 5.1	$ 7.0
Interest cost	5.8	6.3	6.0
Expected return on plan assets	(5.2)	(7.2)	(6.1)
Settlement	0.1	0.5	0.2
Net periodic benefit (income) cost	**$ 6.8**	**$ 4.7**	**$ 7.1**

Benefit obligation and asset data for the defined benefit plans for the Business were as follows ($ in millions):

	Year Ended December 31,	
	2015	2014
Change in Plan Assets		
Fair value of plan assets at beginning of year	$112.5	$ 99.4
Fair value of plan assets assumed in the Forest Acquisition	—	6.7
Employer contribution	9.6	10.7
Return on plan assets	2.5	6.1
Benefits paid	(8.5)	(3.7)
Settlements	(0.4)	(2.1)
Effects of exchange rate changes and other	(3.8)	(4.6)
Fair value of plan assets at end of year	**$111.9**	**$112.5**

	Year Ended December 31,	
	2015	2014
Change in Benefit Obligation		
Benefit obligation at beginning of the year	$174.5	$134.7
Benefit obligation assumed in the Forest Acquisition	—	18.7
Service cost	6.1	5.1
Interest cost	5.8	6.3
Actuarial loss/(gain)	(3.9)	27.6
Curtailments	—	(3.3)
Settlements and other	(0.4)	(2.1)
Benefits paid	(8.5)	(3.7)
Effects of exchange rate changes and other	(11.8)	(8.8)
Benefit obligation at end of year	**$161.8**	**$174.5**
Funded status at end of year	**$ (49.9)**	**$ (62.0)**

The following table outlines the funded actuarial amounts recognized ($ in millions):

	As of December 31,	
	2015	2014
Current liabilities	$ (6.0)	$ (6.2)
Noncurrent liabilities	(43.9)	(55.8)
	$(49.9)	**$(62.0)**

The underfunding of pension benefits is primarily a function of the different funding incentives that exist outside of the United States. In certain countries, there are no legal requirements or financial incentives provided to companies to pre-fund pension obligations. In these instances, benefit payments are typically paid directly by the Business as they become due.

Plan Assets

Companies are required to use a fair value hierarchy as defined in ASC Topic 820 "Fair Value Measurement," ("ASC 820") which maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. There are three levels of inputs used to measure fair value with Level 1 having the highest priority and Level 3 having the lowest:

Level 1—Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2—Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3—Unobservable inputs that are supported by little or no market activity. The Level 3 assets are those whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques with significant unobservable inputs, as well as instruments for which the determination of fair value requires significant judgment or estimation.

All assets were valued using level 1 and level 2 inputs, which are based on observable inputs.

Expected Contributions

Employer contributions to the pension plan during the year ending December 31, 2016 are expected to be $6.0 million for the Business.

Expected Benefit Payments

Total expected benefit payments for the Business' pension plans are as follows ($ in millions):

2016	$ 6.0
2017	5.7
2018	5.8
2019	7.4
2020	6.4
Thereafter	130.5
Total liability	**$161.8**

Expected benefit payments are based on the same assumptions used to measure the benefit obligations and include estimated future employee service. The majority of the payments will be paid from plan assets and not Business assets.

NOTE 10—Commitments and Contingencies

The Company, Business and its affiliates are involved in various disputes, governmental and/or regulatory inspections, inquires, investigations and proceedings, and litigation matters that arise from time to time in the ordinary course of business. The process of resolving matters through litigation or other means is inherently uncertain and it is possible that an unfavorable resolution of these matters will adversely affect the Business, its results of operations, financial condition and cash flows. The Business' general practice is to expense legal fees as services are rendered in connection with legal matters, and to accrue for liabilities when losses are probable and reasonably estimable.

The Business evaluates, on a quarterly basis, developments in legal proceedings and other matters that could cause an increase or decrease in the amount of the liability that is accrued. As of December 31, 2015 and 2014, the Business Special Purpose Combined Statements of Net Assets Acquired includes accrued loss contingencies of approximately $120.0 million and $150.0 million, respectively.

The following legal matters of the Company involve and impact the Business:

Antitrust Litigation

Actos® Litigation. On December 31, 2013 two putative class actions, on behalf of putative classes of indirect purchaser plaintiffs, were filed in the federal court for the Southern District of New York against Actavis plc and certain of its affiliates alleging that Watson Pharmaceuticals, Inc.'s ("Watson" now known as Actavis, Inc.) 2010 patent lawsuit settlement with Takeda Pharmaceutical, Co. Ltd. related to Actos ® (pioglitazone hydrochloride and metformin "Actos ®") is unlawful. Several additional complaints have also been filed. Plaintiffs then filed a consolidated, amended complaint on May 20, 2014. The amended complaint generally alleges an overall scheme that included Watson improperly delaying the launch of its generic version of Actos ® in exchange for substantial payments from Takeda in violation of federal and state antitrust and consumer protection laws. The complaint seeks declaratory and injunctive relief and unspecified damages. Defendants have moved to dismiss the amended complaint. On September 23, 2015, the court granted the motion to dismiss the indirect purchasers' complaint in its entirety. In May 2015, two additional putative class action complaints, each of which makes similar allegations against the Company and Takeda, were filed by plaintiffs on behalf of a putative class of direct purchasers. Defendants have moved to dismiss the direct purchasers' complaint.

The Company believes that it has substantial meritorious defenses to the claims alleged. However, these actions, if successful, could adversely affect the Company and could have a material adverse effect on the Company's business, results of operations, financial condition and cash flows.

AndroGel® Litigation. On January 29, 2009, the U.S. Federal Trade Commission and the State of California filed a lawsuit in federal district court in California alleging that the September 2006 patent lawsuit settlement between Watson and Solvay Pharmaceuticals, Inc. ("Solvay"), related to AndroGel ® 1% (testosterone gel) CIII is unlawful. The complaint generally alleged that Watson improperly delayed its launch of a generic version of AndroGel ® in exchange for Solvay's agreement to permit Watson to co-promote AndroGel ® for consideration in excess of the fair value of the services provided by Watson, in violation of federal and state antitrust and

consumer protection laws. The complaint sought equitable relief and civil penalties. On February 2 and 3, 2009, three separate lawsuits alleging similar claims were filed in federal district court in California by various private plaintiffs purporting to represent certain classes of similarly situated claimants. On April 8, 2009, the Court transferred the government and private cases to the United States District Court for the Northern District of Georgia. The FTC and the private plaintiffs filed amended complaints on May 28, 2009. The private plaintiffs amended their complaints to include allegations concerning conduct before the U.S. Patent and Trademark Office (the "USPTO"), conduct in connection with the listing of Solvay's patent in the FDA "Orange Book," and sham litigation. Additional actions alleging similar claims have been filed in various courts by other private plaintiffs purporting to represent certain classes of similarly situated direct or indirect purchasers of AndroGel ® . The Judicial Panel on Multidistrict Litigation ("JPML") transferred all federal court actions then pending outside of Georgia to that district. The district court then granted the Company's motion to dismiss all claims except the private plaintiffs' sham litigation claims. After the dismissal was upheld by the Eleventh Circuit Court of Appeals, the FTC petitioned the United States Supreme Court to hear the case. On June 17, 2013, the Supreme Court issued a decision, holding that the settlements between brand and generic drug companies which include a payment from the brand company to the generic competitor must be evaluated under a "rule of reason" standard of review and ordered the case remanded (the "Supreme Court AndroGel Decision"). The case is now back in the district court in Georgia. On August 5, 2014 the indirect purchaser plaintiffs filed an amended complaint which the Company answered on September 15, 2014.

The Company believes it has substantial meritorious defenses and intends to defend itself vigorously. However, these actions, if successful, could adversely affect the Company and could have a material adverse effect on the Company's business, results of operations, financial condition and cash flows.

Cipro® Litigation. Beginning in July 2000, a number of suits were filed against Watson and certain Company affiliates including The Rugby Group, Inc. ("Rugby") in various state and federal courts alleging claims under various federal and state competition and consumer protection laws. The actions generally allege that the defendants engaged in unlawful, anticompetitive conduct in connection with alleged agreements, entered into prior to Watson's acquisition of Rugby from Sanofi Aventis ("Sanofi"), related to the development, manufacture and sale of the drug substance ciprofloxacin hydrochloride, the generic version of Bayer's brand drug, Cipro ® . The actions generally seek declaratory judgment, damages, injunctive relief, restitution and other relief on behalf of certain purported classes of individuals and other entities. While many of these actions have been dismissed, actions remain pending in various state courts, including California, Kansas, Tennessee, and Florida. There has been activity in Tennessee and Florida since 2003. In the action pending in Kansas, plaintiffs' motion for class certification has been fully briefed. In the action pending in the California state court, following the decision from the United States Supreme Court in the *Federal Trade Commission v. Actavis* matter involving AndroGel ® , described above, Plaintiffs and Bayer announced that they reached an agreement to settle the claims pending against Bayer and Bayer has now been dismissed from the action. Plaintiffs are continuing to pursue claims against the generic defendants, including Watson and Rugby. The remaining parties submitted letter briefs to the court regarding the impact of the Supreme Court AndroGel Decision and on May 7, 2015, the California Supreme Court issued a ruling, consistent with the Supreme Court AndroGel Decision discussed above, that the settlements between brand and generic drug companies which include a payment from the brand company to the generic competitor must be evaluated under a "rule of reason" standard of review.

In addition to the pending actions, the Company understands that various state and federal agencies are investigating the allegations made in these actions. Sanofi has agreed to defend and indemnify Watson and its affiliates in connection with the claims and investigations arising from the conduct and agreements allegedly undertaken by Rugby and its affiliates prior to Watson's acquisition of Rugby, and is currently controlling the defense of these actions.

Lidoderm® Litigation. On November 8, 2013, a putative class action was filed in the federal district court against Actavis, Inc. and certain of its affiliates alleging that Watson's 2012 patent lawsuit settlement with Endo Pharmaceuticals, Inc. related to Lidoderm ® (lidocaine transdermal patches, "Lidoderm ®") is unlawful. The complaint, asserted on behalf of putative classes of direct purchaser plaintiffs, generally alleges that Watson improperly delayed launching generic versions of Lidoderm ® in exchange for substantial payments from Endo in violation of federal and state antitrust and consumer protection laws. The complaint seeks declaratory and injunctive relief and damages. Additional lawsuits containing similar allegations have followed on behalf of other classes of putative direct purchasers and suits have been filed on behalf of putative classes of end-payer plaintiffs. The Company anticipates additional claims or lawsuits based on the same or similar allegations may be filed. On April 3, 2014 the JPML consolidated the cases in federal district court in California. Defendants filed motions to dismiss each of the plaintiff classes' claims. On November 17, 2014, the court issued an order granting the motion in part but denying it with respect to the claims under Section 1 of the Sherman Act. Plaintiffs then filed an amended, consolidated complaint on December 19, 2014. Defendants have responded to the amended consolidated complaint. On March 5, 2015, a group of five retailers filed a civil antitrust complaint in their individual capacities regarding Lidoderm ® in the same court where it was consolidated with the direct and indirect purchaser class complaints. The retailer complaint recites similar facts and asserts similar legal claims for relief to those asserted in the related cases described above. The five retailers amended their complaint on July 27, 2015.

The Company believes it has substantial meritorious defenses and intends to defend itself vigorously. However, these actions, if successful, could adversely affect the Company and could have a material adverse effect on the Company's business, results of operations, financial condition and cash flows.

Loestrin® 24 Litigation. On April 5, 2013, two putative class actions were filed in the federal district court against Actavis, Inc. and certain affiliates alleging that Watson's 2009 patent lawsuit settlement with Warner Chilcott related to Loestrin ® 24 Fe (norethindrone acetate/ethinyl estradiol tablets and ferrous fumarate tablets, "Loestrin ® 24") is unlawful. The complaints, both asserted on behalf of putative classes of end-payors, generally allege that Watson and another generic manufacturer improperly delayed launching generic versions of Loestrin ® 24 in exchange for substantial payments from Warner Chilcott, which at the time was an unrelated company, in violation of federal and state antitrust and consumer protection laws. The complaints each seek declaratory and injunctive relief and damages. Additional complaints have been filed by different plaintiffs seeking to represent the same putative class of end-payors. In addition to the end-payor suits, two lawsuits have been filed on behalf of a class of direct payors. The Company anticipates additional claims or lawsuits based on the same or similar allegations. After a hearing on September 26, 2013, the JPML issued an order transferring all related Loestrin ® 24 cases to the federal court for the District of Rhode Island. On September 4, 2014, the court granted the defendants' motion to dismiss the complaint. The plaintiffs appealed the district court's decision to the First Circuit Court of Appeals and oral argument was held on December 7, 2015. On February 22, 2016 the First Circuit issued its decision vacating the decision of, and remanding the matter to, the district court.

The Company believes it has substantial meritorious defenses and intends to defend itself vigorously including in the appeal of the district court's decision granting the Company's motion to dismiss. However, these actions, if successful, could adversely affect the Company and could have a material adverse effect on the Company's business, results of operations, financial condition and cash flows.

FDA Litigation

In May 2002, Company subsidiary Watson Laboratories, Inc. reached an agreement with the FDA on the terms of a consent decree with respect to its Corona, California manufacturing facility. The court approved the

consent decree on May 13, 2002 (*United States of America v. Watson Laboratories, Inc., et. al* ., United States District Court for the Central District of California, EDCV-02-412-VAP). The consent decree applies only to the Company's Corona, California facility and not other manufacturing sites. The decree requires that the Corona, California facility complies with the FDA's current Good Manufacturing Practices ("cGMP") regulations.

Pursuant to the agreement, the Company hired an independent expert to conduct inspections of the Corona facility at least once each year. In February 2014 the independent expert concluded its most recent inspection of the Corona facility. At the conclusion of the inspection, the independent expert reported its opinion to the FDA that, based on the findings of the audit of the facility, the FDA's applicable cGMP requirements, applicable FDA regulatory guidance, and the collective knowledge, education, qualifications and experience of the expert's auditors and reviewers, the systems at the Corona facility audited and evaluated by the expert are in compliance with the FDA's cGMP regulations. However, the FDA is not required to accept or agree with the independent expert's opinion. The FDA has conducted periodic inspections of the Corona facility since the entry of the consent decree, and concluded its most recent general cGMP inspection in April 2014. At the conclusion of the inspection, the FDA inspectors issued a Form 483 to the facility identifying certain observations concerning the instances where the facility failed to follow cGMP regulations. The facility recently responded to the Form 483 observations. If in the future, the FDA determines that, with respect to its Corona facility, the Company has failed to comply with the consent decree or FDA regulations, including cGMPs, or has failed to adequately address the FDA's inspectional observations, the consent decree allows the FDA to order a variety of actions to remedy the deficiencies. These actions could include ceasing manufacturing and related operations at the Corona facility, and recalling affected products. Such actions, if taken by the FDA, could have a material adverse effect on the Company, its results of operations, financial position and cash flows.

Patent Litigation

Patent Defense Matters

Oxymorphone Extended-Release Tablets (Generic version of Opana® ER). On December 11, 2012, Endo Pharmaceuticals Inc. ("Endo") sued Actavis, Inc. and Actavis South Atlantic LLC ("Actavis South Atlantic") in the United States District Court for the Southern District of New York, alleging that sales of the Company's 7.5 mg and 15 mg oxymorphone extended-release tablets, generic versions of Endo's Opana ® ER, infringe U.S. Patent Nos. 7,851,482; 8,309,122; and 8,329,216. Thereafter, FDA approved Actavis' 5 mg, 10 mg, 20 mg, 30 mg, and 40 mg oxymorphone extended-release tablets and Endo filed a motion for a preliminary injunction seeking to prevent Actavis from selling the new strengths. On September 12, 2013, the district court denied Endo's motion for a preliminary injunction and Actavis immediately launched the new strengths. On March 31, 2014, the Federal Circuit reversed the district court's denial of Endo's motion for a preliminary injunction and remanded the matter to the district court for further consideration. On January 13, 2015, Endo dismissed its claims against Actavis concerning the '482 patent. Trial with respect to the '122 and '216 patents began on March 23, 2015 and concluded on April 24, 2015. On August 14, 2015, the court found the '122 and '216 patents valid and infringed and ordered Actavis to cease selling its generic product within 60 days. Actavis filed a motion to amend the judgment to remove the injunction on continuing sales or in the alternative stay the injunction pending appeal. On October 8, 2015, the court tolled the 60 day period for Actavis to cease selling its generic product while the court considers the motion to amend the judgment. The motion is currently pending. On November 7, 2014, Endo and Mallinckrodt LLC sued Actavis and certain of its affiliates in the United States District Court for the District of Delaware, alleging that sales of the Company's generic versions of Opana ® ER, 5mg, 7.5 mg, 10 mg, 15 mg, 20 mg, 30 mg and 40 mg, generic versions of Endo's Opana ® ER, infringe U.S. Patent Nos. 7,808,737 and 8,871,779, which Endo licensed from Mallinckrodt and the USPTO recently issued to or Endo, respectively. The case is currently pending, and trial is scheduled to begin on February 21, 2017. On

September 23, 2015, the Magistrate Judge recommended granting Actavis' motion to dismiss the '737 patent for invalidity/unpatentable subject matter. On November 17, 2015 the District Court Judge upheld the Magistrate's recommendation regarding invalidity of the '737 patent and dismissed that patent from the case. The Company believes it has substantial meritorious defenses to the case. However, Actavis has sold and is continuing to sell its generic versions of Opana ® ER. Therefore, an adverse final determination that one of the patents in suit is valid and infringed could have an adverse effect on the Company's business, results of operations, financial condition and cash flows.

Product Liability Litigation

Alendronate Litigation. Beginning in 2010, approximately 130 product liability suits on behalf of approximately 175 plaintiffs have been filed against the Company and certain of its affiliates, including Cobalt Laboratories, as well as other manufacturers and distributors of alendronate for personal injuries including AFF and ONJ allegedly arising out of the use of alendronate. The actions are pending in various state and federal courts. Several of the cases were consolidated in an MDL proceeding in federal court in New Jersey. In 2012, the MDL court granted the Company's motion to dismiss all of the cases then pending against the Company in the New Jersey MDL. The Third Circuit affirmed the dismissal. Any new cases against the Company filed in the MDL are subject to dismissal unless plaintiffs can establish that their claims should be exempted from the 2012 dismissal order. Other cases were consolidated in an MDL in federal court in New York, where the Company filed a similar motion to dismiss. The Court granted, in part, the motion to dismiss which has resulted in the dismissal of several other cases. The Company has also been served with nine cases that are part of a consolidated litigation in the California state court. In 2012, the California court partially granted a motion filed on behalf of all generic defendants seeking dismissal. Appeals in the California cases have been exhausted and the Company has not yet been able to determine how that will affect the cases filed against it. The remaining active cases are part of a mass tort coordinated proceeding in New Jersey state court. In the New Jersey proceeding, the Court granted, in part, a motion to dismiss. The Company believes that it has substantial meritorious defenses to these cases and maintains product liability insurance against such cases. However, litigation is inherently uncertain and the Company cannot predict the outcome of this litigation. These actions, if successful, or if our indemnification arrangements or insurance do not provide sufficient coverage against such claims, could adversely affect the Company and could have a material adverse effect on the Company's business, results of operations, financial condition and cash flows.

Metoclopramide Litigation. Beginning in 2009, a number of product liability suits were filed against certain Company affiliates, including legacy Actavis and Watson companies, as well as other manufacturers and distributors of metoclopramide, for personal injuries allegedly arising out of the use of metoclopramide. Approximately 1,500 cases remain pending against Actavis, Watson and/or its affiliates in state and federal courts, representing claims by multiple plaintiffs. Discovery in these cases is in the preliminary stages as the Company is actively moving to dismiss the suits and either initiating or defending appeals on such motions. The Company believes that, with respect to the majority of the cases against the legacy Watson companies, it will be defended in and indemnified by Pliva, Inc., an affiliate of Teva, from whom the Company purchased its metoclopramide product line in late 2008. With respect to the cases pending against the legacy Actavis companies, the Company recently reached an agreement in principle to resolve the majority of the matters. The Company believes that it has substantial meritorious defenses to these cases and maintains product liability insurance against such cases. However, litigation is inherently uncertain and the Company cannot predict the outcome of this litigation. These actions, if successful, or if our indemnification arrangements or insurance do not provide sufficient coverage against such claims, could adversely affect the Company and could have a material adverse effect on the Company's business, results of operations, financial condition and cash flows.

Propoxyphene Litigation. Beginning in 2011, a number of product liability suits were filed against Watson and certain of its affiliates, as well as other manufacturers and distributors of propoxyphene, for personal injuries including adverse cardiovascular events or deaths allegedly arising out of the use of propoxyphene. Cases are pending against Watson and/or its affiliates in various state and federal courts, representing claims by approximately 1,400 plaintiffs. A number of the cases were consolidated in an MDL in federal district court in Kentucky. On June 22, 2012, the MDL court granted the generic defendants' joint motion to dismiss the remaining MDL cases. On June 27, 2014, the Sixth Circuit affirmed the district court's dismissal. Plaintiffs did not file a petition for a writ of certiorari with the United States Supreme Court. In addition, approximately 35 cases were filed in California state court. These cases were removed to federal district courts and, after disputes over whether the cases should be remanded to state court, the Ninth Circuit Court of Appeals determined that the removals to federal court were proper. Many of the cases in California federal courts were transferred to the U.S. District Court for the Eastern District of Kentucky and consolidated for all pretrial proceedings in front of Judge Reeves, who presided over the MDL proceedings. The Court has issued a Show Cause Order requiring plaintiffs to show cause on or before April 18, 2016 why their claims against the Generic Defendants (including Watson) should not be dismissed pursuant to the Court's prior order in the MDL dismissing all of the claims against the Generic Defendants with prejudice. Once the remaining procedural matters are resolved, the defendants will file demurrers and motions to dismiss the remaining suits. In addition, approximately eight lawsuits have been filed in Oklahoma which plaintiffs are seeking to have remanded from federal to state court. The Company believes that it has substantial meritorious defenses to these cases and maintains product liability insurance against such cases. However, litigation is inherently uncertain and the Company cannot predict the outcome of this litigation. These actions, if successful, or if insurance does not provide sufficient coverage against such claims, could adversely affect the Company and could have a material adverse effect on the Company's business, results of operations, financial condition and cash flows.

Government Investigations, Government Litigation and Qui Tam Litigation

Actavis. On June 25, 2015, the Company received a subpoena from the U.S. Department of Justice ("DOJ"), Antitrust Division seeking information relating to the marketing and pricing of certain of the Company's generic products and communications with competitors about such products. The Company intends to cooperate fully with the DOJ's requests.

Patent Settlement Investigations. The Company and various of its affiliates have received letters and investigatory subpoenas from the U.S. Federal Trade Commission ("FTC") indicating that the FTC is conducting a nonpublic investigations into certain agreements the Company have made to settle patent disputes with other brand and generic pharmaceutical companies. The Company is cooperating in responding to the investigations.

Governmental Reimbursement and Drug Pricing Investigations and Litigation. The Company has also received investigatory subpoenas from the U.S. Attorney's Office and various state agencies requesting information and documents relating to certain categories of drug pricing including, but not limited to, Average Wholesale Price ("AWP"), Wholesale Acquisition Cost ("WAC"), Average Manufacturer Price ("AMP") and Best Price ("BP"). The Company intends to cooperate with this subpoena.

Beginning in 1999, the Company was informed by the DOJ that it, along with numerous other pharmaceutical companies, is a defendant in a *qui tam* action brought in 1995 under the U.S. False Claims Act. Since that time, the Company also received and responded to notices or subpoenas from the U.S. House Committee on Energy and Commerce as well as from Attorneys General of various states, including Florida, Nevada, New York, California and Texas, relating to pharmaceutical pricing issues and whether allegedly

improper actions by pharmaceutical manufacturers led to excessive payments by Medicare and/or Medicaid. Other state and federal inquiries regarding pricing and reimbursement issues are anticipated.

The Company and certain of its subsidiaries have also been named as defendants in various lawsuits filed by numerous states and qui tam relators, including Wisconsin, Kentucky, Illinois, Mississippi, Missouri, South Carolina, Utah, Kansas and Louisiana. These actions allege generally that the plaintiffs (all governmental entities) were overcharged for their share of Medicaid drug reimbursement costs as a result of reporting by manufacturers of AWP that did not correspond to actual provider costs of prescription drugs. In 2011, Watson settled certain claims made against it by a relator in a *qui tam* action brought against the Company on behalf of the United States. The settlement of that *qui tam* action resolved all claims on behalf of the United States asserted in that action except for claims relating to the federal share of Medicaid payments made by the States of Alabama, Alaska, Kentucky, Idaho, Illinois, South Carolina and Wisconsin. The Company subsequently settled all claims, including the claims on behalf of the United States, brought by Alabama. In addition, the Company has reached settlements with the states of the Louisiana, Missouri, Kansas and South Carolina. In addition, the Company has begun having discussions with the plaintiffs in the Illinois and Wisconsin actions about a possible resolution of those matters. The court in the Utah case dismissed that state's claims against the Company. The case against Watson on behalf of Kentucky was tried in November 2011. The jury reached a verdict in Watson's favor on each of Kentucky's claims against Watson. An agreed form of judgment has been entered and the case now has been dismissed with prejudice. The case against Watson on behalf of Mississippi was tried from November 2012 through April 2013. On August 28, 2013, the court issued a ruling in favor of the state and awarded the state $12.4 million in compensatory damages and civil penalties, and on March 20, 2014 issued its ruling imposing an additional $17.9 million in punitive damages. Post-trial motions were filed and denied by the court. The Company is appealing both the original and punitive damage awards.

On December 28, 2015, a putative class action complaint was filed in state court in Pennsylvania on behalf of a putative class of private payers. The complaint alleges that manufacturers of generic drugs including Actavis Group and Watson Pharmaceuticals, Inc., caused plaintiffs to overpay for prescription drug products through the use of inflated AWPs. The complaint alleges violations of the Pennsylvania Unfair Trade Practices and Consumer Protection Law, negligent misrepresentation/fraud, unjust enrichment, civil conspiracy and aiding and abetting.

With regard to the remaining drug pricing actions, the Company believes that it has meritorious defenses and intends to vigorously defend itself in those actions. The Company continually monitors the status of these actions and may settle or otherwise resolve some or all of these matters on terms that the Company deems to be in its best interests. However, the Company can give no assurance that it will be able to settle the remaining actions on terms it deems reasonable, or that such settlements or adverse judgments in the remaining actions, if entered, will not exceed the amounts of the liability reserves. Additional actions by other states, cities and/or counties are anticipated. These actions and/or the actions described above, if successful, could adversely affect the Company and could have a material adverse effect on the Company's business, results of operations, financial condition and cash flows.

DESI Drug Reimbursement Litigation. In December 2009, the Company learned that numerous pharmaceutical companies, including certain subsidiaries of the Company, were named as defendants in a *qui tam* action pending in federal court in Massachusetts. The tenth amended complaint, which was served on certain of the Company's subsidiaries, alleges that the defendants falsely reported to the United States that certain pharmaceutical products, including those subject to the Food and Drug Administration's Drug Efficacy Study Implementation ("DESI") review program, were eligible for Medicaid reimbursement and thereby allegedly

caused false claims for payment to be made through the Medicaid program. The Company's subsidiaries named in the action together with all other named defendants filed a Joint Motion to Dismiss the Tenth Amended Complaint on December 9, 2011. On February 25, 2013, the court granted the motion to dismiss as to all defendants. The plaintiff may appeal. On September 11, 2013, a similar action was filed against certain Company subsidiaries and numerous other pharmaceutical company defendants by the State of Louisiana based on the same core set of allegations as asserted in the federal court action in Massachusetts. Defendants filed exceptions to plaintiffs' complaint. On June 28, 2015, the State of Louisiana filed an amended complaint and defendants promptly moved to dismiss. On September 21, 2015, the court granted defendants' motion to dismiss the amended complaint in its entirety. Additional actions alleging similar claims could be asserted. The Company believes that it has meritorious defenses to the claims and intends to vigorously defend itself against such allegations. However, these actions or similar actions, if successful, could adversely affect the Company and could have a material adverse effect on the Company's business, results of operations, financial condition and cash flows.

Medicaid Price Adjustments. The Company has notified the Centers for Medicare and Medicaid Services ("CMS") that certain of the legacy Actavis group's Medicaid price submissions require adjustment for the period 2007 through 2012. The Company is in the process of completing the resubmissions. Based on prevailing CMS practices the Company does not expect to incur penalties in connection with the resubmissions. With respect to periods prior to 2007, the Company has advised CMS that its records are insufficient to support a reliable recalculation of its price submissions, and has proposed not to recalculate the price submissions for such periods. Because there are insufficient records to support a reliable recalculation of its price submissions prior to 2007, at this time the amount of any potential liability related to the price submissions prior to 2007 is not estimable and the Company has not concluded that any liability for periods prior to 2007 is probable. The Company believes it has substantial meritorious positions and defenses with respect to these pricing resubmission matters. However, if CMS were to successfully pursue claims against the Company for the periods in question, such claims could adversely affect the Company and could have a material adverse effect on the Company's business, results of operations, financial condition and cash flows.

Paroxetine Investigation. On April 19, 2013, the UK Office of Fair Trading (which closed in April, 2014 in connection with a government restructuring and transferred responsibility for this matter to the U.K. Competition and Markets Authority) issued a Statement of Objections against GlaxoSmithKline ("GSK") and various generic drug companies, including Actavis UK Limited, formerly known as Alpharma Limited, now a subsidiary of the Company, alleging that GSK's settlements with such generic drug companies improperly delayed generic entry of paroxetine, in violation of the United Kingdom's competition laws. The Company has responded to the Statement of Objections, however, on February 12, 2016 the UK Competition and Markets Authority imposed a fine on the Company. The Company believes it has substantial meritorious defenses to the allegations. However, an adverse determination in the matter could have an adverse effect on the Company's business, results of operations, financial condition and cash flows.

Romanian Investigation. In July 2015, the Company received a subpoena as part of a nationwide investigation of the pharmaceutical industry conducted by the Romanian government. The purpose of the investigation is to gather documents and information, and to examine sponsorship arrangements concluded with certain oncologists and hematologists during the period from January 2012 through June 2015. The Company is fully cooperating with the investigation. This government investigation could adversely affect the Company and could have a material adverse effect on the Company's business, results of operations, financial condition and cash flows.

The Company and its affiliates are involved in various other disputes, governmental and/or regulatory inspections, inquires, investigations and proceedings that could result in litigation, and other litigation matters that arise from time to time. The process of resolving matters through litigation or other means is inherently uncertain and it is possible that an unfavorable resolution of these matters will adversely affect the Company, its results of operations, financial condition and cash flows.

NOTE 10—Subsequent Events

The Company has evaluated transactions that occurred as of the issuance of these financial statements, February 29, 2016, for purposes of disclosures of unrecognized subsequent events.

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€4,000,000,000

Teva Pharmaceutical Finance Netherlands II B.V.

€1,750,000,000 0.375% Senior Notes due 2020

€1,500,000,000 1.125% Senior Notes due 2024

€ 750,000,000 1.625% Senior Notes due 2028

OFFERING MEMORANDUM

July 21, 2016

Joint Book-Running Managers

BARCLAYS

BofA MERRILL LYNCH

BNP PARIBAS

CREDIT SUISSE

HSBC

MIZUHO SECURITIES

CITIGROUP

MORGAN STANLEY

RBC CAPITAL MARKETS

SMBC NIKKO

Co-Managers

BANCA IMI

BANK OF CHINA

BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

COMMERZBANK

LLOYDS BANK

MUFG

PNC CAPITAL MARKETS LLC

SCOTIABANK

TD SECURITIES