

TEVA PHARMACEUTICAL INDUSTRIES LIMITED

AUDIT COMMITTEE CHARTER

As amended February 27, 2006

Status

The Audit Committee is a committee of the Board of Directors (the "Board").

Membership

The Audit Committee shall consist of three or more directors (other than the Chairman of the Board), all of whom, in the judgment of the Board of Directors, shall be independent in accordance with the requirements of the Israeli Companies Law - 1999 (the "Companies Law"), the U.S. Securities and Exchange Commission (the "SEC") and NASDAQ. The Committee shall include the Company's two (2) independent external directors ("Statutory Independent Directors") elected in accordance with the Companies Law. Each member shall have, in the judgment of the Board of Directors, the ability to read and understand the Company's basic financial statements. A member of the Audit Committee shall be, in the judgment of the Board of Directors, an audit committee financial expert in accordance with the rules and regulations of the SEC and may also serve as the audit committee financial expert who, in the judgment of the Board of Directors, shall have accounting or related financial management expertise in accordance with NASDAQ listing standards. The Chairman of the Committee ("Chairman") shall be designated by the Board.

Purpose

The Audit Committee shall represent and assist the Board of Directors with the oversight of: (a) the integrity of the Company's financial statements, (b) the qualifications and independence of the Company's independent auditors, (c) the effectiveness of the Company's internal controls, (d) the performance of the Company's internal audit function and the independent auditors (e) management's antifraud program and controls, including identification of fraud risks and implementation of anti-fraud measures, and (f) in accordance with the Companies Law, approve any transaction or acts

requiring its approval and to find defects, to the extent such exist, in the business management of the Company, in consultation with the Company's independent auditors and internal auditor, and to propose to the Board ways of correcting them. Except as otherwise required by applicable laws, regulations or listing standards, all major decisions are considered by the Board of Directors as a whole.

Responsibilities

1. Select and retain (subject to approval by the Company's shareholders), and terminate when appropriate, the independent auditors, set the independent auditors' compensation (subject to approval by the Company's shareholders and/or the board of directors), oversee and evaluate the work of the independent auditors and pre-approve all audit services to be provided by the independent auditors.
2. Pre-approve all permitted non-audit services to be performed by the independent auditors and establish policies and procedures for the engagement of the independent auditors to provide permitted audit and non-audit services.
3. At least annually, receive and review: (a) a report by the independent auditors describing the independent auditors' internal quality-control procedures and any material issues raised by the most recent internal quality-control review, peer review or Public Company Accounting Oversight Board ("PCAOB") review, of the independent auditing firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and (b) other required reports from the independent auditors.

4. At least annually, consider the independence of the independent auditors, including whether the provision by the independent auditors of permitted non-audit services is compatible with independence, and obtain and review a report from the independent auditors describing all relationships between the auditors and the Company.
5. Review with the independent auditors: (a) the scope and results of the audit; (b) significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements including critical accounting policies, judgments made in connection with the preparation of the financial statements and analyses of the effects of alternative U.S. generally accepted accounting principles ("U.S. GAAP"), (c) any problems or difficulties that the auditor encountered in the course of the audit work, and management's response; (d) any accounting adjustments that were proposed by the independent auditors but were "passed" (as immaterial or otherwise) and any material communications between the audit team and the independent auditors' national office respecting auditing or accounting issues presented by the engagement; and (e) any questions, comments or suggestions the auditor may have relating to the internal controls, and accounting practices and procedures, of the Company or its subsidiaries.
6. Review, at least annually, the scope and results of the internal audit program, including then current and future programs of the Company's internal auditor, procedures for implementing accepted recommendations made by the independent auditors, and any significant matters contained in reports from the internal auditor.
7. Review with the independent auditors, the internal auditor and management: (a) the adequacy and effectiveness of the systems of internal controls (including any significant deficiencies and significant changes in internal controls reported to the Audit Committee by the independent auditors or management), accounting practices, and disclosure controls and procedures (and management reports thereon), of the Company and its subsidiaries; (b) any material written communications between the independent auditors and management, such as any management letter or schedule of unadjusted differences; and (c) current accounting trends and developments, and take such action with respect thereto as may be deemed appropriate.
8. Review with management and the independent auditors the annual and quarterly financial statements of the Company, including: (a) the Company's disclosures under "Operating and Financial Review and Prospects;" (b) any material changes in accounting principles or practices used in preparing the financial statements prior to the filing of a report on Form 20-F or 6-K with the SEC; and (c) the items required by Statement of Auditing Standards 61¹ as in effect at that time in the case of the annual statements and Statement of Auditing Standards 100² as in effect at that time in the case of the quarterly statements.
9. Recommend to the Board of Directors, based on the review described in paragraphs 4 and 8 above, whether the financial statements should be included in the annual report on Form 20-F.
10. Review, from time to time with the Company's management, earnings press releases, as well as Company policies with respect to earnings press releases, financial information and earnings guidance provided to analysts and rating agencies.
11. Discuss Company policies with respect to risk assessment and risk management, including any off-balance sheet arrangements, and review contingent liabilities and risks that may be material to the Company and major legislative and regulatory developments which could materially impact the Company's contingent liabilities and risks.
12. Review: (a) the status of compliance with laws, regulations, and internal procedures; and (b) the scope and status of systems designed to promote Company compliance with laws, regulations and internal

¹Statement of Accounting Standards 61 relates to the requirement for the auditor to determine that certain matters relating to the conduct of an audit are communicated to the Audit Committee.

² Statement of Auditing Standards 100 was issued to provide additional guidance on performing reviews of interim financial information and to incorporate the requirement of the SEC for timely filings of interim financial information.

procedures, including the Company's Code of Business Conduct, through receiving reports from management, legal counsel and third parties, as determined by the Audit Committee.

13. Establish procedures for the confidential and anonymous receipt, retention and treatment of complaints regarding the Company's accounting, internal controls and auditing matters, as well as for the confidential, anonymous submissions by Company employees of concerns regarding questionable accounting or auditing matters.
14. Establish policies for the hiring of employees and former employees of the independent auditors.
15. Obtain the advice and assistance, as appropriate, of independent counsel and other advisors as necessary to fulfill the responsibilities of the Audit Committee, and receive appropriate funding from the Company, as determined by the Audit Committee, for the payment of compensation to any such advisors.
16. Conduct an annual performance evaluation of the Audit Committee and evaluate the adequacy of its charter.
17. Approve, in accordance with the Companies Law and NASDAQ requirements, and subject to Board and/or shareholder approval to the extent required, any
 - a. proposed transaction in which an executive officer or director of the Company (an "office holder") has a direct or indirect personal interest and which is outside the ordinary course of the Company's business, which is not in accordance with market conditions or which may materially influence the earnings, assets or liabilities of the Company;
 - b. a material action that may otherwise be deemed to constitute a breach of the duty of loyalty of any office holder, provided that such action is done in good faith and does not cause the Company harm;
 - c. terms of service of directors (including terms of their employment as officers of the Company);, and
 - d. indemnification, insurance and exemptions to office holders;subject, in each case, to the condition that the transaction does not harm the Company's welfare, as determined by the Committee. The Committee shall not be

entitled to grant these approvals, unless at least one of the two Statutory Independent Directors was present at the meeting in which the approval was given.

Meetings

The Audit Committee shall meet at least six times each year and at such other times as it deems necessary to fulfill its responsibilities. The Company's internal auditor and the independent auditors shall be given notice of Committee meetings and shall be entitled to participate therein, subject to determination by the Committee to exclude them from all or any part of the meeting. Upon the request of the Company's internal auditor to convene a meeting of the Committee to discuss a particular matter, the Chairman shall convene such meeting within a reasonable time following the date of the request, provided that the Chairman shall believe that there is a good reason for such a meeting. The Audit Committee shall periodically meet separately, in executive session, with management, the internal auditor and the independent auditors. The Committee shall periodically report to the Board of Directors with respect to its activities and make recommendations to the Board of Directors as appropriate.

Limitation of Committee's Role

While the Committee has the authority, powers, and responsibilities set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with U.S. GAAP and applicable legal, accounting, and other requirements. These are the responsibilities of the Company's management and independent auditors.

Charter Amendment

Any member of the Committee may submit proposed Charter amendments to the Board. The Board shall circulate any proposed charter amendment(s) to members of the Committee immediately upon receipt. By a majority vote, the Board may approve the amendments to this Charter.

