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PRESENTATION

Chris Schott - *JPMorgan - Analyst*

Good morning, everybody. I'm Chris Schott, the pharmaceutical analyst at JPMorgan, and very pleased today to be presenting Teva. From Teva, we have Eyal Desheh, the Company's long-time CFO, and currently acting CEO, as well as Michael Hayden, Teva's President of R&D.

We're going to do this presentation in a Q&A type of format. So, with -- maybe just to kick off, I thought the first question for Eyal might be, in light of the CEO announcement we've had, can you just share some of your views in terms of working with Erez, just what type of manager he is, what type of -- what we can, maybe, expect from him? And one question that we've been getting quite frequently is, will he be staying on the board? So, maybe before we dig into the fundamentals, we can just kick it off with that, those commentary?

Eyal Desheh - *Teva Pharmaceutical Industries Ltd. - Acting President and CEO*

Thanks, Chris. Thank you very much, everyone, for coming over to listen to us. As always, standing-only room, and that's great.

We have some of our members of our management team here -- Michael Hayden, Head of R&D; Allan Oberman, who is head of our American business; and, of course, our Chairman, Dr. Phil Frost -- thank you, Phil, for coming -- Chaim Hurvitz, who is a long-time member of the Board, and once a colleague of mine on our management team. So, thank you very much, everyone, for coming to listen to us.

So, you asked me two questions in one. I'll start, maybe, with the second one. We got this question all day yesterday and today, if Erez in his capacity of CEO will remain a board member, which he is now? The answer is, yes, he will remain a board member.

Now, I've known him for years. Even before he joined the Teva Board, he and I shared the same original profession of CFO. Erez is -- first of all, he's a great guy. I mean, somebody who is fun to work with and talk to.

He has very, very strong leadership capability, with proven results. He's done this in two different companies in turnaround situation, in growth situation, in building a multi-national businesses and penetrating emerging markets, very strong expertise, both in China and Latin America.

So -- and he knows Teva, and we know him well. So, he's the devil you know, and I think I represent our entire management team. We're happy to have him. We're all work with him, support him, and help him to build Teva to a growing, strong, and profitable company, which will generate a lot of value to our shareholders. Many of them are here in the audience.

Chris Schott - *JPMorgan - Analyst*

Great. Thanks for that.

So, shifting over to the fundamental business, maybe to start on that front, there's obvious a lot of moving parts in the Teva story right now. Can you just, maybe, walk through your priorities for the year, what the management team's most focused on as we kind of think about 2014?

Eyal Desheh - *Teva Pharmaceutical Industries Ltd. - Acting President and CEO*

Yes, sure. Well, 2014 is going to be a pivotal year for Teva, not only that we'll have a new CEO, and I'm sure that Erez will hit the ground running and changes that, obviously, every new CEO is driving, will be driven and communicated quickly.

But we have a very ambitious plan for the year on all areas and all parts of our P&L, and even our balance sheet. First of all, our cost reduction program. We are determined, committed, to reduce our costs by $2 billion, and, hopefully, even further than that, because becoming efficient for a generic company is a way of life, and you don't just stop when you reach a target.

So, we are going to drive this ambitiously, rigorously, throughout the Company and in our effort to become much more efficient in our generic business. And most of this cost reduction is going to happen in our generic business, and it is going to improve our generic margin by 10% to 15% over five years. And that's significant. It will give us much better competitive tools.

On the specialty business, it's going to be a great year, a year of harvesting what we've done in the past, and a year of planting seeds for the future. We're planning 10 specialty submissions to the FDA and the EMA, and we are anticipating to get six approvals for new products. That's a lot. That's more than most large pharmaceutical companies during a single a year.

So, basically driving forward the strategy that the Company has composed, leveraging all the assets that we have, our global generic business and our specialty business, continue to build the NTE as part of our specialty therapeutic areas. These are the focuses for 2014, and that's a lot of work.

Chris Schott - *JPMorgan - Analyst*

Absolutely. COPAXONE, obviously, a topic of a lot of questions these days. We're approaching the three times weekly PDUFA. Can you, first of all, maybe just elaborate, it's obviously an important piece of the story, what's your confidence today in the ability to get that three times weekly formulation approved, a question for Michael?

Michael Hayden - *Teva Pharmaceutical Industries Ltd. - President of Global R&D and Chief Scientific Officer*

Yes. So, well, this is a great drug, as everybody knows, 1.8 million patient years safety, so, it's very safe, highly effective.

We are completely confident that we will get approval of 40 milligram three times a day in the very near future, and we're also confident that we're going to be able to switch patients to this over the next short period in a very significant number.

So, this is a drug that we've seen. We have a -- and how are we confident about that? We have a tremendous infrastructure. We have patient solutions. We understand where every patient is. We have detailed and very deep understanding of the physicians. We're working with them. They're going to welcome this. It's going to improve convenience, improve compliance, for a drug that already is known to be safe and highly effective.

Chris Schott - *JPMorgan - Analyst*

I know you've got some switch targets. Maybe just reminding the audience kind of where are you kind of looking to get the switch as we look towards the potential June generic entry, and as we look later in the year?

Michael Hayden - *Teva Pharmaceutical Industries Ltd. - President of Global R&D and Chief Scientific Officer*

So, we're looking at a number of up to 45% patient switching. This is conservative. It's important to know, this comes from our commercial organization. In all the history, I've been told, at Teva, our commercial organization always exceeds their targets.

So, I think this is a reasonable number that's based on the deep understanding of patients, the knowing where they are, knowing the patients. So, we have an infrastructure. We enhanced our sales force, and we look forward to that number over this period.

Eyal Desheh - *Teva Pharmaceutical Industries Ltd. - Acting President and CEO*

Chris, if I may add?

Chris Schott - *JPMorgan - Analyst*

Sure.

Eyal Desheh - *Teva Pharmaceutical Industries Ltd. - Acting President and CEO*

There is a -- we have a big machine ready to move very, very fast behind the support of MS patients. We have been supporting all our MS patients. We know almost all of them, all -- over 90,000 patients on a first name basis with an organization which is Shared Solutions that we are managing out of Kansas City. This is an organization which is second to none in our history, supporting patients from how to use the drug all the way to getting their reimbursement with the payers and the insurance companies.

And this organization, which was even expanded in anticipation of the launch of the 40-milligram, is the major asset that will help us do this by contacting all patients. Most of them already said that they are looking forward to switch to three times a week, and contacting their doctor.

Chris Schott - *JPMorgan - Analyst*

Maybe the last one on the three times weekly. Do you expect payers to be any type of hurdle here in terms of -- I know you're expecting a January approval. You've got a fairly tight time horizon to get the switch done. Are you concerned at all about the payer dynamics, here?

Eyal Desheh - *Teva Pharmaceutical Industries Ltd. - Acting President and CEO*

Yes, obviously, we have a dialogue with the payers, commercial terms cannot be disclosed. I believe it will be fine.

Chris Schott - *JPMorgan - Analyst*

Okay. Shifting to the COPAXONE potential generic risk, anything you can just share or just comment in terms of the latest there, in terms of either any dialogue you're having with FDA, your level of confidence? I know we had a paper published yesterday regarding your views on some of the generics and the -- maybe the kind of variability of some of those assets and differences. Could you, maybe, just give us your updated views on the generic risk to that franchise?

Michael Hayden - *Teva Pharmaceutical Industries Ltd. - President of Global R&D and Chief Scientific Officer*

Well, it's been very exciting. We've been using very advanced molecular biology technology to try and understand, firstly, the mechanism of action of COPAXONE. It's a beautiful drug. It acts on the T-regulatory system, up-regulates that to act as an anti-inflammatory against various inflammatory targets in MS, and also decreases some of the pro-inflammatory genes. So, there's a perfect balance and synchrony and orchestra of the genes that are up and down, yielding to its positive effects.

As part of this, we have also looked at a number of generic compounds, purported generics, and we did this, really, expecting to see that these would be quite similar to our COPAXONE mechanism of action, and, to our surprise, published yesterday, peer review, independent peer review,

plus one, is that, in fact, it's quite different. 1,000 genes show a difference, but it's not just the 1,000 genes, it's the genes that matter, genes that are important in regulating inflammation. Whereas COPAXONE increases those, some of our purported generics decrease those.

And, furthermore, when you look at white cells, which are important in conferring inflammatory processes, these are decreased by COPAXONE. Some of the generics are actually increasing these. So, this is a profile, I mean, the bottom line, you look at this, anybody in the world would say, it's not the same.

So, I think this data is out there. Obviously, we -- the FDA is -- I'm not suggesting we have any inside knowledge of what the FDA does, but we do know the FDA requires once scientific knowledge that supports the basis on which a generic drug would be approved, and right now there's a lot of data to suggest that the generic, the purported generics, do not have the same mechanism of action, and may be quite different.

In light of that, I think Teva's view on this is that there's a need, in terms of patient protection, to make sure that we protect patients, and there's a need to do clinical trials to show that these drugs are equivalent in their beneficial effects for patients.

Chris Schott - *JPMorgan - Analyst*

Right. Thanks for that.

Shifting gears a little bit to business development, maybe just on a high level, can you talk about the priorities for capital deployment at Teva today?

Eyal Desheh - *Teva Pharmaceutical Industries Ltd. - Acting President and CEO*

Capital deployment goes beyond business development. I'm sure you're getting -- you'll be getting there. But, first, let me share with you where we are now financially, and what about the resources.

So, in 2013, we've gone through a number of financial -- financial events. We settled with Pfizer on the Protonix, and paid a majority of the settlement payment. We settled with the Israeli tax authorities, and paid them $700 million. All this is behind us.

Teva is generating a very healthy cash flow. We've managed to reduce our debt to a very reasonable level.

So, if we're talking about financial resources for moves which are more than a small acquisition or an in-licensing transaction, we do have that, depending on targets, and if you roam around the corridors here in this building, yes, you see a lot of targets.

Michael Hayden - *Teva Pharmaceutical Industries Ltd. - President of Global R&D and Chief Scientific Officer*

And let me just add, I mean, we have a burgeoning pipeline, but obviously there are numerous assets that we're very interested in to bring into Teva.

In our generics business, we need to get access to different regions of the world, emerging markets. We'll need to find ways to get access to that. This is potentially acquisitions, potentially in-licensing.

And then, when it comes to the specialty business, we're looking at assets that have the potential to be highly differentiated, conferring a special benefit to patients unambiguously, and, we of course, have many in mind.

Eyal Desheh - *Teva Pharmaceutical Industries Ltd. - Acting President and CEO*

No, I fully agree. It's about, first, continuing to build our generic presence around the world, penetrating emerging markets where our presence is insufficient, and there are a few -- China, for example, and Brazil -- very high on our map, and, I'm sure that Erez, knowing these markets extremely well, having done business in those markets, will definitely be a very, very strong leader in the penetration to these growing markets.

Most of the growth in the pharmaceutical world is going to happen there in the next 10 years, so, this is one of the major targets for business development activities. It can transform to a number of formats, not necessarily just a plain vanilla M&A.

And, at the same time, we will continue to build our pipeline for the specialty business in the areas that we specialize, in CNS and respiratory, which are the strongest parts of our specialty business. And you can expect us to look at targets in that area.

In between, there are transformational deals that we should be looking at to see how we can expand the footprint of Teva globally, but these, of course, are specialties. You don't do one every day, but targets are out there. So, we'll be looking in parallel on really building the Company and becoming more efficient, growing business organically, but also looking to the outside to see how we can really expand the business and do what Teva has done in prior years, target the right company, grow the business with very, very good synergies, both on the top side and on expense level.

Chris Schott - *JPMorgan - Analyst*

And maybe building on that, just share your thoughts a bit about the broader consolidation we're seeing playing out through kind of the generics and specialty industry. The market seems to be rewarding some of these larger, highly accretive transactions. I know Teva in the past has had a number of very successful larger acquisitions that kind of built it to the Company it is today.

How do you -- what's the sense of urgency to look at those larger deals in the current environment?

Eyal Desheh - *Teva Pharmaceutical Industries Ltd. - Acting President and CEO*

If you want my view on that, the sense of urgency is definitely there, but let's not confuse sense of urgency with doing dumb deals. So, it's important to move fast. Everybody's looking at the same targets, but we have to do the clever deals that Teva was so good at doing in the past, the ones that you combine 1 and 1 and get to 2. I know it's a cliche, but we're very good at doing that, and I think that these are the kind of deals that we'll be looking at in the future.

Chris Schott - *JPMorgan - Analyst*

Just two more on the bus dev front. Larger generic consolidation, in light of what we're seeing on the channel where there seems to be some consolidation, do you think it is feasible and makes sense -- we kind of have four larger global generic players today, quasi-global generic players, (inaudible) players.

Does it make sense that we could see that -- those four major players maybe narrow down to two or three, over time, or is there too many anti-trust issues and it just doesn't make sense that we should be thinking about that?

Eyal Desheh - *Teva Pharmaceutical Industries Ltd. - Acting President and CEO*

Economically it makes sense, although there are a lot of smaller players out there in the US, but mostly outside of the US. Europe and international markets are -- there are many, many small players that can and will be consolidated, that will not survive the competition.

Economically, does it make sense to reduce the big four generic manufacturers to three? Yes, probably yes. Legally, anti-trust issues and others, I'm not sure it's possible. But that will be something that -- there will be people looking at it in the next few months, no question about it, because you guys keep asking us the question, so I guess somebody will be looking at it.

Chris Schott - *JPMorgan - Analyst*

Last one on this front. Just can you give us a sense, right now, the kind of capacity to do transactions? What type of capacity do you have with the current structure to deploy into transactions, as we look out the next 12 to 24 months, let's say?

Eyal Desheh - *Teva Pharmaceutical Industries Ltd. - Acting President and CEO*

Well, it depends on the type of transaction. If you invest a lot of money in a molecule that will come to market in 2018 and will eat up part of your P&L capacity on the way of getting there, that's a legitimate investment, but it's very different from buying a company with ongoing EBITDA that is helping to support your cash flow.

So, I said before Teva could definitely leverage up considerably compared to where we are now, if we need to, if we want to. Hopefully, the stock price will go up and we'll be able to use our share as a currency. It's a circle which is feeding itself to grow your ability to fund transactions, and I believe that we are starting now from a pretty good point to get there.

But number-specific? Give us a few more months.

Chris Schott - *JPMorgan - Analyst*

Okay. Shifting gears, the cost reduction and restructuring initiative, and maybe first to review the $2 billion target, how you get there, what we should be kind of thinking about in 2014, what's going to be longer term?

Eyal Desheh - *Teva Pharmaceutical Industries Ltd. - Acting President and CEO*

Yes, I think we said, when we communicated our guidance for 2014, we said that about $1 billion of that $2 billion will be achieved in 2014. Significant headcount reduction -- that happens throughout the year, so the impact, the real impact of headcount reduction, the full impact of headcount reduction can be seen only next year, because people that you -- people you terminate at the end of the year don't save any money. People you terminate at the beginning of the year save a full year of money.

So, I believe that there will be about $1 billion, close to $1 billion, in total, this year. It will be accelerated next year. We are all over the Company in eliminating activities which are not really contributing to value creation. Every company has that, but always you have the really strong drive to do it, and we do. We have the drive to do it, and we are doing -- we are executing on this, as we speak.

Chris Schott - *JPMorgan - Analyst*

And then, when we think about those savings, can you also maybe talk through the reinvestment of those resources that are freed up? What are the top priorities right now?

Eyal Desheh - *Teva Pharmaceutical Industries Ltd. - Acting President and CEO*

Yes, first of all, most of those cost savings are going to hit our generic business, which will -- I said this before -- which will become much more profitable over the next five years. Are we going to reinvest it? If we will reinvest this money or not, by way of acquisition, but reinvest it in order to -- that will impact our P&L, our profitability, will be -- could be in R&D and sales and marketing.

You got a product approved, you want to sell it. Selling a specialty product costs money. I don't have to tell you guys. Everybody understands the model.

So, we'll get these products in the pipeline approved. We'll spend the money to sell them. If it won't get approved, or we realize that the product is not going to create the value that is anticipated, we're not going to spend the money.

So, this is definitely something which is open for future decisions, and it's not guaranteed.

Chris Schott - *JPMorgan - Analyst*

One of the big pushes we're seeing -- hearing from Teva and other players in the industry is, I think, moving the generic business into some of these higher value, more complex generics. Can you talk about that initiative within the organization, when we could start to think about those type of opportunities impacting the P&L, and just maybe some milestones we should think about the next kind of year or two on the complex generic front?

Michael Hayden - *Teva Pharmaceutical Industries Ltd. - President of Global R&D and Chief Scientific Officer*

So, I'll comment on that. We, of course, are moving very intensely into the complex generic products, creating more barriers for copying these products, using novel, complex technologies, some already at Teva. We've spent a lot of resources over the last year investing in this, and we'll be continuing to invest.

As we look at our R&D portfolio, and remember, we are the only company in the world with a truly integrated generic and branded R&D portfolio, and there's been tremendous synergies and benefits, and even unexpected synergies that have come from this. The complex -- the technologies around patches, nano-matters, and nano-particles, ways to reformulate drugs, ways to think about modified release. All of this is playing a big role.

So, serving devices is another big issue. We've integrated the devices. Now a group that has 75 years of experience in devices, serving both the generics and the branded, the drug doesn't care whether it's off or on patent. What's important is having a device that truly delivers an effective drug to patients in an appropriate way.

And so, we're moving much more towards complex generic products in the next few years. We're going to see this as a much bigger part of our market. In 2017, it's going to be significantly more than 50% of our generic market will be in the complex generic products. And we -- and in terms of our research budget, we're spending significant amounts from our generic R&D budget in development of complex technologies.

And we're very interested. Of course, not all these technologies are in-house. Some of them we're going to bring in. Some of them we may acquire. But we have, also, recruited outstanding people, a major commitment.

The upside of this is, this doesn't only serve our generics business, it serves our specialty business, and these particular technologies have been the basis for the development of our NTE program, 14 new products this year, as we announced in a recent webinar, coming out that were essentially an idea a year ago, and are in development one year later.

And this is going to have impact on our pipeline. These are going to be marketed as specialty products in, primarily, our areas of the CNS, respiratory, and others.

Chris Schott - *JPMorgan - Analyst*

Great. I think we're just about time. We'll continue the discussion. We'll continue the discussion across the hall in a breakout, but thanks, again, for the presentation today.

Eyal Desheh - *Teva Pharmaceutical Industries Ltd. - Acting President and CEO*

All right. Thank you very much.