



# Second Quarter Results 2014

**July 31, 2014**

## Safe Harbor Statement under the U.S. Private Securities Litigation Reform Act of 1995:

This presentation contains forward-looking statements, which are based on management's current beliefs and expectations. Such statements 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. Important factors that could cause or contribute to such differences include risks relating to: our ability to develop and commercialize additional pharmaceutical products; competition for our innovative products, especially Copaxone® (including competition from orally-administered alternatives, as well as from potential generic versions); the possibility of material fines, penalties and other sanctions and other adverse consequences arising out of our ongoing FCPA investigations and related matters; our ability to achieve expected results from the research and development efforts invested in our pipeline of specialty and other products; our ability to reduce operating expenses to the extent and during the timeframe intended by our cost reduction program; our ability to successfully pursue and consummate suitable acquisitions or licensing opportunities; the extent to which any manufacturing or quality control problems damage our reputation for quality production and require costly remediation; our potential exposure to product liability claims that are not covered by insurance; increased government scrutiny in both the U.S. and Europe of our patent settlement agreements; our exposure to currency fluctuations and restrictions as well as credit risks; the effectiveness of our patents and other measures to protect the intellectual property rights of our specialty medicines; the effects of reforms in healthcare regulation and pharmaceutical pricing, reimbursement and coverage; governmental investigations into sales and marketing practices, particularly for our specialty pharmaceutical products; uncertainties related to our recent management changes; the effects of increased leverage and our resulting reliance on access to the capital markets; any failure to recruit or retain executives or other key personnel; adverse effects of political or economical instability, major hostilities or acts of terrorism on our significant worldwide operations; interruptions in our supply chain or problems with internal or third-party information technology systems that adversely affect our complex manufacturing processes; significant disruptions of our information technology systems or breaches of our data security; competition for our generic products, both from other pharmaceutical companies and as a result of increased governmental pricing pressures; competition for our specialty pharmaceutical businesses from companies with greater resources and capabilities; decreased opportunities to obtain U.S. market exclusivity for significant new generic products; potential liability for sales of generic products prior to a final resolution of outstanding patent litigation; any failures to comply with complex Medicare and Medicaid reporting and payment obligations; the impact of continuing consolidation of our distributors and customers; significant impairment charges relating to intangible assets and goodwill; the potential for significant tax liabilities; the effect on our overall effective tax rate of the termination or expiration of governmental programs or tax benefits, or of a change in our business; variations in patent laws that may adversely affect our ability to manufacture our products in the most efficient manner; environmental risks; and other factors that are discussed in our Annual Report on Form 20-F for the year ended December 31, 2013 and in our other filings with the U.S. Securities and Exchange Commission. Forward-looking statements speak only as of the date on which they are made and we assume no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

# Review of Second Quarter 2014 Financial Results

**Eyal Desheh**  
Chief Financial Officer

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	Q2 2014*	Q2 2013*	Change
<b>Revenues</b> \$m	5,045	4,924	+2%
<b>Operating income</b> \$m	1,367	1,260	+8%
<b>Net income</b> \$m	1,054	1,018	+4%
<b>EPS</b> \$	1.23	1.20	+3%
<b>Cash flow from operations**</b> \$m	1,253	875	+43%

\*Net income, operating income and EPS are non GAAP results .

\*\* Excludes legal settlements (\$200M)

## Improving 2014 Guidance

Two possible scenarios regarding 2014 generic competition to Copaxone<sup>®</sup> in the U.S. are maintained:

- The “Generic Copaxone<sup>®</sup>” scenario assumes the launch of an AB-rated generic competitors to Copaxone<sup>®</sup> in the U.S. during August , 2014; and
- The “Exclusive Copaxone<sup>®</sup>” scenario assumes no generic competition to Copaxone<sup>®</sup> in the U.S. during 2014.

	Updated Generic Copaxone <sup>®</sup>	Updated Exclusive Copaxone <sup>®</sup>
Net Revenues (\$B)	19.5-20.5	19.8-20.8
GP (%)	58%-59%	58%-60%
R&D (\$B)	1.3-1.45	1.3-1.45
S&M (\$B)	3.8-4.0	3.8-4.0
G&A (\$B)	1.2	1.2
OP (\$B)	5.1-5.4	5.35-5.65
Finance Expenses (\$M)	310-340	310-340
Tax (%)	20%-21%	19%-20%
Number of Shares (M)	855-860	855-860
<b>EPS (\$)</b>	<b>4.50-4.80</b>	<b>4.90-5.10</b>
Cash Flow from Operations (\$B)	2.8	3.0

## Q2 2014 – Non-GAAP income data

\$ million  
Except EPS

	Q2 2014	Q2 2013	Change
<b>Revenues</b>	<b>5,045</b>	<b>4,924</b>	<b>2%</b>
COGS	2,118	2,036	4%
<b>Gross Profit</b>	<b>2,927</b>	<b>2,888</b>	<b>1%</b>
R&D	344	336	2%
S&M	914	973	(6%)
G&A	302	319	(5%)
<b>Operating Income</b>	<b>1,367</b>	<b>1,260</b>	<b>8%</b>
Finance exp.	76	82	(7%)
Tax	240	161	49%
Ass. & minority	(3)	(1)	200%
<b>Net Income</b>	<b>1,054</b>	<b>1,018</b>	<b>4%</b>
# of Shares (diluted, millions)	857	850	1%
<b>EPS (\$)</b>	<b>1.23</b>	<b>1.20</b>	<b>3%</b>
<b>Gross Margin</b>	<b>58.0%</b>	<b>58.7%</b>	
R&D %	6.8%	6.8%	
S&M %	18.1%	19.8%	
G&A %	6.0%	6.5%	
<b>Operating Margin</b>	<b>27.1%</b>	<b>25.6%</b>	
<b>Net Margin</b>	<b>20.9%</b>	<b>20.7%</b>	
<b>Tax Rate</b>	<b>18.6%</b>	<b>13.7%</b>	

## Q2 2014 – GAAP income statement

\$ million  
Except EPS

	Q2 2014	Q2 2013	Change
<b>Revenues</b>	<b>5,045</b>	<b>4,924</b>	<b>2%</b>
COGS	2,384	2,331	<b>2%</b>
<b>Gross Profit</b>	<b>2,661</b>	<b>2,593</b>	<b>3%</b>
R&D	344	339	<b>1%</b>
S&M	921	982	<b>(6%)</b>
G&A	302	319	<b>(5%)</b>
Restructuring, legal settlement, acquisition and impairment	169	1539	<b>(89%)</b>
<b>Operating Profit</b>	<b>925</b>	<b>(586)</b>	<b>NA</b>
Finance expenses	78	89	<b>(12%)</b>
Tax	102	(222)	<b>NA</b>
Ass. & minority	(3)	(1)	<b>200%</b>
<b>Net Income</b>	<b>748</b>	<b>(452)</b>	<b>NA</b>
# of Shares (diluted, millions)	857	849	<b>1%</b>
<b>EPS (\$)</b>	<b>0.87</b>	<b>(0.53)</b>	<b>NA</b>

## Q2 2014 – Non-GAAP reconciliation

\$ million  
Except EPS

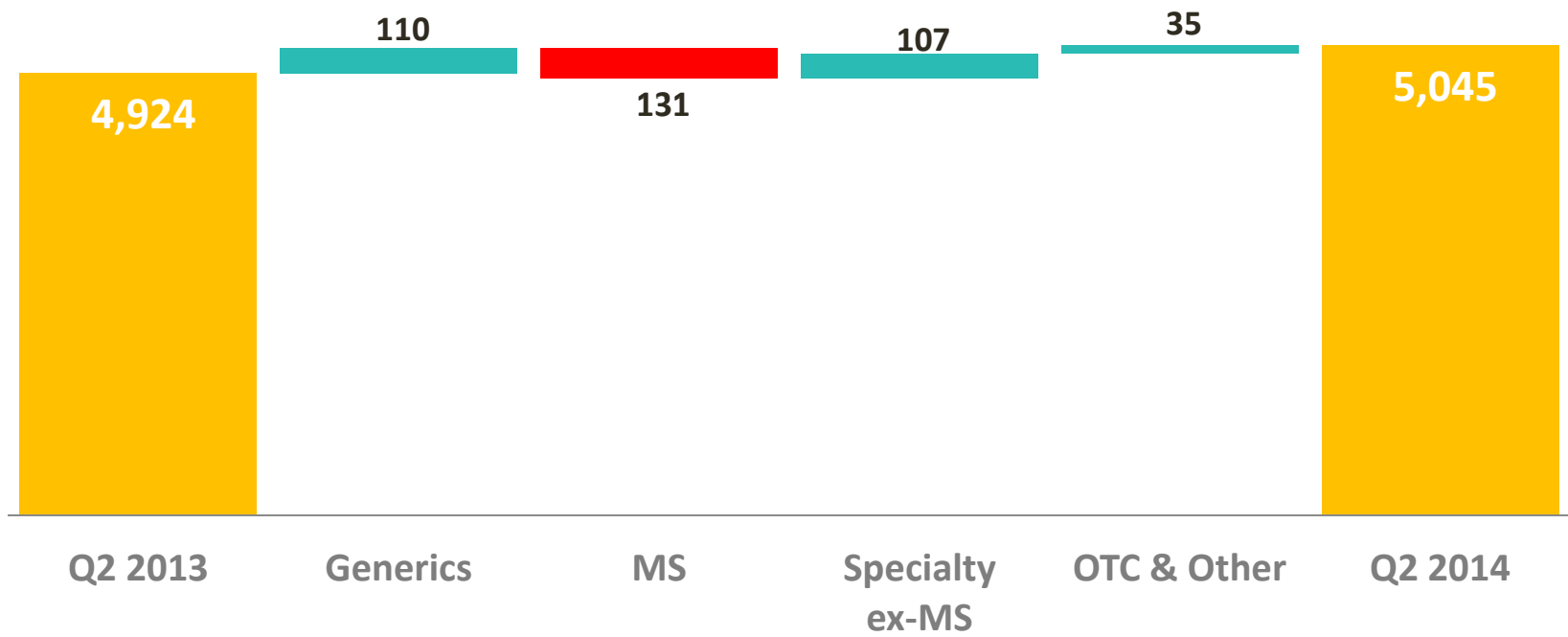
	Q2 2014	Q2 2013
<b>non-GAAP EPS (\$)</b>	<b>1.23</b>	<b>1.20</b>
<b>non-GAAP net income</b>	<b>1,054</b>	<b>1,018</b>
Amortization	256	288
Restructuring and other expenses	90	58
Impairment of long-lived assets	56	49
Legal settlement and reserve	26	1,435
Regulatory actions	14	16
Financial expense	2	7
Corresponding tax benefit	(138)	(383)
<b>Total</b>	<b>306</b>	<b>1,470</b>
<b>GAAP net income</b>	<b>748</b>	<b>(452)</b>
<b>GAAP EPS (\$)</b>	<b>0.87</b>	<b>(0.53)</b>



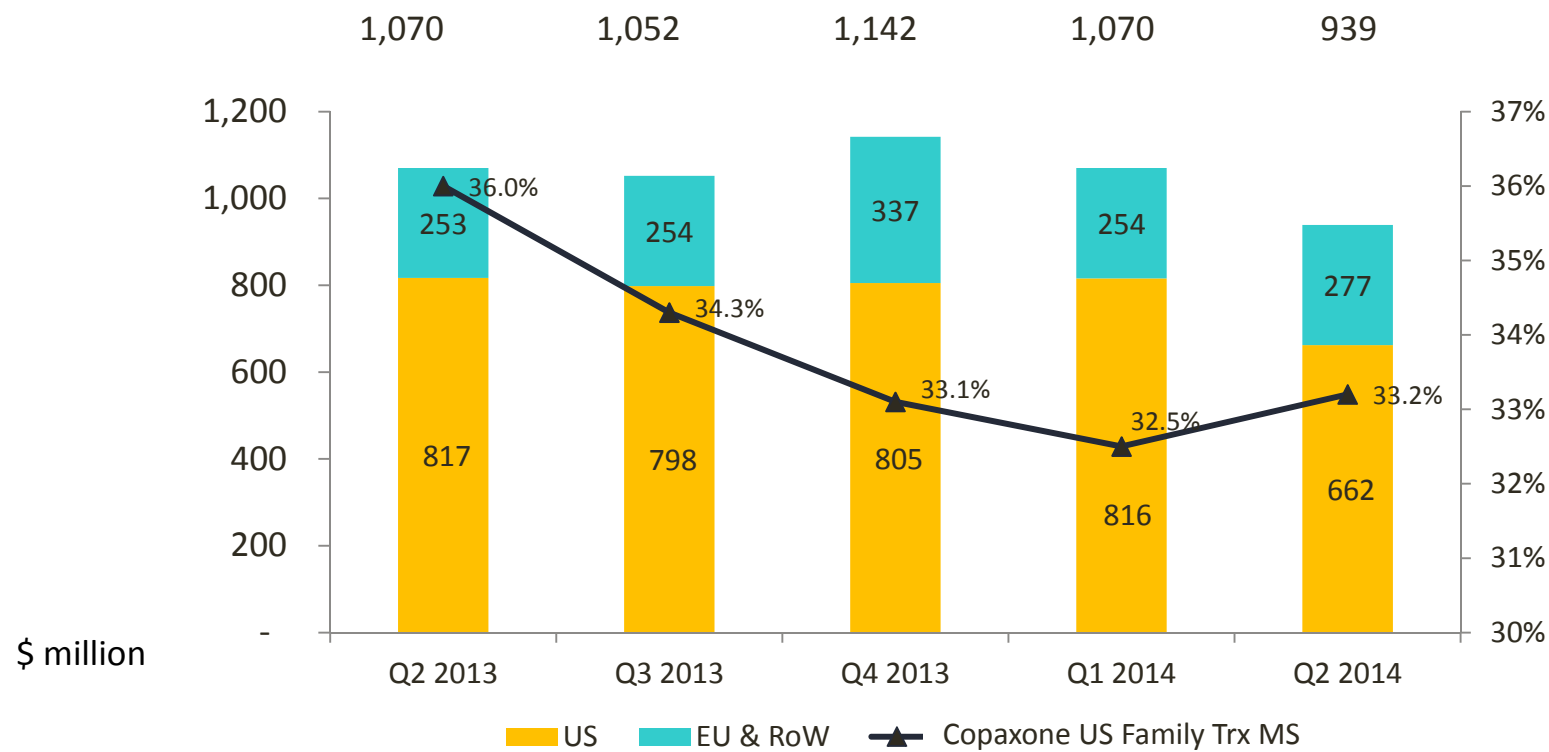


# Revenues bridging

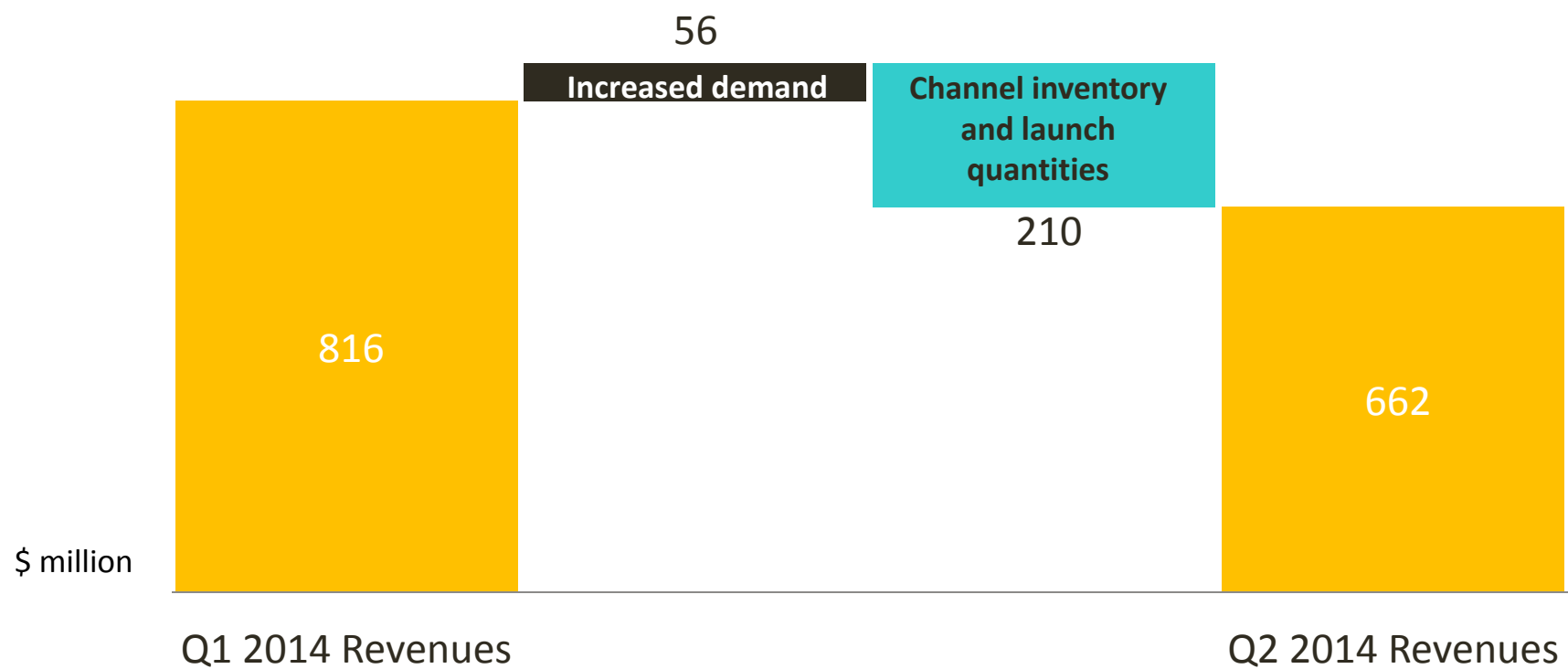
\$ million



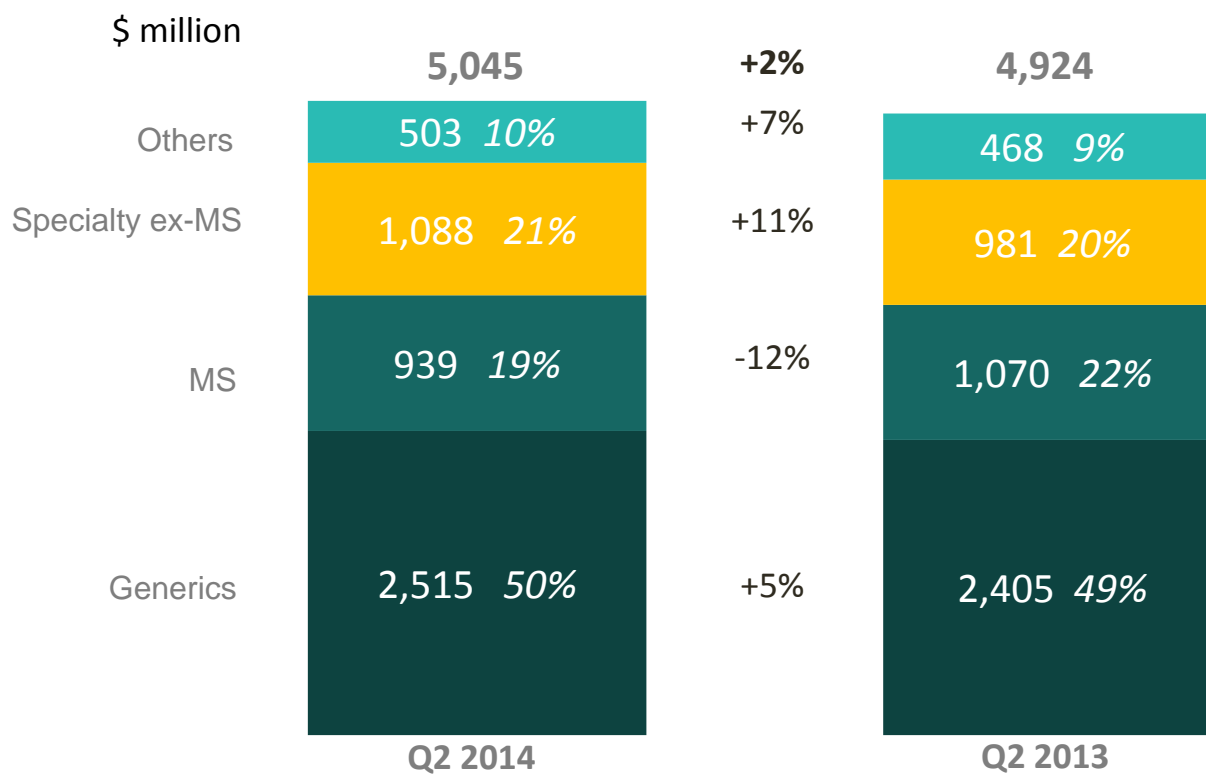
We recently changed the classification of certain of our products. The data presented have been conformed to reflect the revised classification for all periods.

Copaxone<sup>®</sup> sales and U.S. TRx market share

## Copaxone U.S. revenues: Q1 2014 to Q2 2014



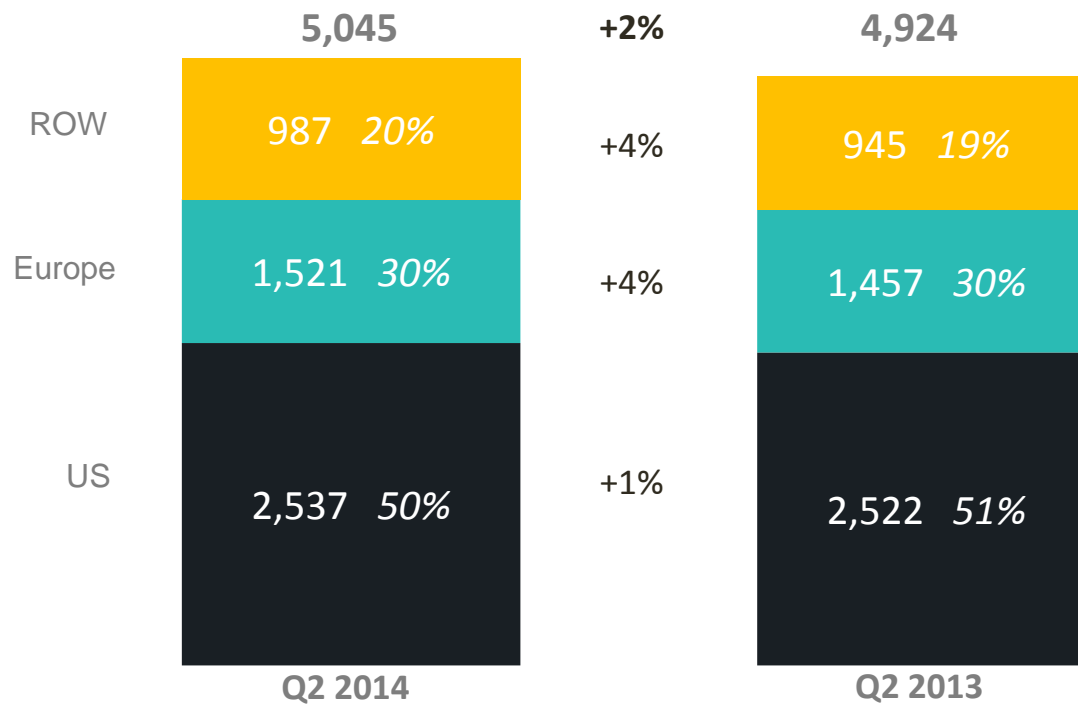
## Revenues breakdown by segment



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

## Revenues breakdown by market

\$ million

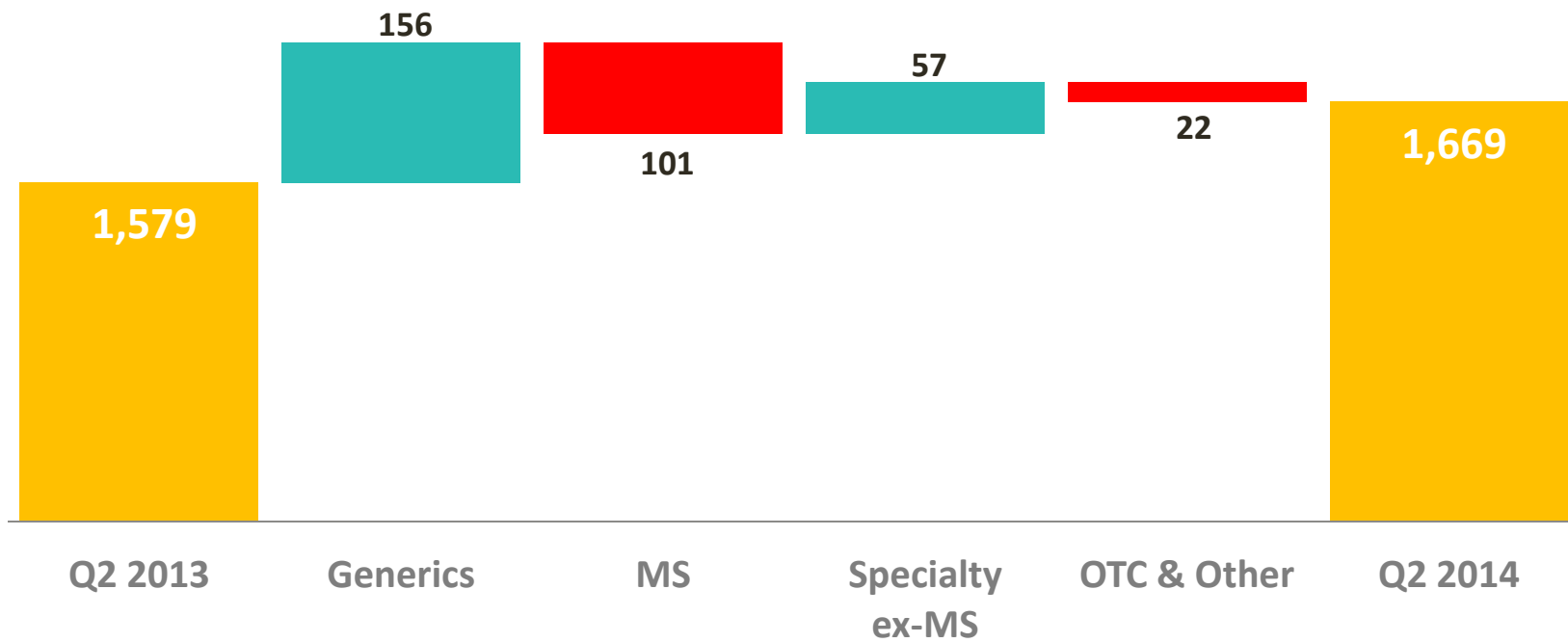




# Profitability\* bridging

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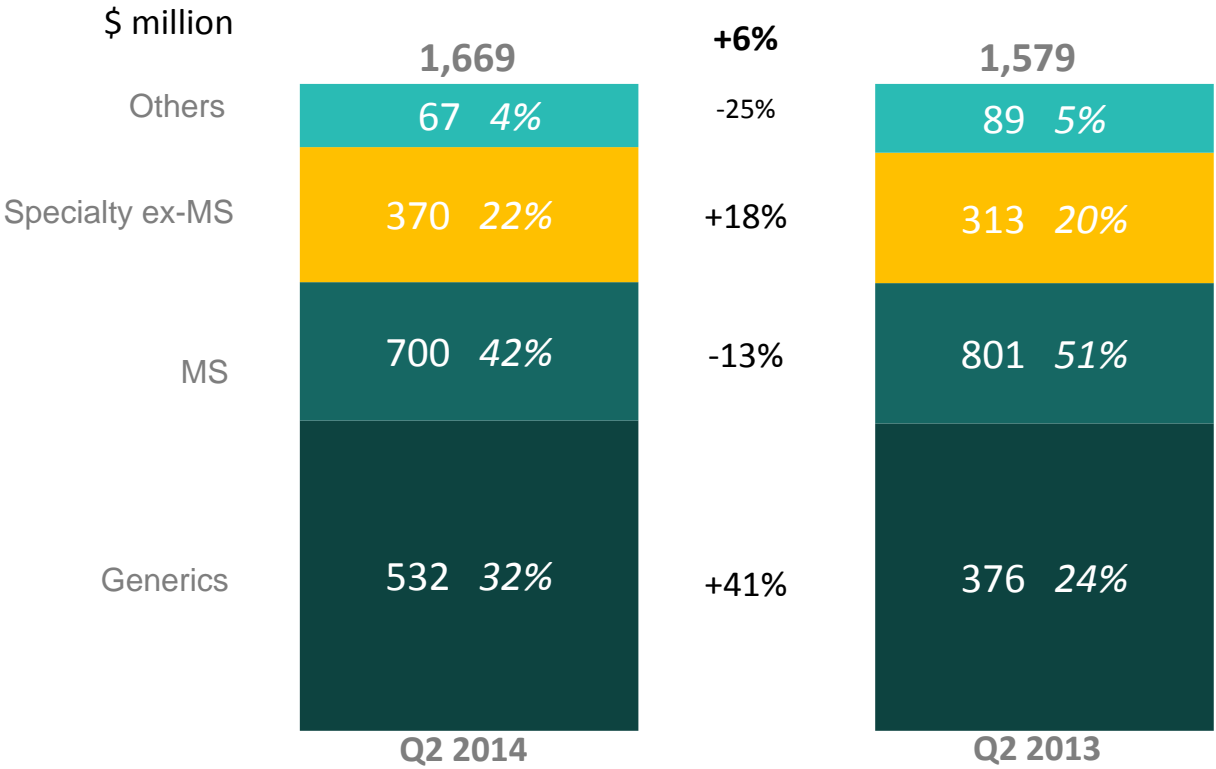
\$ million



\* Profitability consists of gross profit, less S&M and R&D expenses related to the segment. Segment profitability does not include G&A expenses, amortization and certain other items. We recently changed the classification of certain of our products. The data presented have been conformed to reflect the revised classification for all periods.



# Profitability\* breakdown by segment



\* Profitability consists of gross profit, less S&M and R&D expenses related to the segment. Segment profitability does not include G&A expenses, amortization and certain other items. We recently changed the classification of certain of our products. The data presented have been conformed to reflect the revised classification for all periods.

## Q2 2014 – Foreign exchange impact

	Q2 2014	Q2 2013	Change (\$ M)	Fx Effect ( \$M)	Real Change
<b>Revenues</b> \$M	5,045	4,924	121	16	105 +2%
<b>Operating income</b> \$M	1,367	1,260	107	(16)	122 +10%

**Most significant foreign exchange effect on revenues:**

Gains on euro, British pound and Israeli shekel, partially offset by Argentinian peso, Canadian dollar and Russian ruble

**Most significant effect on operating income:**

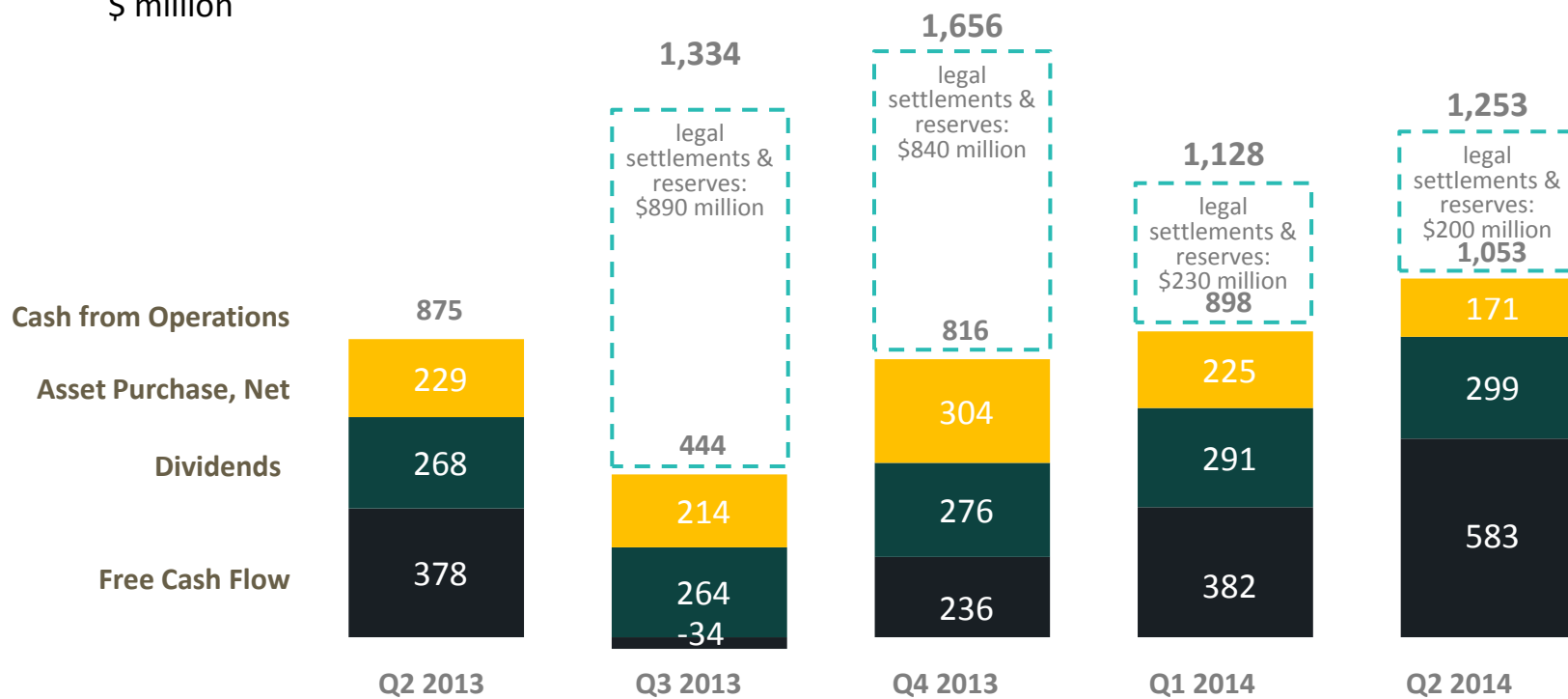
Losses on the Israel shekel and Russian ruble, partially offset by gains on euro





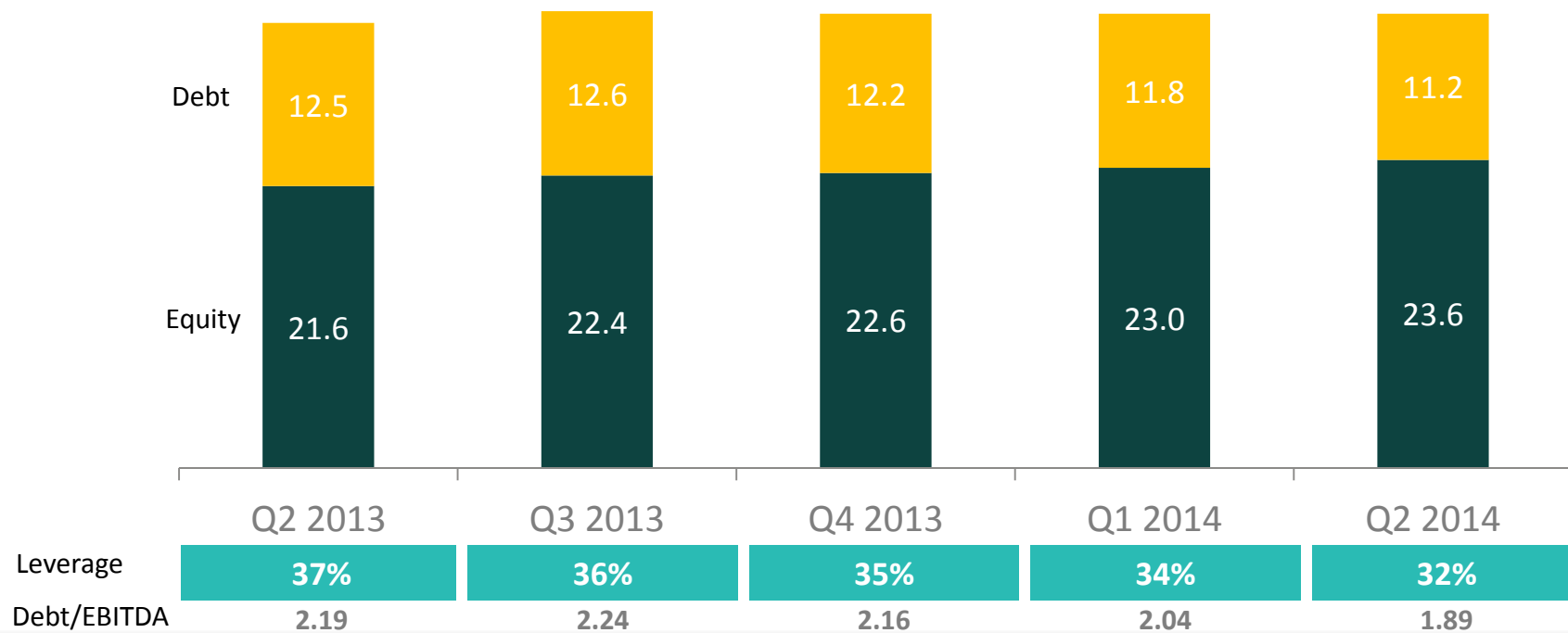
# Cash flow trends

\$ million



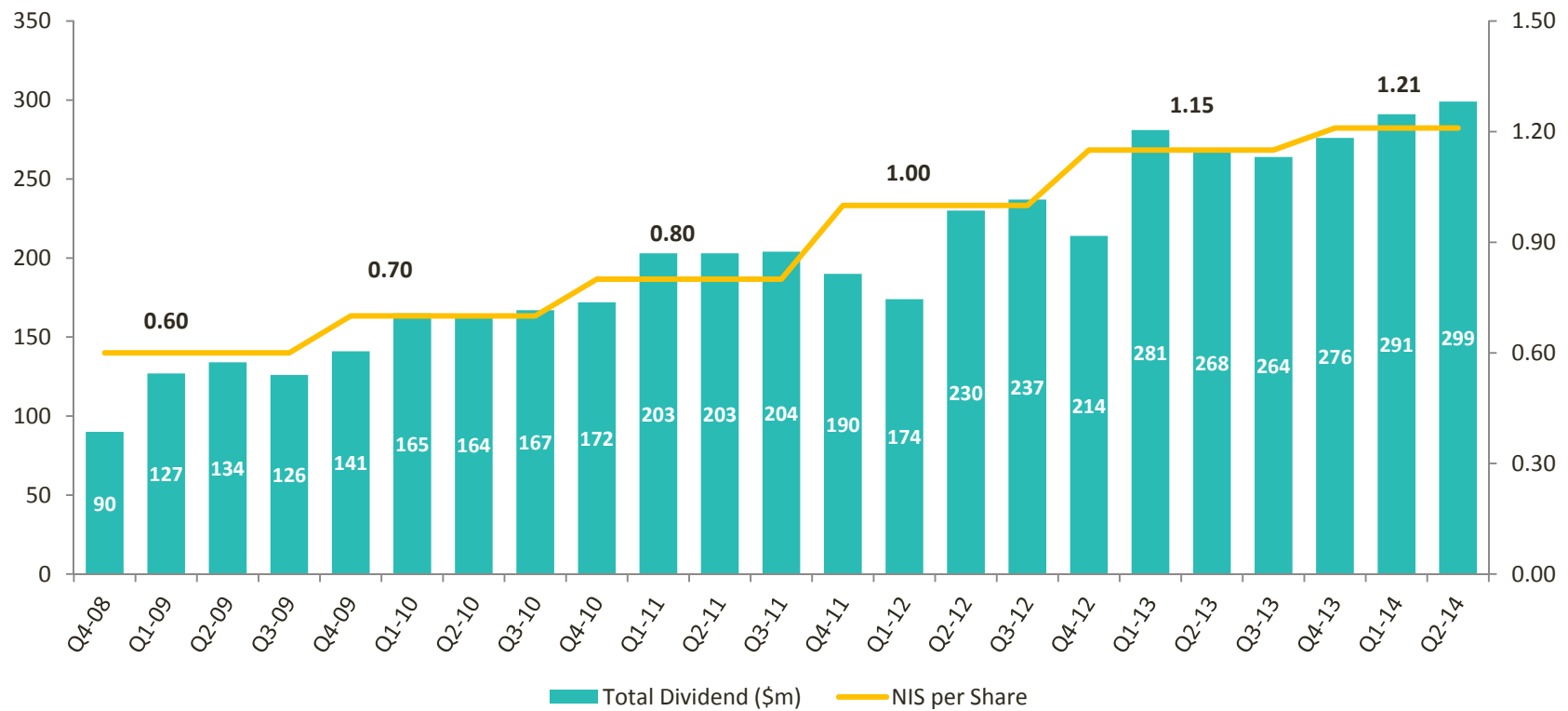
## Improved financial leverage

\$ billion



# Teva's dividend history

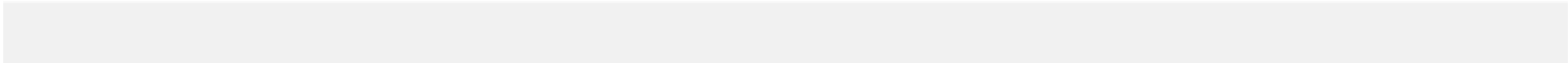
Q2 dividend set at NIS 1.21



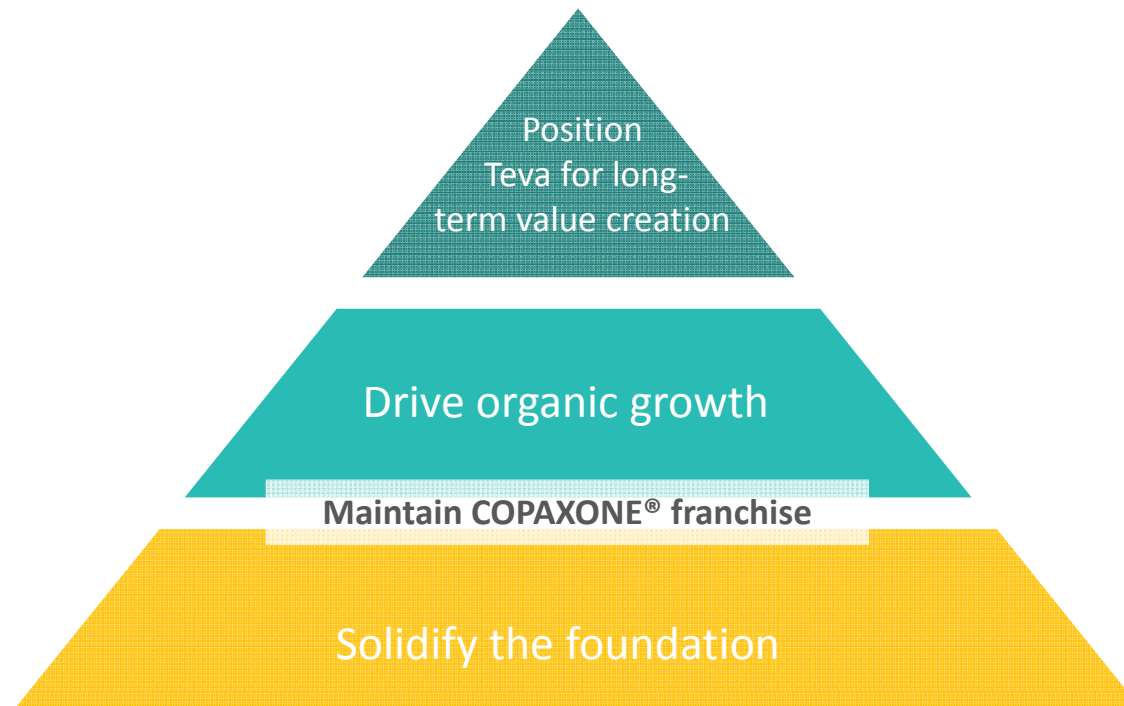


# Second Quarter 2014 Results

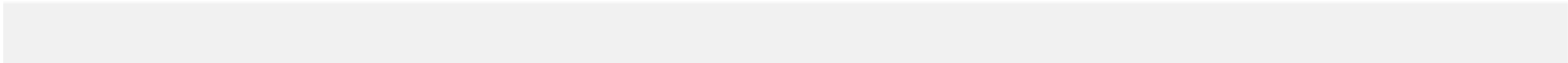
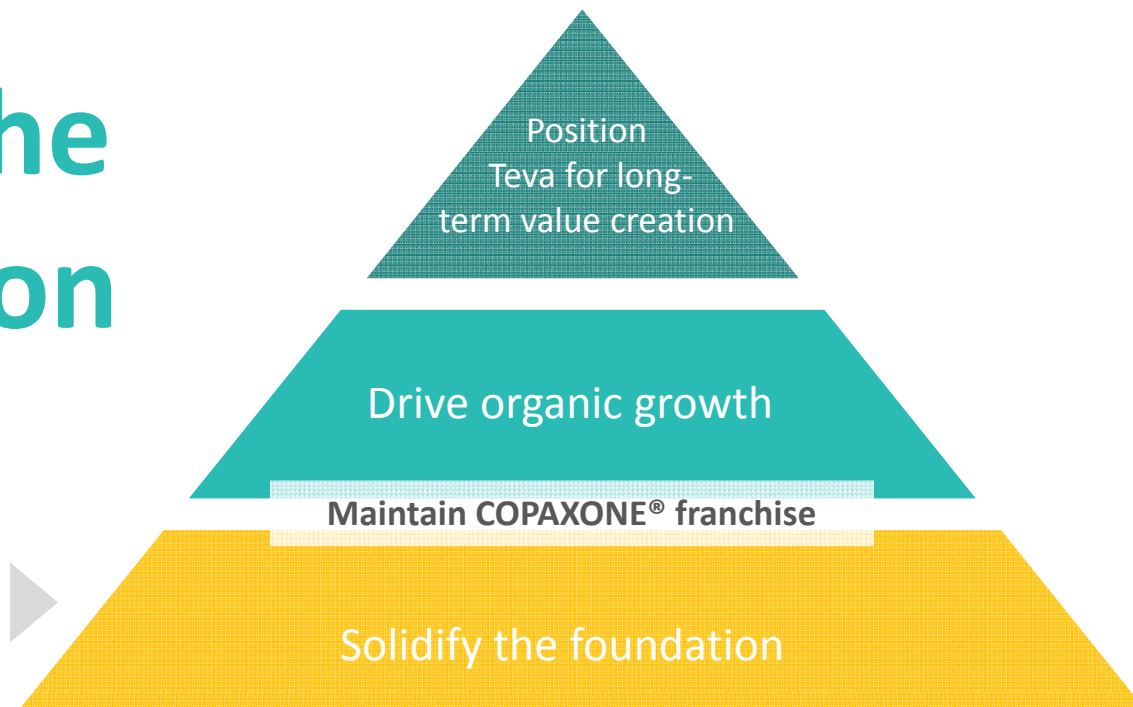
**Erez Vigodman**  
President & CEO



# Making Progress on all our Must Wins for 2014



# Solidify the Foundation



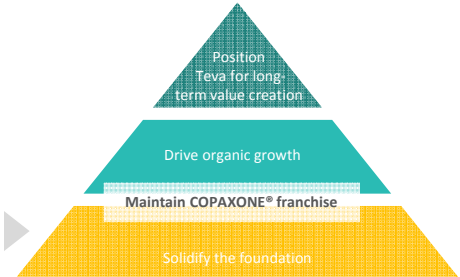


# Delivering on our Cost Reduction Program

Original projection on savings flowing to our bottom-line by 2017:  
**500**  
million

New Projection on savings flowing to our bottom-line by 2017:  
**800**  
million

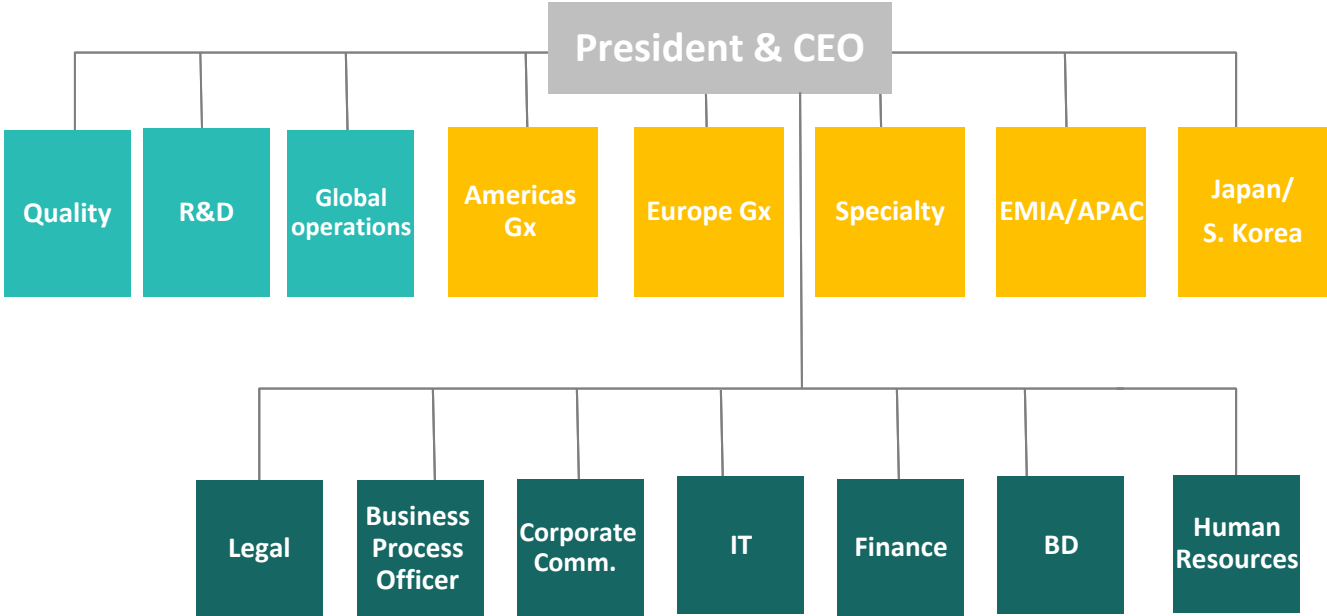
- Expect to save \$1 billion in gross expenses by EOY; \$2 billion by 2017
- By the end of Q2, we have saved (gross) approximately \$0.5 billion
- Additional savings flowing to our bottom-line are expected to come from increased efficiency and more focused reinvestment



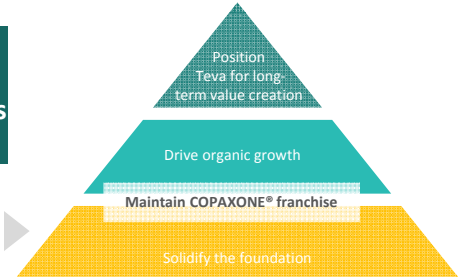


# Restructuring our organization

## Previous Structure



- Markets / Businesses
- Core Processes
- Enabling Processes

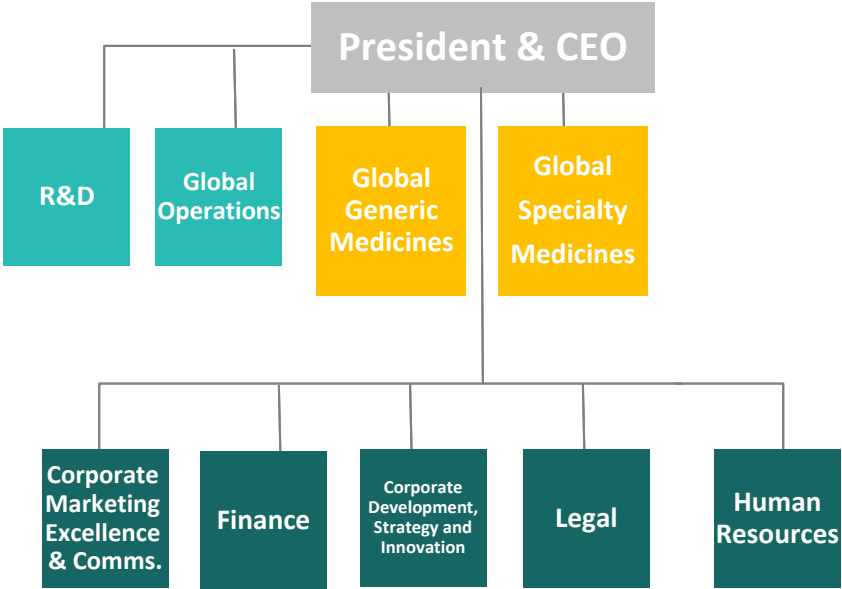




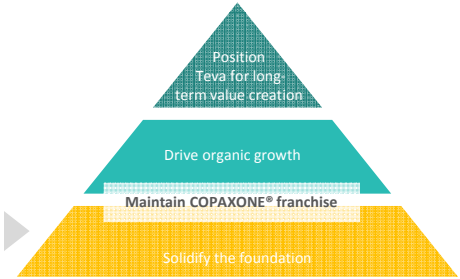


# Restructuring our organization

## New Structure



- Markets / Businesses
- Core Processes
- Enabling Processes



## Strengthening our global leadership in Generics

Creation of Global Generics Medicines Group

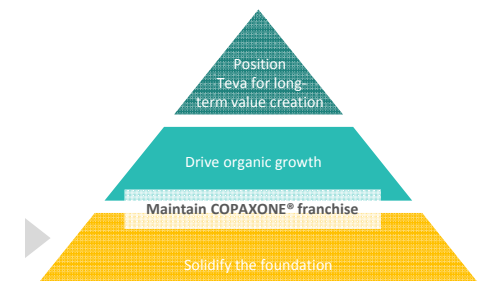
Global integration of businesses expected to improve overall performance and profitability

Appointed Siggí Olafsson President and CEO of Global Generic Medicines Group

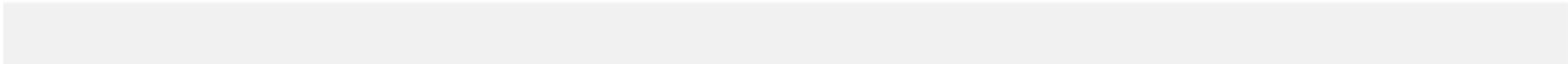
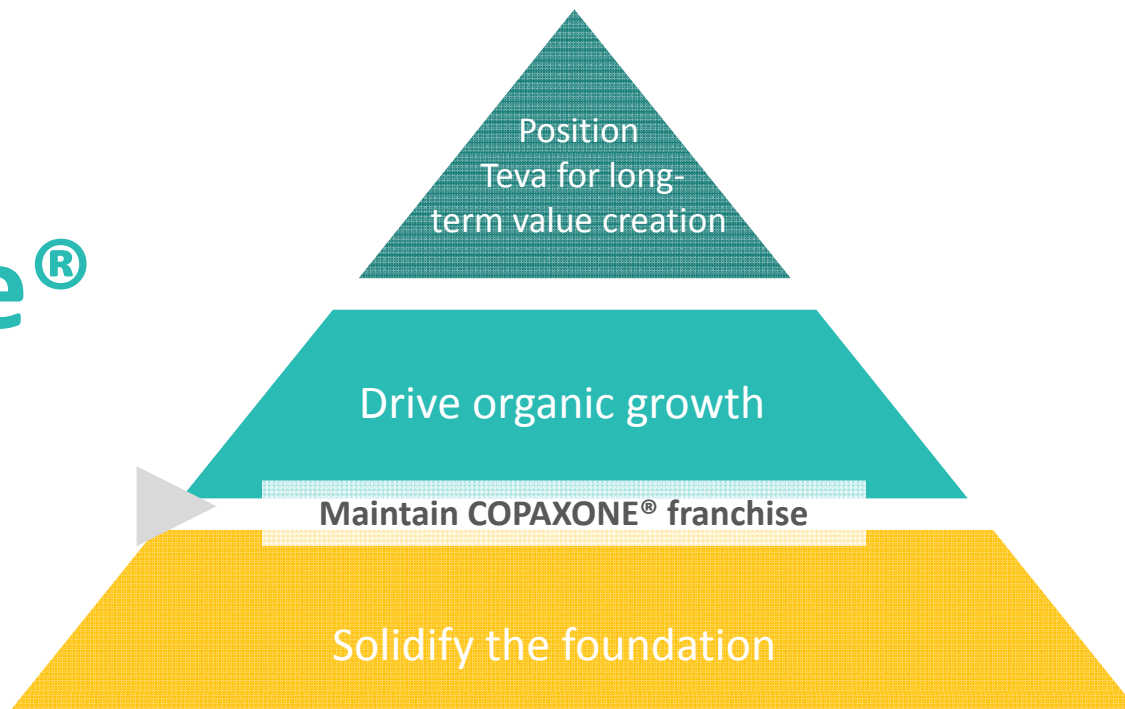
- Rich experience in the pharmaceutical industry
- Regaining focus and leadership in our generics business



**Siggí Olafsson**  
President and CEO of  
Global Generic Medicines



# Maintain Copaxone<sup>®</sup> franchise

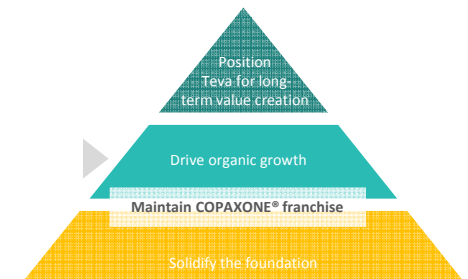


Copaxone<sup>®</sup> TRx & NRx leading global MS market share

Copaxone<sup>®</sup> 40mg has exceeded our goals and expectations\*:

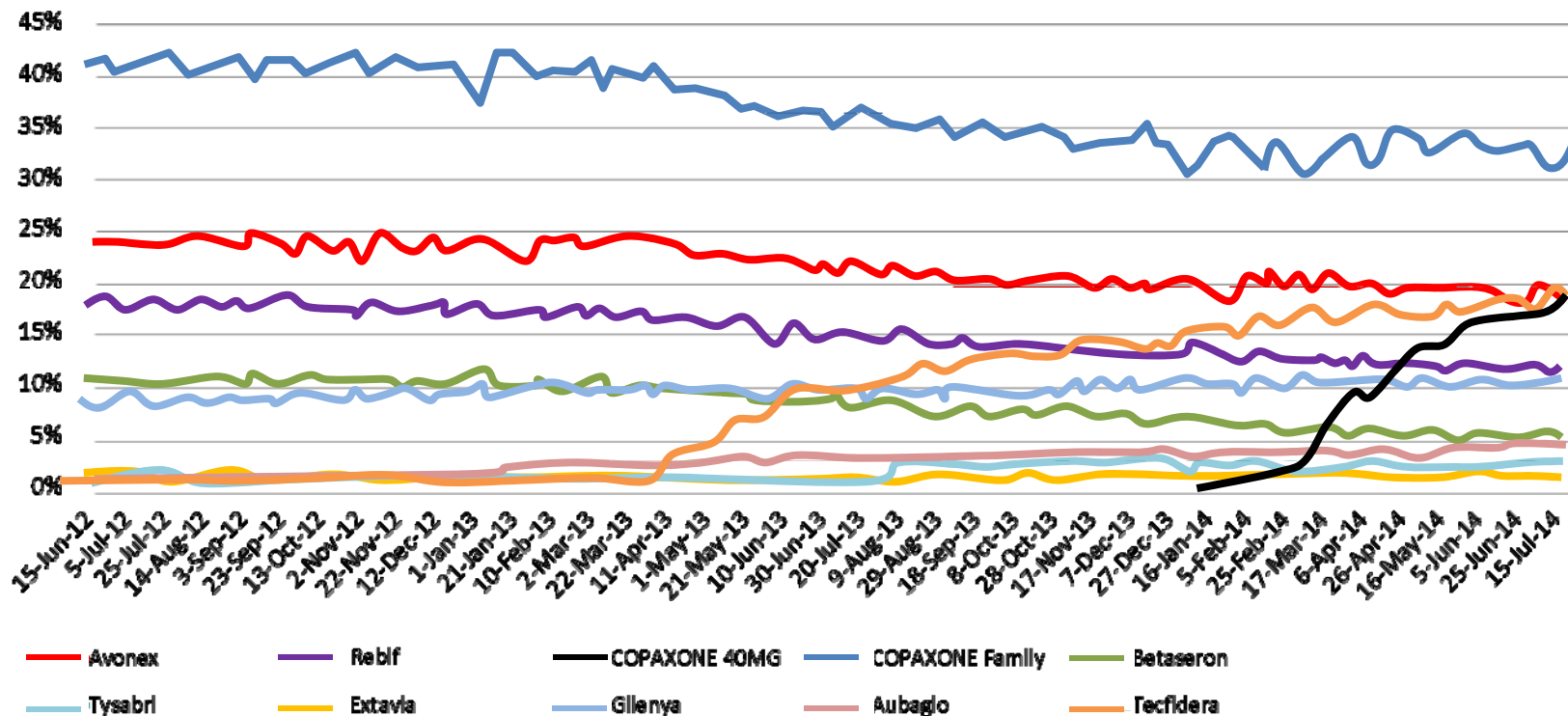
- TRx conversion rate at **51%**; NRx conversion rate at **52%**
- Copaxone<sup>®</sup> 40mg TRx share of the U.S. MS market is **16.9%**
- Copaxone<sup>®</sup> Family U.S. TRx trends **stabilizing** post 40mg launch
- Copaxone<sup>®</sup> still outsells the #2 RRMS therapy **2 to 1** in the U.S.

Q2 net revenues trends in the U.S.



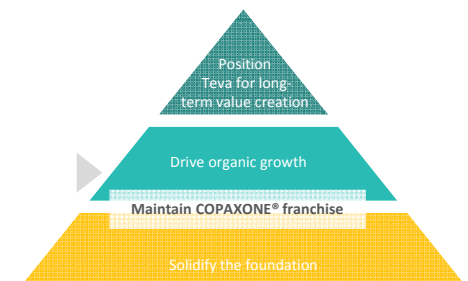
\* As of July 18th, 2014; Patient numbers are estimate only

## Weekly Total Rx Market Share



## The Legal Front

- Supreme Court hearing scheduled for Oct 15, 2014. Decision expected later this year or early next year
- Amicus briefs filed to date strongly support our view that deference to the district court is the proper standard
- Any generic launch at risk could result in treble damages, potentially in the billions
- Favorable decision by the Indian court in our appeal against Natco. Preliminary Injunction hearing Aug 6-7, 2014



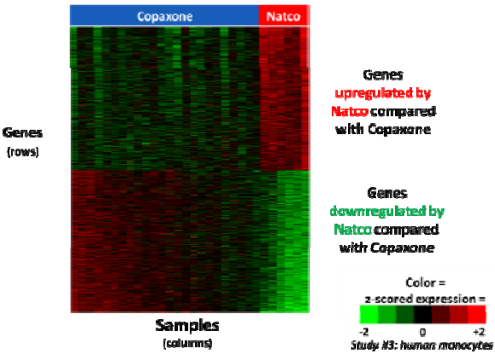


# The Regulatory Front

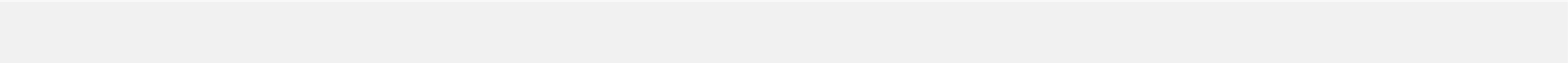
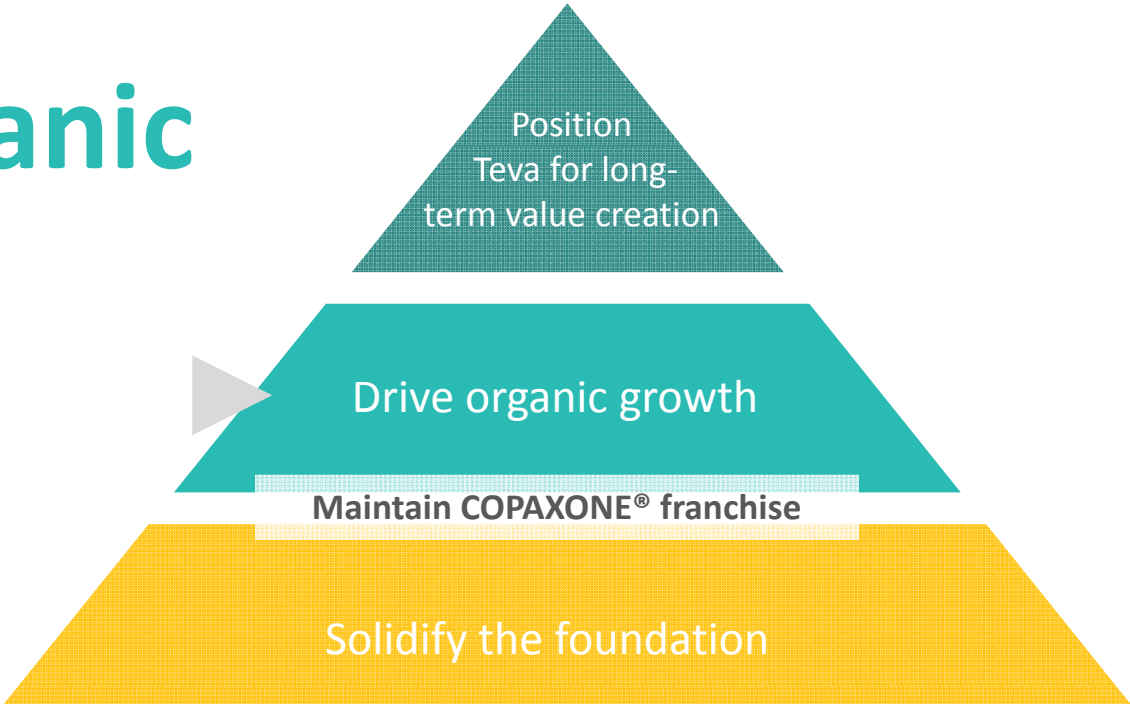
Citizen Petition filed with the FDA on July 7, 2014. Provides new gene expression data

Implications of gene expression findings:

- Gene expression data **underscores** the very complex mechanism of action of Copaxone®
- **Key differences** between Copaxone® and purported generics are **undetectable** by characterization methods that only measure a few proteins
- Purported generics with **significantly altered gene expression profiles** affecting key immunological pathways **cannot be assumed** to have the same efficacy and safety properties as Copaxone®
- The gene expression properties presented raise concern that purported generic products **may not be clinically and biologically equivalent to Copaxone®**



# Drive organic Growth

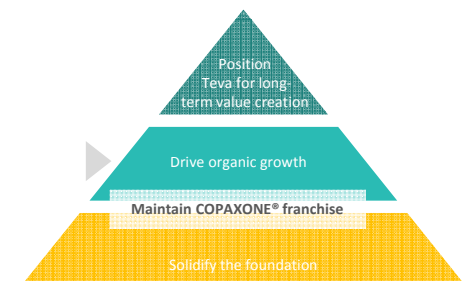




## Drive Organic Growth in **Generics**

- Focus on patent challenges - both in U.S. and International markets
- Capture pricing opportunities
- Strong focus on product selection, pipeline and profitability
- Enhance our capabilities in complex generics and bio-similars
- Penetrate emerging markets

**Solid performance** of our Gx business in Q2 14 with global revenues up 5%, U.S. revenues up 10% and global profit up 41% YOY



## Drive organic growth in Specialty

35

- Rigorously defend all potential LOEs
- Successfully execute all our near-term launches
- Deliver on the promise in our pipeline
  - 15 products in Phase 3 through approval
  - 9 products in Phase 2
  - 18 NTEs approved for development
- Focus our therapeutic areas
- Develop our unique patient-centric strategy in selected TAs/diseases

**DuoResp<sup>®</sup>**  
Spiromax<sup>®</sup>  
budesonide/formoterol

**adasuve<sup>®</sup>**  
(loxapine) inhalation powder

**zecuity**

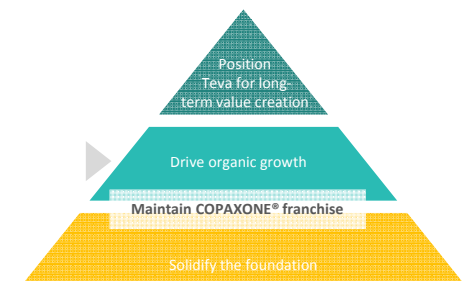
**GRANIX<sup>™</sup>**  
(TBO-FILGRASTIM)  
Injection

**LONQUEX**  
lipegfilgrastim

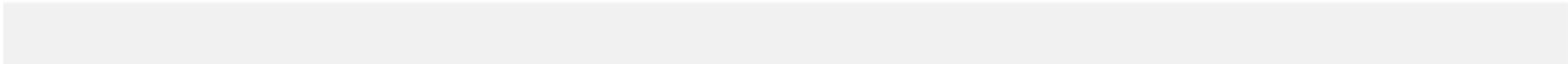
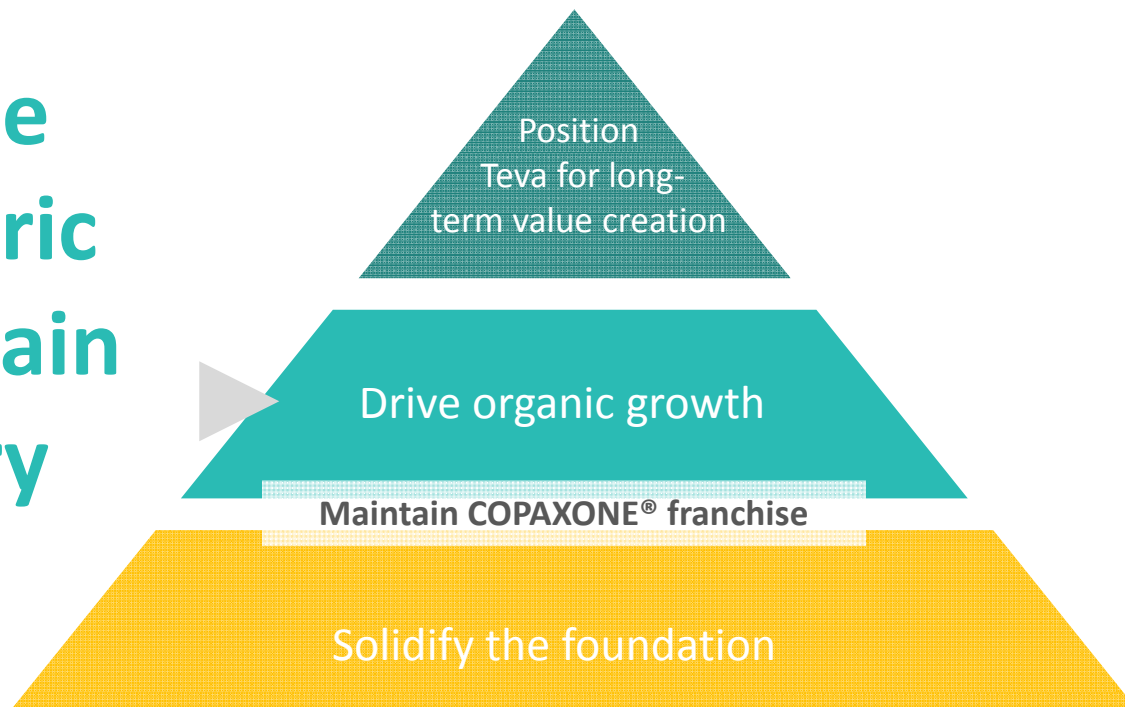
**Vantrela<sup>ER</sup>**

**COPAXONE**  
(glatiramer acetate injection)

**PlanB**  
One-Step<sup>®</sup>  
levonorgestrel

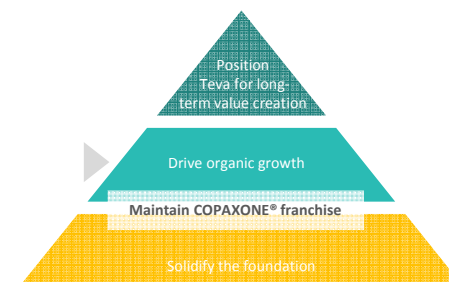


# Teva's Unique Patient-Centric Strategy in Pain & Respiratory



# Our Goal: Become a Global Leader in Pain by 2020

	2014	→	2020
# of approved products	4	→	10+
Estimated annual net sales	\$0.5B	→	\$2B+
Geographic scope	US	→	Global
Position in global market	9	→	Top 3



# We are Uniquely Positioned to Succeed in Pain Care

## Why Pain Care?

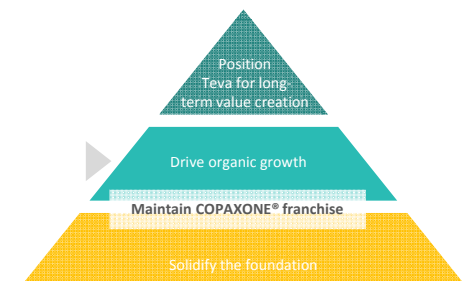
- #1 reason for loss of health globally
- Strong projected global market growth by 2020
- Significant unmet medical needs
- Combination of reformulations, new mechanisms of action and technology

## Why Teva?

- Existing integrated capabilities and portfolio of assets
- Unique Abuse Deterrent Technology & Gx Formulation Expertise
- Industry leading patient services and specialty distribution channel

## How will we Succeed?

- Combine generic and specialty capabilities
- Innovate to create unique solutions to address patient unmet needs in all pain segments
- Develop or acquire truly differentiated pain medicines (e.g., Labrys)



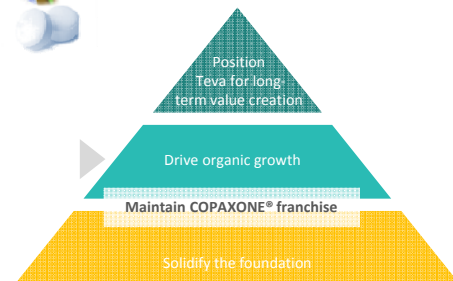
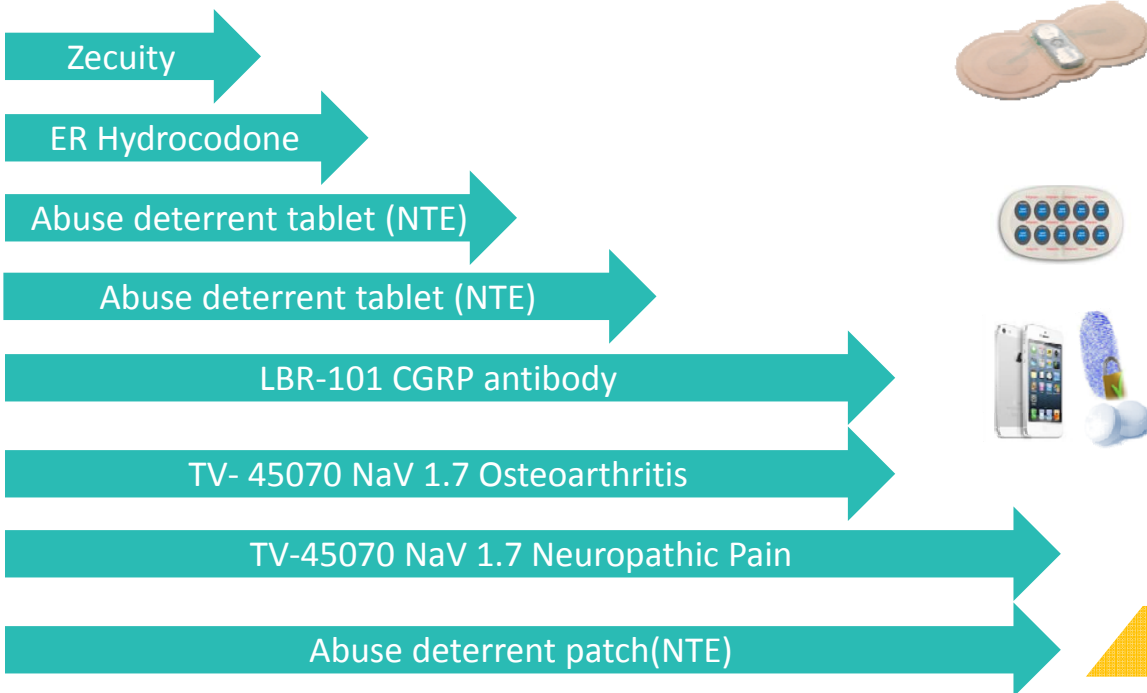
# Strong Patient-Centric Pipeline to Support Growth

In line brands generating \$470m net sales in over 30 countries (2014E)

#1 or #2 in market



2014 2015 2016 2017 2018 2019 2020



## Our Vision:

Become one of the top three global players by providing **unique fully-integrated products and solutions** of superior quality and value that improve the everyday lives of patients

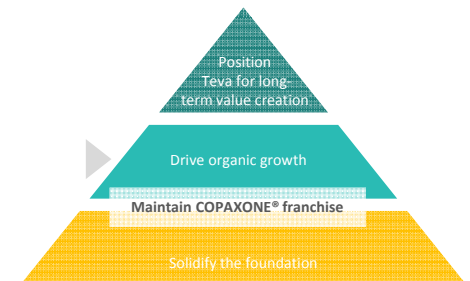
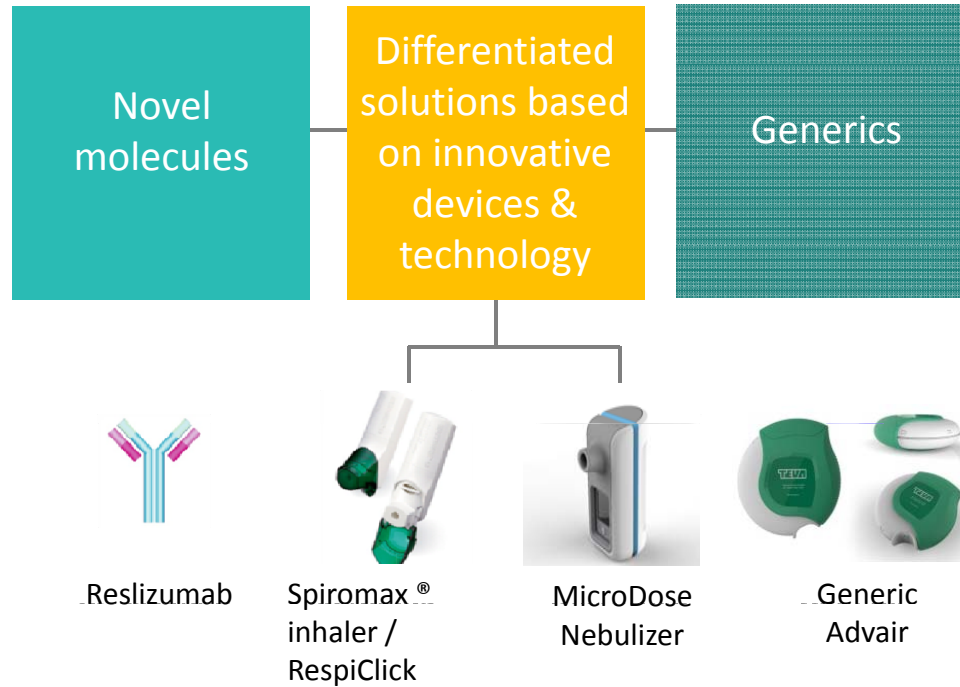
Teva is currently the 5th largest respiratory player globally

A broad-based R&D strategy in diseases, drug classes, devices and technology

One of the strongest pipelines in the industry



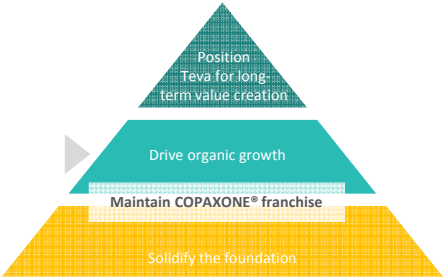
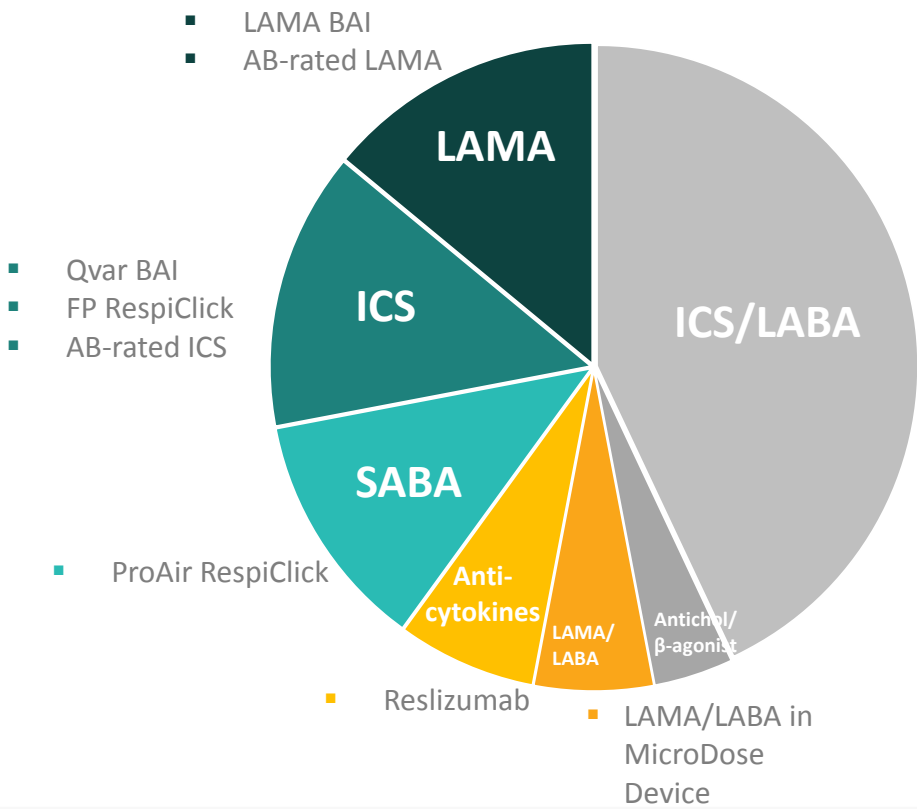
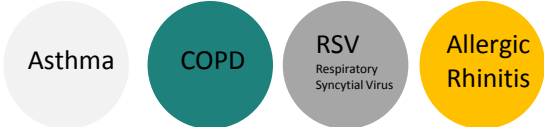
# Multiple Approaches to Address Unmet Patient Needs







# Developing Products in all Major Categories & Diseases



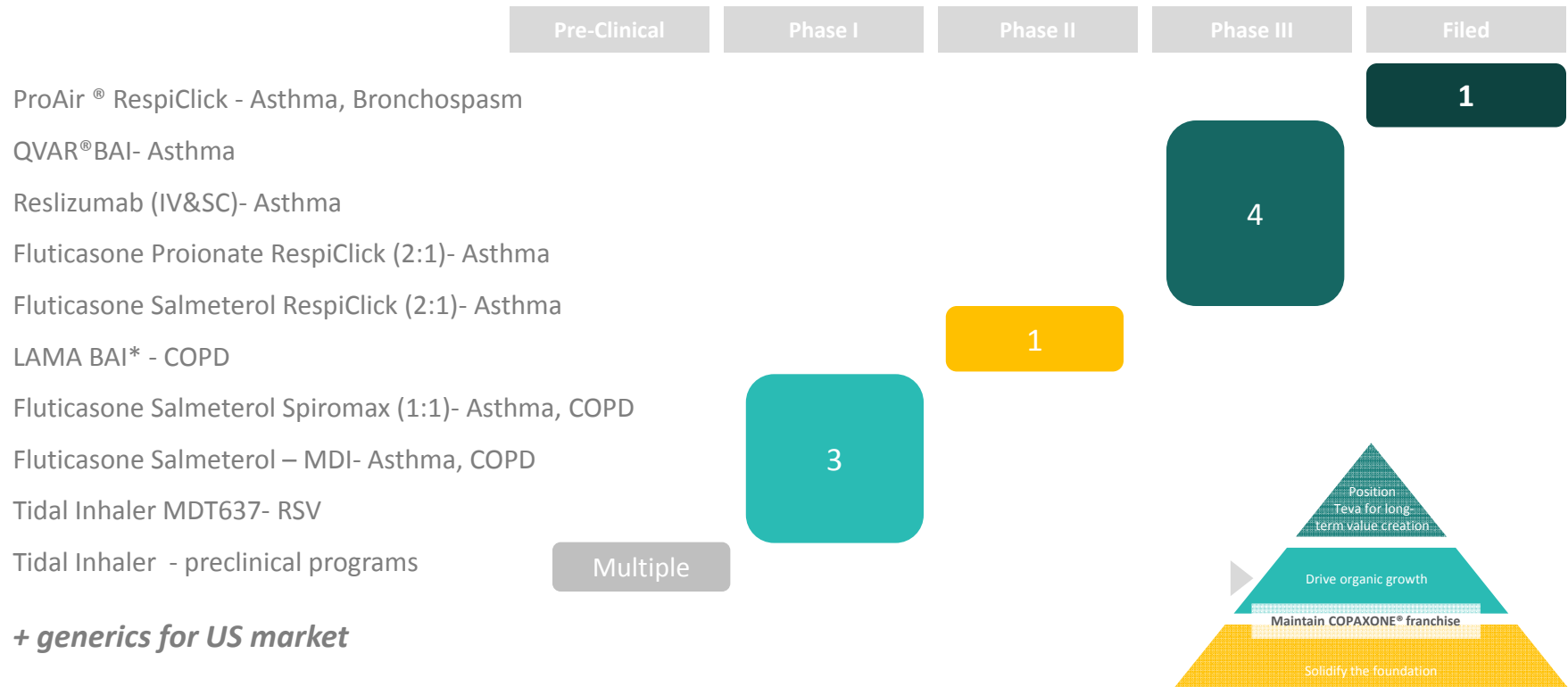
ICS - inhaled corticosteroids; LABA - long-acting beta agonists; SABA - short-acting beta agonists; LAMA - long-acting muscarinic antagonist



# From a \$1B to \$2.5B Franchise by 2019

Rich Pipeline Driving Growth- 15 Submissions Planned by 2019

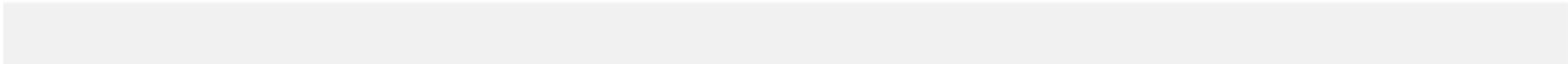
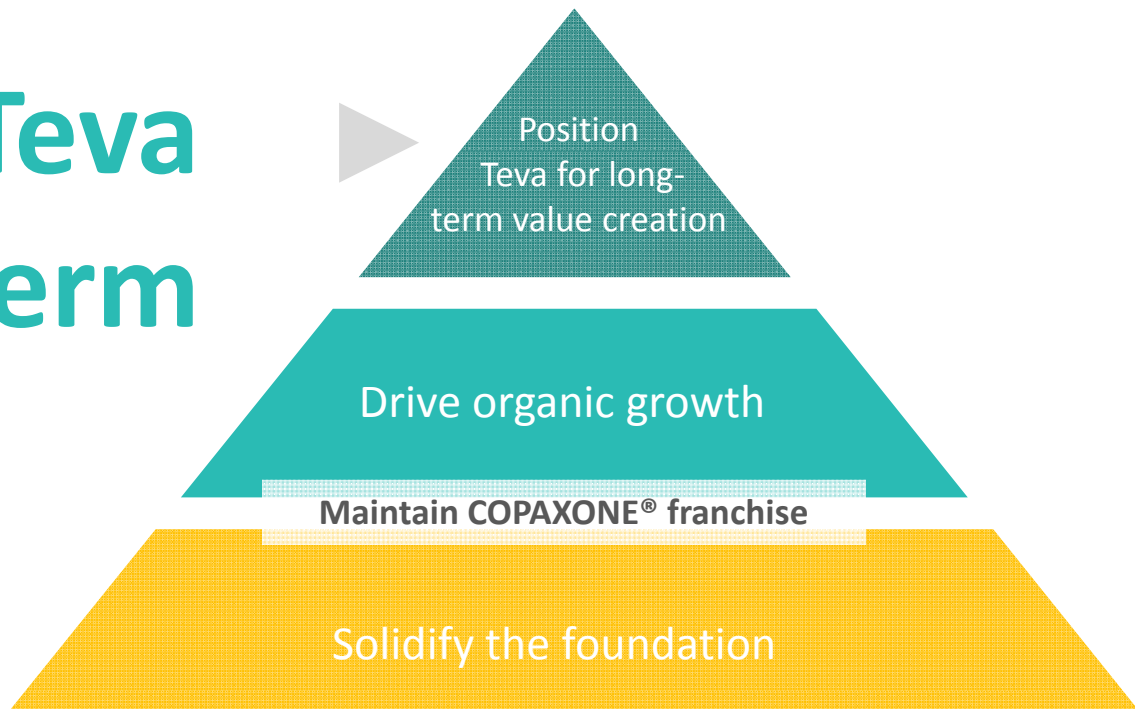
43



**\*\*BAI : breath actuated Inhaler – designed as simple and intuitive device based on MDI**

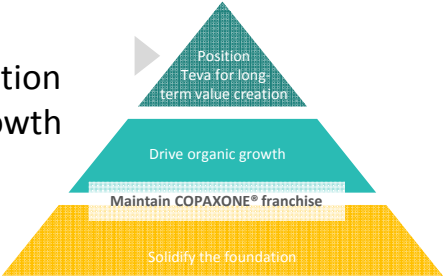
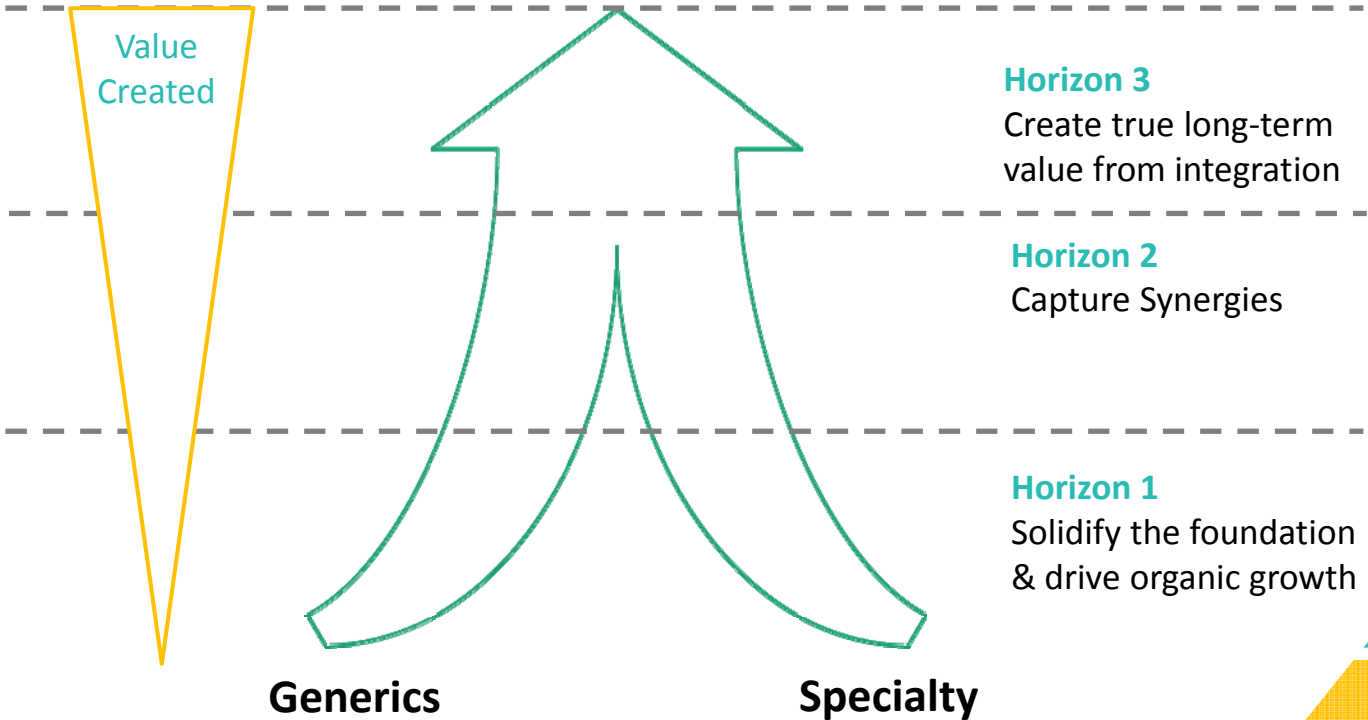


# Position Teva for long term Value Creation





# Transform our Business Model



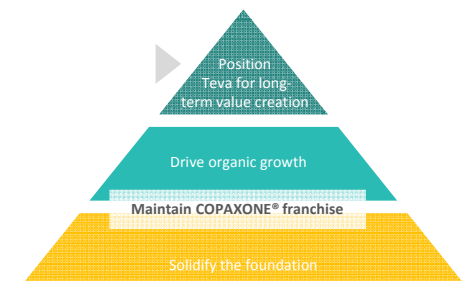


## Role of M&A

	Generics	Specialty
Portfolio and pipeline assets (e.g., Labrys)	✓	✓
Technologies	✓	✓
Geographic expansion (particularly in emerging markets)	✓	
Potentially larger acquisition	✓	✓

### Criteria

- Accretive to non-GAAP earnings
- ROI friendly
- Overall strategic fit
- Create medium and long-term value for share holders



TEVA

Q&A