First Quarter Results 2014

May 1
2014

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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.

Opening Remarks

Erez Vigodman
President & Chief Executive Officer

Review of first quarter 2014 results

Eyal Desheh
Chief Financial Officer

Q1/2014 – Solid results

	Q1/14*	Q1/13*	Change
Revenues $m	5,001	4,901	+2%
Operating income $m	1,365	1,250	+9%
Net income $m	1,038	960	+8%
EPS $	1.22	1.12	+9%
Cash flow from operations** $m	1,128	1,102	+2%

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

** Excludes legal settlements ($230M)

FY outlook for 2014 reaffirmed

Outlook unchanged. Two possible scenarios regarding generic competition to COPAXONE® in the U.S. are maintained:

- The "Generic COPAXONE®" scenario assumes the launch of at least two AP-rated generic competitors to COPAXONE® in the U.S. on June 1, 2014; and
- The "Exclusive COPAXONE®" scenario assumes no generic competition to COPAXONE® in the U.S. during 2014.

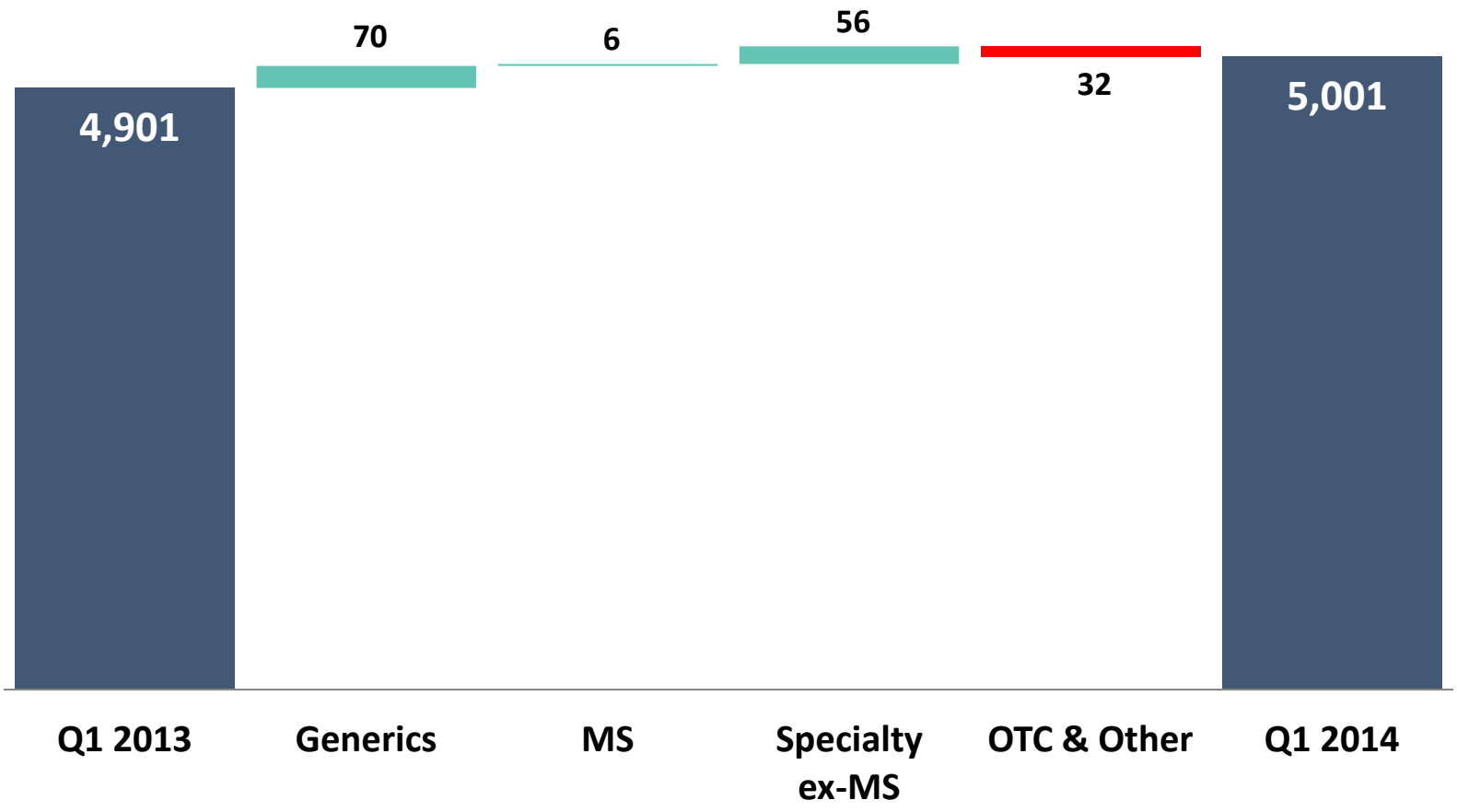
We are carefully monitoring COPAXONE® 40mg uptake and erosion from oral therapies.

	Generic COPAXONE®	Exclusive COPAXONE®
Net Revenues ($ B)	19.3-20.3	19.8-20.8
GP (%)	57%-59%	58%-60%
R&D ($ B)	1.3-1.45	1.3-1.45
S&M ($ B)	4.0-4.1	4.0-4.1
G&A ($ B)	1.2	1.2
OP ($ B)	4.8-5.1	5.35-5.65
Finance Expenses ($ M)	310-350	310-350
Tax (%)	20%-21%	19%-20%
Number of Shares (M)	840-850	840-850
EPS ($)	**4.20-4.50**	**4.80-5.10**
Cash Flow from Operations ($B)	2.7	3.0

Figures for cash flow from operations are after deduction of payments of approximately $2B in 2014 for legal settlements and payments related to our cost reduction program.

Revenues bridging

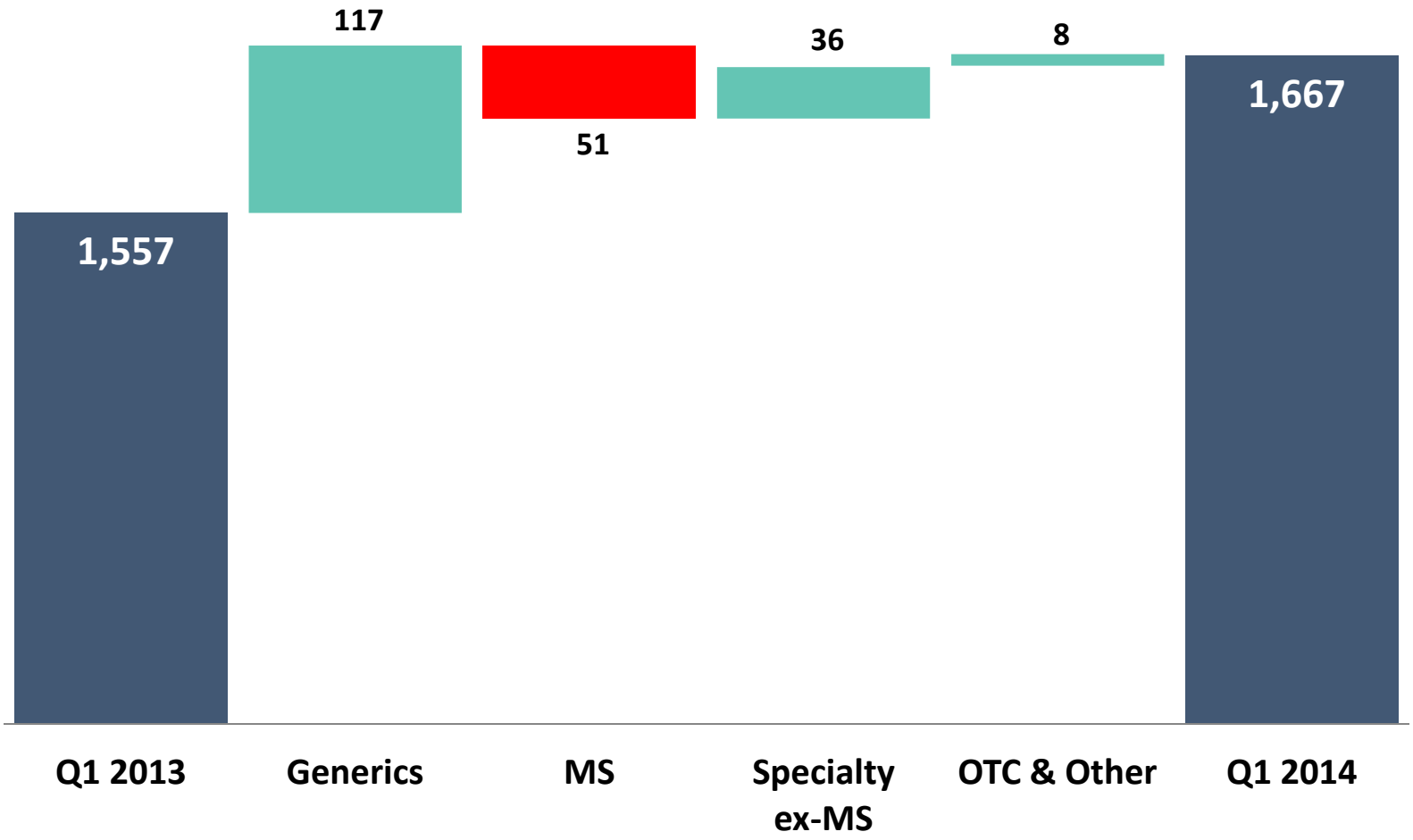
$ million



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

Profitability* bridging

$ 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.

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Q1/2014 – Non-GAAP income data

$ million
Except EPS

	Q1 2014	Q1 2013	Change vs. Q1 2013
Revenues	**5,001**	**4,901**	**2%**
COGS	2,014	2,030	**-1%**
Gross Profit	**2,987**	**2,871**	**4%**
R&D	353	329	**7%**
S&M	967	985	**-2%**
G&A	302	307	**-2%**
Operating Income	**1,365**	**1,250**	**9%**
Finance exp.	84	81	**4%**
Tax	239	193	**24%**
Net Income	**1,038**	**960**	**8%**
# of Shares (diluted, millions)	852	856	
EPS ($)	**1.22**	**1.12**	**9%**
Gross Margin	**59.7%**	**58.6%**	
R&D %	**7.1%**	**6.7%**	
S&M %	**19.3%**	**20.1%**	
G&A %	**6.0%**	**6.3%**	
Operating Margin	**27.3%**	**25.5%**	
Net Margin	**20.8%**	**19.6%**	
Tax Rate	**18.7%**	**16.5%**	

Q1/14 – Non-GAAP reconciliation

$ million
Except EPS

	Q1-14	Q1-13
non-GAAP EPS ($)	**1.22**	**1.12**
non-GAAP net income	**1,038**	**960**
Amortization	285	279
Restructuring, impairment and other expenses	61	58
Legal settlement and reserve	29	27
Regulatory actions	18	12
Financial expense	-3	94
Corresponding tax benefit	-96	-140
Total	**294**	**330**
GAAP net income	**744**	**630**
GAAP EPS ($)	**0.87**	**0.74**

Q1/2014 – GAAP income statement

$ million
Except EPS

	Q1-14	Q1-13	Diff vs. Q1-13
Revenues	**5,001**	**4,901**	2%
COGS	2,304	2,311	--
Gross Profit	**2,697**	**2,590**	4%
R&D	353	329	7%
S&M	984	995	-1%
G&A	302	307	-2%
Restructuring, legal settlement, acquisition and impairment	86	85	1%
Operating Profit	**972**	**874**	11%
Finance expenses	81	175	-54%
Tax	143	53	170%
Net Income	**744**	**630**	18%
# of Shares (diluted, millions)	852	856	
EPS ($)	**0.87**	**0.74**	18%

Q1/2014 – Foreign exchange (Fx) effects

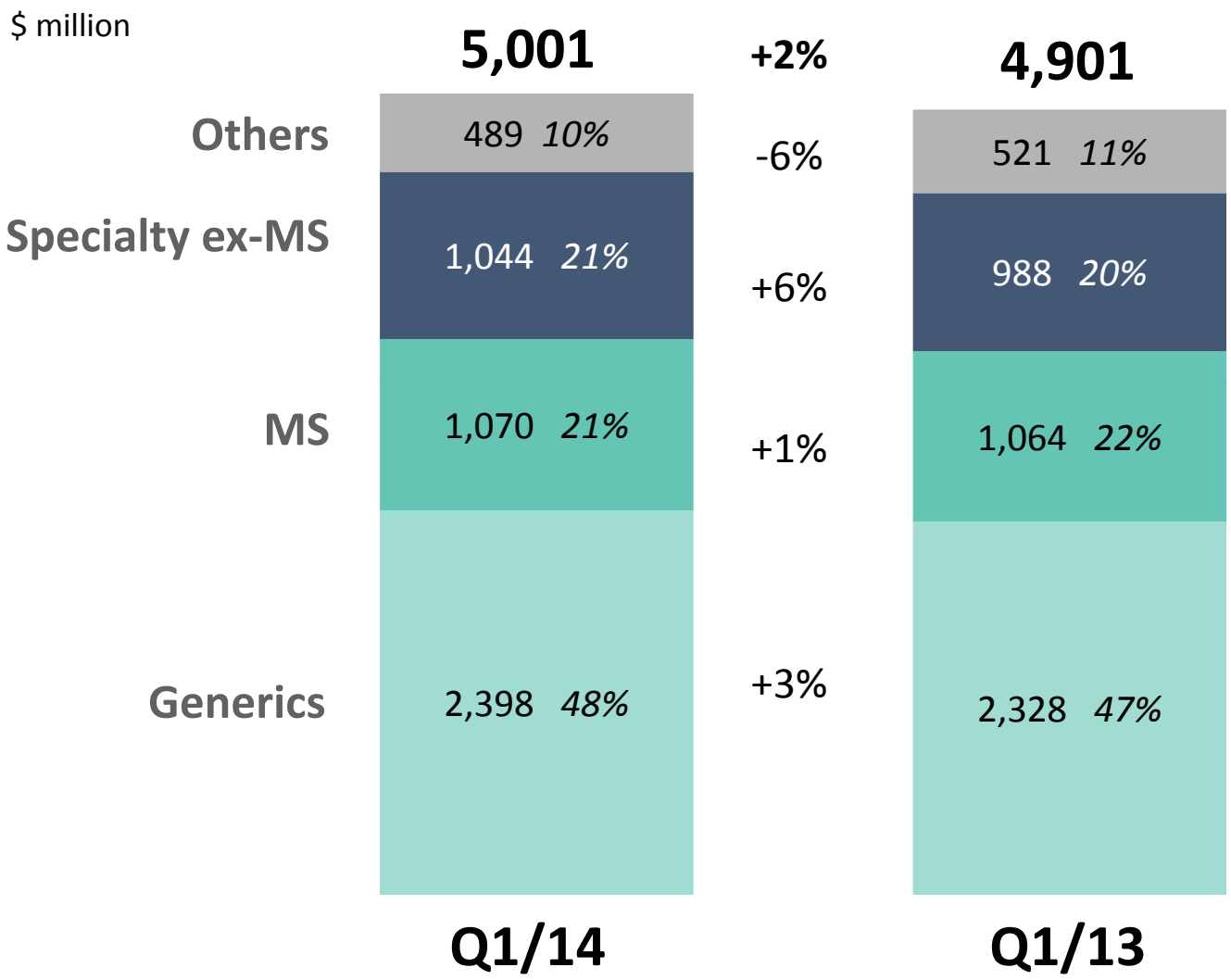
	Q1/14	Q1/13	Change ($M)	Fx Effect ($M)	Real Change
Revenues $M	5,001	4,901	100	-30	130 +3%
Operating income* $M	1,365	1,250	115	-27	142 +11%

Most significant foreign exchange effect on revenues:
Russia, Latin America, Japan, Canada and Europe

Most significant effect on operating income:
Russian ruble and Israel shekel

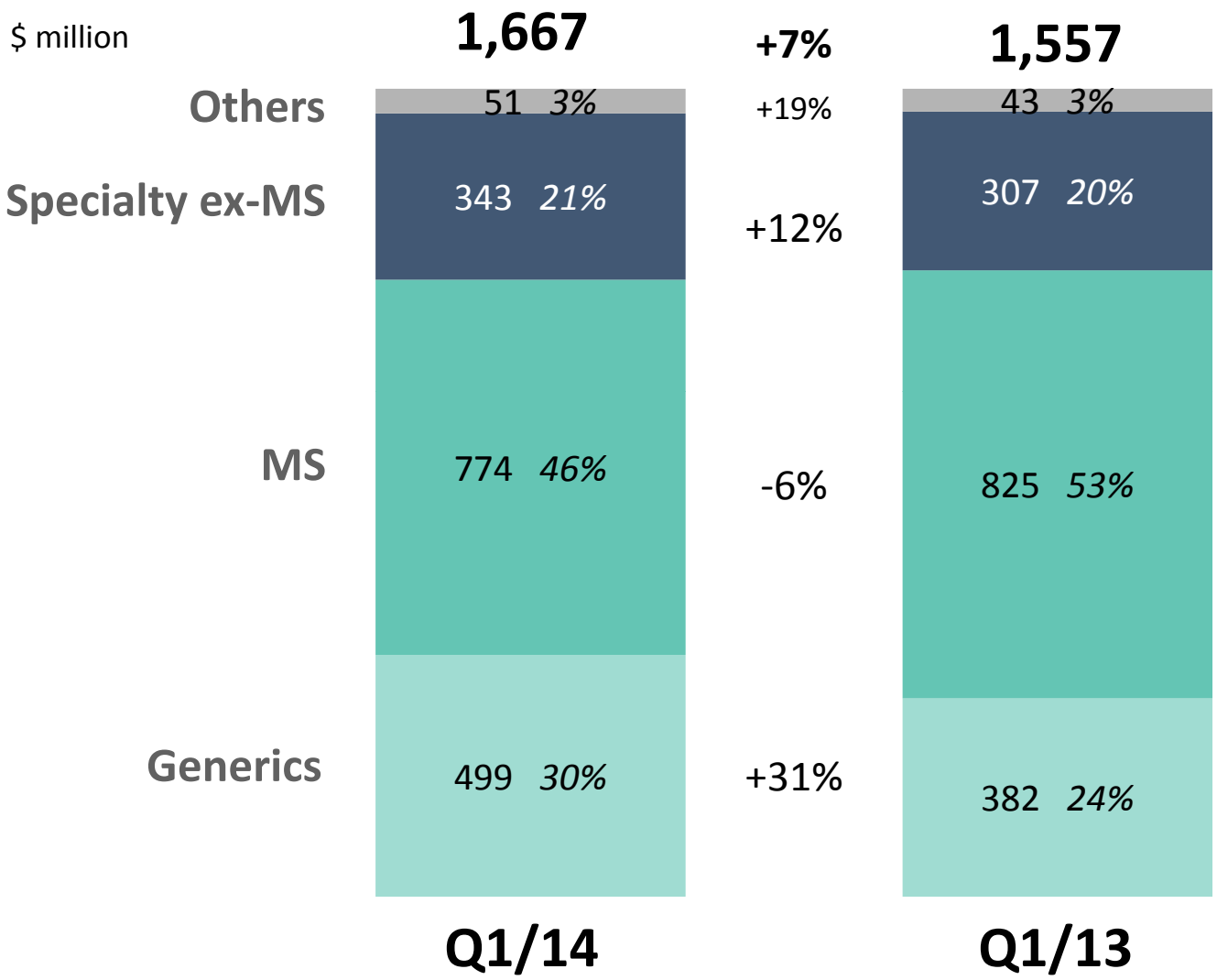
* non GAAP

Revenues breakdown by segment



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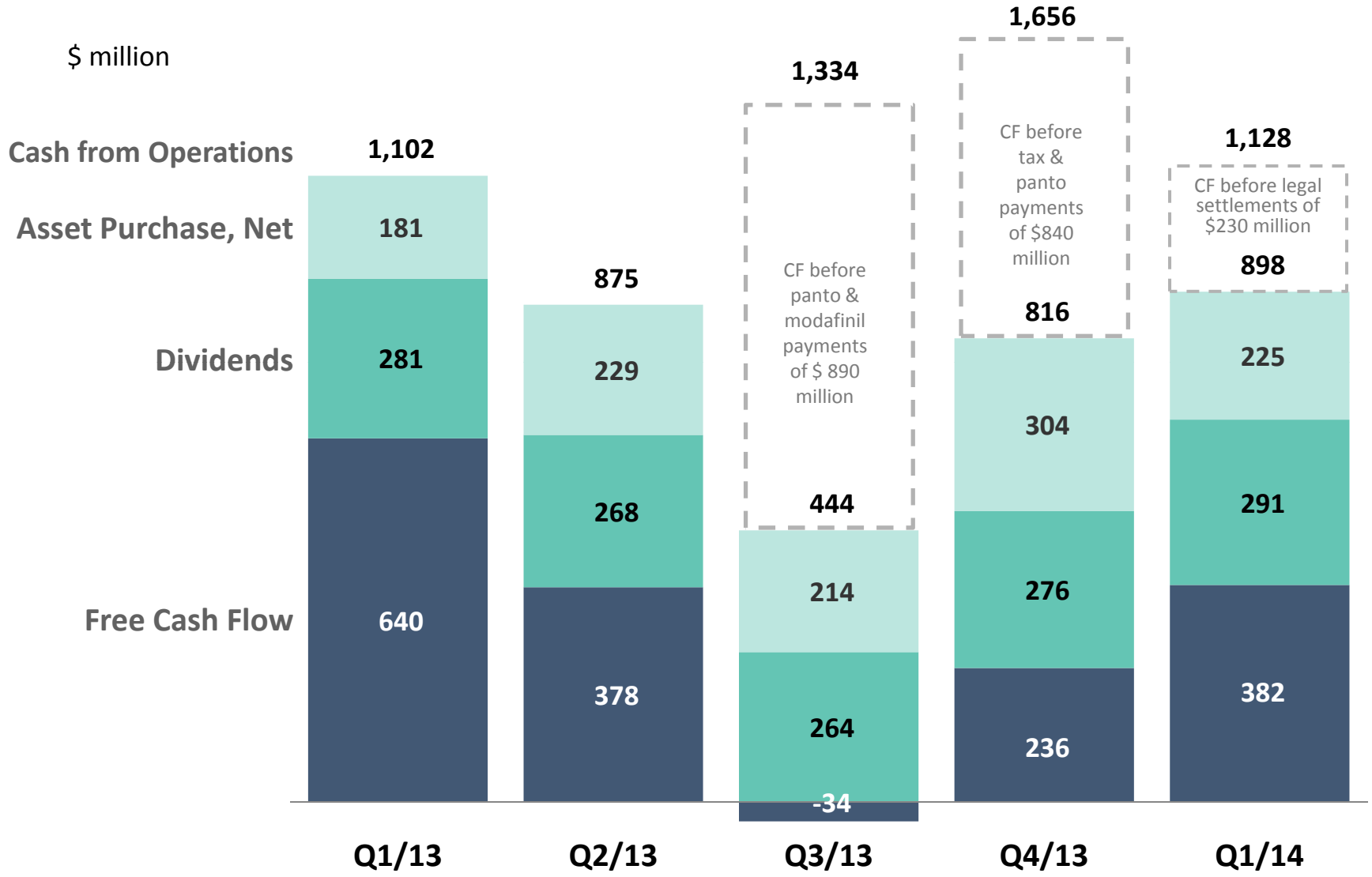
Profitability* breakdown by segment



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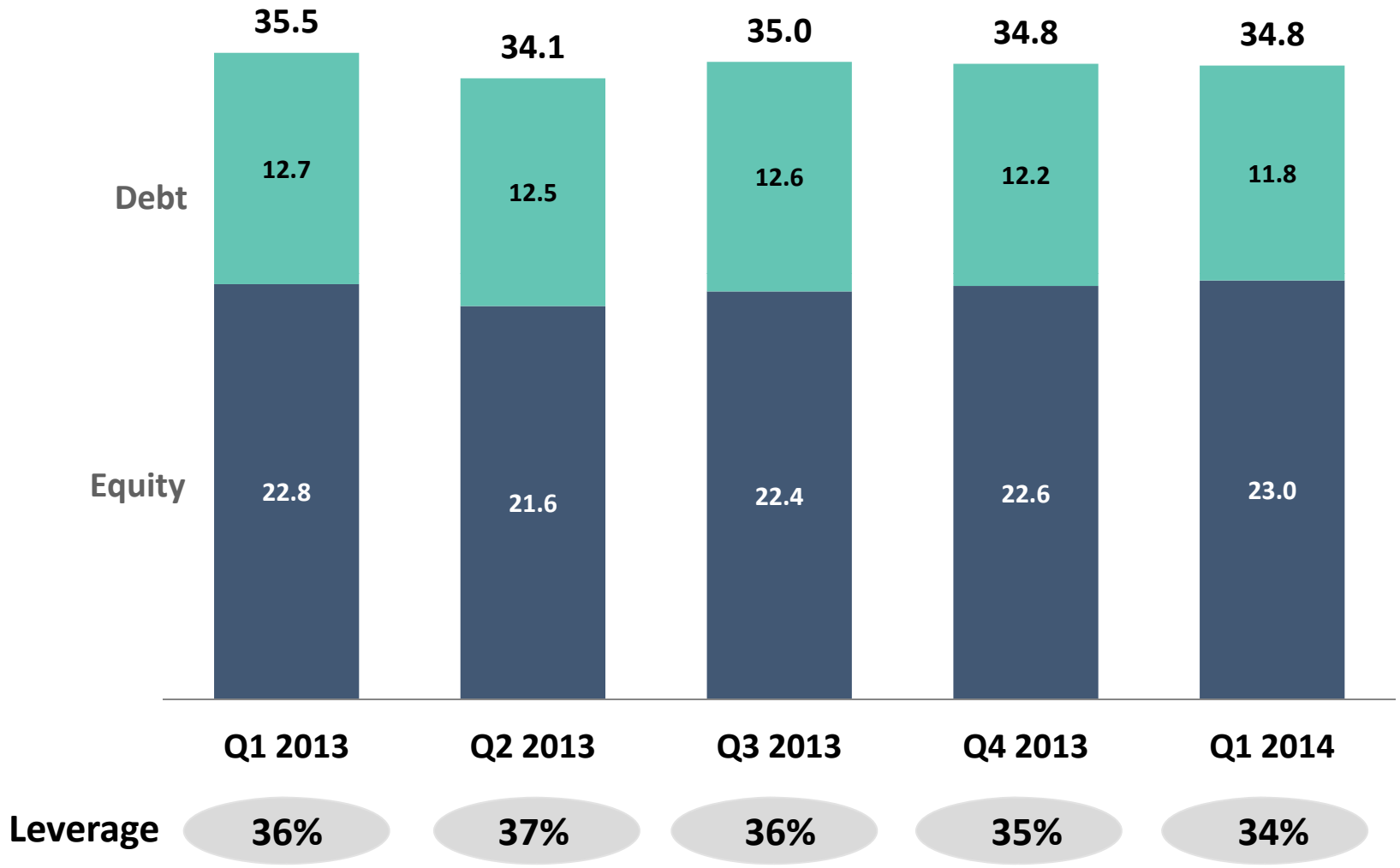
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Cash flow trends

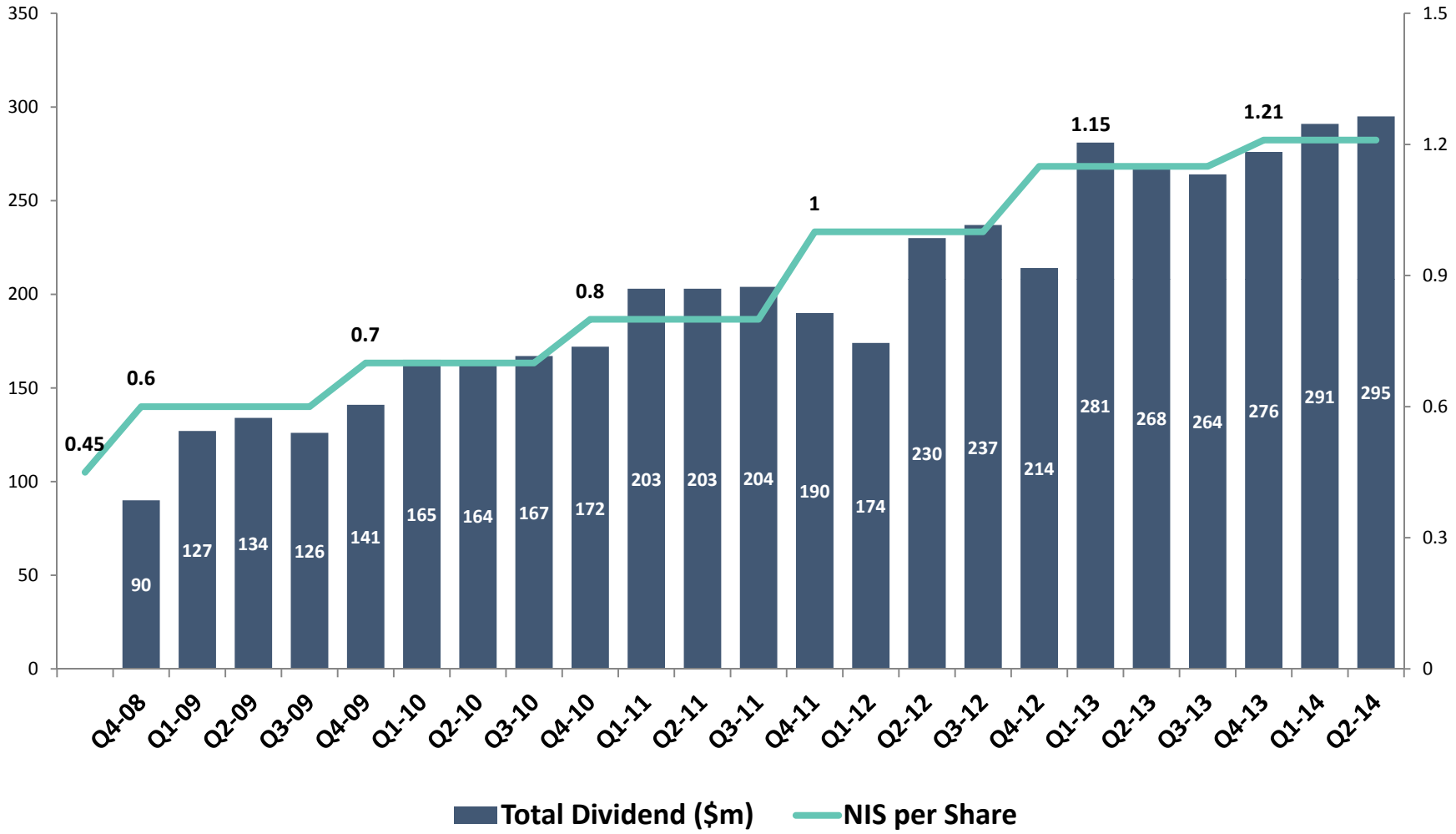


Improved financial leverage

$ billion



Teva's dividend history

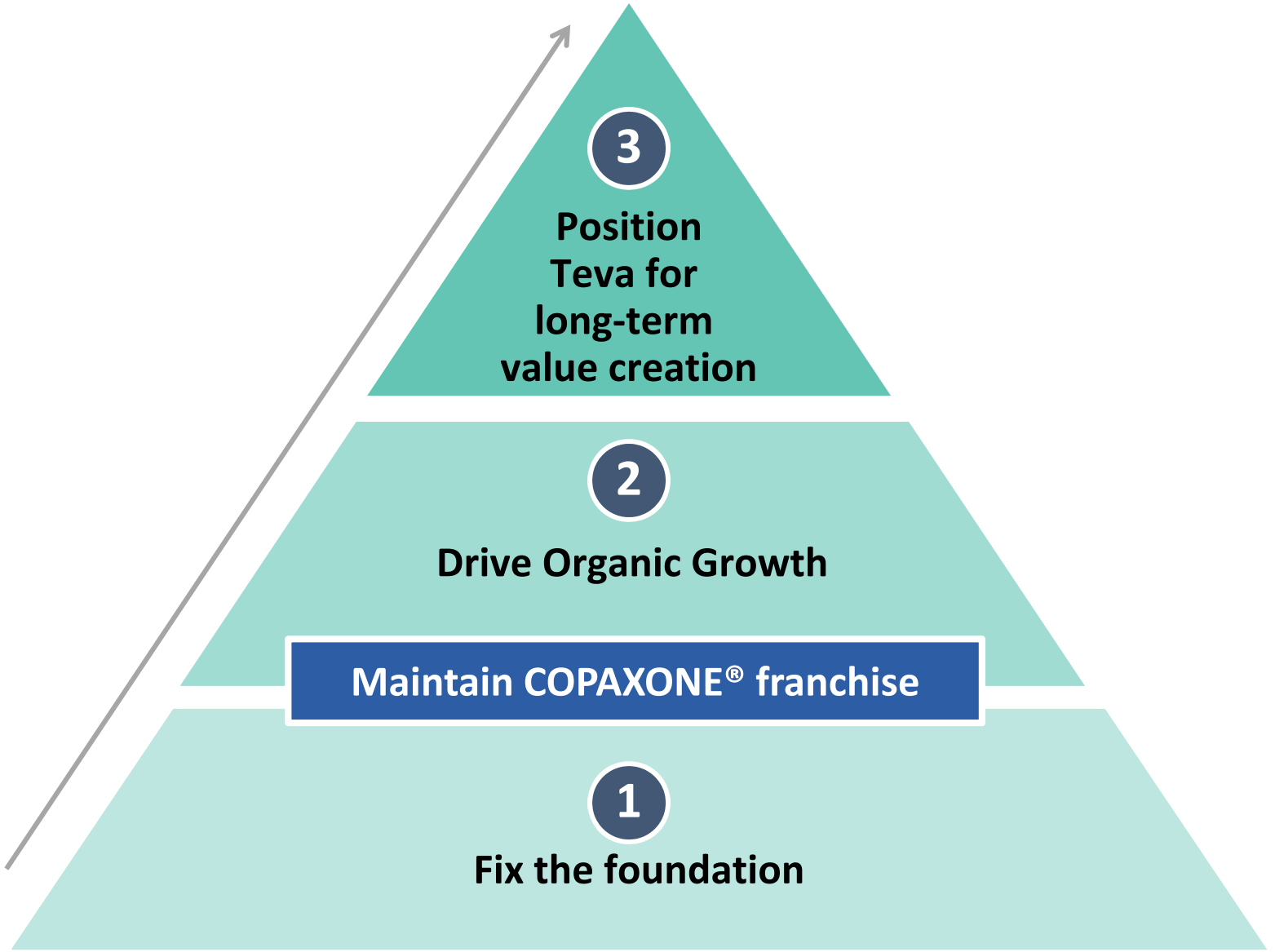


Q22014 payment is an estimate based on current exchange rate and number of shares.

Perspective on the business and immediate priorities

Erez Vigodman
President & Chief Executive Officer

Key focus areas



Fix the foundation of Teva



Deliver on our cost reduction program



Accelerate operational network transformation and integration



Strengthen our global generic leadership while improving profitability

Deliver on our cost reduction program

- We are fully committed and on track to deliver:
  - $1B reduction in gross expenses by end-of-year
    - $600M since 2012
  - $2B reduction in gross expenses by 2017
  - $500M of net savings by 2017

Identifying opportunities to be more ambitious on the net savings and cash flow

Accelerate operational network transformation & integration

Focus on manufacturing network as a source of savings

- Plan to close or divest 11 plants already underway
- 16 additional plants under evaluation
- Reassign significant capacity to low-cost facilities in our network
- Operational Excellence plan also ongoing to dramatically increase competitiveness (cost per thousand) of plants and fully integrate them into the network
- Strategic revamp of Teva API to return to sustainable, solid growth
- Assessing markets and products portfolio profitability

While some of these steps are included in our ongoing cost reduction program, their full impact will be assessed and disclosed later this year

Strengthen global generic leadership

We will regain focus on our generics business.

- Emphasis on:
  - Portfolio selection & management
  - R&D and innovation
  - Markets and products profitability
  - Improving profitability by at least 600 basis points by end-of-year 2017
- Create a leading position in complex generics
- Disciplined investment in biosimilars
- Expand footprint in key emerging markets

There is significant strategic and economic value in global generics leadership

Maintain COPAXONE® franchise

COPAXONE® 40mg offers a unique set of benefits to patients

+

Teva's world-class "Shared Solutions" patient service center, and wide traction achieved with payers (over 90% of commercial lives)

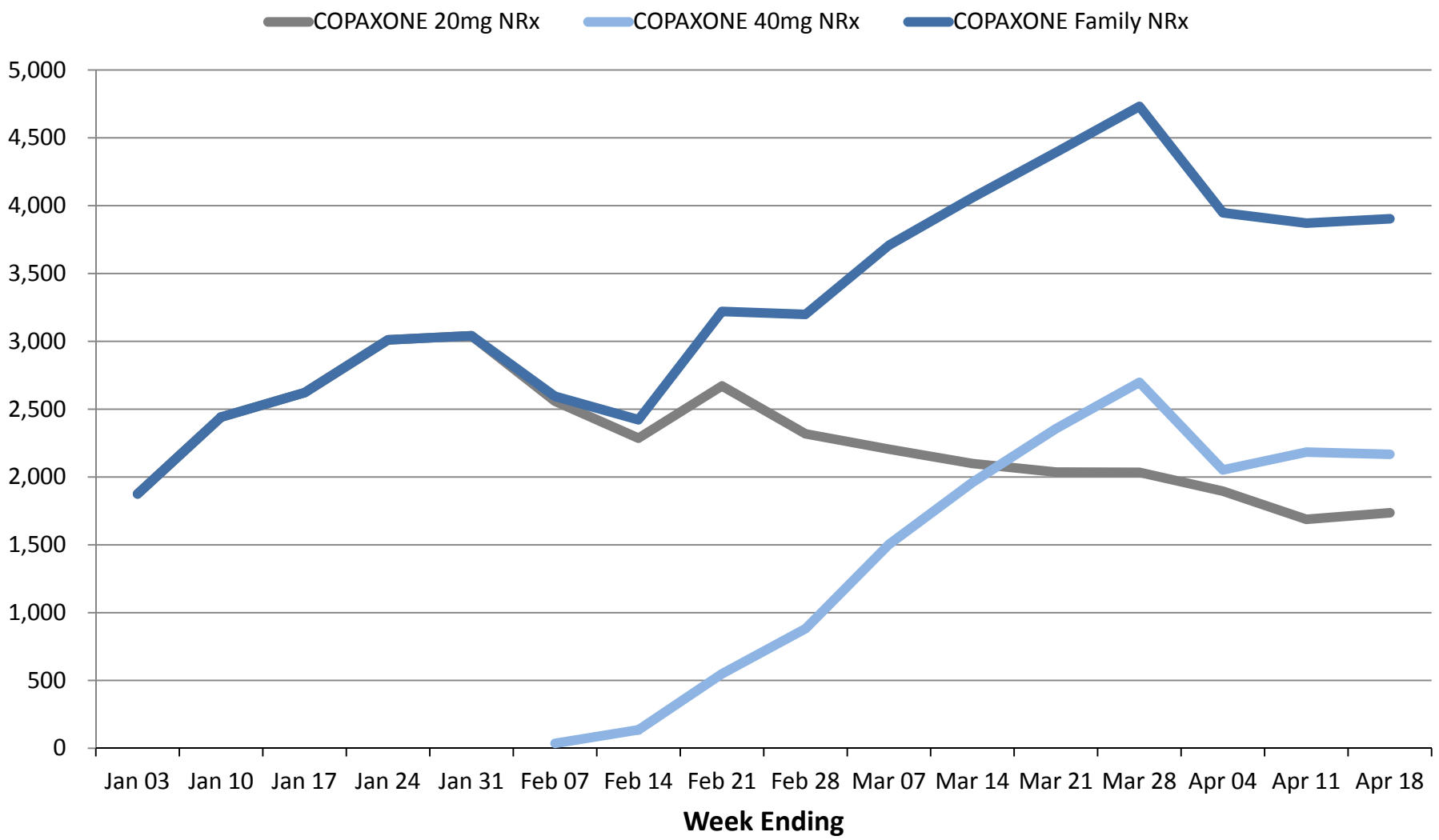
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Rapid uptake since launch of the product in late January 2014

~25,000 patients on COPAXONE® 40mg

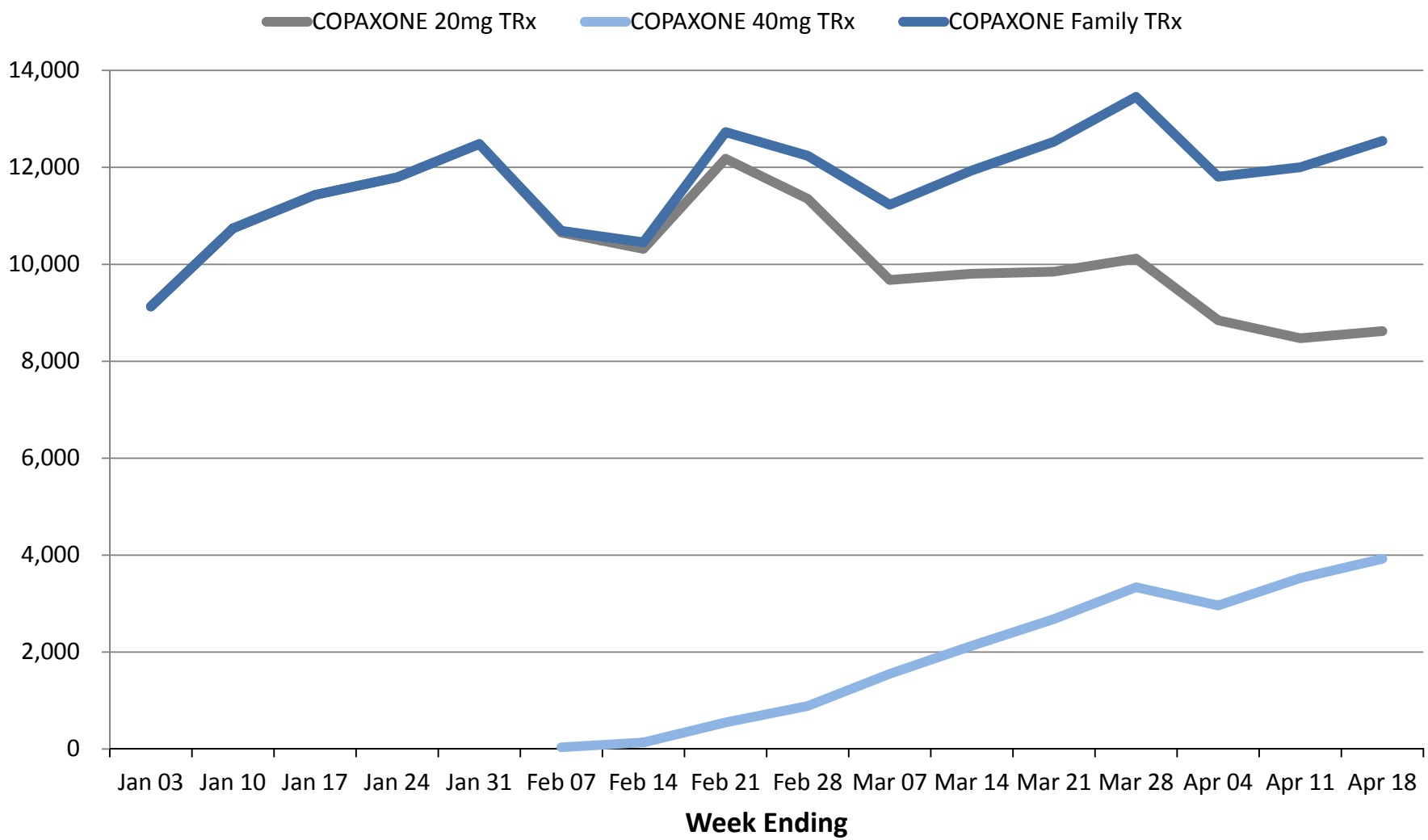
Maintain COPAXONE® franchise

COPAXONE® NRx

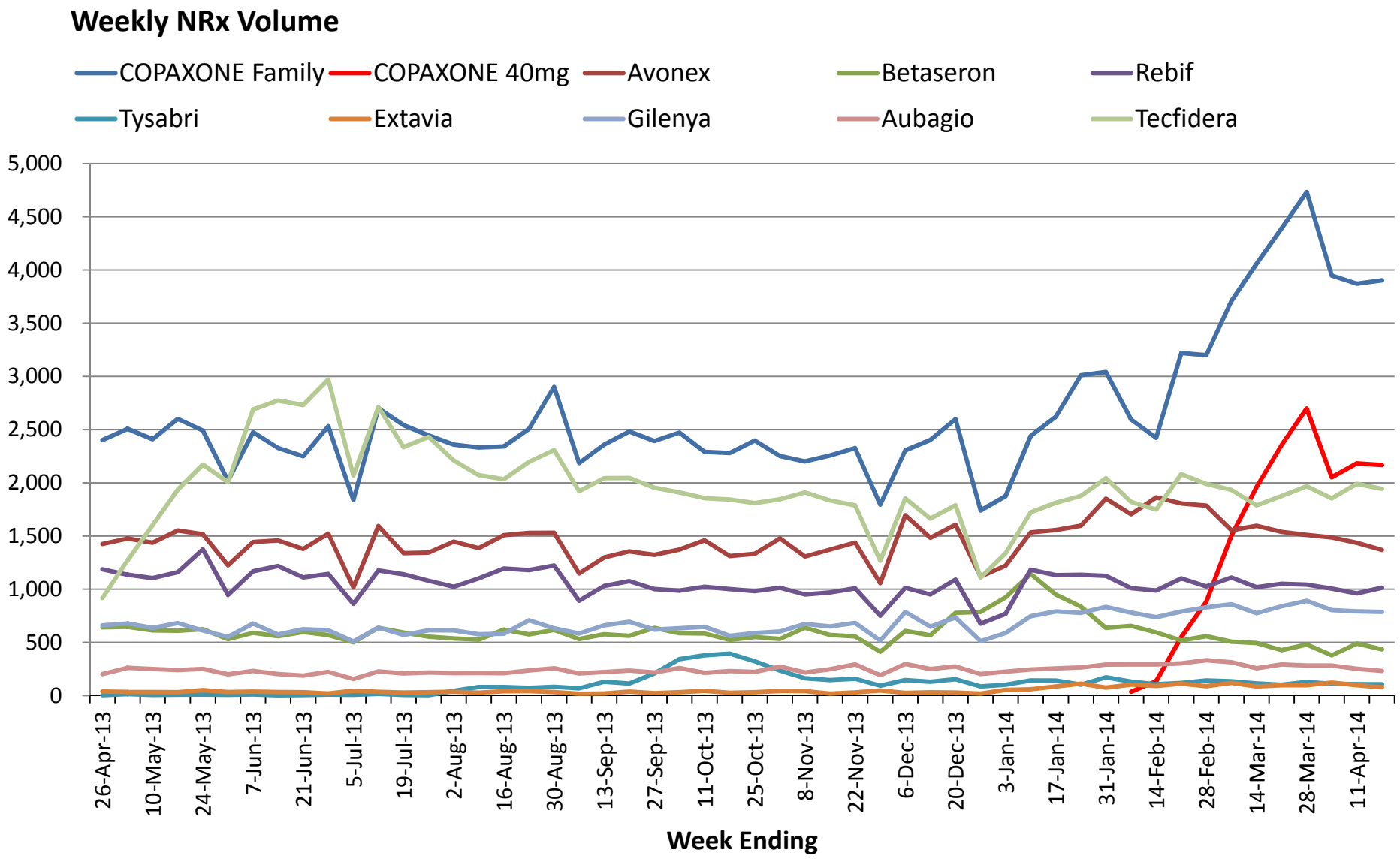


Maintain COPAXONE® franchise

COPAXONE® TRx

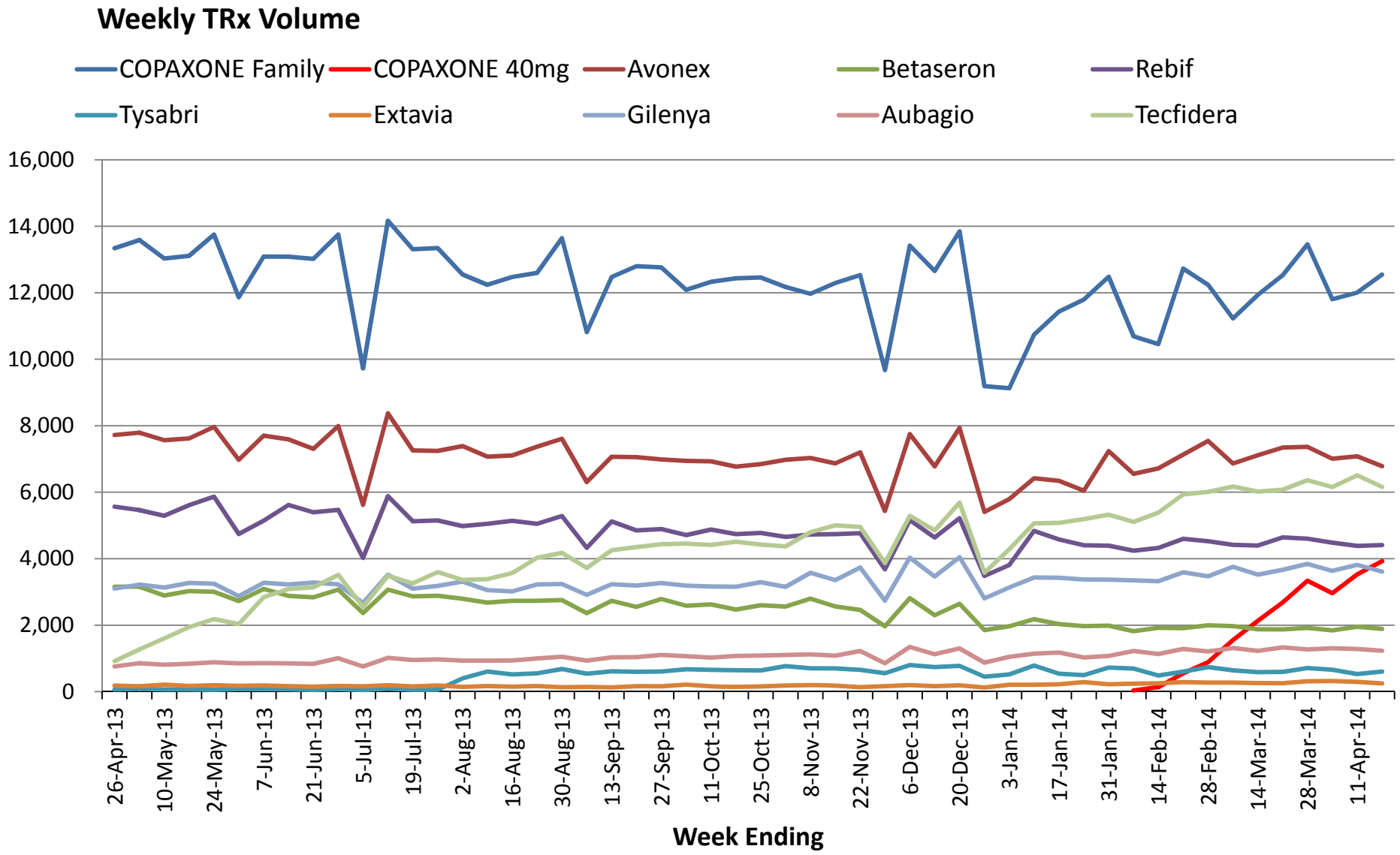


Total MS Market NRx Volume through Week Ending 4-18-2014



IMS Health NPA through 4-18-2014

Total MS Market TRx Volume through Week Ending 4-18-2014



IMS Health NPA through 4-18-2014

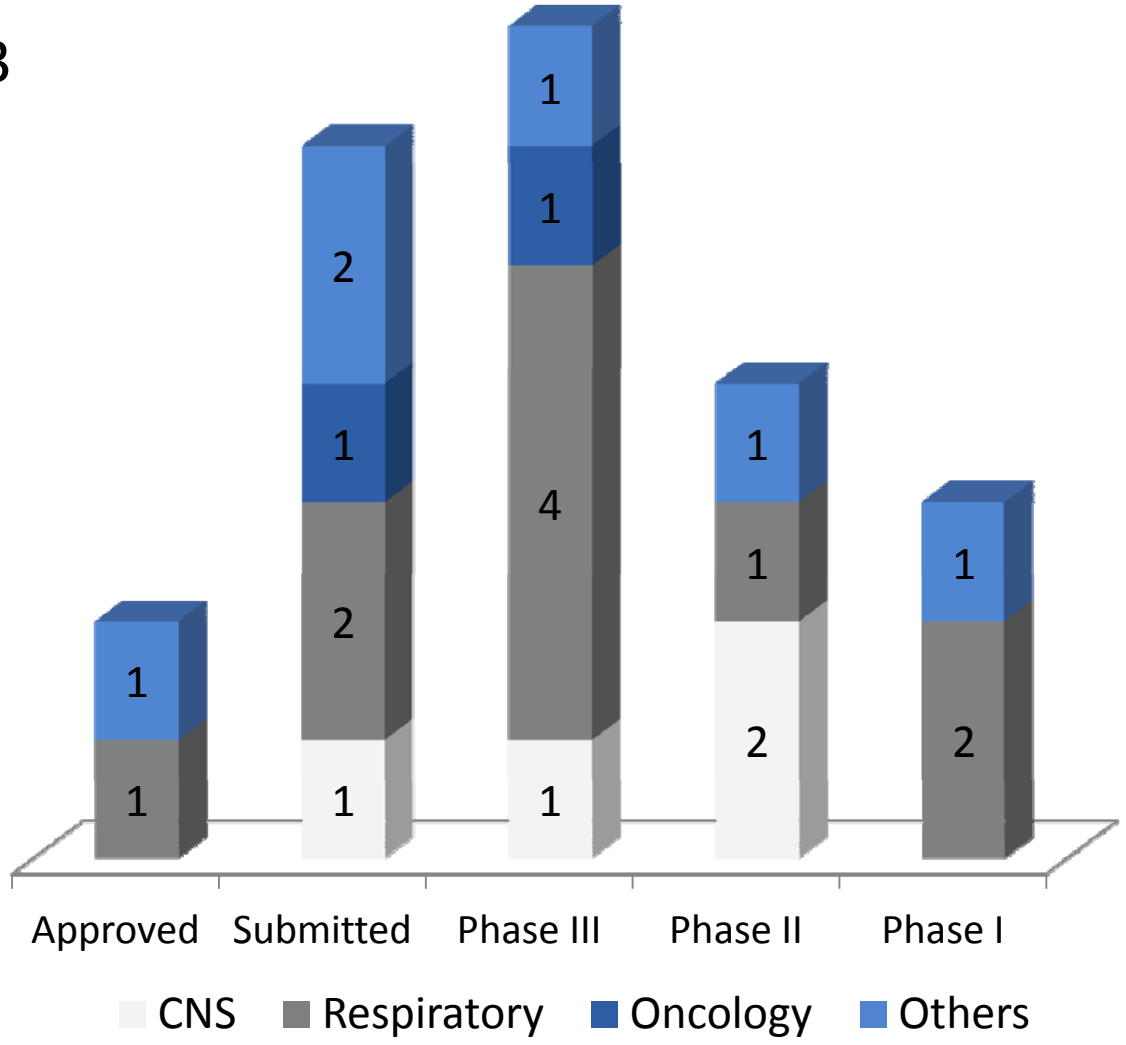
Defend COPAXONE® franchise

We will do everything in our power to vigorously protect our intellectual property

- U.S. Supreme Court will hear appeal on COPAXONE® patent in Fall 2014 (decision expected in 2015)
- If generic filer is approved and decides to launch, such sales will be made "at risk"
- We will aggressively defend our IP and seek all available damages
  - These include damages to both the 20 mg and 40 mg products for the full life of those products (we have patent protection on the 40 mg product until 2030)
- Any company launching at risk faces significant potential exposure – in the billions of dollars, before trebling

Pipeline of patient-centric solutions

- 15 products in Phase 3 through approval
- 4 products in Phase 2
- 18 NTEs currently in development



Pipeline of patient-centric solutions

Pipeline delivering results







zecuity
(sumatriptan iontophoretic transdermal system)
6.5 mg / 4 hours

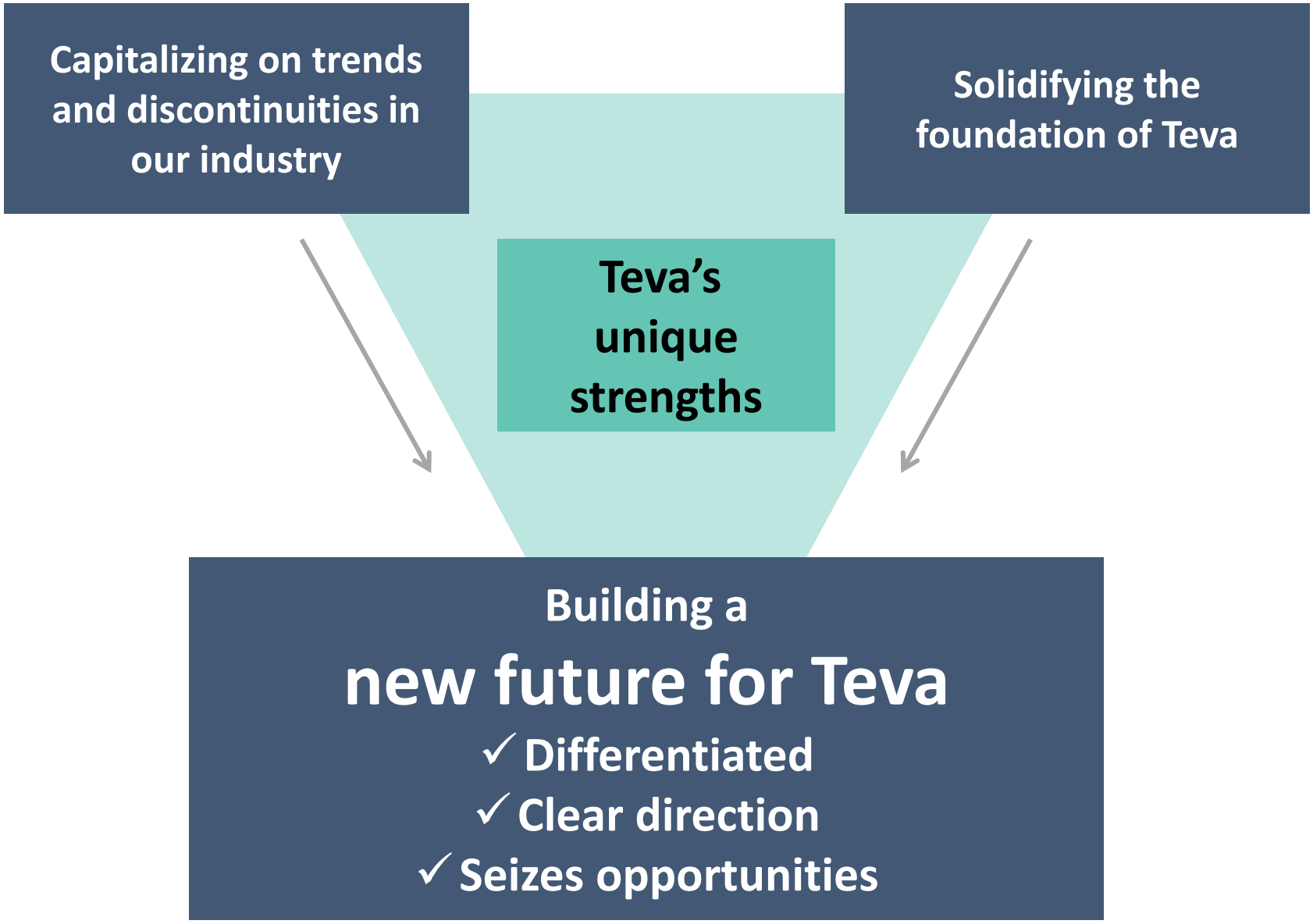


Combined estimated peak sales of these 3 products is $1 Billion

Positioning Teva for long-term value creation

- Execute on our immediate priorities while strategic review is underway
- Create a single powerful narrative and clear direction
- Deliver on our commitment of long-term sustainable value for shareholders

Positioning Teva for long-term value creation



Role of M&A

Portfolio & pipeline assets



Technologies



Geographic expansion (particularly in emerging markets)



Criteria

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

Q&A