Teva to acquire ratiopharm

19 March 2010
Teva's Safe Harbor Statement under the U.S. Private Securities Litigation Reform Act of 1995:
The statements, analyses and other information contained herein relating to the proposed acquisition and anticipated synergies, effect on earning and financial and operating performance, including estimates for growth, anticipated positions in certain markets and shares in such markets, the markets for Teva’s and ratiopharm's products, the future development and operation of Teva's and ratiopharm's business, as well as other statements including words such as "anticipate," "believe," "plan," "estimate," "expect," "intend," "will," "should," "may" and other similar expressions, are “forward-looking statements” under the Private Securities Litigation Reform Act of 1995. Such statements are made based upon management's current expectations and beliefs concerning future events and their potential effects on the company. Actual results may differ materially from the results reflected in these forward-looking statements. Important factors that could cause or contribute to such differences include whether and when the proposed acquisition will be consummated and the terms of any conditions imposed in connection with such closing and the receipt of any required regulatory or other approval for the consummation of the proposed acquisition, Teva’s ability to rapidly and efficiently integrate ratiopharm’s operations in a seamless manner and achieve expected synergies, and diversion of management time on merger-related issues, as well as our ability to accurately predict future market conditions and successfully develop and commercialize additional pharmaceutical products, the introduction of competing generic equivalents, the extent to which we may obtain U.S. market exclusivity for certain of our new generic products and regulatory changes that may prevent us from utilizing exclusivity periods, potential liability for sales of generic products prior to a final resolution of outstanding patent litigation, including that relating to the generic versions of Neurontin®, Lotrel®, Protonix® and Eloxatin®, potential tax liabilities which may arise should our arrangements, including our intercompany arrangements, be challenged and determined to be inappropriate, the current economic conditions, competition from brand-name companies that are under increased pressure to counter generic products, or competitors that seek to delay the introduction of generic products, the effects of competition on our innovative products, especially Copaxone® sales, including potential oral and generic competition for Copaxone®, dependence on the effectiveness of our patents and other protections for innovative products, the impact of consolidation of our distributors and customers, the impact of pharmaceutical industry regulation and pending legislation that could affect the pharmaceutical industry, our ability to achieve expected results though our innovative R&D efforts, the difficulty of predicting U.S. Food and Drug Administration, European Medicines Agency and other regulatory authority approvals, the uncertainty surrounding the legislative and regulatory pathway for the registration and approval of biotechnology-based products, the regulatory environment and changes in the health policies and structures of various countries, supply interruptions or delays that could result from the complex manufacturing of our products and our global supply chain, our ability to successfully identify, consummate and integrate acquisitions, the potential exposure to product liability claims to the extent not covered by insurance, our exposure to fluctuations in currency, exchange and interest rates, significant operations worldwide that may be adversely affected by terrorism, political or economical instability or major hostilities, our ability to enter into patent litigation settlements and the intensified scrutiny by the U.S. government, the termination or expiration of governmental programs and tax benefits, impairment of intangible assets and goodwill, environmental risks, and other factors that are discussed in this report and in our other filings with the U.S. Securities and Exchange Commission ("SEC").
Compelling Value Creation

Excellent strategic fit

Extends global market leadership

Positions Teva as the #1 generics company in EU

Attractive economics

Supports Teva’s 2015 growth strategy
STRATEGIC RATIONALE

EUROPEAN LEADERSHIP

FINANCIALS
STRATEGIC RATIONALE

EUROPEAN LEADERSHIP

FINANCIALS
Teva’s strategic targets for 2015

- **Revenues**: $31 bn
- **Net income**: $6.8 bn
- **Net profitability**: 22%
Europe is an important growth engine for Teva

<table>
<thead>
<tr>
<th>Region</th>
<th>2015 Sales Targets</th>
<th>2009-2015 CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>$15bn</td>
<td>9.5%</td>
</tr>
<tr>
<td>Europe</td>
<td>$9bn</td>
<td>18.6%</td>
</tr>
<tr>
<td>International</td>
<td>$7bn</td>
<td>23.2%</td>
</tr>
<tr>
<td>Total</td>
<td>$31bn</td>
<td>14.3%</td>
</tr>
</tbody>
</table>

2015 sales targets and 2009-2015 CAGR for Teva's regions. Europe is highlighted as a key growth driver.

Our European goal:
- 2009: 3.3
- 2015: 9.2

18.6% CAGR growth from 2009 to 2015.
ratiopharm – an outstanding and leading company

- Established in 1881
- **Germany #2** in generics
- **$2.3 billion** (€1.6bn) sales in 2009
- Direct presence in **26 countries**
- Portfolio of over **500 molecules** in **10,000** different presentations in a wide range of dosage forms
- Over **5,000** employees worldwide
Teva’s global lead will grow significantly

2009 Global Peer Group Sales

<table>
<thead>
<tr>
<th>Company</th>
<th>Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sandoz</td>
<td>$7.8 B</td>
</tr>
<tr>
<td>Mylan</td>
<td>$5.1 B</td>
</tr>
<tr>
<td>Watson</td>
<td>$2.8 B</td>
</tr>
<tr>
<td>Stada</td>
<td>$2.2 B</td>
</tr>
<tr>
<td>Ranbaxy</td>
<td>$1.7 B</td>
</tr>
<tr>
<td>Watson</td>
<td>$2.3 B</td>
</tr>
<tr>
<td>Sandoz</td>
<td>$16.2 B</td>
</tr>
</tbody>
</table>

Source: Company filings and analysts’ reports
Compelling value creation

- Significantly enhance Teva’s global leadership
- Clear leader of European generics market
- #2 in Germany
- #1 in 10 EU markets; Top 3 in 7 EU markets
- Well-established Biosimilar operations

Strong strategic fit

Attractive economics

- Accretive within the 3rd quarter after closing
- At least $400 million in annual cost synergies
- Revenue upside
Teva’s acquisition strategy

**Targets**
- Market share in attractive geographies
- Niche specialty products

**Criteria**
- Strategic fit
- Compelling economics
- Accretive within one year
Successful M&A track record

Index, 1995 = 100

Sales
CAGR 22%

Net income
CAGR 30%


IVAX (global)
Barr (global)
Dorom (Italy)
Bentley (Spain)
CoGenesys (technology)
Honeywell (Italy)
Sicor (global)
RDL (India – API)

Biogal (Hungary)
Pharmachemie (Netherlands)
Biocraft (US)
Copley (US)
APS Berk (UK)
Novopharm (Canada)
Bayer Classics (France)

Copley (US)
Strategic fit with significant value creation

- Indisputable leadership, #1 in Europe
- #2 in Germany
- Balanced across countries, customers and products
- Strong operational platform
<table>
<thead>
<tr>
<th>Country</th>
<th>Population</th>
<th>Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>61 M</td>
<td>No. 1</td>
</tr>
<tr>
<td>Italy</td>
<td>58M</td>
<td>No. 1</td>
</tr>
<tr>
<td>Spain</td>
<td>40 M</td>
<td>No. 1</td>
</tr>
<tr>
<td>Netherlands</td>
<td>15 M</td>
<td>No. 1</td>
</tr>
<tr>
<td>Hungary</td>
<td>10 M</td>
<td>No. 1</td>
</tr>
<tr>
<td>Germany</td>
<td>82 M</td>
<td>No. 2</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>11 M</td>
<td>No. 2</td>
</tr>
<tr>
<td>France</td>
<td>61 M</td>
<td>No. 3</td>
</tr>
<tr>
<td>Poland</td>
<td>38 M</td>
<td>No. 3</td>
</tr>
</tbody>
</table>

Large population of ~500M inhabitants

Aging & wealthy population
Teva - The European market leader after the acquisition

- Strong Pan-European footprint
- #1 in 10 EU countries
- Top 3 in additional 7 EU countries

Outstanding platform for future growth

<table>
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<th>Country</th>
<th>Rank</th>
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<tr>
<td>UK</td>
<td>No.1</td>
</tr>
<tr>
<td>Italy</td>
<td>No.1</td>
</tr>
<tr>
<td>Spain</td>
<td>No.1</td>
</tr>
<tr>
<td>Netherlands</td>
<td>No.1</td>
</tr>
<tr>
<td>Hungary</td>
<td>No.1</td>
</tr>
<tr>
<td>Germany</td>
<td>No.2</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>No.2</td>
</tr>
<tr>
<td>France</td>
<td>No.3</td>
</tr>
<tr>
<td>Poland</td>
<td>No.3</td>
</tr>
</tbody>
</table>
Leadership position in Germany

% of generics market value, 2009

- 35% Germany
- 65% Rest of Europe

Largest market in Europe, #2 in the world

Market size of ~$8.8B* gross sales

* Retail, Hospital and OTC; Fx 1.371
Leadership position in Germany

% of generics market value, 2009

- 25% Tenders
- 75% Non-tender

Largest market in Europe, #2 in the world

Market size of ~$8.8B* gross sales

Non-tender segment still larger than the #2 market, France

* Retail, Hospital and OTC; Fx 1.371
In other strategic markets Teva will nearly double its business

<table>
<thead>
<tr>
<th>Country</th>
<th>Population</th>
<th>Key Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Italy</td>
<td>58M</td>
<td>- New combination will become the undisputed market leader</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Obtain full pharmacy coverage</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Leverage relationships with pharmacies and regional constituents</td>
</tr>
<tr>
<td>Spain</td>
<td>40M</td>
<td>- New combined entity will be the clear #1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Leverage all market segments – doctors to pharmacies</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Allows for multiple brand strategy in the market</td>
</tr>
<tr>
<td>France</td>
<td>61M</td>
<td>- New combined entity #3, closing in on #2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Complementary customer base</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Critical mass for full market coverage</td>
</tr>
<tr>
<td>Canada</td>
<td>32M</td>
<td>- Very strong #2 player</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Expanded portfolio</td>
</tr>
</tbody>
</table>
Sustainable growth fueled by an attractive portfolio of businesses

- **Generics Gx**
- **Branded Gx**
- **Well-known OTC**
- **Hospital - Injectables**
- **Specialty & BioGenerics**
- **Innovative – Copaxone® & Azilect®**
Biosimilars platform of Teva further enhanced by ratiopharm

Products
- Short-acting EPO
- FSH – fits in WHC franchise
- GCSF – access in Germany

Current R&D portfolio and late stage development

Infrastructure
- Regulatory, clinical teams and commercial teams
- Mammalian manufacturing capacity for FSH and EPO

Products
- TevaGrastim
- TEV-TROPIN

Current R&D portfolio
- Neugranin and 2 MaBs

Infrastructure
- Strategic Alliances
- Lonza
- Sicor, IBR&D, CoGenesys
A strong brand – well-known by European customers

- Teva has a multi-branded strategy across Europe
- Selected examples:

- AWD pharma
- Laboratorios DAVUR
- PCH
- Laboratorios BELMAC, S.A.
- Dura med
- PLIVA

- Teva is committed to promoting and developing the ratiopharm brand in the future
Creates greater customer access

**Pharmacists**
- Complementary customer base, e.g. France and Germany
- More shelf share and attention from retailers and chains
- Access to well-known OTC portfolio

**Physicians**
- Greater outreach through specialist sales forces, e.g. Germany and Spain
- Leverage on a strong brand

**Payors**
- Broader portfolio offering for tenders, e.g. Germany
- Successful in initial AOK tender
### Financial considerations

<table>
<thead>
<tr>
<th>Category</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enterprise value</td>
<td>€3.6 billion, no debt.</td>
</tr>
<tr>
<td>Financing</td>
<td>~$3.0bn from cash on hand (at closing)</td>
</tr>
<tr>
<td></td>
<td>~$2.0bn from lines of credit (interest under 2%)</td>
</tr>
<tr>
<td>Balance sheet</td>
<td>Leverage remains at 28% post closing</td>
</tr>
<tr>
<td></td>
<td>Back to current 23% in 2-3 quarters</td>
</tr>
<tr>
<td></td>
<td>Moody’s – reaffirmed A3; S&amp;P – upgrade to A-</td>
</tr>
<tr>
<td>Closing</td>
<td>Expected before year end</td>
</tr>
</tbody>
</table>
### Highly attractive financial outcome

#### Pro-forma figures based on 2009

<table>
<thead>
<tr>
<th>Scale and growth</th>
<th>2009 Pro-Forma Revenues of $16.2 billion</th>
</tr>
</thead>
</table>
| Strengthening our balanced business model | Europe: Over $5 billion revenues  
Europe: 32% of total revenues |
| Accretive to GAAP earnings | Immediately on non-GAAP basis  
By the 3rd quarter from closing on full GAAP |
**Maintaining strong balance sheet & credit profile**

**Selected balance sheet indicators**

<table>
<thead>
<tr>
<th></th>
<th>12/31/09 actual</th>
<th>12/31/09 pro-forma</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total debt</td>
<td>$5.6 bn</td>
<td>$7.6 bn</td>
</tr>
<tr>
<td>Equity</td>
<td>$19.2 bn</td>
<td>$19.2 bn</td>
</tr>
<tr>
<td>Debt / 2009 EBITDA</td>
<td>1.32</td>
<td>1.64</td>
</tr>
<tr>
<td>Debt / debt + capital</td>
<td>23%</td>
<td>28%</td>
</tr>
</tbody>
</table>

**Strong liquidity position:**

$1bn cash-on-hand post closing

Balance sheet flexibility provides liquidity for future strategic opportunities

**Back to 23% leverage in 2-3 quarters**
Significant synergy opportunity

> $400m (€300m) over next 3 years

- Consolidation/rationalization of **production sites** in Teva’s global operations
- Unification of **R&D** pipeline, elimination of duplication
- Eliminate **G&A** and **M&S** infrastructure overlap

**Additional UPSIDE**

- Revenue synergies
- Additional long-term operational and vertical integration
- Gradual reduction of combined tax rate
Impact on financial leverage

<table>
<thead>
<tr>
<th></th>
<th>Debt</th>
<th>Equity</th>
<th>Leverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q4 08</td>
<td>24.8</td>
<td>16.4</td>
<td>34%</td>
</tr>
<tr>
<td>Q1 09</td>
<td>24.5</td>
<td>16.1</td>
<td>34%</td>
</tr>
<tr>
<td>Q2 09</td>
<td>24.5</td>
<td>17.8</td>
<td>27%</td>
</tr>
<tr>
<td>Q3 09</td>
<td>25.1</td>
<td>19.3</td>
<td>23%</td>
</tr>
<tr>
<td>Q4 09</td>
<td>24.8</td>
<td>19.2</td>
<td>23%</td>
</tr>
<tr>
<td>At closing</td>
<td>~28</td>
<td>~20</td>
<td>28%</td>
</tr>
<tr>
<td>2-3 quarters</td>
<td>~28</td>
<td>~21.5</td>
<td>23%</td>
</tr>
</tbody>
</table>
EPS accretive by the third quarter after closing

Significant synergy opportunities

Maintains strong balance sheet and credit profile

Continue to execute on our strategy
Compelling Value Creation

Excellent strategic fit

Extends global market leadership

Positions Teva as the #1 generics company in EU

Attractive economics

Supports Teva’s 2015 growth strategy