

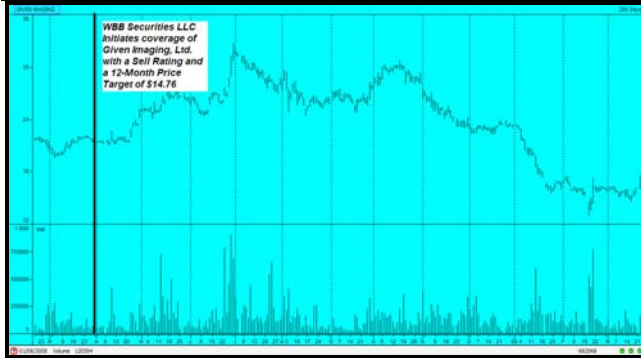


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Given Imaging, Ltd. (NASDAQ: GIVN)(3/25/2008) Upgrading to a Hold Rating



12-Month Price and Trading Volume

Rating Legend:

Strong Buy – Should be aggressively purchased.

Buy - Should be purchased on market weakness.

Hold - Fairly valued.

Sell - Stock should be sold on market strength.

Sell Short - Should be aggressively sold.

Speculative Buy – For aggressive accounts only.

Current Price	17.30		FY:DEC		2006	2007	2008
12-Month Trading Range	12.88-32.80			Q1	(0.11)A	0.00A	
Market Capitalization (Mil)	505.87			Q2	(0.02)A	0.02A	
Shares Outstanding (Mil)	29.24			Q3	0.03A	0.05A	
Avg. Daily Volume	144,961			Q4	0.05A	0.08A	
L. T. Debt (Mil)	N/A			Year	0.05A	0.16A	0.30E
Dividend/Yield	N/A						
Book Value P/S	4.569			P/E	NM	108	58
				EPS Growth	NM	NM	86%
				FY Rev(Mil)	\$95A	\$111A	\$119E
NASDAQ Composite	2326.75						
S&P 500	1349.88						
12 Month Target Price	\$16.50						

Source: Reuters

Updating To A Hold Rating on Price

Given Imaging, (GIVN) based in Israel, was founded in 1998. Their lead product, the Pillcam™ SB, was approved for sale in the US and Europe in mid-2001. The Pillcam SB is a simple, non-invasive and effective form of endoscopy used to visualize the small intestine. GIVN's sales and growth prospects continue to be driven predominantly by Pillcam SB, which has a growing footprint of approvals. Pillcam ESO was introduced several years ago, and is designed to compete with upper endoscopy to visualize the esophagus. Pillcam COLON, which is approved in Europe and Israel, is designed to visualize the colon as an alternative to colonoscopy. The Pillcam COLON has not yet been approved for sale in the U.S. by the FDA.

When we initiated coverage of GIVN about a year ago, we were concerned that the valuation of the stock was inconsistent with the company's growth potential. Market adoption of the Pillcam ESO was minimal and the Pillcam COLON still required FDA approval for sale in the U.S. Olympus (OCPNY.PK) was introducing a competing product and GIVN was facing battles both in the marketplace and in the courts.

In the past year, Pillcam ESO and Pillcam COLON have both experienced setbacks. In October 2007, Johnson & Johnson (JNJ) terminated its marketing alliance with GIVN for Pillcam ESO. Sales of Pillcam ESO did not contribute meaningfully to total product sales in 2007, and are not expected to contribute substantially in 2008. GIVN will now assume full responsibility for sales and marketing of Pillcam ESO.

Recently, the FDA ruled that it would not approve GIVN's 510K application for Pillcam COLON, ruling that the product was "not substantially equivalent". This development pushes back the approval of Pillcam COLON in the U.S. by at least 1 year, possibly longer. Additional clinical trials for Pillcam COLON are planned, as well as the introduction of an improved version, which should be ready for launch in Europe during 2008.

GIVN's stock price is now trading near our previously announced price target. We estimate 2011 earnings of \$0.95 per share, based on total product revenues of \$178M. Applying a 30 multiple and discounting at 20%, we arrive at our new one-year price target of \$16.50 per share. With this report, we are upgrading GIVN to a hold rating.

Management

Nachum (Homi) Shamir - President and Chief Executive Officer since April 2006. Prior to joining Given Imaging, Mr. Shamir held several senior management positions at Eastman Kodak Company. From 1994 – 2004 Mr. Shamir served in various management roles for Scitex Corporation (SCIX), where he served as President and Chief Executive Officer from June 2003 to January 2004. Mr. Shamir completed a B.Sc. from the Hebrew University of Jerusalem and an M.P.A. from Harvard University.

Yuval Yanai - Chief Financial Officer since September 1, 2005. Prior to joining GIVN, he served as Senior Vice President and Chief Financial Officer of Koor Industries Ltd, and Senior Vice President and Chief Financial Officer of NICE Systems Ltd. He previously served as CFO of Elscint Ltd. Mr. Yanai also serves as a Director for several large corporations. He holds a B.Sc. in Accounting and Economics from the Tel Aviv University.

Kevin Rubey - Chief Operations Officer since June 2001. Prior to joining GIVN, Mr. Rubey held senior operations management positions in the Health Imaging Business Unit of Eastman Kodak Company. Previously, Mr. Rubey worked for the Medical Imaging Business Unit of Imation Corporation, and 3M Corporation. Mr. Rubey completed a B.Sc. in mechanical engineering and an M.B.A. from the University of Minnesota.

Mark Gilreath - Chief Marketing Officer since January 2003. Previously, he served as President of Given Imaging, Inc., as well as Vice President, Global Business Development and as a consultant. In 1999, Mr. Gilreath founded and served as Chief Executive Officer of VortexMed, Inc., a developer of Internet sites for healthcare professionals. He holds a B.Sc. in business finance from Winthrop University and a M.B.A. from the Fuqua School of Business at Duke University.

Johnson & Johnson Ends Pillcam ESO Agreement

In November of 2007, GIVN announced that JNJ had ended its agreement to market and sell GIVN's Pillcam ESO in the U.S., citing a shift in its strategic priorities within gastroenterology. The device was marketed by InScope, a division of Ethicon Endo-Surgery, Inc., a JNJ company. GIVN sales reps will now take over the marketing of Pillcam ESO in the U.S.

Sales of Pillcam ESO did not contribute meaningfully to total product sales in 2007, and are not expected to contribute substantially in 2008. Even with an expanding footprint of insurance approvals, and a second-generation product launch, we do not expect Pillcam ESO to contribute meaningfully to future sales growth. The Pillcam ESO procedure is considerably more expensive than traditional upper endoscopy, and insurance companies frequently require specific approval before agreeing to reimburse for this procedure. Additionally, those patients who complete the Pillcam ESO procedure with a positive finding will still need an upper endoscopy to biopsy the suspect tissue. In our opinion, the insurance issues, combined with the possibility that a second procedure will be required, will limit Pillcam ESO utilization in the future.

Pillcam Colon Not Substantially Equivalent

We continue to have concerns regarding the likelihood of near-term FDA approval for the Pillcam COLON. We are additionally concerned about whether this product will be able to compete effectively against traditional colonoscopy. The Pillcam COLON will, in our opinion, have difficulty demonstrating sensitivity comparable to colonoscopy, due to the absence of air insufflation, which stretches the walls of the colon to facilitate viewing. Additionally, the Pillcam COLON is unable to biopsy suspect tissue. Patients with a positive finding using Pillcam COLON will still need to complete a colonoscopy to biopsy the suspect tissue.

Recently, GIVN announced that the FDA rejected the 510K application for the Pillcam COLON system that was submitted in December 2006. 510K approval is granted based on a determination of "substantial equivalence" in intended use, safety and effectiveness compared to a "predicate device". We believe this development will delay Pillcam COLON approval in the U.S. by at least one year. Depending on the standards used by the FDA for approval of the Pillcam COLON, the delay could be substantially longer.

Last October, GIVN announced interim results of a large European prospective study for Pillcam COLON (roughly one half of the total patient population of 329). The study was designed to compare Pillcam COLON with conventional colonoscopy for detecting polyps, cancers and other pathologies in the colon. Each patient completed a Pillcam COLON procedure, followed by a conventional colonoscopy. Preliminary analysis of the data from this trial showed that the PillCam COLON has a sensitivity of 72% and specificity of 80% for detecting significant findings, compared to colonoscopy. The investigators concluded that PillCam COLON "could eventually be used for polyp detection and increase compliance for CRC screening." We expect the complete data to be published in time for the DDW meeting in May.

GIVN intends to continue to pursue marketing clearance for the Pillcam COLON in the U.S. The most obvious next step for GIVN would be to seek a "de novo classification" for the Pillcam COLON. The "de novo classification" is intended for novel low-risk devices, and was the

designation originally granted to the Pillcam SB. This designation is intended for devices that are deemed by the FDA as “not substantially equivalent” for a 510k clearance, but are still considered safe and effective.

Should the “de novo classification” be denied, then a full premarket approval application (PMA) would be required. PMA approval is based on a determination by the FDA that there is sufficient valid scientific evidence to assure that the device is safe and effective for its intended use(s).¹ The PMA application process is longer and more complex than the 510k process, and the FDA review and approval process generally take longer to complete. Typically, the clinical trial design and endpoints for a PMA are negotiated and agreed to by the FDA prior to initiating the trials.

We believe that approval of Pillcam COLON in the U.S. is still likely several years away. Depending on the standards set by the FDA and the results of the recently completed clinical trials, additional trials may be required prior to approval. GIVN is working to introduce its next generation PillCam COLON capsule, COLON 2, which it hopes to launch in Europe in 2009. GIVN may choose to wait until after the introduction of Pillcam COLON 2 to begin additional clinical trials. Under this scenario, the Pillcam COLON approval in the U.S. could be delayed until at least 2011.

Pillcam SB Growth Continues

Sales of Pillcam SB have continued to show solid growth, and improving prospects. In 2007, the Pillcam SB was approved for sale in Japan. The Pillcam SB will be sold in Japan through a distributor. The Japanese market should provide GIVN with a meaningful growth opportunity moving forward due to the high incidence of GI conditions in Japan combined with the relatively high selling price compared to the U.S. and Europe.

GIVN also continues to improve its software, and introduced the RAPID 5 software package in 2007. The improved software reduces the time necessary for the physician to interpret the results of the tests. This system should help GIVN compete effectively against Olympus and also should boost revenues as physicians pay for software upgrades.

Valuation

In our opinion, GIVN’s revenue and earnings growth will be driven by sales of Pillcam SB for the foreseeable future. We estimate 2011 earnings of \$0.95 per share, based on total product revenues of \$178M. Applying a 30 multiple and discounting at 20%, we arrive at our new one-year price target of \$16.50 per share.

Trademarks

Pillcam™ is a trademark of GIVEN IMAGING LTD. CORPORATION ISRAEL

EndoCapsule is a trademark of Olympus Medical Systems Corp.

¹ <http://www.fda.gov/cdrh/devadvice/pma/>

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	Percentage of Covered Securities	Percentage of Banking Clients
Buy	70%	35.7%
Hold	20%	0%
Sell	10%	0%

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