August 25, 2008

United States of America
Healthcare
Specialty Pharmaceuticals

Teva Pharmaceutical (TEVA - US$ 46.79) 1-Overweight

Company Update

Preview of ADAGIO at EFNS & ANA

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Investment Conclusion

- In our view, given the recent strength in Teva shares, partly in anticipation of the EFNS presentation, we would not expect significant follow-through stock performance with the presentation, but rather steady gains going forward. Teva remains our top pick in the generic space, particularly for investors with a longer-term time horizon.

Summary

- Tomorrow, 8/26, at 5:40AM ET(11:40am Madrid time) at EFNS, in a 10 minute presentation, Teva will provide details on the ADAGIO study of its currently marketed Parkison's drug Azilect. The study was designed to demonstrate slowing of disease progression, results that have not been seen with other currently marketed drugs. The details follow Teva's 6/17/08 press release which confirmed the positive results.
- While we do not assume Azilect will gain an explicit additional claim for slowing disease progression, we see the potential for greater usage just based on publication of the results in a peer-reviewed publication. Even the latter scenario provides room for upside to our current $300M global peak sales forecast, in our view.

Stock Rating		Target Price	
New:	1-Overweight	New:	US$ 56.00
Old:	1-Overweight	Old:	US$ 56.00

Sector View: 2-Neutral

EPS (US$) (FY Dec)

	2007	2008			2009			% Change	
	Actual	Old	New	St. Est.	Old	New	St. Est.	2008	2009
1Q	0.42A	0.64A	0.64A	0.64A	0.64E	0.64E	0.68E	52%	0%
2Q	0.63A	0.65A	0.65A	0.65A	0.71E	0.71E	0.77E	3%	9%
3Q	0.64A	0.71E	0.71E	0.70E	0.78E	0.78E	0.78E	11%	10%
4Q	0.69A	0.73E	0.73E	0.75E	0.88E	0.88E	0.83E	6%	21%
Year	2.38A	2.73E	2.73E	2.74E	3.00E	3.00E	3.03E	15%	10%
P/E			17.1			15.6			

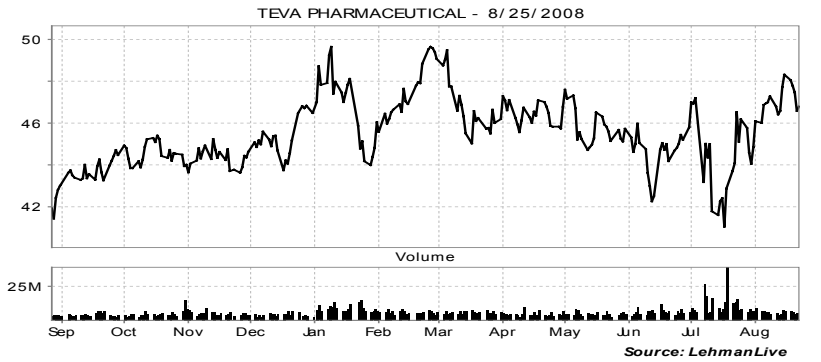
Market Data

Market Cap (Mil.)	N/A
Dividend Yield	1.03
52 Week Range	50.00 - 40.37

Financial Summary

Revenue TTM (Mil.)	9408.0

Stock Overview



SUMMARY: Tomorrow, August 26 at 5:40AM ET(11:40am Madrid time) at the Annual Meeting of EFNS (European Federation of Neurological Societies), in a 10 minute presentation Teva will provide details on the successful completion of a Phase 3 randomized, multi-center, double-blind, placebo-controlled, parallel-group study, ADAGIO, which involves Teva's currently marketed Parkinson's drug Azilect (rasagiline) 1mg and was designed to demonstrate the drug can slow the progression of Parkinson's disease. **Following the presentation, Teva will issue a scientific release that will include the results of the study as they relate to the three primary endpoints, and host a press conference at 7:00-8:00am ET (1:00-2:00pm Madrid time). In addition, Teva will make the American Neurological Association (ANA) abstract available tomorrow for the ADAGIO results to be presented at that meeting on Sept. 23 in Salt Lake City, with a link included in the press release. All the details of the EFNS presentation will be included in the ANA abstract.**

Should the detailed ADAGIO data strongly confirm the topline results already released, we believe that the product's market penetration could substantially improve, as it would be the first Parkinson's Disease treatment to demonstrate an effect on disease progression rather than just treatment of symptoms**. While Teva is expected to file an sNDA prior to year-end, with an improved label likely in 2009, we believe that Azilect's market penetration could accelerate prior the label improvement, driven by the use of an expected peer-reviewed publication of the positive ADAGIO data. As a result, in addition to the quality of the ADAGIO data, we look to acceptance of the data for publication before year end as an important event, along with the actual publication to follow.** Our global Azilect sales estimates remain $176M in 2008 and $260M for 2009, with peak sales of $300M, the latter still conservatively assuming no major change in usage from ADAGIO.

STOCK COMMENT: The EFNS presentation, and to some degree, related newflow at ANA, remain important near-term stock catalysts for Teva, in our opinion, given the potential for ADAGIO results to increase Azilect usage and peak sales from our current $300M forecast. On an NPV basis, our $300M forecast translates to $0.68/share. In our view, given the recent strength in Teva shares, partly in anticipation of the EFNS presentation, we would not expect significant follow-through performance with the presentation, but rather steady gains going forward. More generally, with Teva being a top operator in the generic industry and well-positioned for sustainable long-term growth, we believe that the global macroeconomic environment should continue to provide buying support for the stock, particularly for long-term oriented investors. Our $56 price target represents 18x our 2009 EPS estimate of $3.00.

REVIEW OF PHASE 3 TOPLINE RESULTS: Recall, on 6/17/08, Teva announced successful Phase 3 completion of ADAGIO, which involves Teva's currently marketed Parkinson's drug Azilect (rasagiline) 1mg and was designed to demonstrate the drug can slow the progression of Parkinson's disease. The 1mg version met all three primary, secondary and additional endpoints, all with statistical significance, as well as confirmed the safety and tolerability of Azilect. Teva plans to submit the results to the regulatory authorities in U.S. and Europe. Based on the results, Azilect could become the first Parkinson's disease treatment to receive a label for disease modification.

ADDITIONAL DETAILS OF STUDY DESIGN: The study included three primary endpoints: 1) superiority of slopes in the placebo-controlled phase (week 12 – 36); 2) Superiority of early-start vs. delayed at week 72 (end of study; and 3) Non-inferiority of early-start vs. delayed start slopes during weeks 48-72 of the active phase. The study also included one secondary endpoint - Change in Total UPDRS scores during the PC (placebo-controlled) phase. The 4 additional endpoints were – 1) fatigue scale, 2) time to need for additional medication, 3) need of additional medication and 4) non-motor part of the PD scale (UPDRS).

The 18-month study involved 1,176 patients with early, untreated Parkinson's disease and was conducted in 14 countries and 29 medical centers. The primary analyses of the trial were based on change in total UPDRS (Unified Parkinson's Disease Rating Scale - most commonly used scale to assesses disease status) and included slope superiority of rasagiline over placebo in the placebo-controlled phase, change from baseline to week 72, and non-inferiority of early-start vs delayed-start slopes during weeks 48-72 of the active phase. ADAGIO is a randomized, multi-center, double-blind, placebo-controlled, parallel-group study prospectively examining rasagiline's potential disease modifying effects. Patients were randomized to early-start treatment (72 weeks rasagiline 1 or 2mg once daily) or delayed-start treatment (36 weeks placebo followed by 36 weeks rasagline 1 or 2mg once daily). In addition to the 1mg results above, the 2mg dose met two of the three primary endpoints, the secondary endpoint, and was found to be safe and well-tolerated.

Analyst Certification:

I, Richard B. Silver, hereby certify (1) that the views expressed in this research Company Note accurately reflect my personal views about any or all of the subject securities or issuers referred to in this Company Note and (2) no part of my compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this Company Note.

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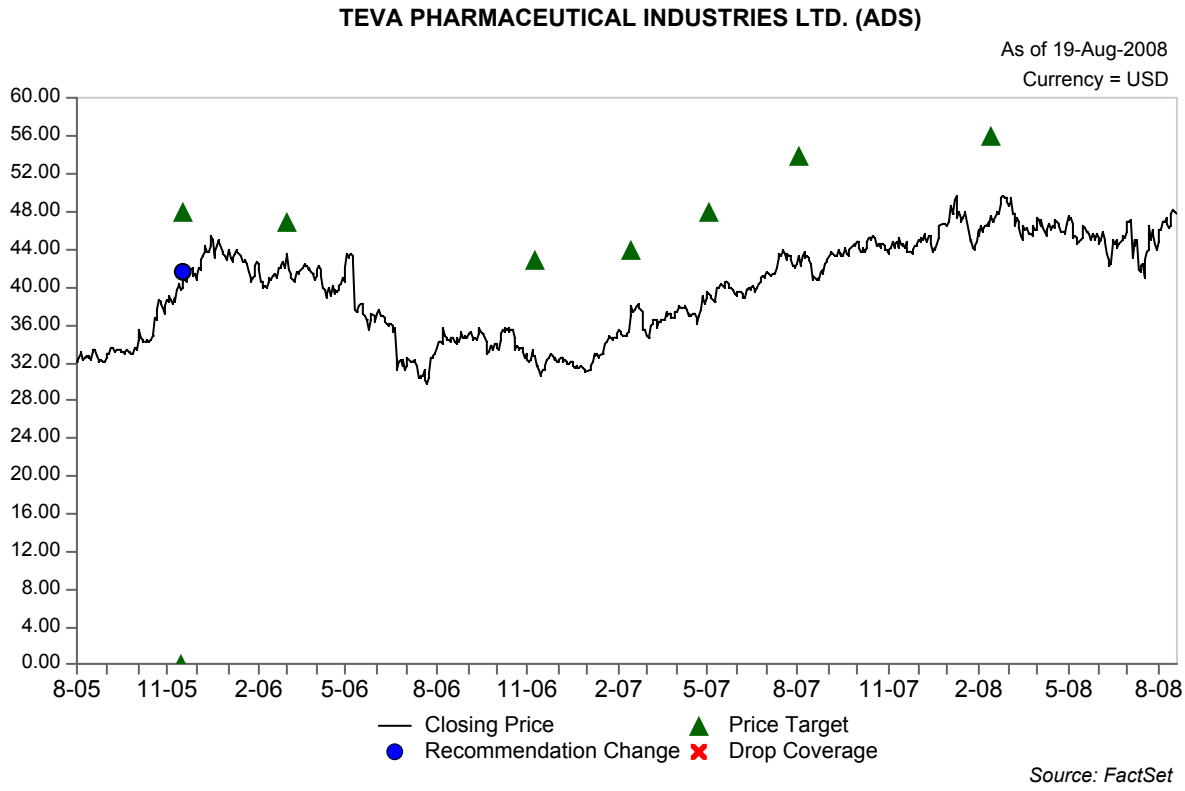
Company Description:

Israel-based Teva develops, manufactures & markets generic & brand pharmaceuticals, & active pharmaceutical ingredients. Largest US generic co. Over 80% of sales are from North American and Europe.

Important Disclosures:

Teva Pharmaceutical (TEVA) **US$ 46.79 (22-Aug-2008)** **1-Overweight / 2-Neutral**

Rating and Price Target Chart:



Currency=US$

Date	Closing Price	Rating	Price Target
13-Feb-08	47.64		56.00
02-Aug-07	43.38		54.00
03-May-07	39.23		48.00
14-Feb-07	37.96		44.00
08-Nov-06	32.77		43.00

Date	Closing Price	Rating	Price Target
01-Mar-06	43.43		47.00
17-Nov-05	41.66		48.00
17-Nov-05	41.66	1 -Overweight	
15-Nov-05	39.77		0.00

FOR EXPLANATIONS OF RATINGS REFER TO THE STOCK RATING KEYS LOCATED ON THE PAGE FOLLOWING THE LAST PRICE CHART.

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Valuation Methodology: Our unchanged $56 price target represents 18x our 2009 EPS estimate of $3.00.

Risks Which May Impede the Achievement of the Price Target: A revisit of our investment rating and price target could be prompted by unexpected delays in FDA approvals of Teva's generic drug applications and/or unexpected price erosion on key products, or by a greater-than-expected slowdown in sales growth of MS drug Copaxone.

Other Material Conflicts: Lehman Brothers is acting as financial advisor to Teva Pharmaceutical Industries in the potential acquisition of Barr Pharmaceuticals. The rating, price target and estimates on Teva do not incorporate this deal.

Important Disclosures Continued:
The analysts responsible for preparing this report have received compensation based upon various factors including the firm's total revenues, a portion of which is generated by investment banking activities

Company Name	Ticker	Price	Price Date	Stock / Sector Rating
Teva Pharmaceutical	TEVA	US$ 46.79	22-Aug-2008	1-Overweight / 2-Neutral

Guide to Lehman Brothers Equity Research Rating System:
Our coverage analysts use a relative rating system in which they rate stocks as 1-Overweight, 2-Equal weight or 3-Underweight (see definitions below) relative to other companies covered by the analyst or a team of analysts that are deemed to be in the same industry sector (the "sector coverage universe"). Below is the list of companies that constitute the sector coverage universe:

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Watson Pharmaceuticals (WPI)
Elan PLC (ELN)
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In addition to the stock rating, we provide sector views which rate the outlook for the sector coverage universe as 1-Positive, 2-Neutral or 3-Negative (see definitions below). A rating system using terms such as buy, hold and sell is not the equivalent of our rating system. Investors should carefully read the entire research report including the definitions of all ratings and not infer its contents from ratings alone.

Stock Rating
1-Overweight - The stock is expected to outperform the unweighted expected total return of the sector coverage universe over a 12-month investment horizon.
2-Equal weight - The stock is expected to perform in line with the unweighted expected total return of the sector coverage universe over a 12- month investment horizon.
3-Underweight - The stock is expected to underperform the unweighted expected total return of the sector coverage universe over a 12-month investment horizon.
RS-Rating Suspended - The rating and target price have been suspended temporarily to comply with applicable regulations and/or firm policies in certain circumstances including when Lehman Brothers is acting in an advisory capacity in a merger or strategic transaction involving the company.

Sector View
1-Positive - sector coverage universe fundamentals/valuations are improving.
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