Johnson & Johnson

Summary
This company is a leader in the pharmaceutical, medical device and consumer products industries.

GICS Sector
Health Care

Sub-Industry
Pharmaceuticals

Key Stock Statistics (Source S&P Capital IQ, Vickers, company reports)

<table>
<thead>
<tr>
<th>52-Wk Range</th>
<th>$95.99–75.50</th>
<th>S&amp;P Oper. EPS 2014E</th>
<th>5.80</th>
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</thead>
<tbody>
<tr>
<td>Market Capitalization(B)</td>
<td>$258.218</td>
<td>Beta</td>
<td>0.61</td>
</tr>
<tr>
<td>Yield (%)</td>
<td>2.88</td>
<td>S&amp;P 3-Yr. Proj. EPS CAGR(%)</td>
<td>6</td>
</tr>
<tr>
<td>Dividend Rate/Share</td>
<td>2.64</td>
<td>S&amp;P Quality Ranking</td>
<td>A+</td>
</tr>
<tr>
<td>Institutional Ownership (%)</td>
<td>65</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Price Performance

Past performance is not an indication of future performance and should not be relied upon as such.

Analysis prepared by Equity Analyst Herman Saftlas on Jan 27, 2014 01:58 PM, when the stock traded at $90.37.

Highlights

➤ We expect sales to advance about 4% in 2014, from 2013’s $71.3 billion. In our opinion, the key growth engine should be pharmaceuticals, fueled by gains in newer drugs such as Xarelto, blood thinning agent and Invokana for type 2 diabetes. We also see robust gains for JNJ’s expanding oncology portfolio, which includes Zytiga for prostate cancer, Velcade for multiple myeloma, and Imbruvica for leukemia. Helped by expansion in emerging markets and new products, most medical device lines should show modest growth, in our view. Consumer sales should benefit from the ongoing return of suspended products to the market.

➤ We forecast gross margins to improve slightly from 2013’s 68.6%, with benefits from a better product mix more than offsetting a devalued single product category or customer for sustained growth. We also expect JNJ to use projected proceeds of $4.15 billion from the planned sale of the low-margin clinical diagnostics unit to support growing pharmaceuticals and orthopedics franchises.

➤ We view JNJ as uniquely situated with an unmatched depth and breadth in growing global health care markets with solid positions in drugs, medical devices and consumer products. In our opinion, new drugs such as Xarelto, Zytiga and Invokana should lead pharmaceuticals growth. We also see long-term growth potential from the DePuy/Synthes orthopedics business, driven by positive market demographics, expansion in emerging geographic regions, and new products. We also expect JNJ to use projected proceeds of $4.15 billion from the planned sale of the low-margin clinical diagnostics unit to support growing pharmaceuticals and orthopedics franchises.

➤ Risks to our recommendation and target price include intensified pricing pressures, extended delays in OTC plant remediations, possible pipeline disappointments, and adverse foreign exchange.

➤ Our 12-month target price of $106 applies a multiple of 18.3X to our 2014 EPS estimate, a valuation that is near the midpoint of the stock’s recent historical P/E range. Our DCF analysis also shows intrinsic value of $106, assuming a 9.6% WACC and 2% terminal growth.

Investment Rationale/Risk

Analyst’s Risk Assessment

Our risk assessment for JNJ reflects our belief that its products are largely immune from economic cycles, that it does not rely on any single product category or customer for sustained growth, and that it enjoys competitive advantages owing to its substantial financial resources, business scale and global sales capabilities.

Revenue/Earnings Data

Revenue (Million U.S. $)

<table>
<thead>
<tr>
<th>Year</th>
<th>1Q</th>
<th>2Q</th>
<th>3Q</th>
<th>4Q</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>17,505</td>
<td>17,877</td>
<td>17,575</td>
<td>18,355</td>
</tr>
<tr>
<td>2012</td>
<td>16,139</td>
<td>16,475</td>
<td>17,052</td>
<td>17,558</td>
</tr>
<tr>
<td>2011</td>
<td>16,173</td>
<td>16,597</td>
<td>16,005</td>
<td>16,255</td>
</tr>
<tr>
<td>2010</td>
<td>15,631</td>
<td>15,330</td>
<td>14,982</td>
<td>15,644</td>
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<td>2009</td>
<td>15,026</td>
<td>15,239</td>
<td>15,081</td>
<td>16,551</td>
</tr>
<tr>
<td>2014</td>
<td>17,505</td>
<td>17,877</td>
<td>17,575</td>
<td>18,355</td>
</tr>
</tbody>
</table>

Earnings Per Share (U.S. $)

<table>
<thead>
<tr>
<th>Year</th>
<th>1Q</th>
<th>2Q</th>
<th>3Q</th>
<th>4Q</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>1.22</td>
<td>1.33</td>
<td>1.04</td>
<td>1.23</td>
</tr>
<tr>
<td>2012</td>
<td>1.41</td>
<td>1.50</td>
<td>1.05</td>
<td>0.91</td>
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<tr>
<td>2011</td>
<td>1.25</td>
<td>1.00</td>
<td>1.15</td>
<td>0.08</td>
</tr>
<tr>
<td>2010</td>
<td>1.62</td>
<td>1.23</td>
<td>1.23</td>
<td>0.70</td>
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<tr>
<td>2009</td>
<td>1.26</td>
<td>1.15</td>
<td>1.20</td>
<td>0.79</td>
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<tr>
<td>2014</td>
<td>1.26</td>
<td>1.17</td>
<td>1.17</td>
<td>0.97</td>
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Dividend Data

<table>
<thead>
<tr>
<th>Amount ($)</th>
<th>Date Decl.</th>
<th>Ex-Div. Date</th>
<th>Stk. of Record</th>
<th>Payment Date</th>
</tr>
</thead>
<tbody>
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<td>0.660</td>
<td>Apr 25</td>
<td>May 23</td>
<td>Jun 11 '13</td>
<td></td>
</tr>
<tr>
<td>0.660</td>
<td>Jul 15</td>
<td>Aug 23</td>
<td>Sep 10 '13</td>
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<tr>
<td>0.660</td>
<td>Oct 17</td>
<td>Nov 22</td>
<td>Dec 10 '13</td>
<td></td>
</tr>
<tr>
<td>0.660</td>
<td>Jan 2</td>
<td>Feb 21</td>
<td>Mar 11 '14</td>
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CORPORATE OVERVIEW. Johnson & Johnson ranks as one of the largest and most diversified health care firms, with products spanning across the pharmaceutical and medical device industries. The company is also a major participant in the global consumer products business, and, in December 2006, purchased the consumer products unit of Pfizer for $16.6 billion. International sales accounted for about 55% of 2013 sales.

The pharmaceutical segment (39% of 2013 sales) includes products in therapeutic areas including anti-infective, anti-psychotic, cardiovascular, contraceptive, dermatological, gastrointestinal, hematological, immunology, neurology, oncology, pain management, urology and virology. Principal pharmaceutical products include Remicade (sales of $6.7 billion in 2013), Procrit/Eprex ($1.4 billion), Velcade ($1.7 billion), Risperdal Consta ($1.3 billion) and Prezista ($1.4 billion).

The medical devices and diagnostics segment (40%) sells a wide range of products, including Ethicon’s wound care, surgical sports medicine and women’s health care products; Cordis’s circulatory disease management products; Lifescan’s blood glucose monitoring products; Ortho Clinical Diagnostics’ professional diagnostic products (JNJ plans to sell this business for about $4.15 billion in mid-2014); Depuy/Synthes orthopaedic joint reconstruction and spinal products; and Vistakon’s disposable contact lenses.

The consumer segment (21%) primarily sells personal care products, including nonprescription drugs, adult skin and hair care products, baby care products, oral care products, first aid products, women’s health products, and nutritional products. Major brands include Band-Aid Brand Adhesive Bandages, Imodium A-D antidiarrheal, Johnson’s Baby line of products, Neutrogena skin and hair care products, and Tylenol pain reliever.

CORPORATE STRATEGY. Johnson & Johnson has over 250 operating companies selling products across the globe. Despite its size, JNJ is highly innovative, in our view, and seeks to maintain leadership positions by aggressively funding new product development. R&D spending in 2013 totaled $8.2 billion, representing 11.5% of sales. As of January 2014, JNJ had some 18 drugs in late-stage development, most of which were in Phase III trials or under FDA review. Key new recent launches included Prezista for HIV, Xaralto for acute coronary syndrome, Invega for schizophrenia, Zytilga for prostate cancer, Invokana for type 2 diabetes, and Imbruvica for leukemia. In November 2013, the FDA approved Olysio, a treatment for chronic hepatitis C.

In January 2014, JNJ said it planned to launch over 10 new molecular entity (new innovative therapies) filings, and over 25 line extensions, between 2013 and 2017. Some of the more exciting new therapies, in our opinion, include new treatments for diabetes, cancer, immune disorders, infectious diseases, and neuropathic disorders.

Although internal growth is a key objective, the company has also been pursuing strategic acquisitions. In January 2010, JNJ acquired Acclarent, an R&D firm working on new devices to treat ear, nose and throat conditions. The December 2006 acquisition of Pfizer’s consumer health care business added leading brands such as Listerine, Nicorette, Lubriderm, Visine, Neosporin, Sudafed, Zantac and Benadryl.

In mid-June 2012, JNJ acquired Synthes for $19.7 billion in cash and stock. A Swiss maker of skeletal fixation implants and other orthopedic products, Synthes earned $967 million on sales of about $4.0 billion in 2011. Although regulators required JNJ to divest its trauma business to complete the deal, we still think the deal should significantly enhance JNJ’s global reach in innovative orthopedics and provide important operating synergies. We believe JNJ has effectively funded the entire acquisition via overseas domiciled cash, with the stock portion financed indirectly with overseas cash. We think this strategy, which avoided the hefty tax on repatriated cash, has enabled quicker-than-expected deal EPS accretion indicated between $0.10-$0.15 in 2013.

Other important acquisitions in recent years include Crucell, a Dutch maker of vaccines; Micrus Endovascular, a maker of devices to treat strokes; Cougar Biotechnology, a firm engaged in R&D on anticaner drugs; Mentor Corp., a supplier of aesthetic products; Omrix Biopharmaceuticals, a maker of biosurgical and immunotherapy products; and Conor Medsystems, a producer of a cobalt chromium coronary stent that incorporates innovative drug delivery technology.

FINANCIAL TRENDS. During 2013, the company generated some $13.8 billion of free cash. As of the end of 2013, the company had about $29 billion of cash and investments, and $18 billion of debt. In mid-January 2014, JNJ projected 2014 sales growth in the 3.2%-4.2% area, and adjusted EPS in the $5.75-$5.85 range, assuming foreign currency exchange rates remain constant at mid-January 2014 levels.
Quantitative Evaluations

Based on S&P Capital IQ’s proprietary quantitative model, stocks are ranked from most overvalued (1) to most undervalued (5).

Fair Value Calculation

Analysis of the stock’s current worth, based on S&P Capital IQ’s proprietary quantitative model suggests that JNJ is slightly overvalued by $3.22 or 3.5%.

Investability Quotient

JNJ scored higher than 100% of all companies for which an S&P Capital IQ Report is available.

Volatility

Since February, 2014, the technical indicators for JNJ have been NEUTRAL.

Insider Activity

For further clarification on the terms used in this report, please visit www.standardandpoors.com/stockreportguide

Company Financials

Per Share Data (U.S. $)

<table>
<thead>
<tr>
<th>Year</th>
<th>Tangible Book Value</th>
<th>Cash Flow</th>
<th>Earnings</th>
<th>S&amp;P Capital IQ Core Earnings</th>
<th>Dividends</th>
<th>Payout Ratio</th>
<th>Prices:High</th>
<th>Prices:Low</th>
<th>P/E Ratio:High</th>
<th>P/E Ratio:Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>4.88</td>
<td>2.59</td>
<td>4.81</td>
<td>5.35</td>
<td>2.95</td>
<td>54%</td>
<td>95.99</td>
<td>70.30</td>
<td>20</td>
<td>15</td>
</tr>
<tr>
<td>2012</td>
<td>8.37</td>
<td>2.40</td>
<td>3.86</td>
<td>4.28</td>
<td>2.49</td>
<td>62%</td>
<td>72.74</td>
<td>61.71</td>
<td>19</td>
<td>16</td>
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<tr>
<td>2011</td>
<td>8.97</td>
<td>2.25</td>
<td>3.49</td>
<td>4.09</td>
<td>2.11</td>
<td>65%</td>
<td>68.05</td>
<td>57.50</td>
<td>20</td>
<td>17</td>
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<tr>
<td>2010</td>
<td>7.04</td>
<td>2.28</td>
<td>4.40</td>
<td>4.22</td>
<td>1.93</td>
<td>67%</td>
<td>65.41</td>
<td>46.25</td>
<td>16</td>
<td>15</td>
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<tr>
<td>2009</td>
<td>5.35</td>
<td>2.41</td>
<td>4.57</td>
<td>4.17</td>
<td>1.80</td>
<td>70%</td>
<td>72.76</td>
<td>52.06</td>
<td>16</td>
<td>17</td>
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<tr>
<td>2008</td>
<td>5.13</td>
<td>2.37</td>
<td>3.73</td>
<td>3.65</td>
<td>1.62</td>
<td>72%</td>
<td>68.75</td>
<td>59.72</td>
<td>15</td>
<td>17</td>
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<tr>
<td>2007</td>
<td>3.67</td>
<td>2.49</td>
<td>3.46</td>
<td>3.38</td>
<td>1.46</td>
<td>75%</td>
<td>69.41</td>
<td>56.58</td>
<td>15</td>
<td>17</td>
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<tr>
<td>2006</td>
<td>8.64</td>
<td>2.52</td>
<td>4.20</td>
<td>4.00</td>
<td>1.28</td>
<td>77%</td>
<td>69.99</td>
<td>56.76</td>
<td>15</td>
<td>17</td>
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<tr>
<td>2005</td>
<td>6.72</td>
<td>2.50</td>
<td>3.58</td>
<td>3.85</td>
<td>1.10</td>
<td>80%</td>
<td>64.25</td>
<td>49.25</td>
<td>15</td>
<td>17</td>
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<tr>
<td>2004</td>
<td>6.72</td>
<td>2.58</td>
<td>3.56</td>
<td>3.77</td>
<td>1.09</td>
<td>83%</td>
<td>48.25</td>
<td>42.29</td>
<td>15</td>
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Income Statement Analysis (Million U.S. $)

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue</th>
<th>Operating Income</th>
<th>Depreciation</th>
<th>Interest Expense</th>
<th>Pretax Income</th>
<th>Effective Tax Rate</th>
<th>Net Income</th>
<th>S&amp;P Capital IQ Core Earnings</th>
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<tbody>
<tr>
<td>2013</td>
<td>NA</td>
<td>NA</td>
<td>3.66</td>
<td>532</td>
<td>13,775</td>
<td>23.7%</td>
<td>NA</td>
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<td>67,224</td>
<td>65,030</td>
<td>3.65</td>
<td>532</td>
<td>12,361</td>
<td>21.8%</td>
<td>12,687</td>
<td>11,322</td>
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<tr>
<td>2011</td>
<td>61,587</td>
<td>54,316</td>
<td>3.70</td>
<td>534</td>
<td>16,947</td>
<td>21.3%</td>
<td>11,779</td>
<td>11,323</td>
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<tr>
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<td>57,087</td>
<td>3.74</td>
<td>538</td>
<td>15,755</td>
<td>22.2%</td>
<td>11,832</td>
<td>11,324</td>
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<tr>
<td>2009</td>
<td>63,747</td>
<td>61,095</td>
<td>3.77</td>
<td>541</td>
<td>19,550</td>
<td>22.3%</td>
<td>12,838</td>
<td>11,325</td>
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<tr>
<td>2008</td>
<td>61,095</td>
<td>53,324</td>
<td>3.83</td>
<td>545</td>
<td>19,500</td>
<td>22.5%</td>
<td>13,576</td>
<td>11,326</td>
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<tr>
<td>2007</td>
<td>50,514</td>
<td>42,293</td>
<td>3.91</td>
<td>553</td>
<td>19,001</td>
<td>22.9%</td>
<td>14,587</td>
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<tr>
<td>2006</td>
<td>47,348</td>
<td>31,394</td>
<td>3.96</td>
<td>558</td>
<td>19,161</td>
<td>23.3%</td>
<td>13,656</td>
<td>11,328</td>
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<tr>
<td>2005</td>
<td>53,244</td>
<td>27,320</td>
<td>4.01</td>
<td>562</td>
<td>19,837</td>
<td>23.8%</td>
<td>12,635</td>
<td>11,329</td>
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<tr>
<td>2004</td>
<td>47,348</td>
<td>22,568</td>
<td>4.02</td>
<td>563</td>
<td>20,952</td>
<td>24.2%</td>
<td>13,863</td>
<td>11,330</td>
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Balance Sheet & Other Financial Data (Million U.S. $)

<table>
<thead>
<tr>
<th>Year</th>
<th>Cash</th>
<th>Current Assets</th>
<th>Total Assets</th>
<th>Current Liabilities</th>
<th>Long Term Debt</th>
<th>Common Equity</th>
<th>Total Capital</th>
<th>Capital Expenditures</th>
<th>Cash Flow</th>
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</thead>
<tbody>
<tr>
<td>2013</td>
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<td>46,116</td>
<td>121,347</td>
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<td>14,519</td>
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<td>21,089</td>
<td>53,316</td>
<td>113,844</td>
<td>22,811</td>
<td>12,969</td>
<td>57,080</td>
<td>70,665</td>
<td>2,893</td>
<td>12,830</td>
</tr>
<tr>
<td>2011</td>
<td>32,261</td>
<td>54,316</td>
<td>113,644</td>
<td>22,811</td>
<td>9,156</td>
<td>57,080</td>
<td>65,748</td>
<td>2,893</td>
<td>12,830</td>
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<tr>
<td>2010</td>
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<td>54,316</td>
<td>102,908</td>
<td>23,072</td>
<td>8,156</td>
<td>57,080</td>
<td>65,414</td>
<td>2,893</td>
<td>12,830</td>
</tr>
<tr>
<td>2009</td>
<td>19,425</td>
<td>39,541</td>
<td>94,882</td>
<td>21,731</td>
<td>8,156</td>
<td>57,080</td>
<td>84,512</td>
<td>2,893</td>
<td>12,830</td>
</tr>
<tr>
<td>2008</td>
<td>19,550</td>
<td>39,541</td>
<td>94,882</td>
<td>21,731</td>
<td>8,156</td>
<td>57,080</td>
<td>84,512</td>
<td>2,893</td>
<td>12,830</td>
</tr>
<tr>
<td>2007</td>
<td>19,001</td>
<td>39,541</td>
<td>94,882</td>
<td>21,731</td>
<td>8,156</td>
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<td>2,893</td>
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</tr>
<tr>
<td>2006</td>
<td>19,161</td>
<td>39,541</td>
<td>94,882</td>
<td>21,731</td>
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<td>19,837</td>
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<td>12,830</td>
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<td>12,830</td>
</tr>
</tbody>
</table>

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We believe overall industry profits should hold up relatively well, helped by expanding sales of new innovative drug therapies and margin improvements accruing from cost restructurings and merger synergies. EPS comparisons should also benefit from common share repurchases.

While we see recently implemented health care reform legislation continuing to negatively affect industry profitability, we see benefits accruing from significant expansion of the market stemming from new coverage provided to about 27 million currently uninsured Americans starting in 2014. We favor the shares of firms with well defined growth prospects and generous dividend yields, as we believe they should perform relatively well over the coming quarters.

Despite near-term effects from patent expirations and regulatory pressures on drug pricing, we still think long-term prospects for the industry remain favorable. Pharmaceuticals remains one of the widest-margin U.S. industries, with prospects enhanced by demographic growth in the elderly (which account for about 33% of industry sales) and new drugs stemming from discoveries in genomics and biotechnology. Although FDA approvals of new molecular entities so far in 2013 have been below comparable year-earlier levels, we see a pickup in new approvals in 2014.

Year to date through January 24, the S&P Pharmaceuticals Index was only off 0.5%, versus a 3.0% decline in the S&P 1500 Composite Index. We expect prospects for the generic/specialty drug group to remain favorable. We see a large number of major drugs losing patent protection over the next few years, providing significant opportunities for this group. We favor companies with rich generic pipelines, especially those with first-to-file generics with the potential for 180 days of marketing exclusivity, and competence in litigating complex patent issues.

--Herman B. Saftlas

Sub-Industry : Pharmaceuticals Peer Group*: Health Care Diversified

<table>
<thead>
<tr>
<th>Peer Group</th>
<th>Stock Symbol</th>
<th>Stk. Mkt. Cap. (Mil. $)</th>
<th>Recent Stock Price ($)</th>
<th>52 Week High/Low($)</th>
<th>Beta</th>
<th>Yield (%)</th>
<th>P/E Ratio</th>
<th>Fair Value Calc.($)</th>
<th>S&amp;P IQ %ile</th>
<th>Return on Revenue (%)</th>
<th>LTD to Cap (%)</th>
</tr>
</thead>
</table>
| Johnson & Johnson       | JNJ          | 258,218                 | 91.52                 | 95.99/75.50         | 0.61 | 2.9       | 19        | 88.30               | A+          | 100                  | 16.1           | 15.1
| AbbVie Inc              | ABBV         | 81,198                  | 51.04                 | 54.78/36.40         | NA   | 3.3       | 20        | NA                 | NR          | 86                   | 28.7           | 81.2
| AstraZeneca ADS         | AZN          | 86,462                  | 66.61                 | 68.35/44.62         | 0.65 | 4.2       | 33        | NA                 | NR          | 95                   | 10.0           | 26.2
| Bayer AG ADR            | BAYRY        | 115,095                 | 129.18               | 142.75/94.91        | 1.21 | 1.3       | 28        | 133.30              | NR          | 76                   | 6.3            | 23.8
| Bristol-Myers Squibb    | BMY          | 89,344                  | 54.14                 | 56.83/36.31         | 0.50 | 2.7       | 35        | 36.80               | B+          | 98                   | 15.6           | 34.5
| GlaxoSmithKline plc ADS | GSK          | 134,129                 | 55.69                 | 56.73/43.88         | 0.66 | 4.4       | 16        | 53.10               | NR          | 93                   | 21.2           | 64.2
| Lilly (Eli)             | LLY          | 62,608                  | 57.96                 | 58.76/47.53         | 0.76 | 3.4       | 13        | NA                 | B+          | 98                   | 18.1           | 27.2
| Merck & Co              | MRK          | 163,716                 | 56.03                 | 56.34/42.10         | 0.54 | 3.1       | 38        | 44.10               | B           | 98                   | 13.1           | 22.1
| Novartis AG ADS         | NVS          | 200,516                 | 82.85                 | 83.10/66.65         | 0.62 | 2.1       | 22        | 79.60               | NR          | 94                   | 15.8           | 12.1
| Novo-Nordisk A/S ADS    | NVD          | 119,058                 | 44.87                 | 45.04/29.90         | 0.59 | 1.0       | 27        | 44.40               | NR          | 95                   | 30.1           | NA
| Pfizer, Inc             | PFE          | 203,894                 | 31.46                 | 32.50/26.82         | 0.88 | 3.3       | 10        | 27.40               | B+          | 75                   | 16.1           | 23.0
| Roche Holdings ADS      | RHHBY        | 207,810                 | 75.40                 | 75.50/55.60         | 0.66 | 2.0       | 27        | NA                 | NR          | 91                   | 23.4           | 39.7
| Sanofi ADS              | SNY          | 134,419                 | 50.89                 | 55.94/46.16         | 0.91 | 3.2       | 27        | 47.40               | NR          | 90                   | 11.6           | 15.4
| Teva Pharma Indus ADS   | TEVA         | 41,086                  | 48.45                 | 49.23/36.26         | 0.40 | 2.3       | 33        | NA                 | NR          | 30                   | 6.2            | 31.4
| Valeant Pharmaceuticals Intl | VRX | 48,835 | 146.26 | 148.72/94.55 | 0.72 | Nil | N/M | 100.50 | B- | 22 | NA | 71.5 |

NA-Not Available NM-Not Meaningful NR-Not Rated. *For Peer Groups with more than 15 companies or stocks, selection of issues is based on market capitalization.
S&P Capital IQ Analyst Research Notes and other Company News

**January 21, 2014**

UP 0.00 to 95.06... JNJ posts $1.24 vs. $1.19 Q4 adj. EPS on 4.5% higher sales. Capital IQ consensus forecast was $1.20 normalized EPS. For 2014, JNJ forecasts adj. EPS of $5.75-$5.85 (excl. special items). Capital IQ consensus forecast was $5.86 normalized EPS.

**January 21, 2014**

10:30 am ET ... S&P CAPITAL IQ REITERATES BUY OPINION ON SHARES OF JOHNSON & JOHNSON (JNJ 93.66****): We maintain our `14 adjd. EPS estimate of $5.80 (the midpoint of JNJ’s $5.75-$5.85 guidance). We keep our $106 target price, factoring a P/E of 18.3X (near the midpoint of JNJ’s recent P/E range) our `14 forecast. Q4 adjd. EPS rose 4.2% to $1.24, exceeding our forecast by $0.05. We attribute the outperformance to a robust 17.9% gain in U.S. pharmaceuticals, and a lower tax rate. Despite a projected hit of $0.11 from a devalued yen, we see results in 2014 benefiting from momentum in drugs, ongoing recovery in consumer products and stronger gains in devices. /H. Saftlas

**January 16, 2014**

11:05 am ET ... S&P CAPITAL IQ REITERATES BUY OPINION ON SHARES OF JOHNSON & JOHNSON (JNJ 94.84****): We raise our 12-month target price by $4 to $106, applying a P/E of 18.3X (near the midpoint of the stock’s recent historical range) our $5.80 estimate for 2014. The company received a binding offer from the private equity firm Carlyle Group to purchase its Ortho clinical diagnostics unit for $4.15B. We note that JNJ has been seeking for some time to monetize this low-margin business, where it has a relatively small market share. We expect this proposed deal to be completed by mid-year, with funds used to support its growing pharmaceutical and orthopedic franchises. /H. Saftlas

**December 24, 2013**

UP 0.00 to 92.03... CARLYLE GROUP is in exclusive talks with JNJ to acquire the health-care co.’s blood testing unit, which is expected to fetch about $4 billion: WSJ.

**December 24, 2013**

10:08 am ET ... S&P CAPITAL IQ REITERATES BUY OPINION ON SHARES OF JOHNSON & JOHNSON (JNJ 92.18****): Based on an unconfirmed Wall Street Journal report, JNJ was said to be in exclusive negotiations with Carlyle Group LP concerning the possible sale of its Ortho Clinical Diagnostics business for about $4B in cash. We note that JNJ said earlier this year it was considering strategic options for this business, where JNJ has only a relatively small market share. Diagnostic sales fell 8% in Q4. We expect JNJ to successfully monetize this unit and invest proceeds into areas with greater growth potential such as pharmaceuticals and orthopedics. We keep our target price of $102. /H. Saftlas

**December 16, 2013**

10:34 am ET ... S&P CAPITAL IQ REITERATES BUY OPINION ON SHARES OF JOHNSON & JOHNSON (JNJ 92.17****): We maintain our 12-month target price of $102. JNJ was said to have received three bids of at least $4B each for its Ortho Clinical Diagnostics division, based on an unconfirmed news report from Bloomberg. JNJ noted at 2013 start it was considering various strategic options for this business, where JNJ does not command a leading position. Operational diagnostic sales also declined 8% on Q3. We expect JNJ to successfully monetize this unit, and invest proceeds into areas with greater growth potential such as pharmaceuticals and orthopedics. The $2.64 dividend yields 2.9%. /H. Saftlas

**November 25, 2013**

10:45 am ET ... S&P CAPITAL IQ REITERATES BUY OPINION ON SHARES OF JOHNSON & JOHNSON (JNJ 94.86****): JNJ agrees to settle an estimated 8,000 lawsuits brought by hip replacement patients claiming injuries from implants sold by JNJ’s Depuy division. We note the $2.5B settlement is well below previous estimates of up to $4B. However, the settlement covers only patients whose surgeries were done by the end of August 2013, leaving JNJ potentially liable for future cases. In any event, we believe JNJ has sufficient reserves for this litigation, and we do not expect it to materially impact EPS. We keep our target price of $102. The $2.64 dividend presently yields 2.8%. /H. Saftlas

**November 20, 2013**

10:11 am ET ... S&P CAPITAL IQ MAINTAINS BUY OPINION ON SHARES OF VERTEX PHARMACEUTICALS (VRTX 63.29****): We keep our target price at $100. VRTX agrees to sell royalty rights to INCIVO (sold in the US as INCIVEK) to Johnson & Johnson (JNJ 95, Buy) for a one-time cash payment of $152M. As a result, we narrow our `13 loss view by $0.65 to $0.70, but widen `14’s by $0.25 to $2.42 loss. We expect VRTX to end `13 with more than $1.4B cash. We view the cash inflow favorably, as INCIVO demand vances ahead of new expected hepatitis C competition. We also expect licensing payments from other pipeline programs to support robust R&D investments, centered around cystic fibrosis franchise. /S. Silver

**November 13, 2013**

02:45 pm ET ... S&P CAPITAL IQ REITERATES BUY OPINION ON SHARES OF JOHNSON & JOHNSON (JNJ 93.00****): We keep our $102 target price. The FDA approved ibrutinib, a treatment for a rare form of non-Hodgkin lymphoma, which was developed by JNJ and Pharmacyclics. Although approved now for mantle cell lymphoma (about 6% of non-Hodgkin cases), we think wider indications will be forthcoming, as clinical studies progress. We see peak multi-billion sales potential for this drug. In a non-related matter, JNJ tentatively agreed to pay up to $4B to settle hip-implant lawsuits, according to an unconfirmed Bloomberg press report. We believe JNJ has ample cash reserves to manage this payment. /H. Saftlas

**November 4, 2013**

11:56 am ET ... S&P CAPITAL IQ REITERATES BUY OPINION ON SHARES OF JOHNSON & JOHNSON (JNJ 92.63****): JNJ has agreed to pay more than $2.2B to resolve criminal and civil liability related to allegations that it had promoted Risperdal and Invega anti-psychotic agents, and Natrecor heart drug, for uses not approved by the FDA, and also paid kickbacks to physicians and one large pharmacy provider. We note that these settlements are not uncommon in the large capitalization pharma sector, and we believe JNJ has adequate reserves and cash & investments ($25B at Sep 30) to manage this payment. We maintain our 12-month target price of $102. The dividend yields 2.8%. /H. Saftlas

**October 15, 2013**

UP 0.00 to 95.89... JNJ posts $1.36 vs. $1.25 Q3 EPS (excl. special items) on 3.1% sales rise. Capital IQ consensus forecast was $1.32. Raises '13 EPS forecast to $5.44-$5.49, excl. special items.
Analysts’ Recommendations

Of the total 37 companies following JNJ, 23 analysts currently publish recommendations.

<table>
<thead>
<tr>
<th>Recommendations</th>
<th>No. of Recommendations</th>
<th>% of Total</th>
<th>1 Mo. Prior</th>
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<td>Buy</td>
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<td>Hold</td>
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<td>Total</td>
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Wall Street Consensus Estimates

For fiscal year 2014, analysts estimate that JNJ will earn US$ 5.82. For fiscal year 2015, analysts estimate that JNJ’s earnings per share will grow by 8% to US$ 6.28.
Glossary

S&P Capital IQ STARS
Since January 1, 1987, S&P Capital IQ Equity Research has ranked a universe of U.S. common stocks, ADRs (American Depositary Receipts), and ADSs (American Depositary Shares) based on a given equity's potential for future performance. Similarly, S&P Capital IQ Equity Research has ranked Asian and European equities since June 30, 2002. Under proprietary STARS (Stock Appreciation Ranking System), S&P Capital IQ equity analysts rank equities according to their individual forecast of an equity’s future total return potential versus the expected total return of a relevant benchmark (e.g., a regional index (S&P Asia 50 Index, S&P Europe 350® Index or S&P 500® Index)), based on a 12-month time horizon. STARS was designed to meet the needs of investors looking to put their investment decisions in perspective. Data used to assist in determining the STARS ranking may be the result of the analyst’s own models as well as internal proprietary models resulting from dynamic data inputs.

S&P Capital IQ Quality Ranking
(also known as S&P Capital IQ Earnings & Dividend Rankings) - Growth and stability of earnings and dividends are deemed key elements in establishing S&P Capital IQ’s earnings and dividend rankings for common stocks, which are designed to capitalize the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+ Highest
A High
A- Above Average
B+ Average
B Below Average
B- Lower
A+ Above Average
A High
A- Below Average

S&P Capital IQ EPS Estimates
S&P Capital IQ earnings per share (EPS) estimates reflect analyst projections of future EPS from continuing operations, and generally exclude various items that are viewed as special, non-recurring, or extraordinary. Also, S&P Capital IQ EPS estimates reflect either forecasts of S&P Capital IQ equity analysts; or, the consensus (average) EPS estimate, which are independently compiled by Capital IQ, a data provider to S&P Capital IQ Equity Research. Among the items typically excluded from EPS estimates are asset sale gains; impairment, restructuring or merger-related charges; legal and insurance settlements; in process research and development expenses; gains or losses on the extinguishment of debt; the cumulative effect of accounting changes; and earnings related to operations that have been classified by the company as discontinued. The inclusion of some items, such as stock option expense and recurring types of other charges, may vary, and depend on such factors as industry practice, analyst judgment, and the extent to which some types of data is disclosed by companies.

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S&P Capital IQ Core Earnings is a uniform methodology for adjusting operating earnings by focusing on a company’s after-tax earnings generated from its principal businesses. Included in the S&P Capital IQ definition are employee stock option grants, pension costs, restructuring charges from ongoing operations, write-downs of depreciable or amortizable operating assets, purchased research and development, M&A related expenses and unrealized gains/losses from hedging activities. Excluded from the definition are pension gains, impairment of goodwill, asset sale gains, reversal of prior-year charges and provision from litigation or insurance settlements.

S&P Capital IQ 12-Month Target Price
The S&P Capital IQ equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics, including S&P Capital IQ Fair Value.

STARS Ranking system and definition:

★★★★★ 5-STARS (Strong Buy):
Total return is expected to outperform the total return of a relevant benchmark, by a wide margin over the coming 12 months, with shares rising in price on an absolute basis.

★★★★ 4-STARS (Buy):
Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis.

★★★★ 3-STARS (Hold):
Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.

★★★ ★★ 2-STARS (Sell):
Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price not anticipated to show a gain.

★★★ ★★★★ 1-STARS (Strong Sell):
Total return is expected to underperform the total return of a relevant benchmark by a wide margin over the coming 12 months, with shares falling in price on an absolute basis.

Relevant benchmarks:
In North America, the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are the S&P Europe 350 Index and the S&P Asia 50 Index, respectively.

Abbreviations Used in S&P Capital IQ Equity Research Reports
CAGR - Compound Annual Growth Rate
CAPEX - Capital Expenditures
CV - Calendar Year
DCF - Discounted Cash Flow
DDM - Dividend Discount Model

EBIT - Earnings Before Interest and Taxes
EBITDA - Earnings Before Interest, Taxes, Depreciation and Amortization
EPS - Earnings Per Share
EV - Enterprise Value
FCF - Free Cash Flow
FPO - Funds From Operations
FY - Fiscal Year
P/E - Price/Earnings
P/NAV - Price to Net Asset Value
PEG Ratio - P/E-to-Growth Ratio
PV - Present Value
R&D - Research & Development
ROCE - Return on Capital Employed
ROI - Return on Equity
ROIC - Return on Invested Capital
ROA - Return on Assets
SG&A - Selling, General & Administrative Expenses
SOTP - Sum-of-The-Parts
WACC - Weighted Average Cost of Capital

Dividends on American Depositary Receipts (ADRs) and American Depositary Shares (ADSs) are net of taxes (paid in the country of origin).
Required Disclosures

S&P Capital IQ ranks stocks in accordance with the following ranking methodologies:

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**STARS Stock Reports:**
S&P Capital IQ Global STARS Distribution as of December 31, 2013

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<th>Ranking</th>
<th>North America</th>
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<th>Asia</th>
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<tr>
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<td>Total</td>
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