

**Equity Research**  
North America

United States of America

Healthcare: Pharmaceuticals, Hosp.  
Supplies & Medical Tech.

# Johnson & Johnson

Reuters: JNJ.N Bloomberg: JNJ NYSE: JNJ

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**Company Update**

May 24, 2000

## *EPO: Taking Some Comfort*

**OUTPERFORM**

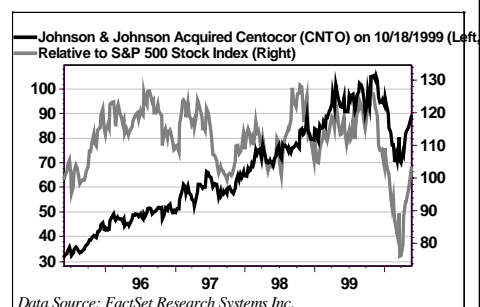
Price (May 19, 2000): \$89.06  
Price Target: \$105.00  
52-Week Range: \$106.13-67.00

**WHAT'S CHANGED**

Change of Target \$101 to \$105

- **Erythropoietin (EPO) is JNJ's most important growth driver**  
JNJ's EPO brands will contribute close to 2.5% to corporate growth in 2000, but concerns are mounting about the franchise.
- **Competitive pressures are intensifying...**  
TKTX and AMGN are both mounting challenges to JNJ. The ongoing TKTX/AMGN patent dispute is the most immediate.
- **...But the market is robust**  
Strong market growth should shield JNJ. We are raising our 2005 estimates by \$300 million. We were simply too pessimistic.
- **We are maintaining our Outperform rating**  
We are increasing our EPS growth rate by 0.5% to 12.5%. If Amgen prevails against TKTX, growth will be even higher.

**Price: Abs. and Rel. To Market & Industry**



FY ending Dec 31:	1999	2000E	2001E	2002E
EPS (\$)	2.96	3.37	3.80	4.32
Prior EPS Ests. (\$)				
CEPS (\$)	3.98	4.46	4.95	5.54
P/E	30.1	26.4	23.4	20.8
P/CE	22.4	20.0	18.0	16.1
Curr. Yield (%)	1.3	0.0	0.0	0.0
Market Cap (\$ m)	125,664			
Enterprise Value (\$ m)	—			
Debt/Cap (12/98)(%)	—			
Return on Equity (12/98)(%)	27.7			
L-T EPS Grth. (%)	13.0			
P/E to Growth	2.31			
Shares Outstanding (m)	1,411.0			

E = Morgan Stanley Dean Witter Research Estimate.

**Company Description**

Johnson & Johnson is one of the world's largest and most comprehensive manufacturers of healthcare products, serving the consumer, pharmaceutical, diagnostics, and professional markets.

## *EPO: Taking Some Comfort*

### **Summary and Investment Conclusion**

Since the beginning of 2000, JNJ has not been a strong performer. We believe that the poor performance of the stock is due, in part, to concerns about the sustainability of the company's erythropoietin (EPO) franchise. In this report, we outline many of the issues that are involved.

The EPO market is an important one for JNJ, as it controls roughly 57–58% of the worldwide market (excluding Japan). This product represents JNJ's single largest brand, as it accounts for about 9% of corporate sales and probably close to 15–20% of total corporate profits. Just as important, EPO has been an important source of growth. We estimate that this year, EPO will contribute roughly 2.5% to corporate growth. We are projecting total corporate sales growth will approximate 9% worldwide.

JNJ has several direct and indirect threats with respect to its EPO franchise. As a reminder for investors, Amgen licensed EPO to JNJ in the mid-1980s. JNJ has the exclusive rights to sell EPO for all indications in most countries outside the US and Japan. In the US, JNJ has the exclusive rights to sell EPO for all indications, except for end-stage renal disease (ESRD), which is the market that Amgen kept for itself.

The first "indirect" threat to JNJ's franchise began in earnest on May 15 as Amgen and Transkaryotic Therapies (TKTX) began a trial over the "validity" of Amgen's EPO patents. This will determine whether TKTX will be able to commercialize GA-EPO (Dyneo) in the US market. The second, more direct, threat pertains to Amgen's second-generation EPO called NESP. This second-generation product will allow Amgen to compete with JNJ in all worldwide markets for which JNJ was exclusively licensed by the original AMGN/JNJ agreement. This product is expected to be launched in the US in 1Q00 and outside the US in 4Q00 for the treatment of renal disease. Additionally, JNJ and Amgen continue to battle with each other in an arbitration process regarding the original licensing agreement. Amgen is hoping to regain US marketing rights to erythropoietin from JNJ.

When examining these threats, one has to take into account the sustainability of growth for the EPO market in the near term. As we look at the anemia market, it remains quite robust and under served. Specifically, we see the EPO mar-

ket for cancer as the primary driver of future industry growth. We estimate that by the end of 2000, this portion of the market will be 25% penetrated in the US and only 7% penetrated in the non-Japan overseas markets. This year, we estimate that the worldwide market (excluding Japan) for EPO will approximate \$4.7 billion in sales. This assumes that: 1) pricing erodes modestly, 2) penetration rates for chemotherapy use grow to 45% in the US and 30–35% outside the US, and that all other penetration rates for other indications (pre-surgical and HIV-associated anemia) do not increase dramatically. Based on these assumptions, we estimate the market for EPO will approach \$7.7 billion by 2005.

We are projecting that JNJ's total worldwide EPO sales will grow approximately 33% in 2000 to \$2.7 billion. We believe that this growth will begin to moderate dramatically in the future. We are assuming that: 1) TKTX will eventually sell in all major markets (with its marketing partner Aventis), 2) Amgen successfully introduces NESP worldwide, 3) Amgen will not succeed in reclaiming EPO from JNJ, and 4) pricing in the industry will only decrease modestly. At this point, we are assuming that NESP will be priced at a premium and that TKTX will elect to price its product at a 15% discount in the US and will receive a more modest 5–10% discount in overseas markets from pricing authorities.

After assessing these threats to the market, we are projecting that JNJ's EPO growth rate will decelerate to 15–16% in 2001 and will be flat to down in the low single-digit range in 2002. Thereafter, we are projecting a 3–6% decline between 2003 and 2005. These revenue estimates are slightly greater than our previous estimates, as the decline is less severe. In total, we are raising our 2005 EPO estimates by \$300 million to \$2.65 billion. Using these assumptions, we believe that JNJ can still maintain an 8–10% annual revenue growth rate and a 12.5–13% normalized EPS growth rate. This EPS growth rate is approximately 0.5% higher than our previous estimates, and is now more in line with consensus growth rates. Interesting to note, JNJ believes that it can still grow its franchise using the above assumptions, leading us to believe that we may still be too conservative.

Despite the robust nature of the market and the fact that JNJ can still maintain a respectable corporate growth rate using our assumptions above, we believe the stock will remain under pressure until certain near- to mid-term EPO uncer-

tainties are resolved. Specifically, the outcome of the Amgen/TKT litigation and the announced pricing strategies for both TKT and Amgen will both be at issue.

As such, we believe that the Amgen/TKTX litigation represents an important psychological event for JNJ. If Amgen were to win this case, we believe JNJ will begin to regain a multiple that is more comparable to other pharmaceutical stocks. We estimate that this event would cause us to increase our EPO estimates by another \$200 million, adding modestly once again to our projected long-term growth rate.

We believe that if Amgen does prevail, the stock could quickly move back up another 10% from current levels. If TKTX were to win, our long-term estimates would not change from our current projected long-term EPS growth rate. However, the physiological negative could force the stock back down to the low 80s, in our opinion.

Perhaps the best alternative for both Amgen and JNJ would be a worldwide partnership for NESP. This would effectively make TKTX's abilities to gain share worldwide that much more difficult and perhaps would make the entire EPO market larger. Unfortunately, because of the "bad blood" between these two companies, we see this outcome as "wishful thinking."

*Net net, we see JNJ as a volatile stock.* Nevertheless, we continue to rate the stock Outperform given its current valuation. We think that as long as TKT elects not to "trash" pricing for EPO, JNJ should continue to deliver respectable corporate growth, which will slowly be incorporated in the stock's multiple. Our price target for the stock is \$105, which is based on a relative multiple of 1.40 times the S&P 500 (which excludes technology) on 2001 earnings, or 1.24 times the S&P including technology. This is roughly at an average multiple of the pharmaceutical industry.

#### **Details on JNJ's Procrit/Eprex Issues**

During the past several months, JNJ stock has been volatile. We believe that this, in part, has been caused by the perceived uncertainty regarding JNJ's erythropoietin anemia franchise. As noted later, this product is perhaps the most lucrative in JNJ's product portfolio.

EPO represents one of the most exciting product opportunities in the pharmaceutical industry, in our view. The market for EPO in 2000 is expected to total \$4.7 billion worldwide (excluding Japan). This would represent a 24% increase

year over year. JNJ's share of this worldwide market approximates 57–58%. While the renal dialysis market is close to full penetration, by our calculations, the oncology market has much more room to grow — we estimate that the market is only 20–25% penetrated in the US and 5–7% penetrated in international markets.

While the market is still young, JNJ is fighting several battles regarding EPO. First, it has an ongoing direct legal battle with Amgen regarding future marketing rights. Second, it has an indirect and potentially a direct battle with TKT regarding the introduction of GA-EPO (trade named Dynepo) in the US and Europe. Third, it has a direct battle with Amgen regarding the introduction of a second-generation EPO called NESP. We thought that an overview of this market and these various issues would be in order.

#### **What's at Stake for JNJ?**

**What is Procrit/Eprex?** Erythropoietin is used in the treatment of anemia by stimulating erythropoiesis or red blood cell production. This increase results in a significant reduction in the need to transfuse patients with red blood cells and improves the quality of life, as measured by the FACT (Functional Assessment of ChemoTherapy report) scale. Today, the majority of erythropoietin is used in the treatment of renal dialysis and oncology patients. Other indications include anemia related to HIV treatment with Zidovudine and use in pre surgical settings (excluding cardiac surgery).

JNJ and Amgen have agreed contractually to split the market up by indication. JNJ has the rights to market the product for all indications outside the US (excluding Japan). In the US, JNJ is not allowed to market the product for end stage renal disease (dialysis indications). JNJ markets the product under the Procrit label in the US and Eprex outside the United States. Amgen markets the product under the Epogen brand name. Exhibit 1 provides a summary of the labeling, dosing and marketing rights for erythropoietin.

Exhibit 1

**Indications and Marketing Rights for Erythropoietin**

Indication	Dose Range 3x/week (U=Units/kg)	AMGN (Epogen)	JNJ (Procrit)	JNJ (Eprex)
		U.S.	U.S.	Europe
<b>Renal Dialysis</b>	<b>50-100 U/kg</b>			
-Predialysis		X	X	X
-Anemia of ESRD		X		X
<b>Oncology</b>	<b>150-300 U/kg</b>			
-Anemia associated with chemotherapy			X	X
<b>Surgery (non-cardiac)</b>	<b>300 U/kg/day*</b>			
-Reduction in blood transfusion in surgery patients			X	X
<b>HIV</b>	<b>100 U/kg</b>			
-Treatment of anemia associated with Zidovudine treatment			X	

ESRD = End Stage Renal Disease

HIV = Human Immunodeficiency Virus

\* Surgery dosing is 300 U/kg/day subcutaneously for 10 days before surgery, on the day of surgery and 4 days after surgery

Source: Company Reports

**EPO is very big for JNJ.** EPO sales for JNJ will approximate \$2.7 billion worldwide in 2000. This represents growth of nearly 33% year over year. From our estimates, Procrit/Eprex accounts for 22% of total pharmaceutical sales and is the single largest contributor to divisional growth. This product alone will account for close to 4% of pharmaceutical growth and close to 2.5% of corporate growth in 2000. Thus far, JNJ has been far more exposed to the higher-growth segments of the market, as it is more focused on the oncology indication.

**The market is still young.** We have defined the market opportunity in terms of total patients available for treatment on a geographical basis that includes the US and international markets (excluding Japan). Within each geographical region, we have assessed the penetration into the renal dialysis market and oncology market in order to assess the future market opportunity.

The total worldwide market (ex-Japan) is projected to be in the \$4.7 billion range, up 24%. The renal market is expected to be up 12–14% in 2000 to \$2.7 billion, while the oncology market should post sales of close to \$1.638 billion, up over 40% year over year. The other category is anemia associated with HIV therapy and surgical prophylaxis, which accounts for approximately \$360 million. Exhibit 2 provides a summary of EPO sales projections by geography and market.

Exhibit 2

**Erythropoietin Sales in 2000E (\$ millions)**

Indication	AMGN (Epogen)	JNJ (Procrit)	JNJ (Eprex)	AMGN + JNJ EPO
	U.S.	U.S.	Intl (ex-Japan)	Total
<b>Renal Dialysis</b>	\$2,011	\$0	\$720	\$2,731
<b>Oncology/Other*</b>	\$0	\$1,798	\$200	\$1,998
<b>Total</b>	\$2,011	\$1,798	\$920	\$4,729

\*Other includes anemia associated with Zidovudine treatment and reduction in blood transfusion in surgery patients

E = Morgan Stanley Dean Witter research estimate

**Renal dialysis is nearing full penetration.** Our analysis concludes that the renal dialysis market is nearing full penetration in both the US and international markets (excluding Japan). Exhibit 3 provides a summary of Epogen (Amgen) and Eprex (JNJ)'s estimated penetration into the renal dialysis market. Looking forward, we are assuming that pricing will be a contributor to growth for another two years; thereafter, price will begin to erode modestly. We should note that the underlying unit growth for the industry should approximate 7–8% annually. This is in-line with the growth of the end-stage renal disease (ESRD) patient population.

Exhibit 3

**Epogen/Eprex Market Penetration into Renal Market in 2000E**

Variable	U.S.	Intl (ex-Japan)
Sales (\$ millions)	\$2,011	\$720
% of Sales in predialysis and renal dialysis	100%	100%
Renal Sales (\$ millions)	\$2,011	\$720
Epogen dosed at 5,000 units 3x/week*	\$187	
Eprex dosed at 2,500 units 3x/week**		\$57
Annual cost per patient (3x weekly x 52 weeks)	\$9,725	
Annual cost per patient (3x weekly x 52 weeks)		\$2,938
Annual # of renal patients treated	206,786	245,065
Annual # of renal patients	225,000	275,000
Total Renal Market Penetration	92%	89%

Source: \*2000 Drug Topics Red Book Actual Wholesale Price for US for 25 x 10,000 units/vial = \$3117.00 or \$124.68/vial

\*\*\*Eprex dosed lower in Europe due to higher use of Iron Supplements

E = Morgan Stanley Dean Witter research estimate

There are major pricing and usage differences between the US and international markets. The price of Eprex in international markets is approximately one-third the price in the US. In addition, in international markets, clinicians use about half the dose used in the US.

**The oncology market is still under penetrated.** The oncology market in the US and in international markets (excluding Japan) is significantly under penetrated, in our opinion. We estimate that the US oncology market is only 25%

penetrated, while the international markets are only 7% penetrated. Exhibit 4 provides a summary of Procrit (JNJ) and Eprex (JNJ) penetration into the oncology market.

Exhibit 4

**Procrit/Eprex Market Penetration into Oncology Market in 2000E**

Variable	U.S.	Intl (ex-Japan)
Sales (\$ millions)	\$1,798	\$920
% of Sales in Oncology	80%	22%
Oncology Sales (\$ millions)	\$1,438	\$200
Procrit dosed at 40,000 units/week* (75%)	\$499	
Procrit dosed at 30,000 units 3x/week* (25%)	\$374	
Eprex dosed at 20,000 units /week***		\$150
Annual cost per patient (1x weekly x 17.5 weeks)	\$8,728	
Annual cost per patient (3x/week x 17.5 weeks)	\$6,546	\$2,625
Annual # of cancer patients treated	208,760	70,095
Annual incidence of new cancer cases**	820,000	1,050,000
Total Oncology Market Penetration	25%	7%

Source: \*American Cancer Society Cancer Facts & Figures 2000 includes only cancer cases treated with chemotherapy

\*\*2000 Drug Topics Red Book Actual Wholesale Price for US for 25 x 10,000 units/vial = \$3117.00 or \$124.68/vial

\*\*\*Eprex dosed lower in Europe due to higher use of Iron Supplements

E= Morgan Stanley Dean Witter research estimate

We are projecting the total worldwide (ex-Japan) oncology market to post sales of \$1.64 billion in 2000, up over 40% year over year. The US portion of this market should account for roughly \$1.438 billion in 2000, while the international oncology market should account for the remaining \$200 million. As in the renal market, there are significant differences between the US and international markets.

Similar to the renal market, the price of Eprex is approximately one-third the price of Procrit in the US. In addition, in international markets, clinical practitioners use about two-thirds to one-half the dose used in the US.

**Where does the market go from here?** We believe that future market growth for EPO will be driven primarily by the oncology indication. We believe that by 2005, penetration for this indication will be in the 45% range in the US. Assuming modest pricing erosion, this should yield a US market of at least \$2.7 billion for cancer alone. Given the current promotional activities regarding this product, this could prove to be a conservative assumption. In international markets, we see this indication as being important as well. Until recently, the uptake of Eprex was slowed by the limited ability to promote in all forms of chemotherapy. Previously, European regulatory authorities had restricted its use for chemotherapy regimens that only contained platinum-based compounds. JNJ indicated that it fully launched its promotional campaign in February 2000. Assuming a 30–35% penetration outside the United States, we estimate that this market opportunity should approximate close to

\$1.0 billion. These estimates also exclude sales from the other indications, including pre-surgical prophylaxis and anemia associated with HIV therapy. These therapies represent an additional \$250-300 million market and are growing at a double-digit rate.

**Major Issues Facing JNJ's Procrit/Eprex Franchise?**

There are three major issues facing JNJ. The *first* threat relates to TKTx and its attempt to enter the EPO market with GA-EPO (Dynepo) through its commercial partner Aventis. In this case, JNJ is an indirect party from a legal perspective, as Amgen has been fighting this battle with TKTx on the patent front. The trial started on May 15. The *second* threat comes directly from Amgen, as it attempts to introduce a second-generation EPO called NESp. The *third* issue relates to Amgen's continued crusade to nullify its original 1985 licensing agreement with JNJ in order to regain the licensing rights to the product. Listed below is a brief summary of these issues.

**Amgen versus Transkaryotic Therapies: Amgen is the Favorite in this Battle**

The initial thrust of competition to the worldwide EPO anemia franchise will probably come from TKTx. The extent of competition in the US will probably be determined by the outcome of a patent dispute between TKTx and Amgen. In this instance JNJ and Amgen have a common enemy in TKTx/Aventis.

The jury trial began on Monday, May 15, in the Federal District Court in Boston, and is expected to last 20 days. The common belief is that the judge's recent ruling during the Markman hearing tipped the scales in favor of Amgen for this trial. (One of our biotechnology analysts, Doug Lind, is forecasting a more optimistic outcome for TKTx.) Essentially, TKTx needs to invalidate Amgen's patent (number 5,955,422). For simplicity's sake, we are assuming that Amgen has a 50/50 chance of winning this suit. If a jury finds the original patent claims invalid, TKTx and its partner Aventis would be able to commercialize its product GA-EPO (Dynepo) in the US.

In the US, the initial competitive threat from TKTx/Aventis would be in the US renal dialysis market, with expected market introduction in mid-2001. This would have only a limited impact on JNJ, as it is contractually restricted from selling in the US renal dialysis market and sells a small amount of Procrit in the pre-dialysis market.



On the oncology front, TKTX/Aventis have entered Phase III clinical trials. While they have not provided explicit guidance, we believe that they could be in a position to complete and file for anemia associated with chemotherapy by mid-2001, with US approval by mid-to-late-2002 and launch before the end of 2002/early 2003. Exhibit 5 provides a summary of the clinical development timelines for TKTX/Aventis in the US and Europe.

Exhibit 5

**Clinical Development Timeline for GA-EPO**

Indication	TKTX/AVE US (GA-EPO)	TKTX/AVE Europe (GA-EPO)
<b>Renal Dialysis*</b>	File mid-2000	File mid-2000
-Predialysis	Launch mid-2001	Launch mid-2001
-Anemia of ESRD	Launch mid-2001	Launch mid-2001
<b>Oncology**</b>	Entered Phase III in 1Q00	Entered Phase III in 1Q00
-Anemia associated with Chemotherapy	File mid-2001	File mid-2001

ESRD = End Stage Renal Disease

HIV = Human Immunodeficiency Virus

TKTX = Transkaryotic Therapies AVE = Aventis

\*Aventis is responsible for simultaneous filing of U.S. & European application

\*\*TKTX expects to complete oncology trials by end of 2000

\*\*Aventis is responsible for simultaneous filing of U.S. & European application

Source: Company estimates

**AMGN versus JNJ**

On September 30, 1985, JNJ and Amgen entered into a licensing agreement for Amgen's novel red blood cell stimulator erythropoietin. This original agreement has resulted in numerous points of contention between the parties over the last 15 years.

**JNJ has been denied the commercial rights to NESP.** In late-December 1998, JNJ lost its long and protracted battle with Amgen over its rights to Amgen's second-generation Epogen known as NESP. This ruling opened the door for AMGN to have worldwide access to the anemia markets. This include both renal and oncology indications.

**Where is NESP in the clinic?** Having completed its clinical phase of development for pre-dialysis and renal dialysis indications, Amgen simultaneously filed for US and European approval in 4Q99. We believe that Amgen should be in a position to launch NESP into the renal market in early 1Q01.

Amgen also is the process of initiating its Phase III clinical trials for NESP in the treatment of anemia associated with chemotherapy. The oncology studies are expected to be initiated in 2H00 in the US and Europe. While Amgen has not committed to a timeline for completion of its oncology studies, we believe that the company could complete its

studies in one year, with a simultaneous US and European supplemental regulatory filing in 2H01. We believe that a launch in late 2002 could be possible. Exhibit 6 provides a summary of the clinical timelines for NESP in the US and Europe.

Exhibit 6

**Clinical Development Timeline for NESP**

Indication	Amgen US (NESP)	Amgen Europe (NESP)
<b>Renal Dialysis</b>	File 4Q99	File 4Q99
-Predialysis	Launch 1H01	Launch 1H01
-Anemia of ESRD	Launch 1H01	Launch 1H01
<b>Oncology*</b>	Enter Phase III in 2H00	Enter Phase III in 2H00
-Anemia associated with Chemotherapy	Approval 1Q02	Approval 2Q02

ESRD = End Stage Renal Disease

HIV = Human Immunodeficiency Virus

\*Oncology will be a supplemental filing off the renal regulatory package.

Source: Company estimates

**What is NESP and how does it compare with Procrit/Epex?** NESP is a second-generation erythropoietin (Epogen) that has been modified to contain five amino acids substituted for the original protein and with a 25% greater degree of sugar coating or glycosylation. The structural changes to the molecule appear to make it more bioavailable, allowing for an increased level of the drug in the bloodstream for a longer period of time. The combination of these attributes appear to allow lower doses to be given in a less-frequent (subcutaneous) dosing regimens than conventional EPO, which is IV or subcutaneously dosed. The one possible disadvantage of the product is that by adding the greater glycosylation, there may be a greater degree of risk that the body will form neutralizing antibodies to the product over time. This is especially important in the renal dialysis market, where a life-long therapy regimen is required. While the risk is there, thus far Amgen has not seen any adverse effects from NESP.

Assuming antibody formation does not appear as a problem, the dosing advantage could allow for either once a week or once every two weeks administration. Amgen has indicated that it is attempting to extend the dosing of NESP to once every three weeks or once every chemotherapy cycle. This would compare with Procrit, which is dosed once a week in over 80% of patients in the U.S.

In Phase I clinical development, Amgen conducted dosing studies that indicated that approximately 0.45 ug (micrograms) per week would result in a one-gram change in a person's hemoglobin, which is a common measure used to determine the level of anemia. This 0.45 ug per week dose

of NESP equates roughly to roughly 100 units of erythropoietin.

**Amgen does not appear to be making headway against JNJ with respect to its licensing dispute.** In 1995, Amgen filed a suit claiming that it had the right to terminate its original licensing agreement with JNJ on the grounds that JNJ had breached the terms of the 1985 licensing agreement. Specifically, Amgen claims that JNJ intentionally sold EPO product into the US renal dialysis market.

On March 13, 2000, an arbitrator issued a ruling that was favorable to JNJ. The Chicago arbitration judge denied motions for summary judgement by both parties. The judge ruled out the possibility of licensing termination, since Amgen failed to contractually “notify” JNJ that it was in breach of its original license so it could take corrective action. This, in our opinion, significantly reduced the chances for a “nightmare” scenario for JNJ.

Both companies still have to work out their differences in early 2001. The next round of arbitration between JNJ and Amgen on this issue has been set for February 2001. With the earlier ruling, we believe that rights of both parties are protected in the marketplace by an audit that uses Amgen’s methodology and allocates sales between each party if sales accidentally spill over into each other’s markets in the US. Therefore, we believe that the probability of any adverse ruling against JNJ’s Ortho Biotech division is highly unlikely.

#### **How Has JNJ Prepared for the Advent of GA-EPO and NESP?**

During the past several years, JNJ has been building defenses on many fronts to guard against the potential competitive threats from NESP and GA-EPO (Dynepo) from TKTX.

**Clinical initiatives.** JNJ has compiled one of the largest clinical databases through an extensive array of phase IV clinical studies conducted in all forms and types of cancers that are treated with chemotherapy. In addition, the company has completed several studies that support the improvement in anemia and quality of life associated with Procrit therapy. The company has been granted a quality of life claim in Europe, and we believe that JNJ will likely file for a similar claim in the U.S.

**More convenient dosing regimens.** JNJ is also expected to file for once weekly dosing for EPO before the end of 2000.

We believe that the once weekly formulation will provide JNJ some cushion against GA-EPO (Dynepo) and NESP. The main issue over once weekly dosing for JNJ is that it requires an approximate 33% higher dose.

JNJ is also in Phase II clinical development with a longer-acting “Prolease” formulation with its partner Alkermes (ALKS, \$32, not covered). We believe that the company is evaluating the potential to lengthen the dosing regimen for Procrit from once weekly to once every two to three weeks, making it comparable to NESP. At this point, we have not assumed a significant impact from this product in our JNJ revenue projections.

**Beefed-up sales force.** On the commercial front, JNJ continues to add to its sales force. While Aventis does not have a presence in the European renal dialysis market, it has one of the largest sales forces in Europe, a portion of which concentrate on the oncology market. In 1Q00, Aventis sold in excess of 160 million euros in Taxotere and Camppto. This franchise will likely annualize at over 700-million euros in 2000. Amgen, on the other hand, has a relatively strong oncology sales force to market its white blood growth stimulator Neupogen, but lacks a commercial presence in the European renal market. Exhibit 7 outlines the estimated sales force sizes of JNJ and Amgen.

Exhibit 7  
**Estimated Salesforce Sizes**

Company	Renal Salesforce	Oncology Salesforce
<b>JNJ</b>		
-U.S. (Procrit)	0	550
-Europe (Eprex)	200 (E)	450 (E)
<b>Amgen</b>		
-U.S. (Epogen/Neupogen)	130*	300
-Europe (NESP/Neupogen)	0	200 (E)

*\*Expected to increase by 50 sales reps by end of 2000  
in anticipation of NESP launch.*

*E= Morgan Stanley Dean Witter Research Estimates*

Additionally, in the US JNJ has begun an aggressive direct-to-consumer advertising campaign. At the very minimum, this effort should continue to help penetration of the US oncology market.

#### **Current Market Assumptions**

We are projecting that total worldwide EPO sales in 2000 will grow approximately 33% to \$2.7 billion, with domestic

sales up 45% to \$1.798 billion and international sales up 15% to \$920 million. Exhibit 8 summarizes the collective views of Morgan Stanley's healthcare team. Given the growth dynamics of the market, we believe that these estimates could prove conservative as we are not forecasting significant market growth past 2003.

For JNJ, we are projecting that growth will moderate in the future. We have assumed that: 1) TKTX will eventually sell in all major markets (with its marketing partner Aventis), 2) Amgen successfully introduces NESP worldwide, 3) Amgen will not succeed in reclaiming EPO from JNJ, and 4) pricing in the industry will remain fairly stable.

At present, we are assuming that NESP will be priced at a premium, and TKTX will elect to price its products at a 15% discount in the US and at a more modest 5–10% discount in overseas markets. When taking these issues into account, we believe that growth in 2001 will be in the 15–16% range, followed by a flat sales trend in 2002 and a decline of 3–6% thereafter. These revenue estimates are slightly greater than our previous estimates as the decline in sales is now less severe than expected. In total, we are raising our 2005 EPO worldwide sales estimates for JNJ by \$300 million to \$2.65 billion.

Using these assumptions, we believe that JNJ can still maintain an 8–10% annual revenue growth rate and a 12.5–

13% normalized EPS growth rate. This EPS growth rate is approximately 0.5% higher than our previous estimate.

***What happens if TKTX/Aventis is kept out of the US market by the courts?*** Assuming that TKTX is prevented from entering the highly lucrative US market, we believe that both Amgen and JNJ will benefit. Our current 2005 estimates call for TKTX to generate roughly \$340 million in sales in the US. If \$175–200 million of these sales were to accrue to JNJ, we estimate that 2005 EPS would increase by \$0.08 per share, adding roughly 3/10 of a percent to the company's projected long-term EPS growth rate. In actuality, the windfall could be greater as overall industry pricing could also be higher.

***The real worry is if TKTX elects to "trash" the US market.*** As we pointed out earlier, we are assuming that TKTX/Aventis will not be pricing too aggressively. Obviously, the assumptions in Exhibit 8 would change dramatically if pricing were to drop by 30%. At this point, we do not think this is likely. If TKTX ends up winning its suit with Amgen, a slim possibility, JNJ's multiple would probably be suppressed somewhat.



Exhibit 8

**Worldwide (ex Japan) Summary of MSDW Erythropoietin Sales estimates 1999 to 2005E (\$ millions)**

Region	Company	EPO Trademark	Launch	1999	2000E	2001E	2002E	2003E	2004E	2005E
<b>United States</b>										
<b>Total US Renal</b>	Amgen/TKTX	Epogen/NESP/GA-EPO	1991/1H01	1,759	1,984	2,333	2,575	2,725	2,750	2,750
<b>-Oncology/Other</b>	JNJ	Procrit	1991	1,240	1,798	2,160	2,160	2,100	2,000	1,900
	TKTX/Aventis	GA-EPO	4Q02/1Q03	0	0	0	245	350	325	340
	Amgen	NESP	4Q02/1Q03	0	0	0	200	425	700	875
<b>Total US Oncology/Other</b>				1,240	1,798	2,160	2,605	2,875	3,025	3,115
<b>Total U.S. Renal + Oncology Market</b>				\$ 2,999	\$ 3,782	\$ 4,493	\$ 5,180	\$ 5,600	\$ 5,775	\$ 5,865
<b>% Growth</b>					26%	19%	15%	8%	3%	2%
<b>International (ex. Japan)</b>										
<b>-Renal</b>	JNJ	Eprex	1991	640	720	705	630	550	440	340
	Amgen	NESP	mid-2001	-	-	125	150	175	250	275
	TKTX/Aventis	GA-EPO	mid-2001	-	-	100	125	183	223	224
<b>Total Int'l (ex-Japan) Renal</b>				640	720	930	905	908	913	839
<b>-Oncology</b>	JNJ	Eprex	1991	160	200	275	325	360	390	410
	TKTX/Aventis	GA-EPO	4Q02	-	-	-	75	150	225	275
	Amgen	NESP	4Q02	-	-	-	100	150	250	300
<b>Total Int'l (ex-Japan) Oncology</b>				160	200	275	500	660	865	985
<b>Total Int'l Renal + Oncology Market (ex. Japan)</b>				\$ 800	\$ 920	\$ 1,205	\$ 1,405	\$ 1,568	\$ 1,778	\$ 1,824
<b>% Growth</b>					15%	31%	17%	12%	13%	3%
<b>Worldwide (ex. Japan)</b>										
<b>Total Renal</b>				\$ 2,399	\$ 2,704	\$ 3,263	\$ 3,480	\$ 3,633	\$ 3,663	\$ 3,589
<b>% Growth</b>					13%	21%	7%	4%	1%	-2%
<b>Total Oncology</b>				\$ 1,400	\$ 1,998	\$ 2,435	\$ 3,105	\$ 3,535	\$ 3,890	\$ 4,100
<b>% Growth</b>					43%	22%	28%	14%	10%	5%
<b>Total Renal + Oncology</b>				\$ 3,799	\$ 4,702	\$ 5,698	\$ 6,585	\$ 7,168	\$ 7,553	\$ 7,689
<b>% Growth</b>					24%	21%	16%	9%	5%	2%
<b>Worldwide (ex. Japan)</b>										
<b>Total JNJ</b>		Eprex	1991	2,040	2,718	3,140	3,115	3,010	2,830	2,650
<b>% Growth</b>					33%	16%	-1%	-3%	-6%	-6%
<b>Total Amgen</b>		Epogen/NESP	mid-2001	1,759	1,984	2,458	3,025	3,475	3,950	4,200
<b>% Growth</b>					13%	24%	23%	15%	14%	6%
<b>Total TKTX/Aventis</b>		GA-EPO	mid-2001	-	-	100	445	683	773	839
<b>% Growth</b>							345%	53%	13%	9%
<b>Total</b>				\$ 3,799	\$ 4,702	\$ 5,698	\$ 6,585	\$ 7,168	\$ 7,553	\$ 7,689
<b>% Growth</b>					24%	21%	16%	9%	5%	2%

E= Morgan Stanley Dean Witter Research Estimates

## Exhibit 9

## Johnson &amp; Johnson

## Quarterly Sales 1997-2005E

(\$ Millions)

	Consumer			Pharmaceutical			Professional			Total Sales		
	U.S.	Int'l	Total	U.S.	Int'l	Total	U.S.	Int'l	Total	U.S.	Int'l	Total
1997												
1Q	832	852	1,684	990	998	1,988	1,155	933	2,088	2,977	2,783	5,760
2Q	767	845	1,612	973	1,015	1,988	1,179	973	2,152	2,919	2,833	5,752
3Q	801	783	1,584	1,028	941	1,969	1,168	916	2,084	2,997	2,640	5,637
4Q	841	777	1,618	1,023	928	1,951	1,138	974	2,112	3,002	2,679	5,681
Year	3,240	3,258	6,498	4,015	3,882	7,896	4,640	3,795	8,435	11,895	10,935	22,830
1998/97												
1Q	1%	-6%	-3%	22%	-6%	8%	-6%	4%	-2%	5%	-3%	1%
2Q	-2%	-3%	-3%	29%	-2%	13%	-9%	1%	-5%	6%	-1%	2%
3Q	1%	0%	0%	19%	2%	11%	-4%	1%	-2%	5%	1%	3%
4Q	3%	3%	7%	12%	9%	19%	13%	8%	15%	16%	12%	14%
Year	3%	-2%	0%	24%	1%	13%	-2%	6%	2%	8%	2%	5%
1998												
1Q	840	799	1,639	1,212	937	2,149	1,086	966	2,052	3,138	2,702	5,840
2Q	753	818	1,571	1,255	998	2,253	1,071	979	2,050	3,079	2,794	5,874
3Q	806	781	1,587	1,227	959	2,185	1,117	922	2,039	3,150	2,662	5,811
4Q	927	804	1,731	1,299	1,014	2,313	1,255	1,171	2,426	3,481	2,989	6,470
Year	3,325	3,201	6,526	4,993	3,907	8,900	4,530	4,039	8,569	12,848	11,147	23,995
1999/98												
1Q	10%	0%	5%	26%	12%	20%	19%	18%	19%	19%	11%	15%
2Q	16%	0%	7%	37%	11%	26%	23%	16%	20%	27%	10%	19%
3Q	14%	0%	7%	37%	10%	25%	19%	21%	20%	25%	11%	18%
4Q	2%	-1%	1%	15%	5%	10%	8%	4%	6%	9%	3%	6%
Year	10%	0%	5%	29%	9%	20%	17%	14%	16%	20%	8%	14%
1999												
1Q	927	801	1,728	1,527	1,050	2,577	1,289	1,145	2,433	3,743	2,995	6,738
2Q	873	814	1,687	1,718	1,111	2,829	1,315	1,140	2,454	3,906	3,065	6,971
3Q	921	783	1,704	1,683	1,054	2,737	1,331	1,114	2,444	3,935	2,951	6,885
4Q	948	796	1,744	1,492	1,060	2,552	1,361	1,220	2,581	3,801	3,076	6,877
Year	3,670	3,194	6,864	6,419	4,275	10,694	5,296	4,617	9,913	15,385	12,086	27,471
2000E/99												
1QA	2%	1%	1%	28%	4%	18%	2%	6%	4%	12%	4%	9%
2Q	7%	3%	5%	20%	3%	13%	6%	8%	7%	12%	5%	9%
3Q	8%	4%	6%	20%	3%	13%	8%	8%	8%	13%	5%	10%
4Q	10%	3%	7%	23%	3%	15%	7%	8%	7%	14%	5%	10%
Year	13%	3%	5%	23%	3%	15%	6%	7%	6%	13%	5%	9.3%
2000E												
1QA	943	809	1,752	1,949	1,093	3,042	1,311	1,214	2,525	4,203	3,116	7,319
2Q	931	838	1,769	2,061	1,145	3,206	1,394	1,231	2,624	4,386	3,214	7,600
3Q	995	813	1,808	2,019	1,086	3,105	1,435	1,198	2,633	4,449	3,097	7,545
4Q	1,043	820	1,863	1,835	1,097	2,932	1,456	1,317	2,774	4,334	3,234	7,569
Year	3,912	3,280	7,192	7,865	4,420	12,285	5,596	4,960	10,556	17,372	12,661	30,033
2001E/00E												
1Q	8%	7%	8%	15%	8%	13%	11%	11%	11%	9%	7%	11%
2Q	7%	6%	7%	18%	8%	15%	10%	10%	10%	8%	7%	11%
3Q	6%	6%	6%	19%	8%	15%	7%	9%	8%	6%	6%	11%
4Q	6%	5%	5%	17%	8%	14%	8%	8%	8%	4%	4%	10%
Year	7%	6%	6%	17%	8%	14%	9%	9%	9%	12%	8%	11%
2001E												
1Q	1,018	866	1,884	2,241	1,183	3,424	1,455	1,348	2,803	4,715	3,396	8,111
2Q	996	889	1,885	2,433	1,241	3,674	1,533	1,354	2,887	4,962	3,483	8,445
3Q	1,055	862	1,916	2,403	1,177	3,580	1,539	1,307	2,847	4,997	3,346	8,342
4Q	1,100	864	1,965	2,147	1,189	3,336	1,573	1,423	2,995	4,820	3,476	8,296
Year	4,169	3,480	7,649	9,224	4,790	14,014	6,100	5,431	11,531	19,494	13,701	33,195
2002E/01E	8%	9%	9%	14%	9%	12%	9%	10%	9%	11%	9%	10%
2003E/02E	7%	9%	8%	13%	9%	11%	9%	10%	9%	10%	9%	10%
2004E/03E	6%	9%	8%	8%	8%	8%	9%	10%	10%	8%	9%	9%
2005E/04E	5%	9%	7%	7%	9%	7%	9%	10%	10%	7%	9%	8%
2002E	4,524	3,790	8,314	10,517	5,210	15,727	6,633	5,954	12,587	21,674	14,954	36,628
2003E	4,849	4,130	8,979	11,847	5,685	17,532	7,216	6,542	13,758	23,912	16,357	40,269
2004E	5,161	4,500	9,661	12,842	6,155	18,997	7,857	7,209	15,066	25,860	17,864	43,724
2005E	5,424	4,910	10,334	13,720	6,685	20,405	8,549	7,960	16,509	27,693	19,555	47,248

E=Morgan Stanley Dean Witter Research Estimates

A=Actual

Johnson &amp; Johnson – May 24, 2000

Please refer to important disclosures at the end of this report.

Exhibit 10

## Johnson &amp; Johnson

## Quarterly Income Statement Analysis 1997-2005E

(\$ Millions Except EPS)	Nonoperating Items													Diluted	
	Sales	COGS	Gross Profit	R&D	SG&A	Oper Profit	Net			Pretax Income	Taxes		Net Income	Shares Out. (MM)	EPS
							Interest	Other	Total		Rate	Amt			
1997															
1Q	5,760	1,790	3,970	492	2,148	1,330	4	-29	-25	1,305	30.2%	395	910	1,419	0.64
2Q (e)	5,752	1,771	3,980	537	2,152	1,292	23	-20	3	1,295	29.8%	385	909	1,412	0.64
3Q	5,637	1,768	3,869	535	2,159	1,175	24	3	27	1,201	28.5%	343	859	1,412	0.61
4Q	5,681	1,901	3,780	644	2,297	839	38	-91	-53	786	19.5%	153	633	1,418	0.45
Year	22,830	7,230	15,600	2,209	8,756	4,635	89	-137	-48	4,587	27.8%	1,276	3,311	1,415	2.34
1998/97															
1Q	1%	0%	2%	4%	-1%	6%	--	--	--	9%	--	--	11%	--	11%
2Q	2%	3%	2%	2%	-1%	5%	--	--	--	7%	--	--	12%	--	12%
3Q	3%	1%	4%	-2%	1%	12%	--	--	--	10%	--	--	12%	--	12%
4Q	14%	12%	15%	16%	12%	20%	--	--	--	21%	--	--	13%	--	12%
Year	5%	4%	5%	6%	3%	10%	--	--	--	11%	--	--	12%	--	12%
1998															
1Q(a)	5,840	1,798	4,042	514	2,116	1,412	34	-18	16	1,428	29.5%	422	1,006	1,421	0.71
2Q(b)	5,874	1,827	4,046	548	2,140	1,359	36	-4	32	1,391	26.8%	373	1,018	1,416	0.72
3Q	5,811	1,790	4,021	524	2,187	1,310	38	-27	11	1,321	27.0%	357	964	1,419	0.68
4Q(c)	6,470	2,129	4,341	750	2,584	1,007	39	-93	-54	953	25.3%	241	712	1,420	0.50
Year	23,995	7,544	16,450	2,336	9,027	5,088	147	-142	5	5,094	27.4%	1,394	3,700	1,417	2.61
1999/98															
1Q	15%	15%	15%	8%	15%	19%	--	--	--	13%	--	--	13%	--	13%
2Q	19%	16%	20%	9%	21%	22%	--	--	--	17%	--	--	14%	--	14%
3Q	18%	16%	20%	21%	20%	19%	--	--	--	16%	--	--	15%	--	15%
4Q	6%	2%	8%	8%	11%	2%	--	--	--	7%	--	--	12%	--	12%
Year	14%	12%	16%	11%	16%	16%	--	--	--	14%	--	--	14%	--	14%
1999															
1Q (d)	6,738	2,070	4,668	557	2,437	1,674	0	-53	-53	1,621	29.9%	484	1,137	1,420	0.80
2Q	6,971	2,123	4,847	596	2,588	1,663	0	-35	-35	1,629	28.6%	465	1,164	1,421	0.82
3Q	6,885	2,068	4,817	635	2,617	1,566	17	-50	-33	1,532	27.4%	420	1,112	1,419	0.78
4Q (e)	6,877	2,181	4,696	812	2,861	1,023	32	-35	-3	1,020	22.0%	224	796	1,419	0.56
Year	27,471	8,442	19,029	2,600	10,503	5,926	49	-173	-124	5,802	27.5%	1,594	4,208	1,420	2.96
2000E/99															
1QA	9%	8%	9%	14%	7%	9%	--	--	--	17%	--	--	16%	--	16%
2Q	9%	9%	9%	10%	9%	9%	--	--	--	12%	--	--	12%	--	13%
3Q	10%	10%	9%	11%	8%	11%	--	--	--	14%	--	--	12%	--	13%
4Q	10%	10%	10%	10%	7%	19%	--	--	--	20%	--	--	12%	--	13%
Year	9%	9%	9%	11%	8%	11%	--	--	--	15%	--	--	13%	--	14%
2000E															
1QA	7,319	2,241	5,078	637	2,609	1,832	31	29	60	1,892	30.5%	578	1,314	1,411	0.93
2Q	7,600	2,314	5,285	655	2,821	1,809	33	-20	13	1,822	28.5%	519	1,303	1,411	0.92
3Q	7,545	2,275	5,271	702	2,834	1,735	34	-20	14	1,749	28.5%	498	1,250	1,411	0.89
4Q	7,569	2,399	5,170	893	3,061	1,215	35	-25	10	1,225	27.0%	331	894	1,411	0.63
Year	30,033	9,229	20,803	2,887	11,325	6,591	133	-36	97	6,688	28.8%	1,926	4,761	1,411	3.37
2001E/00E															
1Q	11%	10%	11%	12%	11%	11%	--	--	--	8%	--	--	12%	--	12%
2Q	11%	11%	11%	11%	9%	14%	--	--	--	14%	--	--	14%	--	14%
3Q	11%	11%	10%	10%	9%	13%	--	--	--	13%	--	--	13%	--	13%
4Q	10%	10%	9%	10%	8%	13%	--	--	--	14%	--	--	11%	--	11%
Year	11%	11%	11%	11%	9%	13%	--	--	--	12%	--	--	13%	--	13%
2001E															
1Q	8,111	2,465	5,646	713	2,896	2,037	38	-25	13	2,050	28.5%	584	1,465	1,411	1.04
2Q	8,445	2,578	5,867	727	3,075	2,064	42	-25	17	2,081	28.5%	593	1,488	1,411	1.05
3Q	8,342	2,520	5,822	772	3,089	1,961	47	-30	17	1,978	28.5%	564	1,414	1,411	1.00
4Q	8,296	2,639	5,657	983	3,306	1,368	53	-30	23	1,391	28.5%	397	995	1,411	0.71
Year	33,195	10,203	22,992	3,195	12,366	7,430	180	-110	70	7,500	28.5%	2,138	5,363	1,411	3.80
2002E/01E	10%	10%	11%	11%	9%	13%	--	--	--	14%	--	--	14%	--	14%
2003E/02E	10%	10%	10%	11%	9%	12%	--	--	--	13%	--	--	13%	--	13%
2004E/03E	9%	8%	9%	9%	8%	11%	--	--	--	12%	--	--	12%	--	12%
2005E/04E	8%	8%	8%	9%	7%	10%	--	--	--	11%	--	--	11%	--	11%
2002E	36,628	11,172	25,456	3,547	13,526	8,383	265	-120	145	8,528	28.5%	2,430	6,097	1,411	4.32
2003E	40,269	12,268	28,001	3,937	14,676	9,389	375	-120	255	9,644	28.5%	2,748	6,895	1,411	4.89
2004E	43,724	13,249	30,474	4,291	15,777	10,406	520	-120	400	10,806	28.5%	3,080	7,727	1,411	5.48
2005E	47,248	14,243	33,005	4,656	16,881	11,468	670	-120	550	12,018	28.5%	3,425	8,593	1,411	6.09

(a) Excludes a one-time pre-tax special charge of \$139.4 million related to the acquisition of Retivase from Boehringer Ingelheim, a \$6 million charge related to a restructuring of Centocor's Diagnostic division, a gain of \$6.9 million on the sale of an investment and a charge of \$3.4 million related to the settlement of litigation. Excludes a one-time charge of \$3.2 million for the settlement of outstanding litigation relating to a license agreement between Centocor and the Velos Group.

(b) Includes a non-refundable one time payment in 2Q99 of \$18.6 million from Schering Plough for the international distribution rights (excluding Japan & and portions of the Far East) for Remicade. Excludes a charge of \$1.2 million in connection with outstanding litigation relating to the Centocor Partners II limited partnership.

(c) Excludes a \$125MM, or \$0.38 per share, one-time charge related to Latin America.

Excludes a one-time pretax restructuring charge of \$717 million (\$164 million for purchase R&D charge associated with the acquisition of Depuy, \$613 million for restructuring of global manufacturing operations) & \$100M for impaired assets.

(d) Excludes the recognition of \$282.3 million of deferred tax benefit related to the company's accumulated net operating loss and other carry forwards.

(e) Excludes a charge of \$4.6 million related to the loss on the sale of Centocor's UK diagnostic manufacturing facility and infectious disease product line.

E = Morgan Stanley Dean Witter Research Estimates A = Actual

Johnson & Johnson – May 24, 2000

Please refer to important disclosures at the end of this report.

Exhibit 11

**Johnson & Johnson**

**Quarterly Margin Analysis 1997-2005E**

	Sales	COGS	Gross Profit	R&D	SG&A	Oper Profit	Nonoperating Items			Pretax Income	Net Income
							Net Interest	Other	Total		
1997											
1Q	100.0%	31.1%	68.9%	8.5%	37.3%	23.1%	0.1%	-0.5%	-0.4%	22.7%	15.8%
2Q	100.0%	30.8%	69.2%	9.3%	37.4%	22.5%	0.4%	-0.4%	0.1%	22.5%	15.8%
3Q	100.0%	31.4%	68.6%	9.5%	38.3%	20.8%	0.4%	0.1%	0.5%	21.3%	15.2%
4Q	100.0%	33.5%	66.5%	11.3%	40.4%	14.8%	0.7%	-1.6%	-0.9%	13.8%	11.1%
Year	100.0%	31.7%	68.3%	9.7%	38.4%	20.3%	0.4%	-0.6%	-0.2%	20.1%	14.5%
1998											
1Q	100.0%	30.8%	69.2%	8.8%	36.2%	24.2%	0.6%	-0.3%	0.3%	24.5%	17.2%
2Q	100.0%	31.1%	68.9%	9.3%	36.4%	23.1%	0.6%	-0.1%	0.5%	23.7%	17.3%
3Q	100.0%	30.8%	69.2%	9.0%	37.6%	22.5%	0.7%	-0.5%	0.2%	22.7%	16.6%
4Q	100.0%	32.9%	67.1%	11.6%	39.9%	15.6%	0.6%	-1.4%	-0.8%	14.7%	11.0%
Year	100.0%	31.4%	68.6%	9.7%	37.6%	21.2%	0.6%	-0.6%	0.0%	21.2%	15.4%
1999											
1Q	100.0%	30.7%	69.3%	8.3%	36.2%	24.8%	0.0%	-0.8%	-0.8%	24.1%	16.9%
2Q	100.0%	30.5%	69.5%	8.5%	37.1%	23.9%	0.0%	-0.5%	-0.5%	23.4%	16.7%
3Q	100.0%	30.0%	70.0%	9.2%	38.0%	22.7%	0.2%	-0.7%	-0.5%	22.3%	16.1%
4Q	100.0%	31.7%	68.3%	11.8%	41.6%	14.9%	0.5%	-0.5%	0.0%	14.8%	11.6%
Year	100.0%	30.7%	69.3%	9.5%	38.2%	21.6%	0.2%	-0.6%	-0.5%	21.1%	15.3%
2000E											
1QA	100.0%	30.6%	69.4%	8.7%	35.6%	25.0%	0.4%	0.4%	0.8%	25.9%	18.0%
2Q	100.0%	30.5%	69.5%	8.6%	37.1%	23.8%	0.4%	-0.3%	0.2%	24.0%	17.1%
3Q	100.0%	30.1%	69.9%	9.3%	37.6%	23.0%	0.5%	-0.3%	0.2%	23.2%	16.6%
4Q	100.0%	31.7%	68.3%	11.8%	40.4%	16.1%	0.5%	-0.3%	0.1%	16.2%	11.8%
Year	100.0%	30.7%	69.3%	9.6%	37.7%	21.9%	0.4%	-0.1%	0.3%	22.3%	15.9%
2001E											
1Q	100.0%	30.4%	69.6%	8.8%	35.7%	25.1%	0.5%	-0.3%	0.2%	25.3%	18.1%
2Q	100.0%	30.5%	69.5%	8.6%	36.4%	24.4%	0.5%	-0.3%	0.2%	24.6%	17.6%
3Q	100.0%	30.2%	69.8%	9.3%	37.0%	23.5%	0.6%	-0.4%	0.2%	23.7%	17.0%
4Q	100.0%	31.8%	68.2%	11.8%	39.9%	16.5%	0.6%	-0.4%	0.3%	16.8%	12.0%
Year	100.0%	30.7%	69.3%	9.6%	37.3%	22.4%	0.5%	-0.3%	0.2%	22.6%	16.2%
2002E	100.0%	30.5%	69.5%	9.7%	36.9%	22.9%	0.7%	-0.3%	0.4%	23.3%	16.6%
2003E	100.0%	30.5%	69.5%	9.8%	36.4%	23.3%	0.9%	-0.3%	0.6%	23.9%	17.1%
2004E	100.0%	30.3%	69.7%	9.8%	36.1%	23.8%	1.2%	-0.3%	0.9%	24.7%	17.7%
2005E	100.0%	30.1%	69.9%	9.9%	35.7%	24.3%	1.4%	-0.3%	1.2%	25.4%	18.2%

(a) Excludes a \$125 million, or \$0.38 per share, one-time charge related to Latin America.

E = Morgan Stanley Dean Witter Research Estimates      A = Actual

Exhibit 12

**Johnson & Johnson****Annual Pharmaceutical Sales 1997-2005E**

(\$ Millions)

	1996	1997	1998	1999	2000E	2001E	2002E	2003E	2004E	2005E	98/ 97	99/ 98	00E/ 99	01E/ 00E	02E/ 01E	03E/ 02E	04E/ 03E	05E/ 04E
Worldwide Pharms (a)		7,897	8,900	10,694	12,285	14,014	15,727	17,532	18,997	20,405	13%	20%	15%	14%	12%	11%	8%	7%
Domestic Pharms (a)		4,015	4,993	6,419	7,865	9,224	10,517	11,847	12,842	13,720	24%	29%	23%	17%	14%	13%	8%	7%
Ortho/McNeil Pharm		2,152	2,540	3,240	3,920	4,170	4,490	4,780	4,980	5,150	18%	28%	21%	6%	8%	6%	4%	3%
Oral Contraceptives		570	660	820	910	1,000	1,070	1,140	1,180	1,240	16%	24%	11%	10%	7%	7%	4%	5%
7/7/7		220	230	240	250	260	270	270	240	220	3%	3%	3%	3%	3%	0%	-10%	-10%
Ortho-Novum		70	70	70	70	70	70	70	70	70	0%	0%	0%	0%	0%	0%	0%	0%
Ortho Tri-Cyclin (j)		150	220	360	430	500	550	610	670	740	45%	62%	20%	17%	10%	10%	10%	10%
Ortho-Cept		130	140	150	160	170	180	190	200	210	7%	8%	7%	7%	7%	7%	7%	7%
Terazol/Monistat		110	110	110	110	110	110	110	110	110	0%	0%	0%	0%	0%	0%	0%	0%
Retin-A/Renova		130	130	130	130	130	130	130	130	130	0%	0%	0%	0%	0%	0%	0%	0%
Analgesics		30	30	20	20	20	20	20	20	20	-15%	-25%	-15%	-15%	-15%	-15%	-10%	-10%
Ultram/Ultram+Tylenol (l)		320	370	440	480	360	360	380	400	420	15%	20%	10%	-25%	0%	5%	5%	5%
Floxin/Levaquin(levofloxacin) (k)		330	450	730	1,100	1,270	1,400	1,470	1,470	1,400	37%	62%	50%	15%	10%	5%	0%	-5%
Risperdal (d)		590	700	900	1,080	1,190	1,310	1,440	1,580	1,740	18%	28%	20%	10%	10%	10%	10%	10%
Ortho EST Plus		32	40	40	40	40	40	40	40	40	10%	10%	5%	5%	5%	5%	5%	5%
Other		40	50	50	50	50	50	50	50	50	20%	0%	0%	0%	0%	0%	0%	0%
Ortho Biotech - U.S.		570	865	1,350	1,928	2,310	2,330	2,290	2,210	2,130	52%	56%	43%	20%	1%	-2%	-3%	-4%
Procrit (Erythropoietin/EPO)		500	750	1,240	1,798	2,160	2,160	2,100	2,000	1,900	49%	65%	45%	20%	0%	-3%	-5%	-5%
OKT3		60	50	30	30	30	30	30	30	30	-25%	-50%	-15%	-15%	-15%	-15%	-15%	-15%
PDGF		0	30	40	50	60	70	80	90	100	--	33%	30%	10%	10%	10%	10%	10%
Other		10	35	40	50	60	70	80	90	100	0%	15%	15%	10%	10%	10%	10%	10%
Janssen - U.S.		1,092	1,250	1,370	1,280	1,790	2,515	3,395	4,095	4,725	14%	10%	-7%	40%	41%	35%	21%	15%
Nizoral		110	110	110	90	70	60	50	40	30	0%	0%	-20%	-20%	-20%	-20%	-20%	-20%
Nizoral Shampoo		30	30	30	30	30	30	30	30	30	0%	0%	-5%	-5%	-5%	-5%	-5%	-5%
Sporanox (h)		200	220	220	200	180	160	140	130	120	10%	1%	-10%	-10%	-10%	-10%	-10%	-10%
Duragesic (m)		190	250	330	410	490	580	680	680	650	30%	33%	25%	20%	18%	18%	0%	-5%
Propulsid (c)		420	470	430	100	80	70	70	70	70	12%	-8%	-76%	-20%	-10%	-5%	0%	0%
New Products		30	50	160	370	860	1,535	2,345	3,065	3,745	67%	220%	131%	132%	78%	53%	31%	22%
Other		62	80	80	80	80	80	80	80	80	29%	0%	0%	0%	0%	0%	0%	0%
Centocor		201	338	459	737	954	1,182	1,382	1,557	1,715	68%	36%	60%	29%	24%	17%	13%	10%
ReoPro (Revenues from Lilly)		158	205	240	262	311	370	431	484	500	30%	17%	9%	19%	19%	16%	12%	3%
Retavase		0	55	100	110	136	155	169	183	190		81%	10%	24%	14%	9%	8%	4%
Remicade		0	28	102	350	500	650	775	850	900		264%	243%	43%	30%	19%	10%	6%
Other		42	49	17	15	7	7	7	40	125	16%	-65%	-14%	-53%	0%	0%	471%	213%

E = Morgan Stanley Dean Witter Research Estimates

Note: Estimates are rounded to the nearest ten million dollars



Exhibit 12 (continued)

**Johnson & Johnson****Annual Pharmaceutical Sales 1997-2005E**

(\$ Millions)

	1996	1997	1998	1999	2000E	2001E	2002E	2003E	2004E	2005E	98/ 97	99/ 98	00E/ 99	01E/ 00E	02E/ 01E	03E/ 02E	04E/ 03E	05E/ 04E
Total Int'l Pharm (a)		3,882	3,907	4,275	4,420	4,790	5,210	5,685	6,155	6,685	1%	9%	3%	8%	9%	9%	8%	9%
Anti-Psychotics		390	430	540	640	710	760	810	880	950	10%	26%	19%	11%	7%	7%	9%	8%
Older Products (e)		120	110	100	90	80	70	60	60	60	-10%	-10%	-10%	-10%	-10%	-10%	-5%	-5%
Risperdal (d)		270	320	440	550	630	690	750	820	890	20%	37%	25%	15%	9%	9%	9%	9%
Top. Antifungal		330	330	330	330	330	330	330	330	330	-1%	0%	0%	0%	0%	0%	0%	0%
Nizoral		280	260	260	260	260	260	260	260	260	-7%	0%	0%	0%	0%	0%	0%	0%
Sporanox (h)		360	320	360	410	430	410	390	370	350	-12%	14%	15%	5%	-5%	-5%	-5%	-5%
Motilium		100	90	80	70	70	70	70	70	70	-10%	-7%	-7%	-7%	-7%	-7%	-7%	-7%
Propulsid		560	500	500	150	120	100	100	100	100	-10%	-1%	-70%	-20%	-15%	-5%	-5%	-5%
Imodium		60	60	50	50	50	50	50	50	50	0%	-10%	-10%	-10%	-10%	-10%	-5%	-5%
Hismanal (b)		60	50	40	0	0	0	0	0	0	-10%	-20%						
Oral Contraceptives		110	110	110	110	120	130	140	150	160	0%	3%	0%	5%	5%	5%	5%	5%
Eporex (Erythropoietin/EPO)		630	710	800	920	980	955	910	830	750	13%	13%	15%	6%	-3%	-5%	-9%	-10%
Duragesic		60	105	150	200	250	300	330	360	360	75%	59%	35%	25%	20%	20%	10%	0%
New Products		15	60	130	280	445	795	1,220	1,655	2,180	300%	117%	115%	59%	79%	53%	36%	32%
Other		927	882	925	1,000	1,025	1,050	1,075	1,100	1,125	-5%	5%	8%	3%	2%	2%	2%	2%

**Summary Sales of Worldwide Franchises**

Oral Contraceptives	680	770	930	1,020	1,120	1,200	1,280	1,330	1,400	13%	21%	10%	10%	7%	7%	4%	5%
Top. Antifungal (f)	470	470	470	470	470	470	470	470	470	0%	0%	0%	0%	0%	0%	0%	0%
Oral/Injectable Antifungal (g,h)	950	910	950	960	940	890	840	800	760	-4%	4%	1%	-2%	-5%	-6%	-5%	-5%
Gastro-Motil Agent (i)	1,080	1,060	1,010	320	270	240	240	240	240	-2%	-5%	-68%	-16%	-11%	0%	0%	0%
Procrit/Eporex (Erythropoietin) (n)	1,130	1,460	2,040	2,718	3,140	3,115	3,010	2,830	2,650	29%	40%	33%	16%	-1%	-3%	-6%	-6%
Risperdal (d)	860	1,020	1,340	1,630	1,820	2,000	2,190	2,400	2,630	19%	31%	22%	12%	10%	10%	10%	10%

(a) Totals are actual in historical data.

(b) Includes Hismanal D.

(c) Also includes Motilium.

(d) Includes additional claims for Risperdal (patent expires 2009) in bipolar, mental retardation, &amp; psychotic disorders in the elderly; new intramuscular injectable formulation.

(e) Includes Haldol, Stugeron, and Sibelium.

(f) Topical antifungals include Terazol and Monistat and Nizoral shampoo.

(g) Antifungals include oral Nizoral (ketoconazole, patent expires 1999) &amp; Sporanox (itraconazole, patent expires 2000) &amp; injectable version of Sporanox.

(h) Sporanox Injectable filed 2Q98; approval expected 2Q99 with launch during 2H99.

(i) Includes Motilium and Propulsid.

(j) Antiacne claim granted 1Q97.

(k) Levaquin Injectable/Oral filed for treatment of community acquired pneumonia, febrile neutropenia, uncomplicated urinary tract &amp; complicated skin and skin structure infections (patent expires 12/2010).

(l) Ultram exclusivity period ends 3/2000; Ultram+Tylenol NDA filed 3/99.

(m) Duragesic patent expires July 2004.

(n) Assumes NESP by Amgen enters U.S. renal market 1H2001 and GA EPO by TKT Therapeutics in 2H2001.

E = Morgan Stanley Dean Witter Research Estimates

Note: Estimates are rounded to the nearest ten million dollars

Exhibit 12 (continued)

**Johnson & Johnson****Estimated Annual New Drug Sales 1997-2005E**

(\$ Millions)

	1997	1998	1999	2000E	2001E	2002E	2003E	2004E	2005E	Comments
<b>Central Nervous System</b>										
Topamax (topiramate) WW	45	70	140	280	450	550	625	725	775	Add-on therapy for epilepsy approved 1/97, NDA for pediatric epilepsy
Domestic	30	50	90	180	300	350	375	425	450	& adult monotherapy filed; Phase IIIb studies ongoing in bipolar
International	15	20	50	100	150	200	250	300	325	depression, neuropathic pain and obesity.
Remanyl (galantamine) WW	-	-	-	-	70	100	150	200	250	Dual inhibitor of acetylcholine & nicotine for the treatment of Alzheimer's.
Domestic	-	-	-	-	40	60	90	115	140	Worldwide NDA/MAA filed in Q4H00.
International	-	-	-	-	30	40	60	85	110	Licensed from Shire
Vestra (Roxoxetine)	-	-	-	-	50	100	150	200	250	Selective Norepinephrine Reuptake Inhibitor (SNRI) for the treatment of major
Domestic	-	-	-	-	50	100	150	200	250	depression; JNJ will sell to psychiatrists while PNU will sell to general practice
International	-	-	-	-	0	0	0	0	0	Licensed from Pharmacia, with launch delayed until 2H01.
<b>Gastrointestinal System</b>										
Aciphex/Pariet (rabeprazole) WW	-	10	60	250	425	525	600	650	700	Proton Pump Inhibitor; licensed from Eisai; MAA approved in Europe
Domestic	-	-	40	150	275	350	375	400	425	& launched in UK & Germany; NDA filed 3/98 in US with approval expected 3/99.
International	-	10	20	100	150	175	225	250	275	<b>Eisai will book revenues and pay JNJ service revenues on sales.</b>
Motilium (domperidone-US only)	-	0	0	0	0	0	0	0	0	For diabetic gastroparesis, NDA rejected; on clinical hold.
Resolor (prucalopride)	-	-	-	-	-	80	160	300	400	Over 4 million patients suffer from chronic constipation; increases motility
Domestic	-	-	-	-	-	50	100	175	235	of the intestines; Worldwide NDA/MAA filing expected 1H2001.
International	-	-	-	-	-	30	60	125	165	
Norcisapride (single isomer Propulsid)	-	-	-	-	-	-	-	150	300	Licensed from Sepracor. Better side-effect profile and less chance for drug
Domestic	-	-	-	-	-	-	-	75	150	interactions. NDA expected to be filed in early 2002/3.
International	-	-	-	-	-	-	-	75	150	
<b>Endocrine System (Diabetes)</b>										
Isaglitazone (MC-555)	-	-	-	-	-	-	-	-	-	"Glitazone" oral antidiabetic agent; licensed from Mitsubishi during 4Q98.
Domestic	-	-	-	-	-	-	-	-	-	Worldwide rights except Japan.
International	-	-	-	-	-	-	-	-	-	Entering Phase II clinical development.
<b>Respiratory Antiviral</b>										
RWJ 270201 Influenza A & B	-	-	-	-	-	50	100	275	350	Third Influenza A & B therapy to enter the market behind Glaxo and Roche/Gilead.
Domestic	-	-	-	-	-	25	50	150	200	Licensed from Biocryst and in Phase III clinical development.
International	-	-	-	-	-	25	50	125	150	
<b>Pain Management</b>										
RWJ 57504 (Cox II Inhibitor)	-	-	-	-	-	-	300	300	450	Licensed from Japan Tobacco. Phase II trials. Unclear when it enters Phase III
Domestic	-	-	-	-	-	-	200	200	300	
International	-	-	-	-	-	-	100	100	150	
<b>Female Health/Contraceptives</b>										
Evera Oral Contraceptive Patch-WW	-	-	-	-	50	70	90	120	150	Contraceptive patch with better side-effect profile versus standard
Domestic	-	-	-	-	35	45	55	75	95	OC's; Licensed from Cygnus; NDA filing expected in 3Q00.
International	-	-	-	-	15	25	35	45	55	
Ethinyl Estradiol(E2)/Norgestimate	-	-	-	-	60	80	100	125	150	Cyclophasic hormone replacement therapy (HRT)
Prefest Cyclophasic HRT-Domestic	-	-	-	-	-	-	-	-	-	
Other-WW	-	30	90	120	200	750	1,240	1,550	2,000	
Domestic	-	-	30	40	100	450	800	1000	1200	
International	-	30	60	80	100	300	440	550	800	
Total Domestic	30	50	160	370	860	1,535	2,345	3,065	3,745	
Total International	15	60	130	280	445	795	1,220	1,655	2,180	
<b>Total New Pharm</b>	<b>45</b>	<b>110</b>	<b>290</b>	<b>650</b>	<b>1,305</b>	<b>2,330</b>	<b>3,565</b>	<b>4,720</b>	<b>5,925</b>	
<b>% Change</b>	<b>--</b>	<b>144.4%</b>	<b>163.6%</b>	<b>124.1%</b>	<b>100.8%</b>	<b>78.5%</b>	<b>53.0%</b>	<b>32.4%</b>	<b>25.5%</b>	

E = Morgan Stanley Dean Witter Research Estimates

Exhibit 13

**Johnson & Johnson****Annual Professional Sales 1997-2005E**

(\$ Millions)

	1997	1998	1999	2000E	2001E	2002E	2003E	2004E	2005E	98/ 97	99/ 98	00E/ 99	01E/ 00E	02E/ 01E	03E/ 02E	04E/ 03E	05E/ 04E
Worldwide Profess. (a)	8,435	8,569	9,913	10,556	11,531	12,587	13,758	15,066	16,509	2%	16%	6%	9%	9%	9%	10%	10%
Domestic Profess. (a)	4,640	4,530	5,296	5,596	6,101	6,633	7,216	7,857	8,549	-2%	17%	6%	9%	9%	9%	9%	9%
Ethicon Family	1,229	1,421	1,574	1,718	1,906	2,086	2,275	2,492	2,730	16%	11%	9%	11%	9%	9%	10%	10%
Ethicon (Corp)	665	740	809	888	984	1,073	1,171	1,281	1,406	11%	9%	10%	11%	9%	9%	9%	10%
Sutures	630	652	680	700	740	780	820	860	900	4%	4%	3%	5%	5%	5%	5%	5%
Mitek/Other	35	88	129	188	244	293	351	421	506	151%	47%	45%	30%	20%	20%	20%	20%
Ethicon Endo Surgery	564	681	764	831	922	1,013	1,104	1,210	1,325	21%	12%	9%	7%	10%	9%	10%	9%
EndoSurgery	420	486	535	570	620	670	720	780	840	16%	10%	7%	8%	8%	8%	8%	8%
Mechanical	130	150	162	170	180	190	200	210	220	15%	8%	4%	6%	6%	6%	6%	6%
Biopsys/Indigo	14	45	67	91	122	153	184	220	265	220%	50%	35%	35%	25%	20%	20%	20%
J&J Medical (d)	560	543	529	510	540	570	600	630	660	-3%	-3%	-4%	5%	5%	5%	5%	5%
Diagnostics	1,180	1,194	1,204	1,200	1,280	1,370	1,460	1,560	1,670	1%	1%	0%	7%	7%	7%	7%	7%
Ortho Clinical	500	480	474	510	530	560	590	620	650	-4%	-6%	8%	4%	6%	5%	5%	5%
LifeScan	680	714	730	690	750	810	870	940	1,020	5%	2%	-5%	8%	8%	8%	8%	8%
Cordis Interventional	831	450	449	517	604	707	841	975	1,129	-46%	0%	15%	17%	17%	19%	16%	16%
Interventional Card.	715	300	258	261	264	263	267	271	275	-58%	-14%	1%	1%	0%	1%	1%	1%
Stents - Cardiovascular	450	95	98	109	120	126	130	134	138	-79%	3%	12%	10%	5%	3%	3%	3%
Cardiovascular Devices	265	205	160	152	144	137	137	137	137	-23%	-22%	-5%	-5%	-5%	0%	0%	0%
Endovascular	75	88	112	140	175	219	274	329	395	17%	27%	25%	25%	25%	25%	20%	20%
EP/Biosense	30	45	55	80	116	151	196	235	270	50%	22%	45%	45%	30%	30%	20%	15%
Neuroradiology	11	17	24	36	49	74	104	140	189	55%	41%	45%	35%	50%	40%	35%	35%
Vistakon (c)	432	384	401	430	460	490	520	560	600	-11%	4%	8%	7%	7%	7%	7%	7%
Total Depuy	310	413	1,035	1,170	1,260	1,360	1,470	1,590	1,710	33%	151%	13%	8%	8%	8%	8%	8%
Orthopedics	200	303	925	1,050	1,130	1,220	1,320	1,430	1,540	52%	205%	13%	8%	8%	8%	8%	8%
Codman and other	110	110	110	120	130	140	150	160	170	3%	3%	7%	9%	9%	9%	9%	9%
Other (Therakos, etc.)	98	125	104	50	50	50	50	50	50	28%	-17%	-52%	0%	0%	0%	0%	0%
Int'l Professional (a)	3,795	4,039	4,617	4,960	5,431	5,954	6,542	7,209	7,960	6%	14%	7%	9%	10%	10%	10%	10%
Ethicon Family	1,345	1,422	1,559	1,655	1,788	1,933	2,094	2,274	2,475	6%	10%	6%	8%	8%	8%	9%	9%
Ethicon (Corp)	975	995	1,050	1,100	1,160	1,220	1,280	1,340	1,410	2%	5%	5%	5%	5%	5%	5%	5%
Ethicon End-Surgery	370	427	509	555	628	713	814	934	1,065	15%	19%	9%	13%	14%	14%	15%	14%
Mechan/Endo	370	421	494	530	590	660	740	830	930	14%	17%	8%	12%	12%	12%	12%	12%
Biopsys Medical	0	6	15	25	38	53	74	104	135	590%	155%	65%	50%	40%	40%	40%	30%
Cordis Interventional	515	470	497	565	653	761	898	1,065	1,265	-9%	6%	14%	16%	17%	18%	19%	19%
Interventional Card.	430	320	325	338	346	354	365	376	383	-26%	2%	4%	2%	2%	3%	3%	2%
Stents - Cardiovascular	130	90	110	121	127	131	135	139	139	-31%	22%	10%	5%	3%	3%	3%	0%
Cardiovascular Devices	300	230	215	217	219	223	230	237	244	-23%	-7%	1%	1%	2%	3%	3%	3%
Endovascular	55	90	95	114	143	179	224	269	323	64%	6%	20%	25%	25%	25%	20%	20%
EP/Biosense	20	45	55	83	125	169	220	286	358	125%	22%	50%	50%	35%	30%	30%	25%
Neuroradiology	10	15	22	30	39	59	89	134	201	50%	47%	35%	30%	50%	50%	50%	50%
Total Diagnostics	755	755	777	820	890	960	1,040	1,120	1,210	0%	3%	6%	9%	8%	8%	8%	8%
Ortho Clinical	515	485	480	500	530	560	590	620	650	-6%	-4%	4%	5%	5%	5%	5%	5%
LifeScan	240	270	297	320	360	400	450	500	560	12%	10%	7%	12%	12%	12%	12%	12%
Vistakon (c)	420	475	550	620	700	790	890	1,010	1,140	13%	15%	13%	13%	13%	13%	13%	13%
DePuy	225	325	640	690	760	840	920	1,010	1,110	44%	97%	8%	10%	10%	10%	10%	10%
JNJ Medical (d)	530	550	560	570	600	630	660	690	720	4%	1%	2%	5%	5%	5%	5%	5%
Other (Therakos, etc.)	5	42	34	40	40	40	40	40	40	NM	3%	5%	5%	5%	5%	5%	5%

(a) Totals are actual in historical data. (b) Includes acquisition of Dupont business in 1990.

(c) Primarily Acuvue disposable contact lens.

(d) On 10/3/99 JNJ announced the divestiture of its worldwide Medical Glove business to Pacific Dunlop for \$98. The divestiture is expected to be completed during 1Q00 and represents sales of approximately \$60 million (\$50 million domestically &amp; \$10 million internationally).

E=Morgan Stanley Dean Witter Research Estimates

Note: Estimates are rounded to the nearest ten million dollars and do not include the Biopsys Medical acquisition.

## Exhibit 14

**Johnson & Johnson****Annual Consumer Sales 1997-2005E**

(\$ Millions)

	1997	1998	1999	2000E	2001E	2002E	2003E	2004E	2005E	98/ 97	99/ 98	00E/ 99	01E/ 00E	02E/ 01E	03E/ 02E	04E/ 03E	05E/ 04E
Worldwide Consumer (a)	6,498	6,526	6,864	7,192	7,649	8,314	8,979	9,661	10,334	0%	5%	5%	6%	9%	8%	8%	7%
Domestic Consumer (a)	3,241	3,325	3,670	3,912	4,169	4,524	4,849	5,161	5,424	3%	10%	7%	7%	8%	7%	6%	5%
McNeil Consumer	1,362	1,403	1,501	1,610	1,705	1,795	1,895	2,005	2,105	3%	7%	7%	6%	5%	6%	6%	5%
Tylenol	1,071	1,053	1,070	1,100	1,130	1,160	1,190	1,230	1,270	-2%	2%	3%	3%	3%	3%	3%	3%
Imodium	80	80	80	80	80	80	80	80	80	0%	0%	-5%	-5%	-5%	-5%	-5%	-5%
Nicotrol	30	40	45	45	45	45	45	45	45	33%	13%	0%	0%	0%	0%	0%	0%
Adult Motrin	75	90	115	130	140	150	170	180	190	15%	28%	10%	10%	10%	10%	5%	5%
Nizoral AD Shampoo	0	0	22	45	60	60	60	60	60	--	--	105%	33%	0%	0%	0%	0%
Sucralose/Benecol	0	10	45	90	130	180	230	280	320	--	350%	90%	40%	35%	25%	20%	15%
Other	106	130	124	120	120	120	120	130	140	23%	-5%	-3%	0%	0%	0%	5%	5%
Sanitary Protection Products	316	321	356	350	340	330	320	310	300	2%	11%	-2%	-3%	-3%	-3%	-3%	-3%
Napkins	256	261	286	280	270	260	250	240	230	2%	9%	-3%	-3%	-3%	-3%	-3%	-3%
Tampons	60	60	70	70	70	70	70	70	70	5%	10%	5%	5%	5%	5%	5%	5%
J&J Consumer Products	685	720	830	870	910	940	970	1,000	1,030	5%	15%	5%	5%	3%	3%	3%	3%
Advanced Products	205	214	188	192	193	199	204	210	216	4%	-12%	2%	1%	3%	3%	3%	3%
OTC Monistat	85	94	98	98	93	89	84	80	76	10%	5%	0%	-5%	-5%	-5%	-5%	-5%
Other	100	100	70	74	80	90	100	110	120	0%	0%	5%	7%	7%	7%	7%	7%
Contraceptive Gels	20	20	20	20	20	20	20	20	20	0%	0%	0%	0%	0%	0%	0%	0%
J&J/Merck Joint Venture	345	344	325	290	290	290	290	290	290	0%	-6%	-11%	0%	0%	0%	0%	0%
Mylanta/Mylicon	125	144	130	130	130	130	130	130	130	15%	-10%	0%	0%	0%	0%	0%	0%
Pepcid AC/Chewable	220	200	195	160	160	160	160	160	160	-10%	-2%	-20%	1%	1%	1%	1%	1%
Neutrogena/Skin Care (b)	272	303	450	520	600	660	730	800	880	12%	48%	15%	15%	10%	10%	10%	10%
New Products	56	20	20	80	131	310	440	546	603	--	--	310%	64%	137%	42%	24%	10%
Renova	10	15	20	25	31	35	40	46	53	--	--	--	24%	13%	14%	15%	15%
Other	46	5	0	55	100	275	400	500	550	--	--	--	82%	175%	45%	25%	10%
Intl Consumer (a)	3,257	3,201	3,194	3,280	3,480	3,790	4,130	4,500	4,910	-2%	0%	3%	6%	9%	9%	9%	9%

(a) Totals are actual in historical data.

(b) 1999 sales include approximately \$50 million from the Aveeno line acquired from S.C. Johnson, which closed during the end of 1Q99.

E= Morgan Stanley Dean Witter Research Estimates

Note: Estimates are rounded to the nearest ten million dollars

Exhibit 15

**Johnson & Johnson**  
**Cash Flow Analysis 1997-2005E**

(\$ Millions Except Per Share)

	1997	1998	1999	2000E	2001E	2002E	2003E	2004E	2005E
<i>From Operating Activity</i>									
Net Income	3,311	3,700	4,208	4,761	5,363	6,097	6,895	7,727	8,593
Depreciation	1,082	1,285	1,444	1,531	1,622	1,720	1,823	1,932	2,048
Tax Deferrals	(132)	(297)	(7)	0	0	0	0	0	0
Chg. in Working Cap.	74	582	62	67	(250)	(270)	(292)	(315)	(340)
Restructuring Charge/Other	0	(376)	(29)	(75)	0	0	0	0	0
Net From Operations	4,335	4,895	5,677	6,284	6,735	7,547	8,427	9,344	10,301
<i>From Investing Activity</i>									
Capital Expenditures	(1,415)	(1,545)	(1,728)	(1,814)	(1,905)	(2,000)	(2,100)	(2,205)	(2,316)
Net Chg. in Noncurrent Items	0	0	0	0	0	0	0	0	0
Acquisitions	(180)	(3,818)	(271)	0	0	0	0	0	0
Asset Sales	72	108	35	0	0	0	0	0	0
Other (a)	(122)	(810)	(978)	(100)	(100)	(100)	(100)	(100)	(100)
Net from Investing	(1,645)	(6,066)	(2,942)	(1,914)	(2,005)	(2,100)	(2,200)	(2,305)	(2,416)
<i>From Financing Activity</i>									
Change in Total Debt (c)	(379)	2,262	(238)	(700)	0	0	0	0	0
Chg in Equity (b)	(394)	(656)	(577)	(646)	(724)	(811)	(908)	(1,017)	(1,139)
Dividends	(1,137)	(1,305)	(1,479)	(1,627)	(1,790)	(1,969)	(2,165)	(2,382)	(2,620)
Translation Adjustment	(68)	24	(72)	0	0	0	0	0	0
Net from Financings	(1,978)	325	(2,366)	(2,973)	(2,513)	(2,779)	(3,073)	(3,399)	(3,759)
<i>Net Cash Flow</i>	712	(845)	369	1,396	2,217	2,668	3,153	3,640	4,126
Cash Balance	2,839	1,994	2,363	3,759	5,976	8,643	11,796	15,436	19,563
Securities (a)	640	1,073	1,073	1,073	1,073	1,073	1,073	1,073	1,073
Total Debt	1,895	4,482	4,256	3,556	3,556	3,556	3,556	3,556	3,556
Total Equity	12,617	14,076	16,213	18,701	21,551	24,869	28,690	33,018	37,852
Debt as % Capital	13.1%	24.2%	20.8%	16.0%	14.2%	12.5%	11.0%	9.7%	8.6%
Debt as % Capital (Net of Cash)	-10.9%	7.6%	4.0%	-5.7%	-13.9%	-21.7%	-28.9%	-35.4%	-41.2%
Avg. Return on Equity	28.2%	27.7%	27.8%	27.3%	26.6%	26.3%	25.7%	25.0%	24.2%
Cash Earnings per share	3.10	3.52	3.98	4.46	4.95	5.54	6.18	6.85	7.54

(a) Changes in securities included in Other under investing activity.

(b) Includes shares issued under option plans and share repurchases (repurchase of stock less proceeds from options).

(c) Includes the completion of a \$460 million offering by Centocor of Convertible Subordinated Debentures due 2005 and not redeemable prior to 2/21/01.

E = Morgan Stanley Dean Witter Research Estimates



Exhibit 16

**Johnson & Johnson****Annual Sales and Income Comparisons 1998-2005E**

(\$ Millions Except EPS)

	1998			1999			2000E			2001E			2002E			2003E			2004E			2005E	
Sales	Sales	Inc.	Margin	Sales	Inc.	Margin	Sales	Inc.	Margin	Sales	Inc.	Margin	Sales	Inc.	Margin	Sales	Inc.	Margin	Sales	Inc.	Margin	Sales	Inc.
Consumer	6,526	658	10.1%	6,864	683	10.0%	7,192	863	12.0%	7,649	956	12.5%	8,314	1,053	12.7%	8,979	1,171	13.0%	9,661	1,275	13.2%	10,334	1,405
Professional	8,569	1,409	16.4%	9,913	1,632	16.5%	10,556	1,942	18.4%	11,531	2,122	18.4%	12,587	2,322	18.5%	13,758	2,600	18.9%	15,066	2,908	19.3%	16,509	3,219
Pharmac.	8,900	3,132	35.2%	10,694	3,595	33.6%	12,285	4,128	33.6%	14,014	4,684	33.4%	15,727	5,163	32.8%	17,532	5,789	33.0%	18,997	6,412	33.8%	20,405	7,051
Total Sales	23,995	5,199	21.7%	27,471	5,910	21.5%	30,033	6,933	23.1%	33,194	7,762	23.4%	36,628	8,538	23.3%	40,269	9,560	23.7%	43,724	10,595	24.2%	47,248	11,675
Corp Exp.	--	(253)	-1.1%	--	(158)	-0.6%	--	(245)	-0.8%	--	(262)	-0.8%	--	(275)	-0.8%	--	(291)	-0.7%	--	(309)	-0.7%	--	(327)
Net Interest	--	147	0.6%	--	49	0.2%	--	0	0.0%	--	0	0.0%	--	265	0.7%	--	375	0.9%	--	520	1.2%	--	670
Net Other	--	(106)	-0.4%	--	(108)	-0.4%	--	(245)	-0.8%	--	(262)	-0.8%	--	(10)	0.0%	--	84	0.2%	--	211	0.5%	--	343
Pretax Inc.	--	5,093	21.2%	--	5,802	21.1%	--	6,688	22.3%	--	7,500	22.6%	--	8,528	23.3%	--	9,644	23.9%	--	10,806	24.7%	--	12,018
Taxes (Rate)	--	1,393	27.4%	--	1,594	27.5%	--	1,927	28.8%	--	2,137	28.5%	--	2,430	28.5%	--	2,748	28.5%	--	3,080	28.5%	--	3,425
Net Income	--	3,700	15.4%	--	4,208	15.3%	--	4,761	15.9%	--	5,363	16.2%	--	6,098	16.6%	--	6,896	17.1%	--	7,726	17.7%	--	8,593
Diluted Shares Out	--	1,417	--	--	1,420	--	--	1,411	--	--	1,411	--	--	1,411	--	--	1,411	--	--	1,411	--	--	1,411
EPS	--	2.61	--	--	2.96	--	--	3.37	--	--	3.80	--	--	4.32	--	--	4.89	--	--	5.48	--	--	6.09
Less Spec. Items																							

% Changes	1998		1999E		2000E		2001E		2002E		2003E		2004E		2005E	
	Sales	Income	Sales	Income	Sales	Income	Sales	Income	Sales	Income	Sales	Income	Sales	Income	Sales	Income
Consumer	0.4%	19.4%	5.2%	3.8%	4.8%	26.4%	6.4%	10.8%	8.7%	10.1%	8.0%	11.2%	7.6%	8.9%	7.0%	10.2%
Professional	1.6%	-8.7%	15.7%	15.8%	6.5%	19.0%	9.2%	9.3%	9.2%	9.4%	9.3%	12.0%	9.5%	11.8%	9.6%	10.7%
Pharmac.	12.7%	21.8%	20.2%	14.8%	14.9%	14.8%	14.1%	13.5%	12.2%	10.2%	11.5%	12.1%	8.4%	10.8%	7.4%	10.0%
Total	5.1%	11.4%	14.5%	13.7%	9.3%	17.3%	10.5%	12.0%	10.3%	10.0%	9.9%	12.0%	8.6%	10.8%	8.1%	10.2%
Pretax Income		11.0%		13.9%		15.3%		12.1%		13.7%		13.1%		12.1%		11.2%
Net Income		11.8%		13.7%		13.2%		12.6%		13.7%		13.1%		12.0%		11.2%
EPS		11.6%		13.5%		13.9%		12.6%		13.7%		13.1%		12.0%		11.2%

E = Morgan Stanley Dean Witter Research Estimates

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