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Global Pharmaceuticals: R&D Productivity Finally Turning the Corner?! Important New Data Suggests It Is

Ticker	Rating	CUR	18 Sep 2015 Closing Price	Target Price	TTM Rel. Perf.	EPS			P/E			Yield
						2014A	2015E	2016E	2014A	2015E	2016E	
AZN*	M	USD	34.37	38.00	-8.5%	2.14	2.14	2.13	16.1	16.1	16.1	2.7%
AZN.LN*	M	GBP	4379.00	4993.00	-2.1%	282.00	279.00	278.00	15.5	15.7	15.8	4.6%
BMJ	M	USD	64.34	66.00	23.6%	1.85	1.89	2.12	34.8	34.0	30.3	2.4%
GSK*	M	USD	39.97	43.50	-13.8%	2.89	2.26	2.57	13.8	17.7	15.6	6.0%
GSK.LN	M	GBP	1289.50	1401.00	-8.1%	95.40	72.50	82.40	13.5	17.8	15.6	6.9%
LLY	O	USD	88.49	103.00	33.8%	2.78	3.30	3.53	31.8	26.8	25.1	2.3%
MRK	O	USD	52.13	69.00	-13.4%	3.49	3.54	3.82	14.9	14.7	13.6	3.5%
NOVN.VX*	O	CHF	94.25	116.00	9.6%	4.78	5.04	5.11	19.7	18.7	18.4	2.8%
NVS*	O	USD	96.65	123.00	4.3%	5.23	5.35	5.43	18.5	18.1	17.8	2.8%
PFE	O	USD	32.85	40.00	8.8%	2.26	2.08	2.33	14.5	15.8	14.1	3.5%
RHHBY*	O	USD	33.17	40.00	-9.5%	1.96	1.84	2.03	16.9	18.0	16.3	3.0%
ROG.VX	O	CHF	258.60	304.00	-5.8%	14.29	13.86	15.29	18.1	18.7	16.9	3.1%
SAN.FP	O	EUR	89.43	112.00	3.6%	5.20	5.77	5.90	17.2	15.5	15.2	3.2%
SNY*	O	USD	49.32	62.00	-10.5%	2.96	3.19	3.27	16.7	15.5	15.1	3.3%
SPX			1966.97			116.34	117.78	130.14	16.9	16.7	15.1	2.2%
MSDLE15			1377.38			90.02	91.31	100.69	15.3	15.1	13.7	3.4%

O – Outperform, M – Market-Perform, U – Underperform, N – Not Rated

* Earnings estimate and Target Price are subject to currency fluctuations

Highlights

One of the primary reasons drug stocks suffered over the last decade was lagging R&D productivity. This report contains important new data that suggests the industry's prospects may be picking up again.

- In 2012, we published several reports on pharmaceutical R&D productivity using aggregated data that the drug industry periodically releases through a firm known as KMR Group. This is best-in-class data because it comes from the drug companies themselves (nearly all of the US and EU major pharmaceutical companies are members of KMR and feed their proprietary data into this organization for benchmarking purposes).
- In these reports from 2012, it was evident that R&D trends were on a steady, worrisome trajectory across the last decade, when measured across a host of metrics. Despite this data (the most recent period measured was 2007-2011), it "felt" to us that drug pipelines were actually beginning to pick up again, and there have clearly been some recent successes (immuno-oncology, for example).
- A fresh batch of data from KMR has just been released and it confirms that R&D productivity indeed seems to be improving in many ways. The data covers the period from 2010-2014, and it shows that success rates across all phases of development, for both small and large molecule therapeutics, have risen. The hit rate therefore improves: for example, it now takes 13 drugs in phase 1 development to yield one marketed product, down from 19 in 2007-2011 (but still above the 9 it took from 2003-2007). These improvements hopefully reflect the pay-off from the industry's conscious decade-long efforts to "turn around" R&D. It might also reflect certain scientific advances such as sequencing the human genome (completed around the start of the last decade).

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- One area where it may be premature to claim victory is drug cycle times. While they improved during the most recent period, the general trend still seems to show a gradual lengthening. *Drug development* time per molecule (ie completing human studies) currently averages about 10y, an increase of ~40% compared to 15y ago. On the other hand, *drug discovery* time per molecule (ie the work done leading up to human trials) has held fairly steady at ~4y. When summed, the data shows it takes ~14y from start to finish to bring a new drug to market. This is a remarkably long period, which is why shifts in R&D productivity can only be measured gradually.

Investment Conclusion

Our view of drug industry fundamentals has historically been cautious, with the two biggest problems being lagging R&D productivity and various patent expirations on big drugs across the majority of drug companies. These challenges have been forcing the drug industry to re-think how it does business, and drug companies continue to try and adapt to various ongoing pressures.

However, over the last few years, our view of the drug sector has become moderately more constructive. This is partly because the biggest portion of the "patent cliff" has annualized and because drug pipelines seem like they have been improving over the last few years (productivity up; cycle times still a challenge). Some companies' pipelines are clearly better than others.

The combination of these two phenomena is what is allowing more drug companies to grow again, albeit only at modest levels because there are other headwinds such as deterioration in pricing and market access, faster generic erosion rates ex-US, and slowing Emerging Market growth. Also, while not reflective of fundamentals, FX is likely to be a headwind for many companies in 2015.

Details

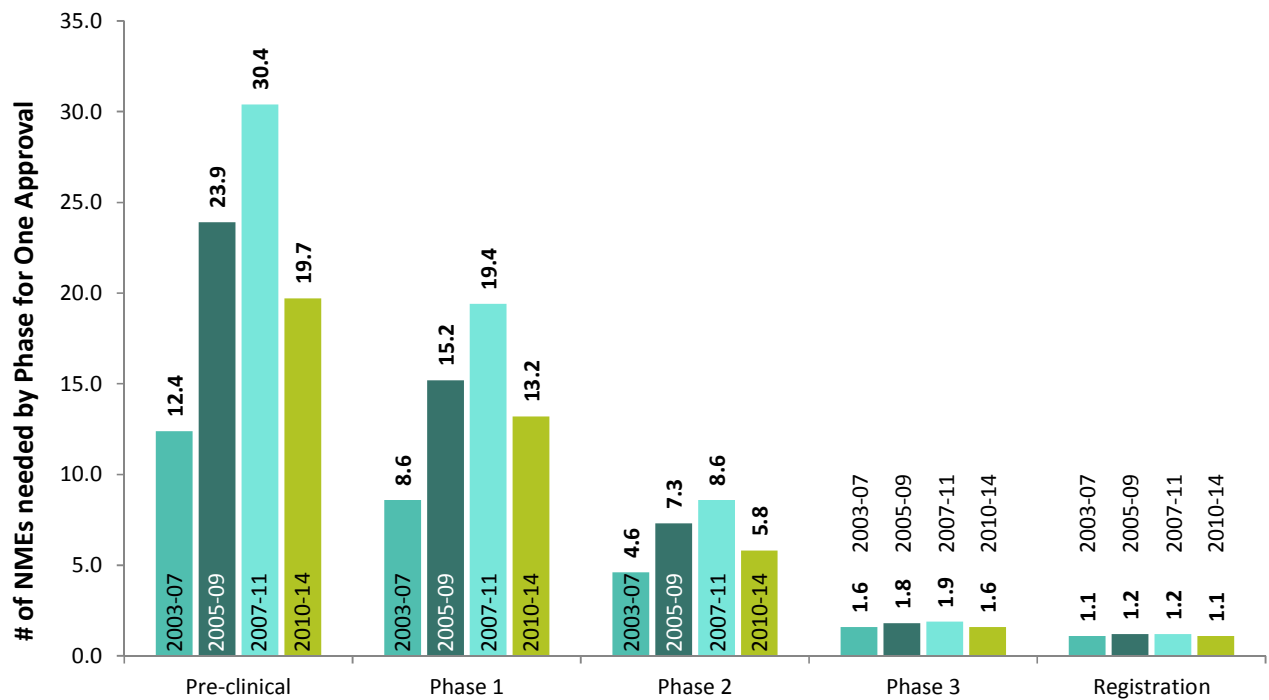
This report describes a fresh round of data on pharmaceutical industry R&D productivity released from a firm known as KMR Group which claims as its members nearly all of the major drug companies, both US and European. The data is encouraging and hopefully foretells continued improvement.

Exhibit 1 shows the number of compounds at each phase of development that are needed to yield one approved drug. For example, for the period 2010-2014:

- **Preclinical compounds:** It takes ~20 preclinical molecules to yield one approved product. This implies a hit rate of 5% (or inversely, a failure rate of 95%).
- **Phase 1 compounds:** It takes ~13 phase 1 molecules to yield one approved product. The implied hit rate is 8% (or inversely, a failure rate of 92%).
- **Phase 2 compounds:** It takes ~6 phase 2 molecules to yield one approved product. The implied hit rate is 17% (or inversely, a failure rate of 83%).
- **Phase 3 compounds:** It takes 1.6 phase 3 molecules to yield one approved product. The implied hit rate is 63% (or inversely, a failure rate of 37%).

Exhibit 1

R&D "Yield": Number of New Molecular Entities by Stage Required to Attain One Approval

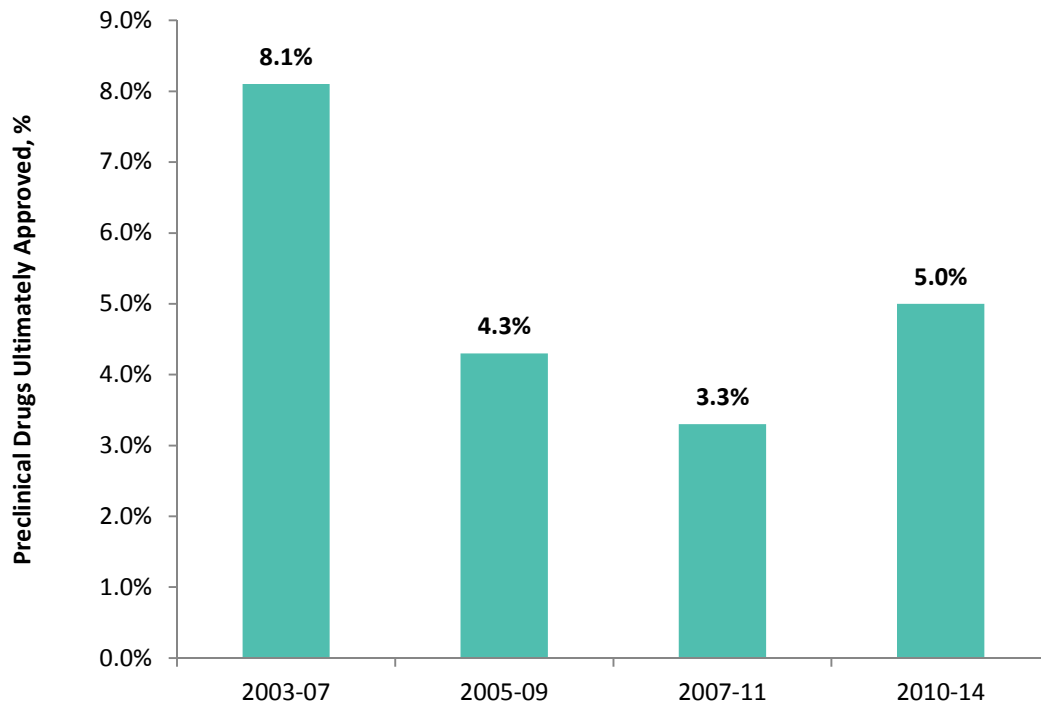


Source: KMR, Bernstein Analysis

Exhibit 2 is a different portrayal of the data shown in **Exhibit 1**. It maps the progression of drugs from pre-human studies to marketed product. For the period 2010-2014, 5% of preclinical drugs eventually made it to market, up from 3.3% in 2007-2011 and 4.3% from 2005-2009.

Still, this hit rate is low in absolute terms, and the "cost of failure" explains why annual R&D spending across the pharmaceutical industry is measured in the tens of billions of dollars.

Exhibit 2
Percent of Preclinical Drugs Ultimately Approved



Source: KMR, Bernstein Analysis

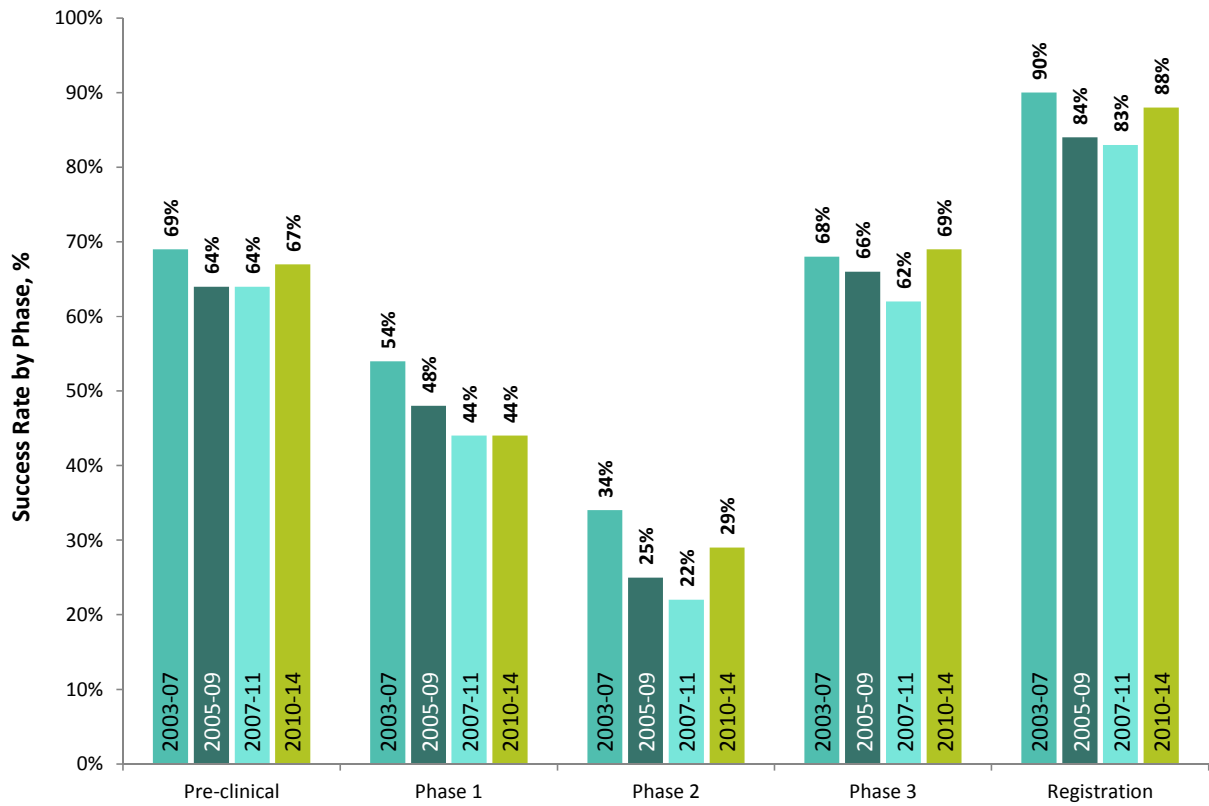
Exhibit 3 shows phase success rates, which is the likelihood of advancing from one phase of drug development to another (e.g. going from phase 1 to phase 2).

For all phases, there was either stability (phase 1) or improvement (all other phases) sequentially.

As shown, for the period 2010-2014:

- **Phase 1 drugs:** 44% advanced to phase 2
- **Phase 2 drugs:** 29% advanced to phase 3
- **Phase 3 drugs:** 69% advanced to registration
- **Registration:** 88% of drugs filed for approval got approved

Exhibit 3
Success Rates by Phase of Drug Development



Source: KMR, Bernstein Analysis

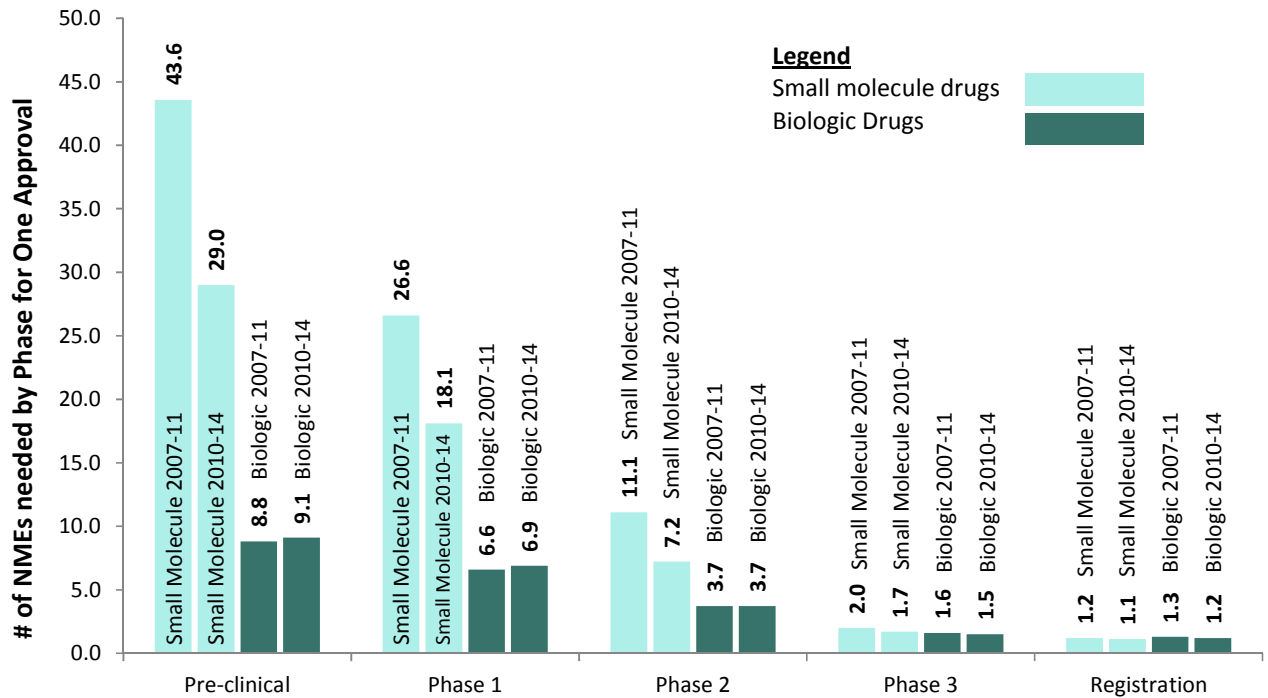
Exhibit 4 shows the number of compounds at each phase of development that are needed to yield one approved drug, *by type of drug* (ie small molecule drugs versus large molecule “biologic” drugs).

The data is shown for two different time periods, but it yields the same conclusion: success rates are much higher at almost all phases of development for biologics.

- **Small molecule drugs.** During 2010-2014, it took 18 small molecule drugs in phase 1 to yield one marketed product.
- **Biologics.** During 2010-2014, it took 7 large molecule biologics in phase 1 to yield one marketed product.

Another interesting finding to call out: The improvement in “yield” has occurred among small molecule drugs, whereas biologic drugs have remained fairly constant, at least when comparing 2007-2011 to 2010-2014.

Exhibit 4
R&D “Yield”: Number of New Molecular Entities Required to Attain One Approval, by Stage – Small Molecule Drugs vs. Biologics



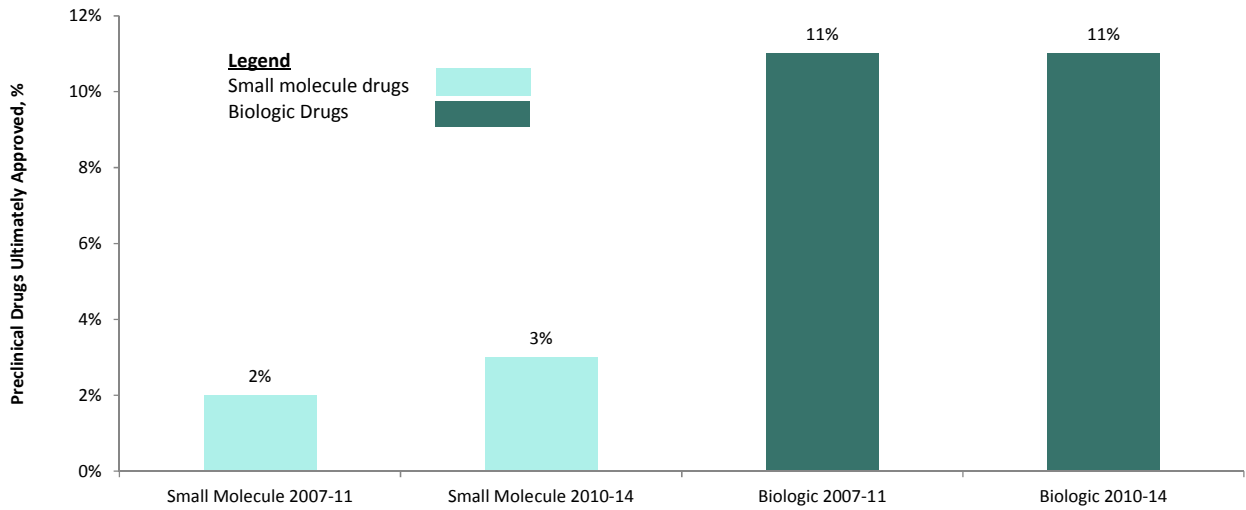
Source: KMR, Bernstein Analysis

Exhibit 5 is a different portrayal of the data shown in **Exhibit 4**. It maps the rate of success over two different time period of drugs going from pre-human studies to marketed product, by type of product (large molecule vs biologic).

For the period 2010-2014:

- **Small molecule drugs:** 3% of preclinical small molecule drugs eventually made it to market
- **Biologics:** 11% of preclinical biologics eventually made it to market.

Exhibit 5
Percent of Preclinical Drugs Ultimately Approved, Small Molecule Drugs vs. Biologics



Source: KMR, Bernstein Analysis

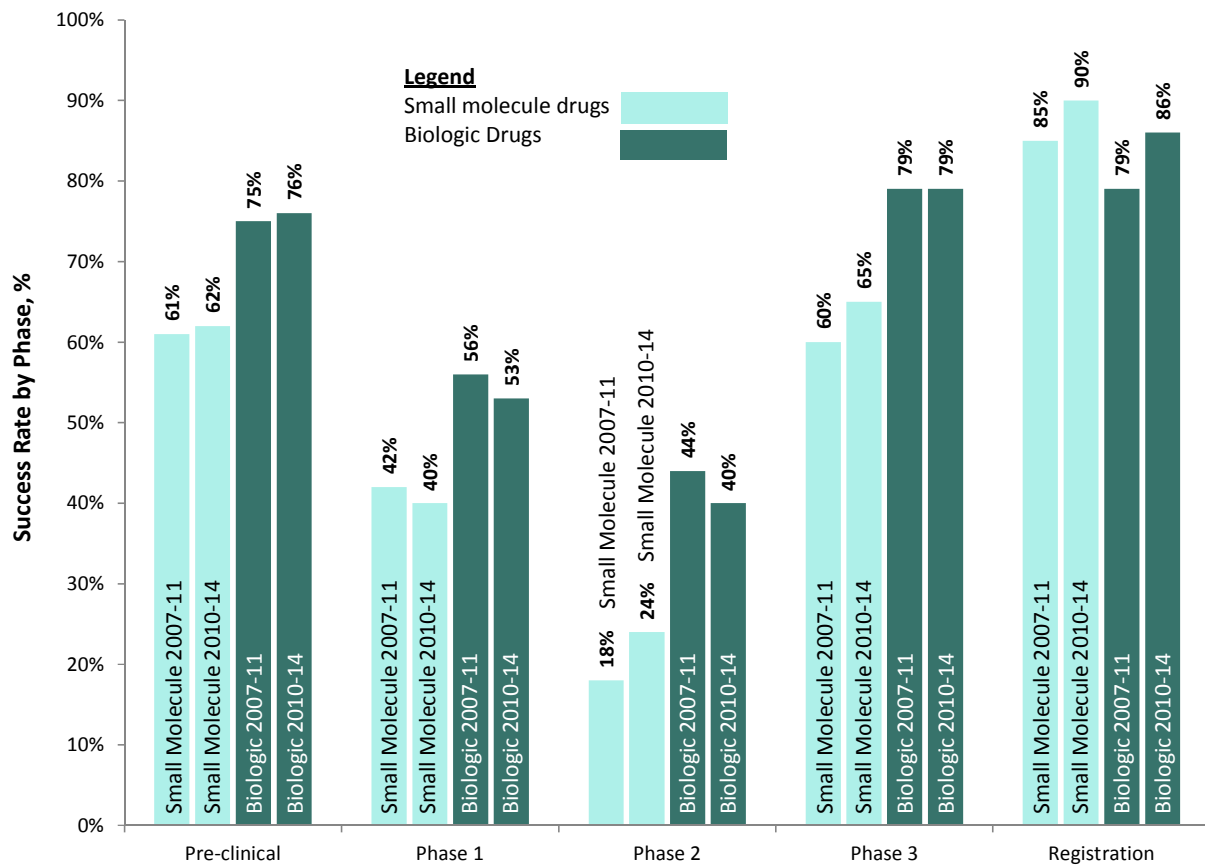
Exhibit 6 is similar to **Exhibit 3** – both look at phase success rates, but this one breaks out the findings between small molecule drugs and biologics. Across almost all phases of development, large molecule drugs have a higher chance of advancing to the next phase.

For example, for the period 2010-2014:

- **Small molecule drugs:** 65% of phase 3 drugs were filed for approval (and 90% were approved)
- **Biologics:** 79% of phase 3 drugs were filed for approval (and 85% were approved)

For investors, this is a point worth appreciating: when assessing drug company pipelines in a broad sense, biologic drugs are more likely to succeed. Said differently, drug companies with more biologics in their pipelines are more likely to produce more marketed drugs than their peers.

Exhibit 6
Success Rates by Phase of Drug Development – Small Molecule Drugs vs. Biologics



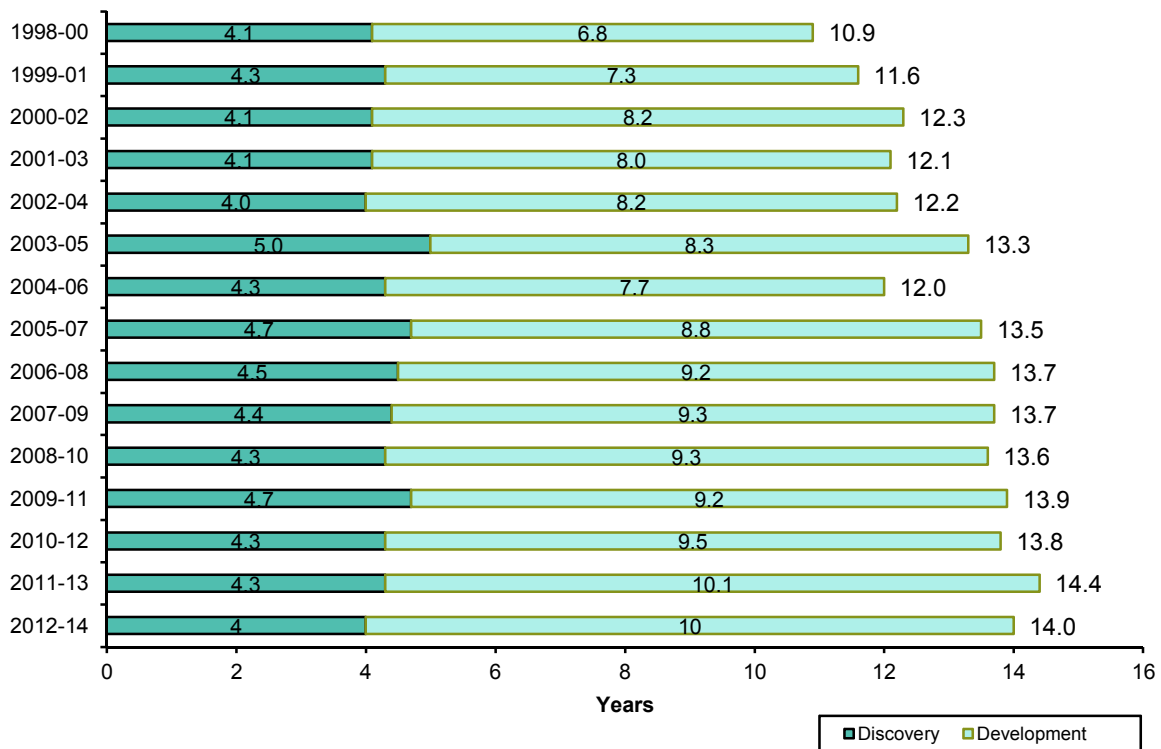
Source: KMR, Bernstein Analysis

Exhibit 7 looks at drug cycle times, broken down into two distinct phases: *drug discovery* (all of the work done prior to performing human clinical trials) and *drug development* (the running of human clinical trials).

As the data indicates, cycle times have been increasingly fairly consistently for the last ~15y, driven by the increase in drug development times (drug discovery times have remained constant), yet there was improvement in the most recent period.

Drivers of this phenomenon include more demands from regulators, more demands from payers to show hard "outcomes" data, and the complexity of running trials on a global basis which is required for ex-US registration in certain markets.

Exhibit 7
Drug Discovery and Development Cycle Times



Source: KMR, Bernstein Analysis

Exhibit 8
Bernstein's AstraZeneca Income Statement

Income Statement (\$M, except EPS)	2014A	1QA	2QA	3QE	4QE	2015E	2016E	2017E	2018E	2019E	2020E
Total Revenue	\$26,556	\$6,057	\$6,308	\$5,936	\$6,380	\$24,681	\$24,459	\$24,169	\$24,826	\$26,053	\$27,437
Cost of Goods (Core)	\$4,888	\$953	\$965	\$922	\$989	\$3,829	\$3,717	\$3,534	\$3,565	\$3,668	\$3,815
Gross Profit (Core)	\$21,668	\$5,104	\$5,343	\$5,014	\$5,391	\$20,851	\$20,742	\$20,635	\$21,261	\$22,385	\$23,622
SG&A (Core)	\$10,216	\$2,368	\$2,216	\$2,150	\$2,250	\$8,984	\$8,684	\$8,384	\$8,504	\$8,654	\$8,854
Distribution	\$324	\$77	\$84	\$85	\$83	\$329	\$329	\$329	\$359	\$399	\$439
SG&A/Distribution (Core)	\$10,540	\$2,445	\$2,300	\$2,235	\$2,333	\$9,313	\$9,013	\$8,713	\$8,863	\$9,053	\$9,293
R&D (Core)	\$4,941	\$1,280	\$1,356	\$1,390	\$1,450	\$5,476	\$5,626	\$5,676	\$5,751	\$5,851	\$5,976
Other (Income)/Expenses	(\$750)	(\$426)	(\$127)	(\$240)	(\$110)	(\$1,061)	(\$735)	(\$635)	(\$585)	(\$535)	(\$485)
Total Expenses (Core)	\$19,619	\$4,252	\$4,494	\$4,307	\$4,662	\$17,715	\$17,621	\$17,288	\$17,594	\$18,037	\$18,599
Pre-RnD Operating Income (Core)	\$11,878	\$3,085	\$3,170	\$3,019	\$3,168	\$12,441	\$12,464	\$12,557	\$12,983	\$13,867	\$14,814
Operating Income (Core)	\$6,937	\$1,805	\$1,814	\$1,629	\$1,718	\$6,965	\$6,838	\$6,881	\$7,232	\$8,016	\$8,838
Net Finance Inc/(Exp)	(\$493)	(\$118)	(\$132)	(\$120)	(\$122)	(\$492)	(\$471)	(\$471)	(\$470)	(\$470)	(\$468)
Pretax Profit (Core)	\$6,438	\$1,682	\$1,680	\$1,509	\$1,596	\$6,466	\$6,367	\$6,410	\$6,762	\$7,546	\$8,369
Taxes (Core)	\$1,040	\$312	\$160	\$279	\$303	\$1,054	\$1,038	\$1,045	\$1,103	\$1,230	\$1,365
Net income (Core)	\$5,398	\$1,370	\$1,520	\$1,230	\$1,293	\$5,412	\$5,329	\$5,365	\$5,659	\$6,316	\$7,005
Minority interest	\$2	\$2	(\$1)	\$1	\$1	\$3	\$3	\$3	\$3	\$3	\$3
Net Income to AZN (Core)	\$5,396	\$1,368	\$1,521	\$1,229	\$1,292	\$5,409	\$5,326	\$5,362	\$5,656	\$6,313	\$7,002
EPS, Core (diluted)	\$4.28	\$1.08	\$1.21	\$0.97	\$1.02	\$4.28	\$4.26	\$4.35	\$4.64	\$5.25	\$5.89
Avg. Shares (MM; diluted)	1,264	1,265	1,265	1,265	1,265	1,265	1,249	1,234	1,218	1,203	1,188
Margins (As % of Total Revenue)											
Cost of Goods (Core)	18%	16%	17%	16%	16%	16%	15%	15%	14%	14%	14%
Gross Margin (Core)	82%	84%	85%	84%	84%	84%	85%	85%	86%	86%	86%
SGA (Core)	38%	39%	35%	36%	35%	38%	37%	36%	35%	33%	32%
SG&A/Distribution (Core)	40%	40%	39%	38%	38%	39%	38%	38%	36%	35%	34%
R&D (Core)	19%	21%	23%	24%	23%	22%	23%	23%	23%	22%	22%
Operating Margin (Core)	26%	30%	29%	27%	27%	28%	28%	28%	29%	31%	32%
Operating Margin pre-R&D (Core)	45%	51%	50%	51%	50%	50%	51%	52%	52%	53%	54%
Pretax Margin (Core)	24%	28%	27%	25%	25%	26%	26%	27%	27%	29%	31%
Profit Margin (Core)	20%	23%	24%	21%	20%	22%	22%	22%	23%	24%	26%
Tax Rate (Core)	16%	19%	10%	19%	19%	16%	16%	16%	16%	16%	16%
Growth Rates											
Total Revenues	3%	(6%)	(7%)	(10%)	(5%)	(7%)	(1%)	(1%)	3%	5%	5%
Cost of Goods (Core)	6%	(20%)	(17%)	(22%)	(27%)	(22%)	(3%)	(5%)	1%	3%	4%
Gross Profit (Core)	2%	(3%)	(5%)	(8%)	0%	(4%)	(1%)	(1%)	3%	5%	6%
SG&A/Distribution (Core)	15%	2%	(10%)	(14%)	(24%)	(12%)	(3%)	(3%)	1%	2%	2%
R&D (Core)	16%	17%	12%	9%	7%	11%	3%	1%	1%	2%	2%
Other (Income)/expense	12%	155%	(28%)	28%	(50%)	41%	(31%)	(14%)	(8%)	(9%)	(9%)
Total Expenses (Core)	13%	(6%)	(5%)	(11%)	(16%)	(10%)	(1%)	(2%)	2%	3%	3%
Operating Income (Core)	(17%)	(8%)	(11%)	(8%)	45%	0%	(2%)	1%	5%	11%	10%
Pretax Income (Core)	(19%)	(8%)	(11%)	(9%)	49%	0%	(2%)	1%	5%	12%	11%
Net Income (Core)	(15%)	(7%)	(7%)	(8%)	36%	0%	(2%)	1%	5%	12%	11%
EPS (Core)	(15%)	(7%)	(7%)	(8%)	36%	(0%)	(0%)	2%	7%	13%	12%
Shares Outstanding (sequential)	0.9%	0.0%	0.0%	0.0%	0.0%	0.1%	(1.3%)	(1.3%)	(1.3%)	(1.3%)	(1.3%)

Source: Company reports, Bernstein estimates and analysis

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Exhibit 9

Bernstein's AstraZeneca Product Revenue Forecasts

\$ in millions	2014A	1QA	2QA	3QE	4QE	2015E	2016E	2017E	2018E	2019E	2020E
WW- Crestor	5,512	1,167	1,310	1,248	1,275	4,999	3,703	2,015	1,517	1,387	1,347
WW- Seloken/Toprol-XL	758	194	184	183	177	738	758	776	786	797	809
WW- Atacand	501	95	99	95	91	380	373	370	369	367	365
WW- Onglyza Franchise	820	183	208	209	209	809	791	762	728	692	652
WW- Farxiga/Forxiga/Xigduo	183	76	129	145	168	518	916	1,337	1,783	2,096	2,304
WW - Byetta	327	90	82	82	76	330	311	285	261	240	220
WW - Bydureon	440	123	140	148	154	565	681	777	847	897	938
WW- Brilinta/Brilique	476	131	144	159	181	615	855	1,040	1,195	1,322	1,401
WW - Total Cardiometabolic	9,802	2,230	2,452	2,373	2,441	9,496	8,933	7,916	8,046	8,366	8,613
WW - Pulmicort	946	286	232	231	258	1,008	1,120	1,186	1,278	1,211	1,222
WW - Symbicort	3,801	845	842	864	903	3,454	3,304	3,161	2,909	2,061	1,748
WW - Eklira/Tudorza	-	30	55	61	66	212	343	393	435	470	384
WW - PT003 (LABA/LAMA)	-	-	-	-	-	-	35	143	233	310	376
WW - benralizumab (IL-5; asth)	-	-	-	-	-	-	-	100	207	350	518
Total Respiratory	5,063	1,243	1,225	1,255	1,325	5,048	5,177	5,337	5,397	4,717	4,544
WW - Arimidex	298	62	64	61	57	245	236	233	231	229	227
WW - Casodex	320	70	69	69	69	277	270	264	264	262	261
WW - Zoladex	924	194	215	215	208	831	843	849	849	848	847
WW - Faslodex	720	161	172	177	180	691	743	830	898	943	983
WW - Iressa	623	144	129	138	150	562	652	676	675	609	454
WW - durvalumab/MEDI4736	-	-	-	-	-	-	-	300	715	1,238	1,673
WW - tremelimumab (CTLA4)	-	-	-	-	-	-	-	140	285	460	600
WW - selumetinib (MEK inh.)	-	-	-	-	-	-	-	35	113	210	302
WW - Lynparza (PARP)	-	9	21	26	31	87	180	271	372	483	561
WW - AZD9291 (anti-EGFR)	-	-	-	-	-	-	265	455	655	850	995
Total Oncology	3,027	674	707	719	732	2,833	3,284	4,152	5,160	6,238	7,013
WW - Seroquel	178	0	0	0	0	0	0	0	0	0	0
WW - Seroquel XR	1,224	262	264	271	280	1,077	1,016	288	208	185	180
WW - Total Seroquel	1,402	260	268	271	280	1,082	1,016	288	208	185	180
Total CNS	1,996	262	264	271	280	1,082	1,016	288	208	185	180
WW - Nexium	\$3,655	\$644	\$647	\$566	\$480	\$2,338	\$1,888	\$1,921	\$1,973	\$2,025	\$1,996
WW - Losec/Prilosec	422	96	84	85	85	350	339	329	320	311	303
WW - Movantik	-	0	1	5	19	25	162	251	334	396	431
Total Gastrointestinal	4,077	740	732	656	584	2,712	2,389	2,501	2,627	2,732	2,731
WW - Synagis	900	204	66	98	318	686	675	667	659	653	647
WW - FluMist	295	7	14	152	139	312	348	370	389	406	422
WW- lesinurad	-	-	-	8	34	42	151	302	453	566	623
WW - brodalumab (IL-17; AZN)	-	-	-	-	-	-	-	-	-	-	-
Total Infection, Neuroscience and Early Pipeline Products	8,203	1,601	1,452	1,539	1,717	6,314	6,019	5,584	5,809	6,035	6,116
Early Pipeline Products	-	-	-	-	-	-	-	-	164	497	1,001
Total W/W Rx Pharma	\$26,095	\$5,748	\$5,836	\$5,886	\$6,215	\$23,690	\$23,414	\$22,989	\$24,576	\$25,853	\$27,287
US Total Sales	\$10,120	\$2,119	\$2,356	\$2,289	\$2,335	\$9,258	\$8,229	\$7,205	\$7,978	\$8,261	\$8,823
Int'l Total Sales	\$15,976	\$3,579	\$3,480	\$3,542	\$3,827	\$14,432	\$15,155	\$15,734	\$16,498	\$17,442	\$18,284
W/W TOTAL SALES	\$26,095	\$5,748	\$5,836	\$5,886	\$6,215	\$23,690	\$23,414	\$22,989	\$24,576	\$25,853	\$27,287

Source: Company reports, Bernstein estimates and analysis

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Exhibit 10
Bernstein's Bristol-Myers Squibb Income Statement

Income Statement (\$M, except EPS)	2013A	2014A	1QA	2QA	3QE	4QE	2015E	2016E	2017E	2018E	2019E	2020E
Total Revenue	\$16,385	\$15,879	\$4,041	\$4,163	\$3,799	\$4,102	\$16,105	\$16,814	\$18,677	\$19,336	\$20,536	\$21,645
Cost of Goods	4,293	3,781	813	1,039	1,021	1,057	3,879	4,126	4,891	5,395	5,936	6,403
Gross Profit	12,092	12,098	3,228	2,596	2,778	3,046	12,227	12,687	13,785	13,941	14,600	15,242
Marketing, Selling & Admin	4,068	3,983	893	900	950	1,050	3,858	3,883	3,933	3,958	3,983	4,033
Adv & Promo	855	734	135	150	225	270	797	822	887	912	962	1,012
R&D	3,715	3,913	854	920	1,075	1,225	4,139	4,214	4,264	4,264	4,214	4,264
Total Expenses	12,931	12,411	2,695	3,009	3,271	3,602	12,673	13,045	13,975	14,529	15,095	15,712
Operating Income	3,454	3,468	1,346	626	528	501	3,433	3,768	4,701	4,807	5,441	5,933
Equity (Income) (from SNY for Plvx/Avp)	(166)	(107)	(26)	(24)	(24)	(24)	(96)	(92)	(87)	(83)	(79)	(75)
Interest Expenses	(104)	(101)	(30)	(30)	(30)	(30)	(116)	(115)	(115)	(118)	(123)	(129)
Interest Income	199	203	51	50	50	50	200	188	188	188	188	188
Net Interest Income (Exp.)	95	102	21	20	20	20	84	73	73	70	65	59
Other (Income) / Expense, net	31	(309)	(151)	(72)	(78)	(81)	(417)	(442)	(506)	(767)	(774)	(911)
Pretax Profit	3,589	3,884	1,523	722	630	606	3,947	4,302	5,294	5,657	6,294	6,919
Taxes	553	775	317	134	82	61	737	804	989	1,057	1,176	1,293
Net Income	\$3,019	\$3,084	\$1,193	\$588	\$548	\$545	\$3,176	\$3,498	\$4,305	\$4,600	\$5,118	\$5,626
Minority interest (to SNY for Plvx/Avp)	17	25	13	0	0	0	33	0	0	0	0	0
EPS (non-GAAP, dil.)	\$1.82	\$1.85	\$0.71	\$0.35	\$0.33	\$0.33	\$1.89	\$2.12	\$2.65	\$2.87	\$3.24	\$3.62
Avg. Shares (MM; diluted)	1,661	1,670	1,676	1,676	1,676	1,676	1,676	1,651	1,626	1,602	1,578	1,554
Margin Analysis (% of Revenue)												
Gross Margins	74%	76%	80%	71%	73%	74%	76%	75%	74%	72%	71%	70%
SG&A	30%	30%	25%	25%	31%	32%	29%	28%	26%	25%	24%	23%
R&D	23%	25%	21%	22%	28%	30%	26%	25%	23%	22%	21%	20%
Operating Margin	21%	22%	33%	17%	14%	12%	21%	22%	25%	25%	26%	27%
Pretax Margin	22%	24%	38%	20%	17%	15%	25%	26%	28%	29%	31%	32%
Profit Margin	18%	19%	30%	14%	14%	13%	20%	21%	23%	24%	25%	26%
Tax Rate	15%	20%	21%	19%	13%	10%	19%	19%	19%	19%	19%	19%
Growth Rates												
Total Revenues	(7%)	(3%)	6%	(7%)	(3%)	(4%)	1%	4%	11%	4%	6%	5%
Cost of Goods	(1%)	(12%)	(12%)	9%	5%	13%	3%	6%	19%	10%	10%	8%
Gross Profits	(9%)	0%	12%	(12%)	(6%)	(8%)	1%	4%	9%	1%	5%	4%
Marketing, Selling & Admin	(2%)	(2%)	(6%)	(5%)	2%	(9%)	(3%)	1%	1%	1%	0%	1%
Adv & Promo	7%	(14%)	(17%)	(20%)	32%	27%	9%	3%	8%	3%	5%	5%
R&D	1%	5%	(5%)	(4%)	17%	8%	6%	2%	1%	0%	(1%)	1%
Total Equity Income	(9%)	(36%)	(28%)	(27%)	100%	(6%)	(10%)	(5%)	(5%)	(5%)	(5%)	(5%)
Total Expenses	(0%)	(4%)	(8%)	(1%)	9%	5%	2%	3%	7%	4%	4%	4%
Operating Income	(26%)	0%	54%	(26%)	(43%)	(39%)	(1%)	10%	25%	2%	13%	9%
Net Income	(10%)	2%	56%	(26%)	(27%)	(29%)	3%	10%	23%	7%	11%	10%
EPS	(9%)	2%	55%	(27%)	(27%)	(29%)	3%	12%	25%	8%	13%	12%
Shares Outstanding (sequential)	(1%)	1%	0%	0%	0%	0%	0%	(2%)	(2%)	(2%)	(2%)	(2%)

Source: Company reports, Bernstein estimates and analysis

Global Pharmaceuticals

Exhibit 11
Bernstein's Bristol-Myers Squibb Product Revenue Forecasts

\$ in millions	2013A	2014A	1QA	2QA	3QE	4QE	2015E	2016E	2017E	2018E	2019E	2020E
Eliquis (w/PFE, BMY books all)*	146	774	355	437	462	497	1,752	2,858	3,942	4,731	5,441	6,093
Total Cardiovascular	146	774	355	437	462	497	1,752	2,858	3,942	4,731	5,441	6,093
Erbix	696	723	165	169	180	177	691	27	24	18	15	13
Sprycel	1,280	1,493	375	405	416	442	1,638	1,772	1,817	1,790	1,719	1,633
Yervoy	960	1,308	325	296	287	301	1,210	1,205	1,220	1,268	1,332	1,398
Opdivo	-	6	40	122	275	400	837	2,057	3,361	4,367	5,072	5,515
elotuzumab	-	-	-	-	-	15	15	170	341	542	758	986
Total Oncology	2,936	3,530	905	992	1,158	1,335	4,391	5,232	6,762	7,986	8,895	9,544
Sustiva/Atripla	1,614	1,444	290	317	316	342	1,265	1,164	1,068	295	209	177
Reyataz (atazanavir)	1,551	1,362	294	303	265	288	1,150	1,032	775	591	464	347
Baraclude (entecavir)	1,527	1,441	340	343	295	316	1,294	1,118	890	650	524	448
HCV Franchise	-	256	264	479	203	180	1,126	964	836	758	661	589
Total Virology	4,692	4,503	1,188	1,442	1,078	1,126	4,835	4,278	3,569	2,295	1,857	1,560
Abilify (BMY's Portion)	2,289	2,020	554	107	5	7	673	-	-	-	-	-
Total CNS	2,289	2,020	554	107	5	7	673	-	-	-	-	-
Orencia (IV)	1,003	964	224	254	253	252	983	1,013	999	897	793	695
Orencia (SQ)	441	688	176	207	227	236	845	994	1,087	1,101	1,083	1,011
Total Immunology	1,444	1,652	400	461	479	488	1,828	2,007	2,085	1,998	1,876	1,706
Diabetes Alliance	441	185	-	-	-	-	-	-	-	-	-	-
Mature Products and All Other	2,639	2,624	542	572	506	538	2,159	1,995	1,895	1,800	1,710	1,625
Total Early Stage R&D Factor	-	-	-	-	-	-	-	-	-	124	375	753
Total Pharmaceuticals	16,385	15,879	4,041	4,163	3,799	4,102	16,105	16,814	18,677	19,336	20,536	21,645
TOTAL SALES	16,385	15,879	\$4,041	\$4,163	\$3,799	\$4,102	16,105	16,814	18,677	19,336	20,536	21,645

Source: Company reports, Bernstein estimates and analysis

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BERNSTEIN

September 22, 2015

Exhibit 12

Bernstein's Eli Lilly Income Statement

\$ in millions except per share data	Annual					Annual	Annual	Annual	Annual	Annual	Annual
	2014A	1QA	2QE	3QE	4QE	2015E	2016E	2017E	2018E	2019E	2020E
Total Revenue	\$19,616	\$4,645	\$4,979	\$4,949	\$5,441	\$20,005	\$21,281	\$22,372	\$22,231	\$22,533	\$23,651
Cost of Goods	4,933	1,012	1,034	1,094	1,266	4,406	5,324	5,554	5,669	5,637	5,771
Gross Profit	14,683	3,632	3,945	3,855	4,175	15,600	15,957	16,819	16,562	16,896	17,880
SG&A	6,502	1,488	1,600	1,620	1,790	6,497	6,607	6,607	6,407	6,532	6,657
R&D	4,734	1,039	1,169	1,230	1,330	4,768	4,778	4,728	4,528	4,553	4,578
Total Expenses	16,168	3,539	3,803	3,944	4,386	15,671	16,710	16,889	16,605	16,722	17,007
Operating Income	3,448	1,106	1,176	1,005	1,055	4,334	4,571	5,483	5,626	5,811	6,644
Other Income / (Loss), net	249	93	29	0	5	127	136	158	195	245	285
Income Before Tax	3,696	1,198	1,206	1,005	1,060	4,461	4,708	5,641	5,821	6,056	6,930
Income Taxes	709	274	250	215	207	947	999	1,197	1,235	1,285	1,470
NET INCOME	\$2,988	\$924	\$955	\$790	\$853	\$3,514	\$3,709	\$4,444	\$4,586	\$4,771	\$5,459
EPS (Cont Ops; Diluted)	\$2.78	\$0.87	\$0.90	\$0.74	\$0.80	\$3.30	\$3.53	\$4.32	\$4.55	\$4.83	\$5.64
Avg. Diluted Shares (mil)	1,074	1,067	1,066	1,065	1,063	1,065	1,049	1,028	1,008	987	968
Margins (% of Revenue)											
Cost of Goods	25%	22%	21%	22%	23%	22%	25%	24%	25%	24%	24%
Gross Margin	75%	78%	79%	78%	77%	78%	76%	76%	75%	76%	76%
SG&A	33%	32%	32%	33%	33%	32%	31%	30%	29%	29%	28%
R&D	24%	23%	24%	22%	23%	24%	22%	21%	20%	20%	19%
Operating Margin	18%	24%	24%	20%	19%	22%	21%	25%	25%	26%	28%
Pretax Margin	19%	26%	24%	20%	19%	22%	22%	25%	26%	27%	29%
Tax Rate	19%	23%	21%	21%	20%	21%	21%	21%	21%	21%	21%
Net Margin	12%	11%	15%	15%	15%	14%	17%	19%	20%	21%	23%
Growth Rates (YoY)											
Total Revenues	(15%)	(1%)	1%	2%	6%	2%	6%	5%	(1%)	1%	5%
Cost of Goods	0%	(17%)	(13%)	(14%)	1%	(11%)	21%	4%	2%	(1%)	2%
Gross Profit	(19%)	5%	5%	7%	8%	6%	2%	5%	(2%)	2%	6%
SG&A	(9%)	0%	(4%)	4%	(1%)	(0%)	2%	0%	(3%)	2%	2%
R&D	(14%)	(6%)	(2%)	(1%)	12%	1%	0%	(1%)	(4%)	1%	1%
Operating Income	(38%)	28%	33%	24%	20%	26%	5%	20%	3%	3%	14%
Income Before Tax	(34%)	30%	2%	11%	14%	21%	6%	20%	3%	4%	14%
Net Income	(49%)	23%	30%	12%	7%	18%	29%	20%	3%	4%	15%
EPS	(33%)	24%	32%	13%	8%	19%	7%	22%	5%	6%	17%
Shares Outstanding (seq)	(1%)	(1%)	(0%)	(0%)	(0%)	(1%)	(2%)	(2%)	(2%)	(2%)	(2%)

Source: Company reports, Bernstein estimates and analysis

Global Pharmaceuticals

Exhibit 13
Bernstein's Eli Lilly Product Revenue Forecasts

\$ in millions	Annual					Annual	Annual	Annual	Annual	Annual	Annual
	2014A	1QA	2QE	3QE	4QE	2015E	2016E	2017E	2018E	2019E	2020E
WW - Zyprexa	1,037	220	254	208	222	904	839	719	631	583	557
WW - Cymbalta	1,615	287	274	247	245	1,052	760	683	618	557	513
WW - Strattera	739	174	192	187	197	750	763	462	316	257	193
WW - solanezumab (Alz Dz)	-	-	-	-	-	-	-	-	-	-	-
WW - CNS	3,597	725	764	690	713	2,892	2,546	2,048	1,747	1,580	1,444
WW Growth & Recovery	496	110	109	95	111	425	352	332	320	311	303
WW - Humulin	1,400	316	316	311	369	1,312	1,362	1,415	1,470	1,511	1,552
WW - Humalog	2,785	684	654	681	721	2,740	2,852	2,733	2,206	1,881	1,652
WW - Novel basal insulin (BIL)	-	-	-	-	-	-	-	-	-	-	-
WW - Total Tradjenta/Jentadueto	666	162	180	158	165	683	733	742	734	710	674
LLY's Share of Tradjenta (50%)	329	82	80	82	85	329	366	371	367	355	337
WW - Biosimilar Insulin Glargine (gener)	-	-	-	-	-	55	210	420	790	1,060	1,320
LLY's 50% of Biosimilar Insulin Glargine	-	-	-	8	20	28	105	210	395	530	660
WW - Jardiance/Glyxambi (SGLT-2 inh.)	20	33	21	34	47	135	482	1,131	1,781	2,273	2,722
LLY's Share of empagliflozin (50%)	10	19	11	17	24	71	241	566	890	1,137	1,361
WW - Trulicity (GLP-1)	10	18	44	76	107	246	544	857	1,129	1,276	1,374
WW Diabetes	4,680	1,155	1,139	1,213	1,364	4,870	5,623	6,316	6,632	6,876	7,133
WW - Evista	420	67	60	56	61	243	221	213	199	163	138
WW - Forteo	1,322	293	329	325	365	1,312	1,377	1,438	1,430	1,095	913
WW Women's Health	1,742	360	388	381	426	1,555	1,597	1,651	1,629	1,258	1,050
WW Endocrinology (Growth, Diabetes, W	6,938	1,626	1,638	1,693	1,910	6,866	7,589	8,317	8,598	8,461	8,503
WW - Gemzar	153	30	36	31	34	131	121	114	108	103	98
WW - Alimta	2,792	573	664	660	686	2,583	2,288	2,102	2,018	1,955	1,895
WW - Cyramza (gastric and NSCLC)	76	68	88	103	125	383	722	1,137	1,502	1,831	2,080
WW - necitumumab (sqNSCLC)	-	-	-	5	25	30	185	332	469	571	636
WW Erbitux (LLY's share)	373	88	135	90	167	480	678	668	658	489	416
WW - Total Oncology	3,393	759	922	889	1,037	3,607	3,994	4,352	4,855	5,239	5,679
WW Prasugrel Revenue*	1,044	243	258	254	265	1,020	983	453	271	209	156
LLY's Share (50%)	522	122	129	127	133	510	491	226	135	104	78
WW - evacetrapi (CETP)	-	-	-	-	-	-	-	-	200	375	600
Total CVS	763	177	195	179	191	741	722	453	547	672	854
WW - Cialis	2,291	538	568	578	645	2,330	2,460	2,576	1,293	739	641
Total Primary Care	2,291	538	568	578	645	2,330	2,460	2,576	1,293	739	641
WW - ixekizumab (anti-IL-17 for psoriasis)	-	-	-	-	-	-	136	339	442	522	595
WW - baricitinib (JAK for RA)	-	-	-	-	-	-	40	310	512	693	827
WW - Total Specialty Care	-	-	-	-	-	-	176	649	954	1,215	1,422
WW - Other Pharma	188	41	30	30	38	139	141	138	135	132	129
Total Early Stage R&D Factor	-	-	-	-	-	-	-	-	135	405	808
TOTAL PHARMACEUTICALS	\$17,269	\$3,895	\$4,137	\$4,087	\$4,556	\$16,668	\$17,723	\$18,631	\$18,366	\$18,547	\$19,587
WW Animal Health	2,347	750	841	862	885	3,338	3,558	3,741	3,915	4,086	4,264
TOTAL LLY SALES	\$19,616	\$4,645	\$4,979	\$4,949	\$5,441	\$20,005	\$21,281	\$22,372	\$22,281	\$22,633	\$23,851

Source: Company reports, Bernstein estimates and analysis

Exhibit 14

Bernstein's GlaxoSmithKline Income Statement

(in million GBP, except per-share data)	2014A	Q1A	Q2A	Q3E	Q4E	2015E	2016E	2017E	2018E	2019E	2020E
Total Revenues excluding divestments	£23,006	£5,622	£5,888	£6,124	£6,468	£24,102	£24,820	£24,694	£25,676	£26,478	£27,561
Cost of Sales (Revised Core)	£6,535	£1,739	£1,779	£1,920	£2,031	£7,470	£7,532	£7,776	£7,980	£8,110	£8,375
Gross Profit (Revised Core)	£16,471	£3,883	£4,109	£4,204	£4,436	£16,633	£17,288	£16,917	£17,696	£18,368	£19,186
SG&A (Revised Core)	£7,074	£1,866	£2,091	£2,000	£2,150	£8,107	£7,887	£7,687	£7,787	£7,937	£8,087
R&D (Revised Core)	£3,113	£789	£731	£755	£800	£3,075	£3,075	£3,045	£3,125	£3,225	£3,325
Total Expenses (Revised Core)	£16,722	£4,394	£4,601	£4,675	£4,981	£18,652	£18,494	£18,508	£18,892	£19,272	£19,787
Royalty Income	£310	£77	£62	£62	£62	£263	£268	£273	£278	£283	£288
Operating Profit (REVISED CORE)	£6,594	£1,305	£1,349	£1,511	£1,548	£5,714	£6,594	£6,458	£7,062	£7,489	£8,062
Net Finance Inc/(Exp) (Core)	£-646	£-156	£-178	£-178	£-178	£-690	£-632	£-623	£-611	£-595	£-577
Pretax Profit (Revised Core)	£5,978	£1,156	£1,169	£1,334	£1,371	£5,031	£5,962	£5,835	£6,451	£6,894	£7,485
Taxes (Revised Core)	£1,172	£231	£233	£267	£274	£1,005	£1,192	£1,167	£1,290	£1,344	£1,460
Net Income (Revised Core)	£4,806	£925	£936	£1,067	£1,097	£4,025	£4,770	£4,668	£5,161	£5,549	£6,025
Minority Interest (ViiV & NVS CHC paym)	£222	£91	£99	£154	£171	£515	£764	£877	£990	£1,038	£1,095
Profit to Shareholders (Revised Core)	£4,584	£834	£837	£914	£926	£3,510	£4,006	£3,792	£4,171	£4,511	£4,930
EPS (Revised CORE, bbsic)	95.4 p	17.3 p	17.2 p	18.9 p	19.1 p	72.5 p	82.4 p	77.6 p	85.0 p	91.5 p	99.5 p
Avg. Shares (millions, bbsic)	4,808	4,820	4,874	4,837	4,844	4,844	4,859	4,883	4,907	4,932	4,957
MARGINS (% of total revenue)	2014A	Q1A	Q2A	Q3E	Q4E	2015E	2016E	2017E	2018E	2019E	2020E
Gross Margin (Revised core)	72%	69%	70%	69%	69%	69%	70%	69%	69%	69%	70%
SG&A (revised Core)	31%	33%	36%	33%	33%	34%	32%	31%	30%	30%	29%
R&D (Revised Core)	14%	14%	12%	12%	12%	13%	12%	12%	12%	12%	12%
Revised Core Operating Margin	29%	23%	23%	25%	24%	24%	27%	26%	28%	28%	29%
Pretax Margin (Revised Core)	26%	21%	20%	22%	21%	21%	24%	24%	25%	26%	27%
Tax Rate (revised Core)	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
Profit Margin (Revised core)	21%	16%	16%	17%	17%	17%	19%	19%	20%	21%	22%
GROWTH RATES	2014A	Q1A	Q2A	Q3E	Q4E	2015E	2016E	2017E	2018E	2019E	2020E
Revised Total Core Revenue	(10%)	1%	6%	8%	5%	5%	3%	(1%)	4%	3%	4%
Gross Profit (Revised Core)	(11%)	-3%	2%	5%	1%	1%	4%	(2%)	5%	4%	4%
SG&A (Revised Core)	(9%)	3%	9%	35%	15%	15%	(3%)	(3%)	1%	2%	2%
R&D (Revised Core)	(8%)	1%	-5%	2%	-3%	(1%)	0%	(1%)	3%	3%	3%
Operating Profit (Revised Core)	(15%)	-12%	-4%	-20%	-13%	(13%)	15%	(2%)	9%	6%	8%
Pre-tax Income (Revised Core)	(16%)	-12%	-7%	-23%	-15%	(16%)	19%	(2%)	11%	7%	9%
Net Income (Revised Core)	(12%)	-9%	-5%	-23%	-20%	(16%)	18%	(2%)	11%	8%	9%
EPS (Revised Core)	(12%)	-13%	-10%	-32%	-33%	(24%)	14%	(6%)	9%	8%	9%
Shares Outstanding (sequential)	(0%)	0%	1%	0%	0%	1%	1%	1%	1%	1%	1%

Source: Company reports, Bernstein estimates and analysis

Global Pharmaceuticals

Exhibit 15
Bernstein's GlaxoSmithKline Product Revenue Forecasts

Revenue (GBP in millions)	2014A	Q1A	Q2A	Q3E	Q4E	2015E	2016E	2017E	2018E	2019E	2020E
Veramyst/Avamys	£238	£71	£59	£51	£57	£238	£246	£253	£259	£264	£268
Flixotide/Flovent	£702	£153	£159	£151	£178	£640	£365	£270	£243	£230	£221
Advair/Seretide	£4,229	£898	£960	£867	£952	£3,676	£3,266	£2,065	£1,672	£1,424	£1,226
Relvar/Breo (LABA/ICS)	£67	£41	£53	£66	£77	£237	£423	£561	£651	£708	£752
Anoro (LABA/LAMA combo)	£6	£12	£15	£25	£35	£87	£249	£427	£607	£729	£822
Incruse (LAMA)			£1	£4	£8	£13	£80	£135	£190	£239	£278
Ventolin	£665	£161	£160	£169	£173	£663	£673	£686	£696	£705	£714
Nucala (mepolizumab)	-				£10	£10	£110	£142	£227	£300	£369
Other Respiratory	£274	£72	£60	£54	£70	£256	£248	£242	£235	£229	£223
Respiratory	£6,181	£1,408	£1,467	£1,386	£1,559	£5,820	£5,658	£4,781	£4,781	£4,828	£4,874
Avodart/Jalyn	£805	£179	£192	£182	£169	£722	£545	£308	£203	£154	£126
Eperzan (albiglutide)	£3	NR	£9	£9	£9	£18	£120	£151	£178	£202	£218
Other CVMU	£157	£39	£41	£42	£45	£167	£169	£171	£173	£175	£178
Cardiovascular	£965	£218	£242	£233	£223	£907	£833	£630	£554	£531	£522
Oncology	£1,202	£216	£19	£0	£0		Sold to NVS - close 1H2015				
Benlysta	£173	£51	£56	£60	£62	£230	£272	£306	£336	£356	£376
Sirukumab	-	-	-	-	-	-	-	£105	£210	£315	£378
Immuno-inflammation	£214	£60	£56	£82	£64	£262	£305	£444	£579	£704	£786
Dermatology	£481	£109	£105	£104	£112	£430	£414	£400	£387	£375	£363
Augmentin	£574	£140	£143	£127	£141	£551	£543	£539	£534	£529	£525
Other Anti-Bacterials	£216	£47	£42	£40	£51	£180	£171	£164	£157	£151	£157
Rare Diseases	£417	£91	£94	£98	£106	£389	£399	£412	£425	£437	£450
Other Pharma	£721	£138	£158	£140	£174	£610	£606	£591	£578	£566	£555
Other Pharma	£2,407	£525	£542	£509	£584	£2,160	£2,134	£2,106	£2,082	£2,058	£2,050
Hepatitis	£559	£143	£121	£150	£150	£564	£561	£565	£568	£571	£574
Infanrix/Pediarix	£829	£186	£187	£191	£191	£754	£781	£803	£826	£846	£866
Rotarix	£375	£98	£101	£102	£101	£402	£417	£433	£449	£466	£483
Boostrix	£315	£66	£96	£113	£79	£354	£381	£406	£426	£445	£463
Influenza	£214	£4	£7	£130	£150	£291	£292	£295	£299	£302	£305
Cervarix	£118	£28	£18	£28	£30	£104	£101	£98	£97	£95	£94
Synflorix	£399	£60	£77	£99	£107	£343	£349	£356	£363	£370	£377
Other Vaccines	£382	£91	£119	£121	£122	£453	£449	£447	£445	£442	£440
Bexsero	-	£7	£30	£29	£38	£104	£215	£315	£394	£457	£507
Vaccines	£3,192	£699	£814	£1,018	£1,022	£3,554	£3,817	£4,139	£4,484	£4,847	£5,234
Innovative Products	£14,161	£3,126	£3,140	£3,228	£3,453	£12,938	£12,747	£12,101	£12,479	£12,968	£13,466
Epzicom/Kivexa	£767	£176	£185	£195	£204	£760	£726	£565	£557	£277	£228
Tivicay/dolutegravir	£282	£112	£145	£172	£191	£620	£940	£1,203	£1,365	£1,468	£1,537
Total ViiV	£1,498	£446	£559	£631	£687	£2,323	£2,888	£3,236	£3,566	£3,497	£3,592
Lamictal	£531	£127	£132	£129	£137	£525	£511	£499	£487	£476	£466
Established Products	£3,011	£650	£655	£651	£682	£2,638	£2,511	£2,420	£2,344	£2,271	£2,202
Early Stage R&D Factor									£92	£277	£553
Pharmaceuticals	£18,670	£4,222	£4,354	£4,511	£4,822	£17,899	£18,145	£17,757	£18,481	£19,012	£19,813
Consumer	£4,336	£1,381	£1,509	£1,589	£1,621	£6,100	£6,675	£6,937	£7,195	£7,465	£7,747
GSK SALES excluding Divest	£23,006	£5,603	£5,863	£6,099	£6,443	£23,999	£24,820	£24,694	£25,676	£26,478	£27,561

Source: Company reports, Bernstein estimates and analysis

Global Pharmaceuticals

Exhibit 16
Bernstein's Merck Income Statement

Income Statement (\$M, except EPS)	2014A	Q1A	Q2A	Q3E	Q4E	2015E	2016E	2017E	2018E	2019E	2020E
Total Pharmaceutical Revenues	\$37,236	\$8,594	\$8,945	\$9,128	\$9,631	\$36,299	\$37,489	\$37,940	\$38,838	\$39,249	\$40,024
Intervet	\$3,455	\$829	\$840	\$874	\$883	\$3,426	\$3,758	\$3,984	\$4,183	\$4,350	\$4,524
Consumer Products	\$1,546	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Revenue	\$42,237	\$9,423	\$9,785	\$10,002	\$10,515	\$39,725	\$41,247	\$41,924	\$43,021	\$43,600	\$44,549
Cost of Goods	\$11,032	\$2,214	\$2,408	\$2,531	\$2,681	\$9,834	\$10,044	\$9,978	\$10,153	\$10,202	\$10,380
Gross Profit	\$31,205	7,209	7,377	7,472	7,833	\$29,891	\$31,203	\$31,946	\$32,868	\$33,397	\$34,169
SG&A	\$10,979	\$2,338	\$2,471	\$2,300	\$2,700	\$9,809	\$10,284	\$10,434	\$10,509	\$10,584	\$10,659
R&D	\$6,532	\$1,672	\$1,584	\$1,500	\$1,900	\$6,656	\$6,826	\$6,851	\$6,911	\$6,986	\$7,061
Total Expenses (cont. oper)	\$28,543	\$6,224	\$6,463	\$6,331	\$7,281	\$26,299	\$27,154	\$27,263	\$27,573	\$27,772	\$28,100
Operating Income	\$13,694	\$3,199	\$3,322	\$3,672	\$3,233	\$13,426	\$14,093	\$14,661	\$15,448	\$15,827	\$16,449
Equity Income From Affiliates	\$257	\$145	\$2	\$10	\$10	\$167	\$167	\$167	\$167	\$167	\$167
Other Income (Expense), Net	-\$362	-\$214	-\$26	-\$114	-\$114	-\$469	-\$456	-\$411	-\$371	-\$336	-\$295
Pretax Profit (adjusted)	\$13,589	\$3,130	\$3,298	\$3,568	\$3,129	\$13,124	\$13,804	\$14,417	\$15,244	\$15,658	\$16,321
Taxes (adjusted)	\$3,304	\$701	\$856	\$792	\$682	\$3,031	\$3,175	\$3,316	\$3,506	\$3,601	\$3,754
Net Income (Adjusted)	\$10,285	\$2,429	\$2,442	\$2,776	\$2,447	\$10,093	\$10,629	\$11,101	\$11,738	\$12,057	\$12,567
Minority Interest	\$70	\$5	\$1	\$0	\$0	\$6	\$0	\$0	\$0	\$0	\$0
Net Income to Merck (Adjusted)	\$10,215	\$2,424	\$2,441	\$2,776	\$2,447	\$10,087	\$10,629	\$11,101	\$11,738	\$12,057	\$12,567
EPS (Cont Ops; diluted)	\$3.49	\$0.85	\$0.86	\$0.98	\$0.86	\$3.54	\$3.82	\$4.08	\$4.41	\$4.63	\$4.93
Avg. Shares (MM; diluted)	2,928	2,865	2,850	2,840	2,830	2,846	2,784	2,722	2,663	2,604	2,547
Margins (As % of Total Revenue)											
Gross Margin	73.9%	76.5%	75.4%	74.7%	74.5%	75.2%	75.7%	76.2%	76.4%	76.6%	76.7%
SG&A	26.0%	24.8%	25.3%	23.0%	25.7%	24.7%	24.9%	24.9%	24.4%	24.3%	23.9%
R&D	15.5%	17.7%	16.2%	15.0%	18.1%	16.8%	16.5%	16.3%	16.1%	16.0%	15.9%
Operating Margin	32.4%	33.9%	33.9%	36.7%	30.8%	33.8%	34.2%	35.0%	35.9%	36.3%	36.9%
Pretax Margin (incl Equity Inc)	32.2%	33.2%	33.7%	35.7%	29.8%	33.0%	33.5%	34.4%	35.4%	35.9%	36.6%
Net Income	24.4%	25.8%	25.0%	27.8%	23.3%	25.4%	25.8%	26.5%	27.3%	27.7%	28.2%
Tax Rate	24.3%	22.4%	26.0%	22.2%	21.8%	23.1%	23.0%	23.0%	23.0%	23.0%	23.0%
Growth (Y/Y)											
Total Revenue	(4.1%)	(8.2%)	(10.5%)	(5.3%)	0.3%	(5.9%)	3.8%	1.6%	2.6%	1.3%	2.2%
Cost of Goods	(2.6%)	(16.7%)	(19.7%)	(6.8%)	0.8%	(10.9%)	2.1%	(0.7%)	1.8%	0.5%	1.7%
Gross Profit	(4.6%)	(5.2%)	(7.1%)	(4.7%)	0.1%	(4.2%)	4.4%	2.4%	2.9%	1.6%	2.3%
Total Expenses	(5.3%)	(9.4%)	(14.0%)	(7.7%)	(0.1%)	(7.9%)	3.3%	0.4%	1.1%	0.7%	1.2%
Operating Income	(1.5%)	(5.7%)	(2.8%)	(0.7%)	1.4%	(2.0%)	5.0%	4.0%	5.4%	2.5%	3.9%
Equity Income from Affil.	(36.4%)	16.9%	(97.8%)	(58.3%)	(37.5%)	(35.0%)	0.0%	0.0%	0.0%	0.0%	0.0%
Pretax Profit	0.8%	(11.9%)	(0.9%)	0.1%	(0.5%)	(3.4%)	5.2%	4.4%	5.7%	2.7%	4.2%
Net Income (adj)	(2.6%)	(7.6%)	(3.2%)	5.9%	(2.7%)	(1.9%)	5.3%	4.4%	5.7%	2.7%	4.2%
EPS	15%	(3%)	1%	9%	(1%)	2%	8%	7%	8%	5%	7%
Avg. Shares (Sequential)	(2.3%)	(0.5%)	(0.5%)	(0.4%)	(0.4%)	(2.8%)	(2.2%)	(2.2%)	(2.2%)	(2.2%)	(2.2%)

Source: Company reports, Bernstein estimates and analysis

Global Pharmaceuticals

Exhibit 17
Bernstein's Merck Product Revenues.

(in millions)	2014A	1QA	2QA	3QE	4QE	2015E	2016E	2017E	2018E	2019E	2020E
WW - Zocor	\$259	\$49	\$63	\$46	\$48	\$205	\$191	\$181	\$172	\$164	\$155
WW - Cozaar/Hyzaar	\$806	\$185	\$189	\$160	\$151	\$685	\$630	\$599	\$569	\$540	\$513
WW - Zetia	\$2,651	\$568	\$635	\$583	\$602	\$2,388	\$2,226	\$1,054	\$814	\$580	\$455
WW - Vytorin	\$1,517	\$320	\$320	\$275	\$280	\$1,195	\$1,014	\$781	\$673	\$612	\$464
WW - Liptruzet (Zetia/atorvastatin)	-	-	-	-	-	-	-	-	-	-	-
WW - Vorapaxar (anti-platelet agent)	\$10	-	-	-	-	\$25	\$41	\$54	\$68	\$74	\$81
WW - Anacetrapib (CETP inh. For)	-	-	-	-	-	\$0	File	File	\$200	\$375	\$600
WW Cardiovascular	\$5,233	\$1,122	\$1,207	\$1,077	\$1,093	\$4,498	\$4,102	\$2,669	\$2,495	\$2,345	\$2,269
WW - Primaxin	\$329	\$65	\$88	\$70	\$65	\$288	\$268	\$254	\$242	\$230	\$218
WW - Cancidas	\$681	\$163	\$134	\$152	\$159	\$608	\$603	\$490	\$387	\$325	\$277
WW - Invanz	\$529	\$132	\$139	\$134	\$138	\$543	\$530	\$445	\$366	\$309	\$271
WW - Isentress	\$1,673	\$385	\$375	\$393	\$406	\$1,559	\$1,424	\$1,317	\$1,219	\$1,129	\$1,047
WW - Weekly Isentress	-	-	-	-	-	-	-	\$100	\$250	\$350	\$425
WW - Total Isentress Franchise	-	-	-	-	-	-	-	\$1,417	\$1,469	\$1,479	\$1,472
WW - PEG Intron	\$381	\$56	\$52	\$50	\$46	\$204	\$164	\$136	\$108	\$82	\$66
WW - Noxafil	\$403	\$111	\$117	\$109	\$117	\$454	\$510	\$568	\$617	\$501	\$357
WW - Remicade	\$2,373	\$501	\$455	\$396	\$386	\$1,738	\$1,351	\$1,143	\$971	\$826	\$702
WW - Simponi (Golimumab)	\$688	\$158	\$169	\$167	\$194	\$688	\$739	\$776	\$791	\$791	\$752
WW - MK-5172, MK-8742 & IDX	-	-	-	-	-	-	\$1,095	\$2,229	\$2,518	\$2,438	\$2,258
WW Anti-Infectives	\$7,209	\$1,571	\$1,529	\$1,471	\$1,512	\$6,083	\$6,684	\$7,493	\$7,610	\$7,410	\$7,202
WW - Viral vaccines (ProQuad, V)	\$1,392	\$348	\$358	\$444	\$374	\$1,523	\$1,568	\$1,615	\$1,663	\$1,713	\$1,765
WW - Pneumovax	\$747	\$110	\$106	\$190	\$270	\$677	\$708	\$744	\$780	\$813	\$848
WW - RotaTeq	\$660	\$192	\$89	\$166	\$164	\$611	\$629	\$650	\$670	\$690	\$709
WW - Zostavax	\$764	\$175	\$149	\$183	\$264	\$771	\$807	\$814	\$800	\$765	\$723
WW - Gardasil (MRK only)	\$1,739	\$359	\$427	\$603	\$363	\$1,751	\$1,994	\$2,219	\$2,348	\$2,437	\$2,510
WW Vaccines/Biol.	\$5,302	\$1,184	\$1,129	\$1,586	\$1,435	\$5,335	\$5,707	\$6,041	\$6,261	\$6,419	\$6,555
WW - Trusopt/Cosopt	\$259	\$23	\$23	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
WW Ophthalmology	\$259	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
(in millions)	2014A	1QA	2QA	3QE	4QE	2015E	2016E	2017E	2018E	2019E	2020E
WW - Omarigliptin (weekly DPP4)	-	-	-	-	-	\$125	\$209	\$294	\$366	\$429	\$429
WW - Fosamax	\$470	\$94	\$96	\$78	\$85	\$353	\$328	\$311	\$296	\$281	\$267
WW - Propecia	\$265	\$53	\$39	\$50	\$53	\$194	\$171	\$162	\$154	\$147	\$139
WW - Januvia Franchise (excl SG)	\$6,003	\$1,393	\$1,599	\$1,475	\$1,722	\$6,189	\$6,526	\$6,576	\$6,450	\$6,242	\$6,012
WW - Odanacatib (osteoporosis)	-	\$0	\$0	\$0	\$0	\$0	\$84	\$152	\$212	\$255	\$280
WW Endocrinology	\$6,739	\$1,540	\$1,734	\$1,602	\$1,860	\$6,736	\$7,108	\$7,201	\$7,381	\$7,574	\$7,673
WW - Singulair	\$1,092	\$245	\$212	\$201	\$279	\$937	\$865	\$820	\$778	\$739	\$702
WW - Nasonex	\$1,099	\$289	\$215	\$217	\$240	\$961	\$904	\$859	\$702	\$427	\$370
WW - Dulera (MFF)	\$461	\$130	\$120	\$145	\$153	\$548	\$633	\$681	\$706	\$423	\$162
WW Allergy / Respiratory	\$2,883	\$715	\$602	\$602	\$716	\$2,635	\$2,583	\$2,538	\$2,361	\$1,763	\$1,405
WW - Follistim	\$411	\$82	\$111	\$67	\$76	\$336	\$288	\$251	\$218	\$191	\$166
WW - Nuvaring	\$723	\$166	\$182	\$182	\$198	\$728	\$762	\$796	\$415	\$241	\$175
WW - Implanon	\$502	\$137	\$124	\$154	\$133	\$549	\$605	\$659	\$711	\$758	\$807
WW - Remeron	\$194	\$38	\$29	\$34	\$36	\$70	\$62	\$59	\$56	\$53	\$50
WW Women's Health	\$1,830	\$385	\$417	\$437	\$443	\$1,683	\$1,717	\$1,764	\$1,400	\$1,243	\$1,198
WW - Arcoxia	\$519	\$123	\$115	\$114	\$107	\$459	\$475	\$309	\$131	\$98	\$84
WW - MK3222 (IL-23; psoriasis)	-	\$0	\$0	\$0	\$0	Filing	-	-	-	-	-
WW - EMEND	\$553	\$121	\$134	\$119	\$134	\$507	\$399	\$361	\$337	\$282	\$233
WW - Temodar	\$350	\$74	\$80	\$65	\$71	\$290	\$276	\$271	\$265	\$260	\$255
WW - Bridion (Sugammadex)	\$340	\$85	\$87	\$86	\$96	\$355	\$448	\$566	\$650	\$698	\$743
WW - Suvorexant	\$8	\$20	\$29	\$38	\$48	\$86	\$145	\$227	\$261	\$289	\$320
WW - Keytruda (anti-PD-1)	\$50	-	-	-	-	\$676	\$1,775	\$2,415	\$2,987	\$3,348	\$3,644
WW Onc, Pain, CNS Products	\$1,812	\$486	\$526	\$607	\$753	\$2,372	\$3,519	\$4,148	\$4,632	\$4,975	\$5,278
Cubist products (antibiotics)	\$187	\$293	\$350	\$400	\$400	\$1,230	\$1,157	\$1,052	\$1,387	\$1,742	\$2,003
TOTAL PHARMACEUTICALS	\$36,043	\$8,266	\$8,564	\$8,828	\$9,331	\$34,989	\$37,039	\$37,490	\$38,388	\$38,799	\$39,574
Total R&D "Early Phase Pipeline"	\$0	\$0	\$0	\$0	\$0	-	-	\$0	\$186	\$563	\$1,129
Total other revenues	\$1,193	\$328	\$381	\$300	\$300	\$1,309	\$450	\$450	\$450	\$450	\$450
WW Intervet	\$3,455	\$829	\$840	\$874	\$883	\$3,426	\$3,758	\$3,984	\$4,183	\$4,350	\$4,524
WW Consumer Healthcare (divest)	\$1,546	\$0	\$0	\$0	\$0	-	-	-	-	-	-
WORLDWIDE REV.	\$42,237	\$9,423	\$9,785	\$10,002	\$10,515	\$39,725	\$41,247	\$41,924	\$43,021	\$43,600	\$44,549

Source: Company reports, Bernstein estimates and analysis

Exhibit 18

Bernstein's Novartis Income Statement

(IFRS; in MM USD, except per-share data)	2014A	Q1A - Cont	Q2 - Cont	Q3 - Cont	Q4 - Cont	2015 - Cont	2016E	2017E	2018E	2019E	2020E
Total Product Sales	\$57,996	\$11,961	\$12,694	\$12,782	\$13,684	\$51,121	\$52,026	\$54,914	\$57,689	\$59,500	\$60,303
Other Revenues	\$978	\$213	\$202	\$199	\$199	\$812	\$856	\$873	\$890	\$908	\$926
TOTAL REVENUES - Core	\$58,974	\$12,174	\$12,896	\$12,980	\$13,883	\$51,933	\$52,883	\$55,787	\$58,579	\$60,408	\$61,229
Cost of Goods (Core)	\$16,881	\$3,184	\$3,358	\$3,399	\$3,694	\$13,635	\$14,450	\$14,887	\$15,286	\$15,689	\$16,050
Gross Profit (Core)	\$42,093	\$8,990	\$9,538	\$9,582	\$10,189	\$38,299	\$38,433	\$40,901	\$43,294	\$44,719	\$45,179
Total SG&A (core)	\$17,150	\$3,268	\$3,596	\$3,478	\$3,858	\$14,200	\$14,487	\$14,982	\$15,467	\$15,852	\$16,052
R&D (core)	\$9,572	\$2,044	\$2,163	\$2,085	\$2,310	\$8,602	\$8,702	\$8,922	\$9,167	\$9,392	\$9,462
Other (Income)/Expense (core)	\$755	\$27	\$186	\$202	\$161	\$576	\$531	\$532	\$534	\$535	\$536
TOTAL EXPENSES (core)	\$44,358	\$8,523	\$9,303	\$9,164	\$10,023	\$37,012	\$38,170	\$39,323	\$40,454	\$41,468	\$42,100
OPERATING INCOME (CORE)	\$14,616	\$3,651	\$3,593	\$3,817	\$3,860	\$14,921	\$14,713	\$16,465	\$18,126	\$18,939	\$19,129
Total Other Income (Expense) Core	\$210	\$99	\$10	\$47	\$58	\$214	\$401	\$537	\$668	\$873	\$825
Pretax Income, Core	\$14,826	\$3,750	\$3,603	\$3,864	\$3,918	\$15,135	\$15,114	\$17,002	\$18,793	\$19,813	\$19,954
Taxes, core	\$2,071	\$551	\$529	\$568	\$576	\$2,223	\$2,219	\$2,496	\$2,759	\$2,909	\$2,930
NET INCOME Core	\$12,755	\$3,199	\$3,074	\$3,297	\$3,342	\$12,912	\$12,894	\$14,506	\$16,034	\$16,904	\$17,024
Net Income, non-core	\$10,280	\$2,306	\$1,838	\$2,741	\$2,792	\$9,677	\$10,733	\$12,344	\$13,867	\$14,718	\$14,829
Equity holders of NVS - Core	\$12,685	\$3,199	\$3,015	\$3,297	\$3,342	\$12,912	\$12,894	\$14,506	\$16,034	\$16,904	\$17,024
Minority interest	\$70	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Core EPS, core (basic; NVS uses this)	\$5.23	\$1.33	\$1.27	\$1.37	\$1.39	\$5.35	\$5.43	\$6.20	\$6.96	\$7.44	\$7.61
Core EPS (adjusted, diluted)	\$5.14	\$1.31	\$1.25	\$1.35	\$1.37	\$5.28	\$5.35	\$6.11	\$6.86	\$7.34	\$7.51
Avg. Shares (mil; diluted)	2470	2446	2451	2446	2441	2446	2409	2373	2338	2303	2268
Margins (As % of Total Revenue)	2014A	Q1A - Cont	Q2 - Cont	Q3 - Cont	Q4 - Cont	2015 - Cont	2016E	2017E	2018E	2019E	2020E
Core Gross Margin	73%	75%	75%	75%	74%	75%	74%	74%	75%	75%	75%
SG&A	30%	27%	28%	27%	28%	28%	28%	27%	27%	27%	27%
Core R&D	17%	17%	17%	16%	17%	17%	17%	16%	16%	16%	16%
Core Operating Margin	25%	31%	28%	30%	28%	29%	28%	30%	31%	32%	32%
Core Tax Rate	14%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Core Profit Margin	22%	27%	24%	26%	24%	25%	25%	26%	28%	28%	28%
Growth (Y/Y)											
Total Product Sales	1%	(7%)	(5%)	(2%)	4%	(2%)	1%	6%	5%	3%	1%
Core Cost of Goods	4%	(7%)	(8%)	(8%)	(2%)	(6%)	4%	3%	3%	3%	2%
SG&A	(2%)	(10%)	(6%)	(2%)	(2%)	(5%)	0%	3%	3%	2%	1%
Core R&D	(0%)	(6%)	2%	(1%)	(0%)	(1%)	(0%)	3%	3%	2%	1%
Core Total Expenses	1%	(8%)	(5%)	(6%)	(1%)	(5%)	1%	3%	3%	3%	2%
Core Operating Profit	3%	(4%)	(7%)	6%	20%	3%	(1%)	12%	10%	4%	1%
EPS, "Core" Adjusted post Alcon	4%	(2%)	(6%)	7%	17%	4%	2%	14%	12%	7%	2%
Avg Shares, Sequential (diluted)	(0%)	(0%)	(0%)	(0%)	(0%)	(1%)	(2%)	(2%)	(2%)	(2%)	(2%)

Source: Company reports, Bernstein estimates and analysis

Exhibit 19
Bernstein's Novartis Product Revenue Forecasts

Product Revenue Build (In millions USD)	2014A	Q1A	Q2A	Q3E	Q4E	2015E	2016E	2017E	2018E	2019E	2020E
Total Sandimmune	\$684	\$146	\$145	\$150	\$151	\$594	\$567	\$539	\$512	\$487	\$462
Total Voltaren	\$632	\$134	\$136	\$133	\$152	\$556	\$536	\$515	\$494	\$475	\$456
Total Myfortic	\$543	\$99	\$100	\$89	\$91	\$379	\$317	\$273	\$238	\$221	\$215
Total Gilenya	\$2,477	\$638	\$700	\$750	\$804	\$2,867	\$3,290	\$3,649	\$3,939	\$3,429	\$2,658
Total Zortress/Certican	\$327	\$81	\$80	\$79	\$84	\$324	\$344	\$354	\$358	\$323	\$213
W/W IMMUNOLOGY/ANTI-INFLAMMATORY	\$5,045	\$1,122	\$1,187	\$1,227	\$1,309	\$4,822	\$5,157	\$5,432	\$5,644	\$5,035	\$4,086
Total Diovan	\$2,345	\$372	\$333	\$272	\$251	\$1,227	\$929	\$782	\$737	\$733	\$735
Total Exforge	\$1,396	\$281	\$272	\$254	\$258	\$1,065	\$933	\$697	\$561	\$480	\$433
Total Galvus	\$1,224	\$292	\$273	\$289	\$304	\$1,158	\$1,233	\$1,303	\$1,368	\$1,421	\$1,469
Total Serelaxin	-	\$0	\$0	\$0	\$0	-	FILE	\$50	\$200	\$312	\$407
Total Entresto (LCZ696)	-	\$0	\$0	\$30	\$85	\$115	\$599	\$1,700	\$2,500	\$3,100	\$3,700
W/W CV & METABOLISM	\$5,172	\$945	\$878	\$844	\$898	\$3,565	\$3,694	\$4,533	\$5,367	\$6,045	\$6,744
W/W ENDOCRINE/OSTEOPOROSIS	\$1,796	\$385	\$413	\$425	\$426	\$1,649	\$1,745	\$1,815	\$1,860	\$1,898	\$1,917
Total Tegretol	\$346	\$0	\$0	\$72	\$83	\$154	\$143	\$132	\$125	\$119	\$113
Total Trileptal	\$265	\$0	\$0	\$64	\$60	\$124	\$114	\$105	\$99	\$94	\$90
Total Ritalin Group incl Focalin XR	\$492	\$102	\$108	\$109	\$117	\$436	\$297	\$255	\$225	\$217	\$214
Total Exelon and Exelon Patch	\$1,009	\$233	\$208	\$233	\$229	\$903	\$897	\$896	\$891	\$718	\$544
Total Comtan Group	\$371	\$76	\$72	\$77	\$85	\$310	\$291	\$262	\$185	\$140	\$113
W/W CENTRAL NERVOUS SYSTEM	\$2,519	\$411	\$388	\$419	\$431	\$1,650	\$1,485	\$1,413	\$1,301	\$1,075	\$871
Total Zometa	\$264	\$0	\$0	\$40	\$37	\$77	\$70	\$65	\$61	\$58	\$58
Total Gleevec	\$4,746	\$1,070	\$1,184	\$1,196	\$1,234	\$4,684	\$2,023	\$1,379	\$1,076	\$924	\$840
Total Tasigna	\$1,529	\$372	\$412	\$429	\$480	\$1,693	\$1,901	\$1,974	\$1,939	\$1,878	\$1,792
Total Femara	\$380	\$82	\$80	\$81	\$84	\$328	\$316	\$303	\$291	\$279	\$267
Total Exjade	\$926	\$194	\$262	\$246	\$278	\$980	\$1,029	\$1,072	\$1,103	\$1,131	\$692
Total Signifor (SOM 230)	\$94	\$0	\$0	\$40	\$46	\$86	\$120	\$150	\$175	\$197	\$218
Total LEE011 (CDK 4,6)	-	-	-	-	-	-	-	\$225	\$420	\$620	\$815
Total Afinitor	\$1,575	\$388	\$423	\$411	\$430	\$1,652	\$1,678	\$1,676	\$1,592	\$1,308	\$540
Total Jakavi	\$279	\$90	\$98	\$105	\$115	\$408	\$569	\$711	\$818	\$899	\$962
Total Ilaris	\$199	\$55	\$61	\$64	\$70	\$250	\$299	\$346	\$390	\$429	\$464
Total Zykadia (LDK378)	\$31	\$16	\$18	\$20	\$32	\$86	\$196	\$301	\$399	\$473	\$544
Total BKM120 (PI3 kinase)	-	-	-	-	-	-	-	-	-	-	-
Total Proleukin	\$74	\$0	\$0	\$22	\$15	\$38	\$38	\$39	\$40	\$41	\$42
Total LGX818 (DIVESTED)	-	-	-	-	-	-	-	\$0	\$0	\$0	\$0
Total LDE225 (SMO; hedgehog)	-	-	-	-	-	\$8	\$50	\$110	\$150	\$190	\$210
Total Farydak (LBH589)	-	-	-	-	-	\$20	\$80	\$150	\$220	\$260	\$280
Total Promacta	-	\$36	\$116	\$123	\$127	\$402	\$543	\$588	\$610	\$626	\$643
Total Votrient	-	\$57	\$165	\$172	\$176	\$570	\$863	\$926	\$977	\$1,024	\$1,058
Total Mekinist/Tafinlar	-	\$40	\$131	\$135	\$140	\$446	\$789	\$868	\$911	\$911	\$865
W/W ONCOLOGY	\$10,097	\$2,400	\$2,950	\$2,988	\$3,185	\$11,527	\$10,334	\$10,628	\$10,896	\$10,953	\$9,973
Total Xolair	\$777	\$180	\$194	\$206	\$216	\$782	\$848	\$848	\$636	\$509	\$432
Total TOBI	\$281	\$0	\$0	\$58	\$53	\$112	\$106	\$101	\$88	\$77	\$70
Total Arcapta/Onbrez Breezhaler (LABA)	\$220	\$43	\$47	\$53	\$58	\$200	\$224	\$244	\$258	\$271	\$284
Total Seebri Breezhaler/NVA237 (LAMA)	\$146	\$37	\$38	\$42	\$56	\$173	\$301	\$380	\$456	\$523	\$569
Total Ultibro (QVA149; LABA/LAMA)	\$118	\$52	\$66	\$73	\$92	\$283	\$557	\$729	\$828	\$900	\$959
Total QMF (LABA/ICS)	FILE	\$0	\$0	\$0	\$10	\$10	\$80	\$111	\$129	\$148	\$159
W/W RESPIRATORY	\$1,717	\$312	\$345	\$373	\$432	\$1,448	\$2,009	\$2,312	\$2,307	\$2,351	\$2,403
Total Lucentis	\$2,441	\$539	\$537	\$534	\$553	\$2,160	\$2,086	\$1,982	\$1,883	\$1,788	\$1,610
Total Cosentyx (secukinumab)	\$0	\$0	\$0	\$40	\$70	\$110	\$275	\$423	\$577	\$693	\$797
W/W OPHTHALMOLOGY/DERMATOLOGY	\$2,441	\$539	\$537	\$574	\$623	\$2,270	\$2,361	\$2,405	\$2,460	\$2,481	\$2,406
Total Other Products	\$3,004	\$1,026	\$1,149	\$1,055	\$1,078	\$4,307	\$4,171	\$3,977	\$3,798	\$3,604	\$3,436
Total R&D "Early Pipeline Products"	-	-	-	-	-	-	-	\$0	\$216	\$648	\$1,300
TOTAL BRANDED PHARMA	\$31,790	\$7,140	\$7,847	\$7,904	\$8,382	\$31,240	\$30,955	\$32,513	\$33,849	\$34,090	\$33,135
TOTAL ALCON	\$10,827	\$2,558	\$2,559	\$2,526	\$2,721	\$10,315	\$10,746	\$11,197	\$11,617	\$12,019	\$12,438
TOTAL SANDOZ	\$9,562	\$2,220	\$2,288	\$2,352	\$2,581	\$9,429	\$10,325	\$11,203	\$12,223	\$13,391	\$14,730
TOTAL CONSUMER HEALTH	\$4,279	\$647	-	-	-	-	-	-	-	-	-
TOTAL VACCINES & DIAGNOSTICS	\$1,537	\$178	-	\$230	\$216	\$625	-	-	-	-	-
TOTAL COMPANY SALES	\$57,995	\$12,743	\$12,694	\$13,012	\$13,900	\$52,255	\$52,026	\$54,914	\$57,689	\$59,500	\$60,303

Source: Company reports, Bernstein estimates and analysis

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September 22, 2015

Exhibit 20

Bernstein's Pfizer Income Statement

\$ in millions except per share data	2014A	1QA	2QA	3QE	4QE	2015E	2016E	2017E	2018E	2019E	2020E
Total Revenue	\$49,405	\$10,864	\$11,853	\$11,142	\$12,564	\$46,428	\$46,807	\$48,440	\$49,505	\$49,236	\$50,934
<i>Total Revenue - PFE plus HSP</i>				\$12,363	\$13,821	\$48,906	\$52,124	\$54,484	\$55,971	\$56,111	\$58,097
Cost of Goods	9,134	1,807	2,123	2,095	2,513	8,537	8,893	9,204	9,406	9,847	10,085
Gross Profit	40,271	9,057	9,730	9,047	10,051	37,891	37,914	39,237	40,099	39,389	40,849
SG&A	13,721	3,078	3,372	3,200	3,875	13,525	12,945	13,055	13,155	12,980	13,280
R&D	7,153	1,877	1,732	1,800	1,980	7,389	7,359	7,409	7,459	7,459	7,509
Total Expenses	29,593	6,629	7,107	7,030	8,323	29,088	29,005	29,787	30,146	30,423	31,024
Operating Income	19,397	4,102	4,626	4,047	4,196	16,977	17,610	18,773	19,485	18,950	20,060
Other (Income) Expense	(569)	(167)	(153)	(105)	(70)	(495)	(324)	(13)	(6)	5	18
Amortization of Intangibles	154	34	33	40	25	132	132	132	132	132	132
Income Before Tax	19,812	4,235	4,747	4,112	4,241	17,340	17,802	18,654	19,359	18,813	19,910
Income Taxes	5,250	1,033	1,213	1,032	1,065	4,343	4,450	4,663	4,840	4,703	4,978
Minority Interests	32	6	9	6	7	28	28	28	28	28	28
Net Income	\$14,530	\$3,196	\$3,525	\$3,074	\$3,170	\$12,969	\$13,323	\$13,962	\$14,491	\$14,082	\$14,905
EPS (diluted, post-options)	\$2.26	\$0.51	\$0.56	\$0.49	\$0.51	\$2.07	\$2.18	\$2.37	\$2.55	\$2.57	\$2.82
<i>EPS (diluted, post-options) - PFE plus HSP</i>				\$0.50	\$0.51	\$2.08	\$2.33	\$2.62	\$2.84	\$2.88	\$3.15
Avg. Diluted Shares (mil)	6,424	6,292	6,243	6,243	6,243	6,255	6,099	5,885	5,679	5,481	5,289
Margin Analysis (% of Revenue)											
Gross Margin	82%	83%	82%	81%	80%	82%	81%	81%	81%	80%	80%
SG&A	28%	28%	28%	29%	31%	29%	28%	27%	27%	26%	26%
R&D	14%	17%	15%	16%	16%	16%	16%	15%	15%	15%	15%
Operating Margin	39%	38%	39%	36%	33%	37%	38%	39%	39%	38%	39%
Pretax Margin	40%	39%	40%	37%	34%	37%	38%	39%	39%	38%	39%
Tax Rate	26%	24%	26%	25%	25%	25%	25%	25%	25%	25%	25%
Net Margin	29%	29%	30%	28%	25%	28%	28%	29%	29%	29%	29%
Growth Rates (YoY)											
Total Revenues	(4%)	-4%	-7%	-9%	-4%	(6%)	1%	3%	2%	(1%)	3%
Cost of Goods	(1%)	-9%	-8%	-7%	-3%	(7%)	4%	3%	2%	5%	2%
Gross Profit	(5%)	-3%	-6%	-10%	-5%	(6%)	0%	3%	2%	(2%)	4%
SG&A	(3%)	2%	-3%	-3%	-1%	(1%)	(4%)	1%	1%	(1%)	2%
R&D	9%	16%	1%	1%	-3%	3%	(0%)	1%	1%	0%	1%
Operating Income	(10%)	-12%	-11%	-18%	-8%	(12%)	4%	7%	4%	(3%)	6%
Income Before Tax	(6%)	-14%	-9%	-18%	-9%	(12%)	3%	5%	4%	(3%)	6%
Net Income	(5%)	-13%	-6%	-16%	-8%	(11%)	3%	5%	4%	(3%)	6%
EPS	2%	-10%	-3%	-14%	-6%	(8%)	5%	9%	8%	1%	10%
Shares Outstanding (sequential)	(7%)	-1%	-1%	0%	0%	(3%)	(3%)	(4%)	(4%)	(4%)	(4%)

Source: Company reports, Bernstein estimates and analysis

Exhibit 21
Bernstein's Pfizer Product Revenue Forecasts

\$ in millions	Annual 2014A	1QA	2QE	3QE	4QE	Annual 2015E	Annual 2016E	Annual 2017E	Annual 2018E	Annual 2019E	Annual 2020E
GEP											
Lipitor	2,062	441	509	424	516	1,890	1,934	2,017	2,081	2,141	2,189
Norvasc	1,112	252	251	239	258	999	1,015	1,029	1,039	1,051	1,057
GEP Worldwide Cardiovascular Hematology	4,146	876	880	833	943	3,532	3,485	3,548	3,602	3,658	3,698
Zithromax/Zmax total	314	86	68	56	76	287	288	291	293	297	299
Sulperazon	355	98	80	87	91	356	380	408	431	455	476
Vfend	755	182	162	156	198	699	513	415	382	373	375
Zyvox	1,352	271	259	204	221	955	505	442	434	446	461
Zosyn/Tazocin	303	60	70	66	70	196	172	152	134	119	105
Tygacil (IV antibiotic)	323	74	77	78	86	315	321	310	275	239	207
GEP Worldwide Inf & Resp Disease	3,876	872	696	731	917	3,219	2,583	2,415	2,341	2,317	2,305
Zolof	423	86	93	86	110	375	355	307	263	244	233
Lyrica (pain, seizure)	1,634	307	274	149	155	885	656	558	530	503	478
Relpax(migraine)	383	80	82	99	114	375	311	92	63	53	50
EffexorXR	344	73	74	68	73	286	283	280	277	274	271
Pristiq (Depression)	736	161	177	176	183	696	729	764	789	812	821
GEP Worldwide CNS	3,984	816	802	679	749	3,045	2,741	2,392	2,298	2,246	2,199
PremarinFamily	1,075	232	259	265	293	1,083	1,100	1,118	1,137	1,157	1,177
GEP-WorldwideWomen'sHealth	1,075	232	259	265	293	1,083	1,100	1,118	1,137	1,157	1,177
Celebrex	2,700	205	224	184	201	814	643	589	574	578	580
GEP Worldwide Arthritis	2,700	205	224	184	201	814	643	589	574	578	580
GEP Worldwide Urology	745	148	122	153	171	593	575	581	587	594	598
Medrol	443	101	113	89	119	422	420	419	419	417	416
Biosimilars	-	-	-	-	-	-	50	210	645	1,250	1,947
GEP Worldwide Other Pharma	7,791	1,719	1,960	1,594	1,692	6,965	6,716	6,631	6,832	7,219	7,709
GEP Worldwide Ophthalmology	496	102	99	97	108	406	382	366	354	343	332
Total GEP	24,998	4,986	5,053	4,557	5,117	19,745	18,308	17,718	17,799	18,183	18,668
GIP											
Refacto/Xyntha	630	120	142	142	166	569	588	603	620	633	647
Benefix	855	173	193	209	212	787	791	797	802	807	811
Chantix	648	158	173	161	171	663	670	675	676	678	404
bococizumab(PCS-K9)	-	-	-	-	-	-	-	90	240	469	710
GIP-Worldwide Cardiovascular Hematology	2,133	451	508	511	549	2,019	2,048	2,165	2,338	2,588	2,572
Lyrica(pain,seizure)	3,533	880	945	899	969	3,692	4,103	4,461	4,490	1,996	1,784
GIP Worldwide CNS	3,533	880	945	899	969	3,692	4,103	4,461	4,490	1,996	1,784
Enbrel	3,850	759	822	778	882	3,242	2,121	1,726	1,494	1,349	1,227
Xeljanz(JAK-3inhibitor)	308	96	128	141	158	523	804	1,028	1,208	1,347	1,294
GIP Worldwide Arthritis	4,385	897	1,025	978	1,115	4,015	3,176	3,005	2,953	2,947	2,772
Viagra	1,140	279	326	295	320	1,220	1,232	1,145	205	106	76
Fesoterodine	288	63	71	77	91	301	339	364	387	401	414
GIP Worldwide Urology	1,428	342	397	372	411	1,521	1,572	1,509	592	507	490
GIP Worldwide Endocrinology	723	138	167	143	167	614	562	473	405	351	314
GIP Worldwide Other Pharma	1,039	190	195	170	182	736	679	657	649	643	639
Total GIP	14,012	3,104	3,537	3,390	3,727	13,757	13,469	14,096	13,778	12,037	12,365
Sutent(sunitinib)	1,174	242	294	247	288	1,072	1,036	998	948	900	855
Xalcori(crizotinib)	438	111	119	121	159	509	512	495	466	438	412
Inlyta(axitinib)	410	95	111	113	136	455	508	544	571	599	492
PD-991(palbociclib)	-	38	140	200	260	638	1,725	2,633	3,396	3,995	4,465
V/O Worldwide Oncology	2,022	486	664	682	843	2,673	3,781	4,670	5,380	5,932	6,224
Prevnar13v(ped)	4,523	1,306	1,503	1,455	1,657	5,922	6,690	7,174	7,486	7,705	7,923
Prevnar13v(adult)	-	300	-	-	-	-	-	-	-	-	-
MenB vaccine (10-25y/o)	-	-	-	-	-	-	-	-	-	-	-
Baxter's Vaccines Portfolio	-	-	-	-	-	-	-	-	-	-	-
V/O-Worldwide Vaccines	4,523	1,306	1,503	1,455	1,657	5,922	6,690	7,174	7,486	7,705	7,923
V/O Worldwide Other Pharma	211	63	126	77	77	316	360	401	439	473	503
Total V/O	10,242	2,663	3,133	3,084	3,608	12,458	14,557	16,146	17,441	18,523	19,400
Worldwide Alliance Rev	957	222	311	333	373	1,292	1,397	1,891	2,251	2,575	2,873
Total Early Stage R&D Factor										653	1,306
Total Human Pharma	\$45,766	\$9,945	\$10,880	\$10,161	\$11,422	\$42,413	\$42,607	\$44,059	\$44,937	\$44,494	\$46,009
Consumer	\$3,486	\$808	\$840	\$870	\$1,030	\$3,548	\$3,726	\$3,901	\$4,081	\$4,249	\$4,423
Total Worldwide PFE Revenue	\$49,703	\$10,864	\$11,853	\$11,142	\$12,564	\$46,428	\$46,807	\$48,440	\$49,505	\$49,236	\$50,934
<i>Total Worldwide HSP Revenue</i>				<i>\$1,221</i>	<i>\$1,257</i>	<i>\$4,478</i>	<i>\$5,317</i>	<i>\$6,044</i>	<i>\$6,466</i>	<i>\$6,874</i>	<i>\$7,163</i>
<i>Total Worldwide PFE Revenue - PFE plus HSP</i>				<i>\$12,363</i>	<i>\$13,821</i>	<i>\$48,906</i>	<i>\$52,124</i>	<i>\$54,484</i>	<i>\$55,971</i>	<i>\$56,111</i>	<i>\$58,097</i>

Source: Company reports, Bernstein estimates and analysis

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September 22, 2015

Exhibit 22
Bernstein's Roche Income Statement

Income Statement (CHFM, except EPS)	2014A	1H15A	2H15E	2015E	2016E	2017E	2018E	2019E	2020E
Pharmaceutical	CHF 36,696	CHF 18,350	CHF 18,539	CHF 36,889	CHF 39,234	CHF 41,097	CHF 42,440	CHF 42,638	CHF 41,622
Diagnostics	<u>CHF 10,766</u>	<u>CHF 5,235</u>	<u>CHF 5,485</u>	<u>CHF 10,720</u>	<u>CHF 11,219</u>	<u>CHF 11,765</u>	<u>CHF 12,303</u>	<u>CHF 12,856</u>	<u>CHF 13,449</u>
Sales	CHF 47,462	CHF 23,585	CHF 24,024	CHF 47,609	CHF 50,453	CHF 52,862	CHF 54,743	CHF 55,494	CHF 55,071
Royalties & Other Operating Income	<u>CHF 2,404</u>	<u>CHF 1,245</u>	<u>CHF 1,109</u>	<u>CHF 2,354</u>	<u>CHF 2,387</u>	<u>CHF 2,420</u>	<u>CHF 2,453</u>	<u>CHF 1,956</u>	<u>CHF 1,944</u>
Total Revenues	CHF 49,866	CHF 24,830	CHF 25,133	CHF 49,963	CHF 52,840	CHF 55,282	CHF 57,196	CHF 57,450	CHF 57,015
Cost of sales (core)	CHF 12,341	CHF 6,198	CHF 6,395	CHF 12,593	CHF 13,097	CHF 13,590	CHF 14,016	CHF 14,287	CHF 14,756
Gross Profit (Core)	CHF 37,525	CHF 18,632	CHF 18,738	CHF 37,370	CHF 39,743	CHF 41,692	CHF 43,180	CHF 43,164	CHF 42,259
Marketing & Distribution (Core)	CHF 8,436	CHF 4,021	CHF 4,438	CHF 8,459	CHF 9,059	CHF 9,404	CHF 9,589	CHF 9,644	CHF 9,604
Research & Development (Core)	CHF 8,913	CHF 4,351	CHF 4,769	CHF 9,120	CHF 9,570	CHF 9,900	CHF 10,150	CHF 10,320	CHF 10,270
General and administration (Core)	<u>CHF 2,540</u>	<u>CHF 1,024</u>	<u>CHF 1,096</u>	<u>CHF 2,120</u>	<u>CHF 2,205</u>	<u>CHF 2,270</u>	<u>CHF 2,335</u>	<u>CHF 2,390</u>	<u>CHF 2,405</u>
Operating profit (Core)	CHF 17,636	CHF 9,236	CHF 8,435	CHF 17,671	CHF 18,909	CHF 20,118	CHF 21,106	CHF 20,810	CHF 19,980
Financial Income (Core)	CHF 246	-CHF 72	CHF 30	-CHF 42	CHF 125	CHF 153	CHF 189	CHF 216	CHF 248
Financing Costs (Core)	<u>-CHF 1,362</u>	<u>-CHF 553</u>	<u>-CHF 696</u>	<u>-CHF 1,249</u>	<u>-CHF 1,175</u>	<u>-CHF 1,090</u>	<u>-CHF 1,018</u>	<u>-CHF 891</u>	<u>-CHF 785</u>
Net Financial Income	-CHF 1,116	-CHF 625	-CHF 666	-CHF 1,291	-CHF 1,050	-CHF 937	-CHF 829	-CHF 675	-CHF 537
Profit Before Taxes (Core)	CHF 16,520	CHF 8,611	CHF 7,770	CHF 16,381	CHF 17,858	CHF 19,181	CHF 20,277	CHF 20,135	CHF 19,443
Income Taxes (Core)	CHF 3,987	CHF 2,291	CHF 1,919	CHF 4,210	CHF 4,465	CHF 4,795	CHF 5,069	CHF 5,034	CHF 4,861
Net Income (Core)	CHF 12,533	CHF 6,320	CHF 5,851	CHF 12,171	CHF 13,394	CHF 14,386	CHF 15,208	CHF 15,102	CHF 14,582
Net income to Roche (Core)	CHF 12,329	CHF 6,220	CHF 5,731	CHF 11,951	CHF 13,180	CHF 14,161	CHF 14,974	CHF 14,870	CHF 14,355
EPS (CHF, basic, core)	CHF 14.52	CHF 7.32	CHF 6.74	CHF 14.06	CHF 15.51	CHF 16.66	CHF 17.62	CHF 17.49	CHF 16.89
EPS (CHF, diluted Core)	CHF 14.29	CHF 7.22	CHF 6.65	CHF 13.86	CHF 15.29	CHF 16.43	CHF 17.37	CHF 17.25	CHF 16.65
Shares Outstanding (basic)	849	850	850	850	850	850	850	850	850
Shares Outstanding (diluted)	863	862	862	862	862	862	862	862	862
MARGINS (%)									
Cost of sales (CORE)	26%	26%	27%	26%	26%	26%	26%	26%	27%
Gross Margin (CORE)	75%	75%	75%	75%	75%	75%	75%	75%	74%
Marketing and distribution (CORE)	18%	17%	18%	18%	18%	18%	18%	17%	17%
Research & Development (CORE)	19%	18%	20%	19%	19%	19%	19%	19%	19%
General & Administration (CORE)	5%	4%	5%	4%	4%	4%	4%	4%	4%
Operating Margin (CORE)	35%	37%	34%	35%	36%	36%	37%	36%	35%
Pre tax profit (CORE)	33%	35%	31%	33%	34%	35%	35%	35%	34%
Net Profit (CORE)	25%	25%	23%	24%	25%	26%	26%	26%	25%
GROWTH RATES									
Sales growth	1%	3%	(2%)	0%	6%	5%	4%	1%	(1%)
Core COGS	4%	5%	(1%)	2%	4%	4%	3%	2%	3%
Core R&D	2%	3%	1%	2%	5%	3%	3%	2%	(0%)
Core M&D	2%	4%	(3%)	0%	7%	4%	2%	1%	(0%)
Core G&A	35%	1%	(28%)	(17%)	4%	3%	3%	2%	1%
Core operating profit	(2%)	(2%)	3%	0%	7%	6%	5%	(1%)	(4%)
Core Pre tax profit	2%	(2%)	0%	(1%)	9%	7%	6%	(1%)	(3%)
Core Net profit	0%	(5%)	(1%)	(3%)	10%	7%	6%	(1%)	(3%)
Core Diluted EPS	0%	(5%)	(1%)	(3%)	10%	7%	6%	(1%)	(3%)

Source: Company reports, Bernstein estimates and analysis

Exhibit 23
Bernstein's Roche Product Revenue Forecasts

(in CHF million)	2014A	Q1A	Q2A	Q3E	Q4E	2015E	2016E	2017E	2018E	2019E	2020E
MabThera/Rituxan WW	CHF 6,900	CHF 1,744	CHF 1,752	CHF 1,772	CHF 1,785	CHF 7,053	CHF 7,285	CHF 7,237	CHF 6,429	CHF 5,624	CHF 4,968
Gazyva/obinutuzumab WW	CHF 49	CHF 26	CHF 37	CHF 46	CHF 58	CHF 167	CHF 404	CHF 725	CHF 900	CHF 1,060	CHF 1,195
Avastin WW	CHF 6,417	CHF 1,619	CHF 1,644	CHF 1,677	CHF 1,663	CHF 6,603	CHF 6,947	CHF 7,228	CHF 7,436	CHF 6,925	CHF 5,306
Hercceptin WW (incl SQ form)	CHF 6,275	CHF 1,652	CHF 1,613	CHF 1,634	CHF 1,614	CHF 6,513	CHF 7,028	CHF 6,828	CHF 6,454	CHF 6,016	CHF 5,167
Perjeta WW	CHF 918	CHF 322	CHF 337	CHF 359	CHF 379	CHF 1,398	CHF 2,038	CHF 2,643	CHF 3,178	CHF 3,629	CHF 3,945
Kadcyla WW (T-DM1)	CHF 536	CHF 179	CHF 183	CHF 191	CHF 196	CHF 749	CHF 847	CHF 918	CHF 966	CHF 1,003	CHF 1,036
Tarceva WW	CHF 1,292	CHF 295	CHF 307	CHF 297	CHF 290	CHF 1,190	CHF 1,108	CHF 1,002	CHF 902	CHF 580	CHF 329
Zelboraf WW	CHF 301	CHF 55	CHF 51	CHF 50	CHF 47	CHF 203	CHF 197	CHF 217	CHF 227	CHF 236	CHF 242
Erivedge WW	CHF 128	CHF 33	CHF 39	CHF 38	CHF 39	CHF 149	CHF 184	CHF 220	CHF 251	CHF 273	CHF 292
Cobimetinib (MEK inhibitor)	File					CHF 9	CHF 80	CHF 155	CHF 195	CHF 235	CHF 265
MPDL3280A (Anti-PD-L1 mAb)	-					File	CHF 100	CHF 775	CHF 2,075	CHF 2,875	CHF 3,700
Xeloda WW	CHF 776	CHF 136	CHF 124	CHF 108	CHF 105	CHF 474	CHF 394	CHF 356	CHF 326	CHF 300	CHF 275
Neo Recormon/Epogin	CHF 460	CHF 93	CHF 89	CHF 84	CHF 85	CHF 351	CHF 316	CHF 284	CHF 256	CHF 230	CHF 207
Oncology Total	CHF 24,052	CHF 6,154	CHF 6,176	CHF 6,258	CHF 6,269	CHF 24,857	CHF 26,928	CHF 28,588	CHF 29,595	CHF 28,984	CHF 26,927
% of total pharma sales	66%	66%	68%	68%	67%	67%	69%	70%	70%	68%	65%
ocrelizumab WW (RRMS on)	-					-	-	-	-	-	-
gantenerumab WW (Alz Dz)	-					-	-	-	-	-	-
crenezumab WW (Alz Dz)	-					-	-	-	-	-	-
Cymevene/Valcyte WW	CHF 726	CHF 100	CHF 87	CHF 84	CHF 81	CHF 352	CHF 319	CHF 214	CHF 196	CHF 192	CHF 165
Tamiflu WW	CHF 959	CHF 376	CHF 41	CHF 83	CHF 219	CHF 719	CHF 664	CHF 391	CHF 155	CHF 128	CHF 119
Pegasys WW	CHF 1,015	CHF 168	CHF 117	CHF 106	CHF 96	CHF 486	CHF 339	CHF 277	CHF 232	CHF 195	CHF 163
Activase/TNKase WW	CHF 747	CHF 221	CHF 216	CHF 221	CHF 215	CHF 873	CHF 970	CHF 1,063	CHF 1,145	CHF 1,222	CHF 1,293
Nutropin/Protropin WW	CHF 214	CHF 56	CHF 55	CHF 50	CHF 50	CHF 211	CHF 193	CHF 178	CHF 163	CHF 150	CHF 138
Cellcept WW	CHF 811	CHF 197	CHF 191	CHF 182	CHF 167	CHF 737	CHF 702	CHF 671	CHF 642	CHF 615	CHF 590
Pulmozyme WW	CHF 597	CHF 146	CHF 160	CHF 157	CHF 172	CHF 635	CHF 666	CHF 697	CHF 725	CHF 755	CHF 780
Xolair WW	CHF 975	CHF 281	CHF 312	CHF 340	CHF 330	CHF 1,262	CHF 1,384	CHF 1,426	CHF 1,069	CHF 856	CHF 727
Esbriet WW	CHF 44	CHF 88	CHF 141	CHF 189	CHF 224	CHF 642	CHF 1,025	CHF 1,457	CHF 1,861	CHF 2,217	CHF 2,482
Lucentis WW	CHF 1,701	CHF 394	CHF 375	CHF 361	CHF 338	CHF 1,469	CHF 1,245	CHF 1,058	CHF 899	CHF 764	CHF 650
lampalizumab WW (dry AM)	-	-	-	-	-	-	CHF 0	CHF 0	CHF 150	CHF 400	CHF 665
Mircera WW	CHF 417	CHF 114	CHF 108	CHF 100	CHF 105	CHF 428	CHF 444	CHF 461	CHF 476	CHF 487	CHF 463
Actemra WW	CHF 1,224	CHF 334	CHF 341	CHF 365	CHF 374	CHF 1,413	CHF 1,666	CHF 1,887	CHF 2,049	CHF 1,987	CHF 1,916
Madopar WW (Parkinson's)	CHF 292	CHF 62	CHF 67	CHF 66	CHF 74	CHF 269	CHF 275	CHF 280	CHF 285	CHF 290	CHF 294
Total Early Stage pipeline		CHF 0	CHF 0	CHF 0	CHF 0			CHF 0	CHF 240	CHF 733	CHF 1,486
Total Pharma sales	CHF 36,696	CHF 9,322	CHF 9,028	CHF 9,182	CHF 9,357	CHF 36,889	CHF 39,234	CHF 41,097	CHF 42,440	CHF 42,638	CHF 41,622
Diabetes Care	CHF 2,391	CHF 507	CHF 550	CHF 546	CHF 584	CHF 2,188	CHF 2,170	CHF 2,172	CHF 2,174	CHF 2,175	CHF 2,180
Molecular Diagnostics (incl. Professional Diagnostics)	CHF 1,613	CHF 401	CHF 431	CHF 439	CHF 436	CHF 1,707	CHF 1,797	CHF 1,880	CHF 1,954	CHF 2,022	CHF 2,093
Tissue Diagnostics (Ventana)	CHF 6,045	CHF 1,425	CHF 1,547	CHF 1,537	CHF 1,545	CHF 6,054	CHF 6,419	CHF 6,823	CHF 7,231	CHF 7,667	CHF 8,135
	CHF 716	CHF 178	CHF 196	CHF 188	CHF 210	CHF 772	CHF 833	CHF 889	CHF 944	CHF 992	CHF 1,041
Total Diagnostics Sales	CHF 10,764	CHF 2,511	CHF 2,724	CHF 2,710	CHF 2,776	CHF 10,720	CHF 11,219	CHF 11,765	CHF 12,303	CHF 12,856	CHF 13,449
TOTAL ROCHE Group sales	CHF 47,460	CHF 11,833	CHF 11,752	CHF 11,892	CHF 12,132	CHF 47,609	CHF 50,453	CHF 52,862	CHF 54,743	CHF 55,494	CHF 55,071

Source: Company reports, Bernstein estimates and analysis

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Exhibit 24

Bernstein's Sanofi Income Statement

Income Statement (€M, except EPS)	2014A	Q1A	Q2A	Q3E	Q4E	2015E	2016E	2017E	2018E	2019E	2020E
Product Sales	€ 33,770	€ 8,810	€ 9,378	€ 9,617	€ 9,684	€ 37,488	€ 37,721	€ 38,454	€ 39,667	€ 41,088	€ 42,753
Other Revenues (royalties)	€ 327	€ 80	€ 83	€ 81	€ 73	€ 317	€ 317	€ 317	€ 317	€ 317	€ 317
TOTAL REVENUES	€ 34,109	€ 8,890	€ 9,461	€ 9,698	€ 9,757	€ 37,805	€ 38,038	€ 38,771	€ 39,984	€ 41,405	€ 43,070
COGS	€ 11,029	€ 2,786	€ 2,938	€ 3,071	€ 3,137	€ 11,933	€ 12,168	€ 12,340	€ 12,607	€ 13,003	€ 13,539
Gross Profit	€ 23,080	€ 6,104	€ 6,523	€ 6,627	€ 6,619	€ 25,873	€ 25,869	€ 26,432	€ 27,377	€ 28,402	€ 29,531
R&D	€ 4,824	€ 1,199	€ 1,290	€ 1,336	€ 1,470	€ 5,295	€ 5,185	€ 5,290	€ 5,355	€ 5,435	€ 5,547
SG&A	€ 8,991	€ 2,438	€ 2,648	€ 2,520	€ 2,585	€ 10,191	€ 10,336	€ 10,536	€ 10,656	€ 10,796	€ 10,966
Other Current Op (Inc)/Exp (REGN)	-€ 164	€ 67	€ 20	-€ 58	-€ 26	€ 4	-€ 176	-€ 36	€ 298	€ 598	€ 905
Operating Expenses	€ 24,680	€ 6,490	€ 6,896	€ 6,870	€ 7,166	€ 27,422	€ 27,514	€ 28,129	€ 28,917	€ 29,832	€ 30,957
Operating Income Current	€ 9,429	€ 2,399	€ 2,565	€ 2,828	€ 2,590	€ 10,383	€ 10,524	€ 10,642	€ 11,068	€ 11,572	€ 12,113
Share of Profit/(Loss) of Assoc. po	€ 147	€ 31	€ 30	€ 48	€ 57	€ 166	€ 231	€ 341	€ 383	€ 440	€ 538
Net income attrib.to Minority inte	-€ 127	-€ 33	-€ 29	-€ 22	-€ 25	-€ 109	-€ 111	-€ 111	-€ 103	-€ 53	-€ 53
Business Operating Income	€ 9,449	€ 2,397	€ 2,566	€ 2,854	€ 2,622	€ 10,439	€ 10,643	€ 10,871	€ 11,347	€ 11,959	€ 12,598
Net Financial Income/(Expense)	-€ 447	-€ 97	-€ 112	-€ 115	-€ 115	-€ 439	-€ 493	-€ 478	-€ 465	-€ 453	-€ 442
Business Income Before Associates	€ 8,982	€ 2,302	€ 2,453	€ 2,713	€ 2,475	€ 9,944	€ 10,031	€ 10,164	€ 10,602	€ 11,119	€ 11,671
Income Tax Expense	-€ 2,155	-€ 575	-€ 614	-€ 678	-€ 619	-€ 2,486	-€ 2,558	-€ 2,592	-€ 2,704	-€ 2,835	-€ 2,976
Business Net Income	€ 6,847	€ 1,725	€ 1,840	€ 2,061	€ 1,888	€ 7,514	€ 7,592	€ 7,801	€ 8,178	€ 8,670	€ 9,179
EPS in Euros (Excl Selected Items)	€ 5.20	€ 1.32	€ 1.41	€ 1.59	€ 1.46	€ 5.77	€ 5.90	€ 6.16	€ 6.55	€ 7.05	€ 7.58
Average Shares (mil; basic)	1316	1308	1306	1300	1297	1303	1286	1267	1248	1229	1211
MARGIN ANALYSIS	2014A	Q1A	Q2A	Q3E	Q4E	2015E	2016E	2017E	2018E	2019E	2020E
Gross Margin (as % Product Sales)	68%	69%	70%	69%	68%	69%	69%	69%	69%	69%	69%
R&D	14%	14%	14%	14%	15%	14%	14%	14%	13%	13%	13%
SG&A	27%	28%	28%	26%	27%	27%	27%	27%	27%	26%	26%
Operating Income - Current	28%	27%	27%	29%	27%	28%	28%	28%	28%	28%	28%
Income Before Tax, Share of Profit	26%	26%	26%	28%	25%	26%	26%	26%	27%	27%	27%
Minority Interest	(0%)	(0%)	(0%)	(0%)	(0%)	(0%)	(0%)	(0%)	(0%)	(0%)	(0%)
Tax rate	24%	25%	25%	25%	25%	25%	26%	26%	26%	26%	26%
Net Income Margin	20%	20%	20%	21%	19%	20%	20%	20%	21%	21%	21%
GROWTH RATE	2014A	Q1A	Q2A	Q3E	Q4E	2015E	2016E	2017E	2018E	2019E	2020E
Product Sales	2%	0%	0%	0%	0%	11%	1%	2%	3%	4%	4%
Total Revenues	2%	9%	16%	10%	7%	11%	1%	2%	3%	4%	4%
Gross Profit	3%	10%	18%	10%	8%	12%	(0%)	2%	4%	4%	4%
R&D	1%	1%	9%	17%	9%	10%	(2%)	2%	1%	1%	2%
SG&A	4%	8%	17%	15%	5%	13%	1%	2%	1%	1%	2%
Operating Income-Current	0%	12%	19%	5%	8%	10%	1%	1%	4%	5%	5%
EPS (Excl. Selected Items)	3%	13%	21%	8%	5%	11%	2%	4%	6%	8%	7%
Shares Outstanding (Sequential)	(1%)	(1%)	(0%)	(0%)	(0%)	(1%)	(2%)	(2%)	(2%)	(2%)	(2%)

Source: Company reports, Bernstein estimates and analysis

Global Pharmaceuticals

Exhibit 25
Bernstein's Sanofi Product Revenue Forecasts

€ in millions	Annual 2014A	Q1A	Q2A	Q3E	Q4E	Annual 2015E	Annual 2016E	Annual 2017E	Annual 2018E	Annual 2019E	Annual 2020E
Lantus - current formulation	6,344	1,584	1,709	1,591	1,728	6,612	6,004	4,910	4,231	3,596	3,188
Toujeo (U300)	-	7	13	39	78	137	381	598	718	799	859
Apidra	336	91	93	111	119	414	463	504	488	445	381
Amaryl	360	97	109	93	98	397	412	429	444	460	473
lixisenatide (GLP1 +/-Lantus)	27	8	10	19	22	59	151	297	439	517	584
Total Diabetes	7,273	1,837	1,988	1,906	2,099	7,830	7,605	6,935	6,520	6,021	5,688
Taxotere	266	53	62	48	55	218	192	167	146	128	113
Eloxatin	210	54	57	47	48	206	197	187	178	170	162
Jevtana	273	77	82	80	80	318	340	358	371	381	390
Zaltrap	69	20	20	25	24	89	101	111	121	129	134
Thymoglobulin (transplant reject)	217	55	69	63	65	252	258	263	268	272	276
Total Oncology	1,401	357	390	361	371	1,479	1,482	1,485	1,486	1,483	1,480
Lovenox	1,699	438	433	429	435	1,735	1,765	1,805	1,560	1,405	1,265
Plavix	1,862	483	545	421	434	1,883	1,605	1,528	1,503	1,490	1,478
Aprovel	727	201	224	169	169	763	751	748	754	760	767
Allegra/Telfast	192	80	37	28	37	182	166	153	145	138	131
Ambien/Stilnox/Myslee	306	74	74	75	76	300	283	270	261	253	245
Depakine	395	104	108	104	109	425	436	413	386	381	387
Tritace	281	75	70	68	64	278	268	258	248	238	229
Multaq	290	83	87	89	85	344	220	106	83	63	46
Renegel, Renvela, Sevelamer	684	226	231	167	186	810	215	134	111	101	96
Synvisc, Synvisc One	352	85	116	101	108	410	419	426	430	431	433
Orudis (ketoprofen; NSAID)	160	50	43	44	46	183	199	212	226	238	250
SAR236553 (anti-PCSK9)	-	-	-	-	-	92	332	730	1,241	1,738	2,172
sarilumab (anti-IL 6)	-	-	-	-	-	-	45	168	266	350	431
dupilumab (anti-IL-4R)	-	-	-	-	-	-	-	60	370	805	1,263
Total Other Top Drugs	7,579	2,047	2,154	1,869	1,997	8,068	7,330	7,621	8,179	8,982	9,781
Cerezyme	715	189	199	188	211	787	811	806	782	743	706
Eliglustat	4	10	16	29	46	101	203	320	442	551	643
Fabrazyme	460	141	146	152	155	594	680	753	816	871	924
Myozyme	542	156	165	160	171	652	710	757	796	830	863
Lemtrada	34	38	56	69	79	242	400	532	622	689	737
Teriflunomide	433	170	204	221	245	840	1,038	1,191	1,308	1,389	1,453
Mipomersen	0	0	0	6	7	13	26	39	47	51	53
Aldurazyme (MPS)	172	48	50	46	51	195	211	225	238	251	263
Other Rare Diseases	244	69	71	72	76	288	305	320	335	349	363
Total New Genzyme	2,604	821	907	942	1,042	3,712	4,384	4,943	5,384	5,724	6,004
"Other" Pharmaceuticals	3,721	935	951	861	911	3,658	3,414	3,213	3,024	2,848	2,683
Total Early Stage R&D Factor	-	-	-	-	-	-	-	0	148	439	876
Total Branded Pharmaceuticals	22,578	5,997	6,390	5,938	6,420	24,746	24,215	24,196	24,888	25,936	27,389
OTC	3,337	979	890	908	893	3,670	3,849	4,020	4,190	4,367	4,552
Generics	1,805	478	520	498	496	1,992	2,085	2,157	2,229	2,302	2,365
Vaccines	3,974	697	887	1,676	1,297	4,557	4,913	5,310	5,647	5,972	6,290
Total Animal Health	2,076	658	691	596	577	2,522	2,659	2,772	2,862	2,949	3,033
Total non-Pharma Sales	11,192	2,812	2,988	3,679	3,264	12,742	13,506	14,258	14,927	15,590	16,241
TOTAL SNY SALES	33,770	8,810	9,378	9,617	9,684	37,488	37,721	38,454	39,667	41,088	42,753

Source: Company reports, Bernstein estimates and analysis

Disclosure Appendix

Valuation Methodology**Global Pharmaceuticals**

For large cap pharmaceuticals, we determine our price targets by using a forward P/E multiple methodology. We assess our companies relative to each other on metrics such as R&D quality/opportunity; generic exposure; management consistency; upside optionality; and future growth prospects. We also analyze our companies using a discounted cash flow methodology, and sometimes other metrics, but we rely primarily on P/E multiples.

AstraZeneca PLC

Our price target on AstraZeneca is 4,993p (or \$38 for the ADR) and reflects a target P/E multiple of ca. 18x applied to our 2016 diluted core EPS estimate.

Bristol-Myers Squibb Co

Our price target on Bristol-Myers Squibb is \$66 which reflects a target P/E multiple of ca. 31x applied to our 2016 EPS estimate.

GlaxoSmithKline PLC

Our price target on GlaxoSmithKline PLC is 1,401p (or \$43.50 for the ADR), and reflects a target P/E multiple of approximately 17x on our 2016 EPS estimate.

Eli Lilly & Co

Our price target on Eli Lilly is \$103 which reflects a target P/E multiple of ca. 29x applied to our 2016 EPS estimate.

Merck & Co Inc

Our price target on Merck is \$69 which reflects a target P/E multiple of approximately 18x on our 2016 EPS estimate.

Novartis AG

Our price target on Novartis AG is CHF 116 (or \$123 for the ADR) and reflects a target P/E multiple of about 23x on our 2016 EPS estimate.

Pfizer Inc

Our price target on Pfizer is \$39 which reflects a target P/E multiple of ca. 17x applied to our 2016 EPS estimate.

Roche Holding AG

Our price target on Roche Holding AG is CHF 304 for the underlying (or \$40 for the ADR) and reflects a target P/E multiple of approximately 20x on our 2016 core EPS estimate.

Sanofi

Our price target on Sanofi is €112 (or \$62 for the ADR) which reflects a target P/E multiple of ca. 19x on our 2016 EPS estimate.

Risks

Global Pharmaceuticals

Risks to the pharmaceutical industry include: 1) the failure of late stage pipeline products to make it to market, 2) the possibility that key patent cases are lost because of patent challenges, 3) greater than anticipated pricing pressure in markets both inside and outside of the US, 4) softening of demand, and 5) the long-term financial impact from US healthcare reform. These risks could cause further P/E multiple contraction or EPS downside.

AstraZeneca PLC

Specific risks to our target price applicable to AstraZeneca on the downside include:

- Risk that certain novel pipeline drugs are discontinued.
- Risk that Crestor slows more than we currently model due to the impact of generic Lipitor, or because of neutral/negative SATURN results.
- Risk that generic Crestor shows up earlier than we currently forecast due to the ongoing "paragraph IV" patent challenge.

Specific risks applicable to AstraZeneca on the upside include:

- Risk that AstraZeneca has better pipeline progress than we currently build into our model.
- Risk that key brand products, such as Crestor and Symbicort, capture more share in the market place than we currently model.
- Risk that AstraZeneca implements a novel strategy to address future generic losses that investors find compelling.

Bristol-Myers Squibb Co

Positive risks to our target price for Bristol-Myers Squibb include:

- Risk that certain late-stage pipeline product fail in their development;
- Risk that BMY's "pure play" bet on the pharmaceutical business is the wrong strategy;
- Risk that certain drug products face generic erosion faster than we anticipate.

Negative risks to our target price for Bristol-Myers Squibb include:

- Risk that BMY does better with its pipeline products in development than we currently model;
- Risk that BMY gets acquired by another drug company at a premium to the current stock price.

GlaxoSmithKline PLC

Specific risks to our target price applicable to GlaxoSmithKline on the downside include:

- Risk that important pipeline products fails to get approval or has weak commercial traction;
- Risk that Advair faces true generic competition in the 2016-2017 timeframe in the US, which is not the current consensus view;
- Risk that the Respiratory franchise face more stringent pricing and access pressure than what we currently model

Specific risks applicable to GlaxoSmithKline on the upside include:

- Risk that the company has more pipeline success than what we forecast
- Risk that the company decides to split itself up into different companies
- Risk that the company's respiratory assets perform better over the long-run than what we model

Eli Lilly & Co

Specific risks to our target price applicable to Eli Lilly on the downside include:

- Risk that phase 3 pipeline drugs fail clinical trials;
- Risk that pipeline drugs fail to gain regulatory approval or commercial traction;
- Risk that LLY's in-market products loses greater share to competitors than we currently model.

Merck & Co Inc

Specific risks to our target price applicable to Merck on the downside include:

- Risk that the competitive environment in the DPP4 inhibitor class worsens due to things like price competition which could impact diabetes drug Januvia.
- Risk that diabetes drug Januvia has safety issues that show up in a post-marketing setting (i.e. TECOS trial) and competitor products capture greater market share than we have modeled.
- Key late-stage pipeline products such as Keytruda, odanacatib, anacetrapib, and others fail in Phase III development or indication expansion.

Novartis AG

Specific risks to our target price applicable to Novartis include:

- Risk that key phase 3 drugs fails in clinical trials;
- Risk that key pipeline drugs fails to gain regulatory approval or commercially traction;
- Risk that Novartis fails to maintain its top and bottom line growth.

Pfizer Inc

Specific risks to our target price on the downside for PFE include:

- Risk that Lipitor faces generic erosion more rapid than what we currently model.
- Risk that Pfizer fails to advance drugs through phase 3 development successfully.
- Risk that Pfizer pursues strategies out of desperation to overcome the upcoming patent "cliff" that do not create shareholder value over the longer-term.

Roche Holding AG

Specific risks to our target price applicable to Roche include:

- Weaker than expected clinical data for Roche's late stage pipeline;
- More rapid and successful development of biosimilar monoclonal antibodies than we forecast;
- FX fluctuations can have a significant impact on the top and bottom line.

Sanofi

Specific risks to our target price applicable to Sanofi on the downside include:

- Risk that certain important brands face generic competition earlier than we currently model or erosion rates are faster than anticipated.
- Risk that key pipeline products fail.
- Risk that SNY will overpay for acquisitions to make up for loss of revenue to generics.

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Ticker	Rating Changes
AZN	M (IC) 10/23/07
AZN.LN	M (IC) 10/23/07
BMY	M (RC) 04/03/09
GSK	M (IC) 10/23/07
GSK.LN	M (IC) 10/23/07
LLY	O (RC) 09/05/12
MRK	O (RC) 01/05/15 M (RC) 10/14/13
NOVN.VX	O (RC) 05/09/08
NVS	O (RC) 05/09/08
PFE	O (RC) 11/01/10
RHHBY	O (IC) 07/17/12
ROG.VX	O (IC) 07/17/12
SAN.FP	O (RC) 07/07/11
SNY	O (RC) 07/07/11

Rating Guide: O - Outperform, M - Market-Perform, U - Underperform, N - Not Rated
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