

Johnson & Johnson

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# Content Overview

- Operating Model
- Historical Performance
- Segment Overview
- First Quarter 2011 Results
- Summary

# STRATEGIC PRINCIPLES

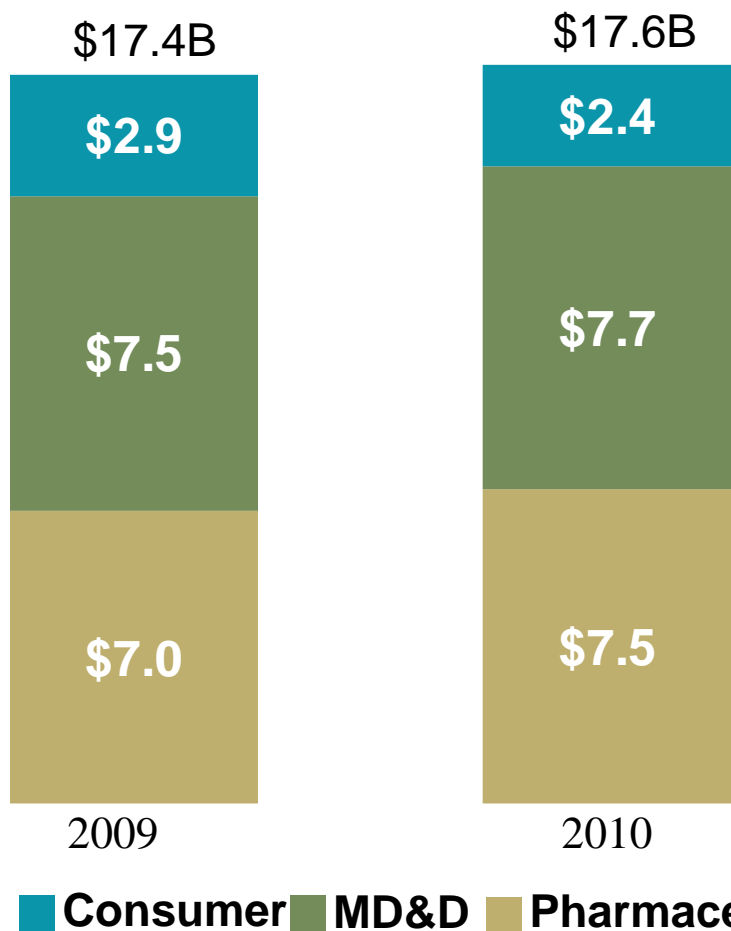
# Operating Model

- **Broadly Based in Human Health Care**
- Managed for the Long Term
- Decentralized Management Approach
- Focused on People and Values

# Broadly Based - World's Most Comprehensive Health Care Company

- 2010 Sales of \$61.6 Billion
- Over 250 operating companies worldwide
- Leadership positions in ethical and OTC pharmaceuticals, medical/surgical products, diagnostics and a variety of consumer products

# 2010 Segment Operating Profit\*



**Operating Margin  
% to Sales**

	2009	2010
Consumer	18.0%	16.1%
MD&D	32.0%	31.3%
Pharmaceuticals	31.1%	33.6%
Total	28.1%	28.5%

\*Non-GAAP measure; excludes special items

# Broadly Based – A Strategic Advantage

- Rapidly capitalize on attractive opportunities
- Knowledge and capability transfer
- Development of converging technologies
- Accelerating growth through geographic breadth
- Leveraging scale



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# Leadership in Major Markets

## Johnson & Johnson #1 or #2

### Pharmaceuticals

Antineoplastic Antibiotics  
Antipsychotics (Injectables)  
Anti-TNFs  
Erythropoietins  
Hormonal Contraceptives  
Oral  
Fluoroquinolones Antibiotics  
Psychostimulants

### MD&D

Blood Glucose Monitoring  
Blood Screening & Typing  
Breast Aesthetics  
Disposable Contact Lenses  
Electrophysiology  
diagnostics & catheters  
Endovascular  
Insulin Delivery  
Minimally Invasive Surgery  
Orthopaedics  
Sutures

### Consumer

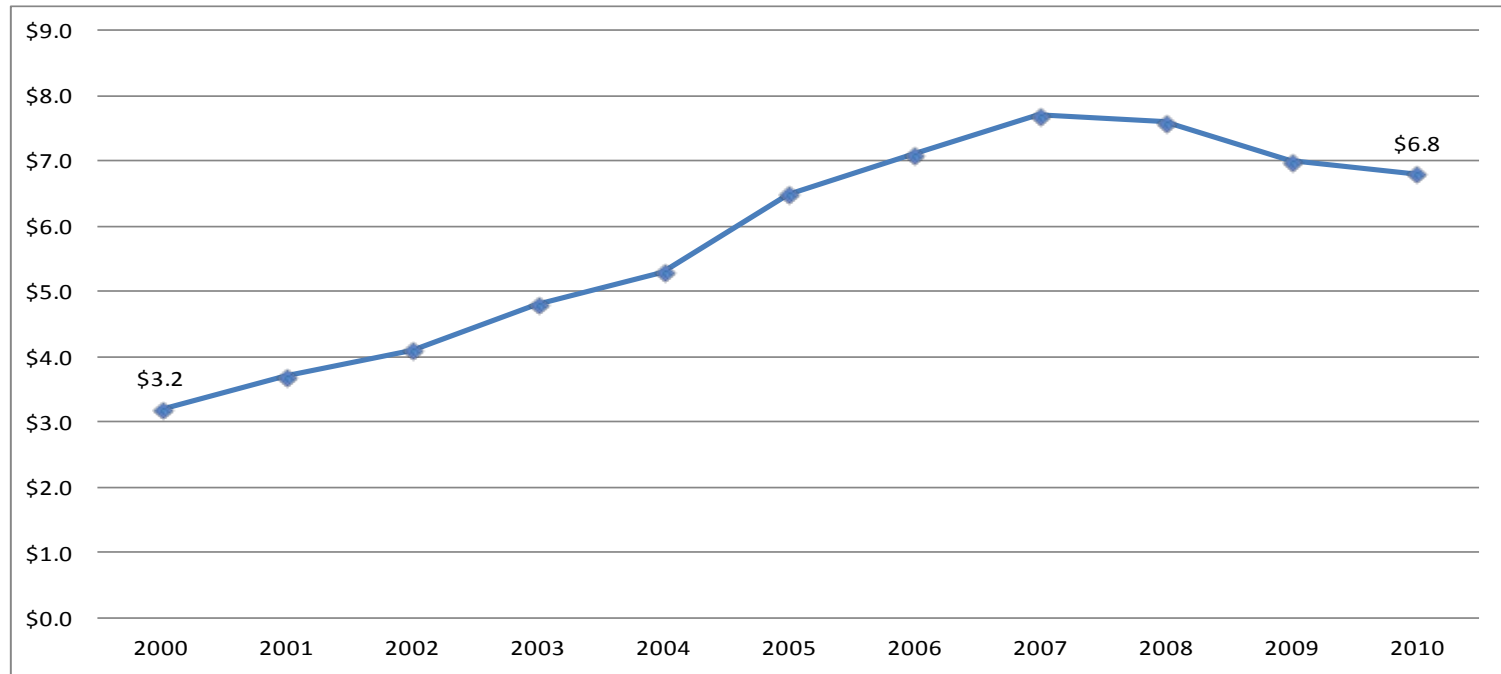
Baby & Kids Care  
Lo-Cal Sweeteners  
Oral Rinses  
OTC Pharmaceuticals  
Sanitary Protection  
Wound Care

\*As of Dec 2010

# Growth Strategies

- Organic growth
  - Strong internal R&D capability
  - Nurture new businesses; Prune where appropriate
- Strategic partnering and licensing
- Selective acquisitions
  - Enhance existing business
  - New platforms for growth

# 2000–2010 Total Research Expense \$U.S. Billions



## R&D as a % to Sales

2000 10.3%

2010 11.1%

The company has adopted SFAS No. 123(R) Shared Based Payment, applying the modified retrospective transition method. 2000-2005 reported financial statements have been restated accordingly.

# Partner of Choice

- Over 100 new third party relationships annually
- In house venture capital (JJDC)
- Focus on early stage product development

# Mergers, Acquisitions & Significant Equity Investments – Recent Examples

*Strategic moves to enhance growth and create long-term value*

Typically modest in size

- **Micrus Endovascular (9/10)** – global developer and manufacturer of minimally invasive devices for hemorrhagic and ischemic stroke
- **Respivert (5/10)** - privately held drug discovery company focused on developing small-molecule, inhaled therapies for the treatment of pulmonary diseases
- **Finsbury Orthopaedics Ltd (12/09)** – privately held manufacturer and global distributor of orthopaedic implants
- **Crucell N.V. (9/09)** – 18% equity investment in Crucell and strategic collaboration to develop innovative products, including therapies for Influenza prevention/treatment and other diseases
- **Omrix Biopharmaceuticals (12/08)** – a fully-integrated biopharmaceutical company that develops and markets biosurgical and immunotherapy products.
- **Surg RX, Inc (8/08)** - a privately held developer of the advanced bipolar tissue sealing system used in the ENSEAL<sup>®</sup> family of devices.

# Mergers, Acquisitions & Significant Equity Investments

## *Occasionally Substantial*

- **Crucell (2/11 - \$2B)** – global biopharmaceutical company focused on research, development, production and marketing of vaccines, proteins and antibodies that prevent and/or treat infectious diseases.
- **Acclarent Inc (1/10 - \$.8B)** – privately held company dedicated to designing, developing, and commercializing devices that address conditions affecting the ear, nose, and throat
- **Alzheimer Immunotherapy Program (9/09 - \$1.0B)** – acquired substantially all of the assets and rights of Elan related to its Alzheimer's Immunotherapy Program (AIP Program) and an 18.4% equity investment in Elan
- **Cougar Biotechnology Inc (7/09 - \$1.0B)** - development stage biopharmaceutical company with a specific focus on oncology
- **Mentor Corporation (1/09 - \$1.1B)** – leading supplier of medical products for the global aesthetic market
- **Pfizer Consumer Healthcare (12/06 - \$16.6B)** - global business of personal care and over-the-counter (OTC) products
- **ALZA Corporation (6/01- \$12.3B)** - Research-based pharmaceutical company with leading drug delivery technologies
- **Centocor, Inc. (10/99 - \$4.9B)** - Leader in monoclonal antibody technology, acute vascular care and immunology products
- **DePuy, Inc. (11/98 - \$3.7B)** - Combined with existing orthopaedics business established Johnson & Johnson as the leader in third largest medical device category

# Operating Model

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- **Decentralized Management Approach**
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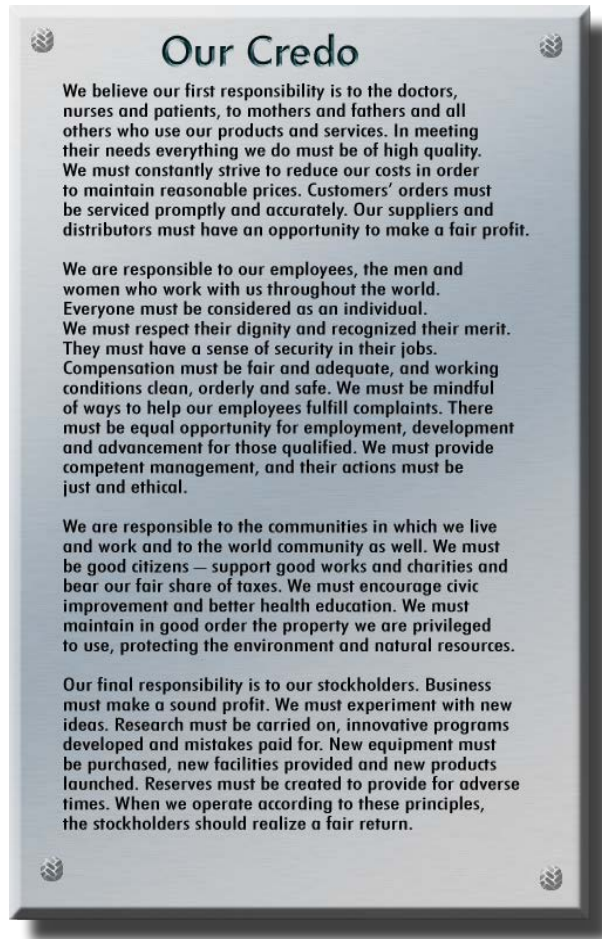
# Decentralized Management Approach

- Most effective management structure for our broadly based business
- Fosters engagement
  - Sense of ownership
  - Entrepreneurship
  - Collaboration
- Enables customer and patient-focused decision making

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# Our Credo



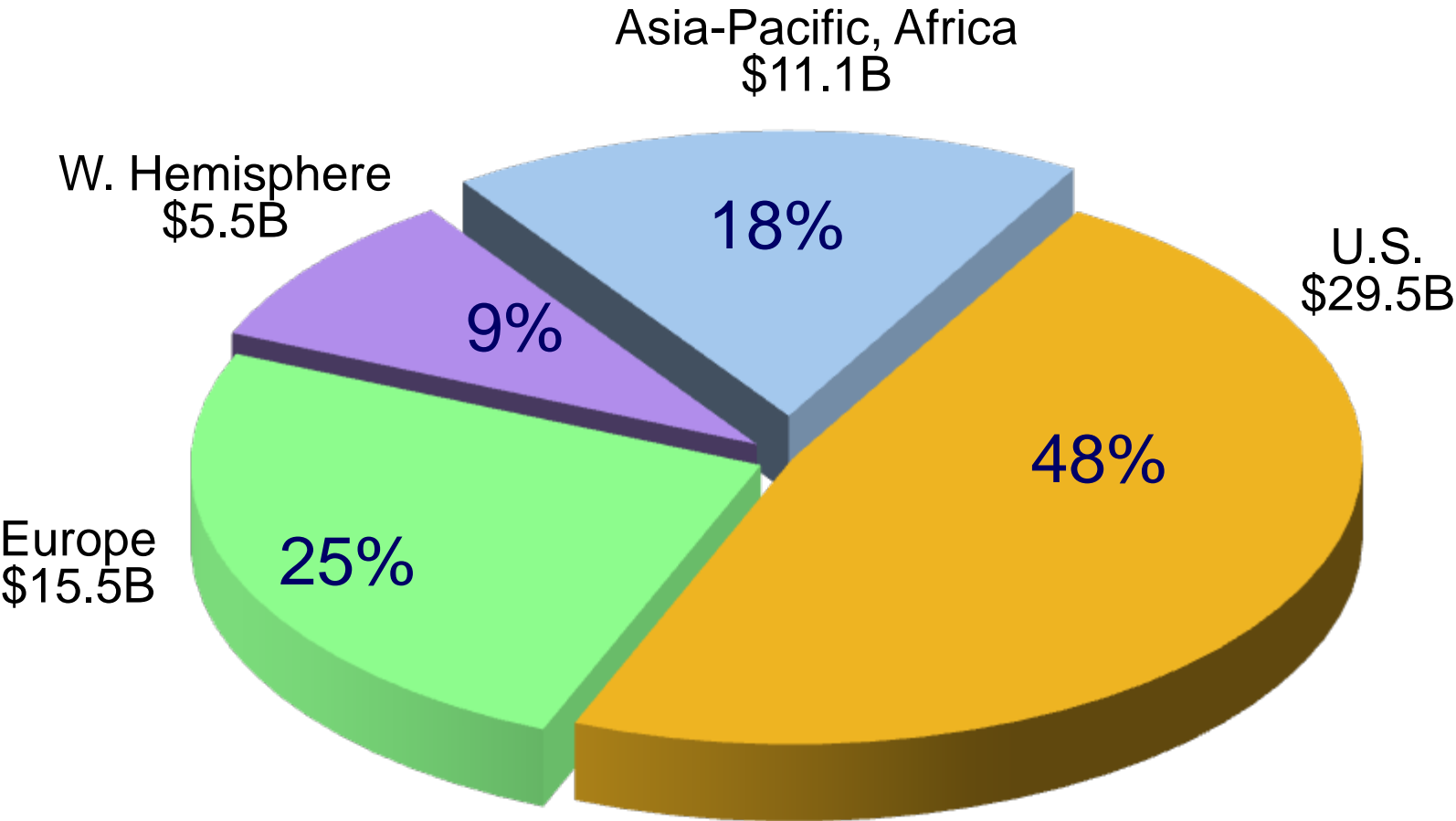
## The Four Tenets

- Customers
- Employees
- Community
- Stockholders

# HISTORICAL PERFORMANCE

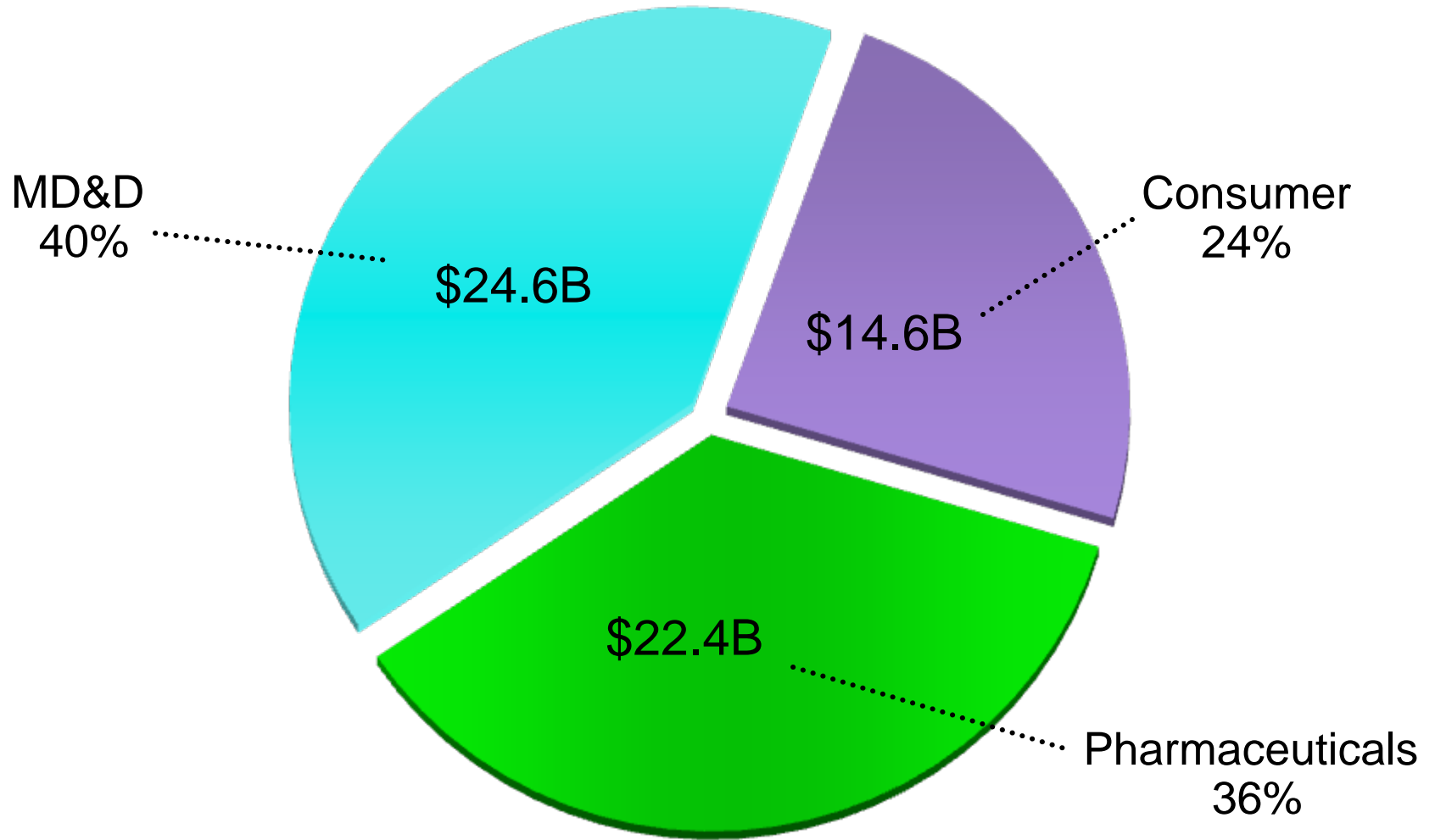
# Worldwide Net Trade Sales

## 2010 Sales By Geographic Area



# 2010 Sales by Segment

Total Sales \$61.6 Billion



# 2010 - Cash Flow

Free Cash Flow*	\$14.0B
Net Cash/(Debt) Position	\$10.9B

*One of Only 4 U.S. Industrial Companies  
With Triple A Credit Rating*

\*Non-GAAP financial measure: defined as operating cash flow less capital spending.

# Johnson & Johnson

27 Consecutive years of Adjusted Earnings increases<sup>(1)</sup>

48 Consecutive years of Dividend increases


<u>Year</u>	<u>Reported Sales Growth</u>	<u>Operational Sales Growth</u>	<u>Adjusted Net Earnings Growth<sup>(1)</sup></u>
100	+10.1	+10.5%	+10.4%
50	+10.7	+11.2	+13.9
20	+8.8	+9.0	+12.9
10	+7.8	+6.8	+10.7
5	+4.0	+3.2	+5.4
1	-0.5	-1.3	+2.9

(1) Non GAAP; excludes In-process R&D and other special items



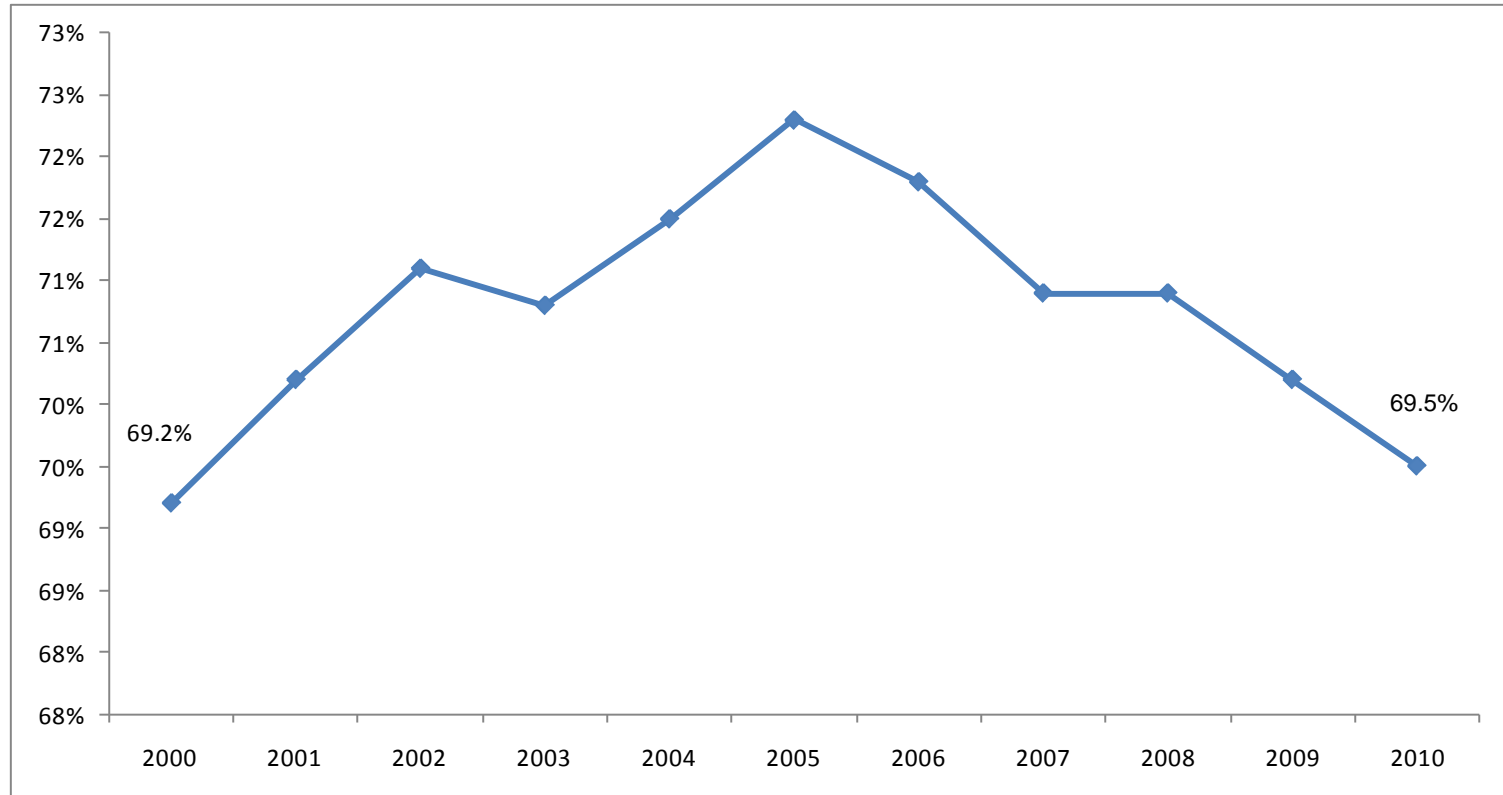
# Delivering Strong Total Shareholder Return

As of 12/31/2010

	1 Year	3 Year	5 Year	10 Year
	-0.6%	0.7%	3.5%	4.0%
S&P 500	15.1%	-2.9%	2.3%	1.4%
S&P Pharmaceutical	0.8%	-0.7%	3.5%	-2.4%
S&P H/C Equipment	-2.7%	-3.2%	-0.2%	2.0%
Dow Jones Index	14.1%	-1.6%	4.3%	3.1%

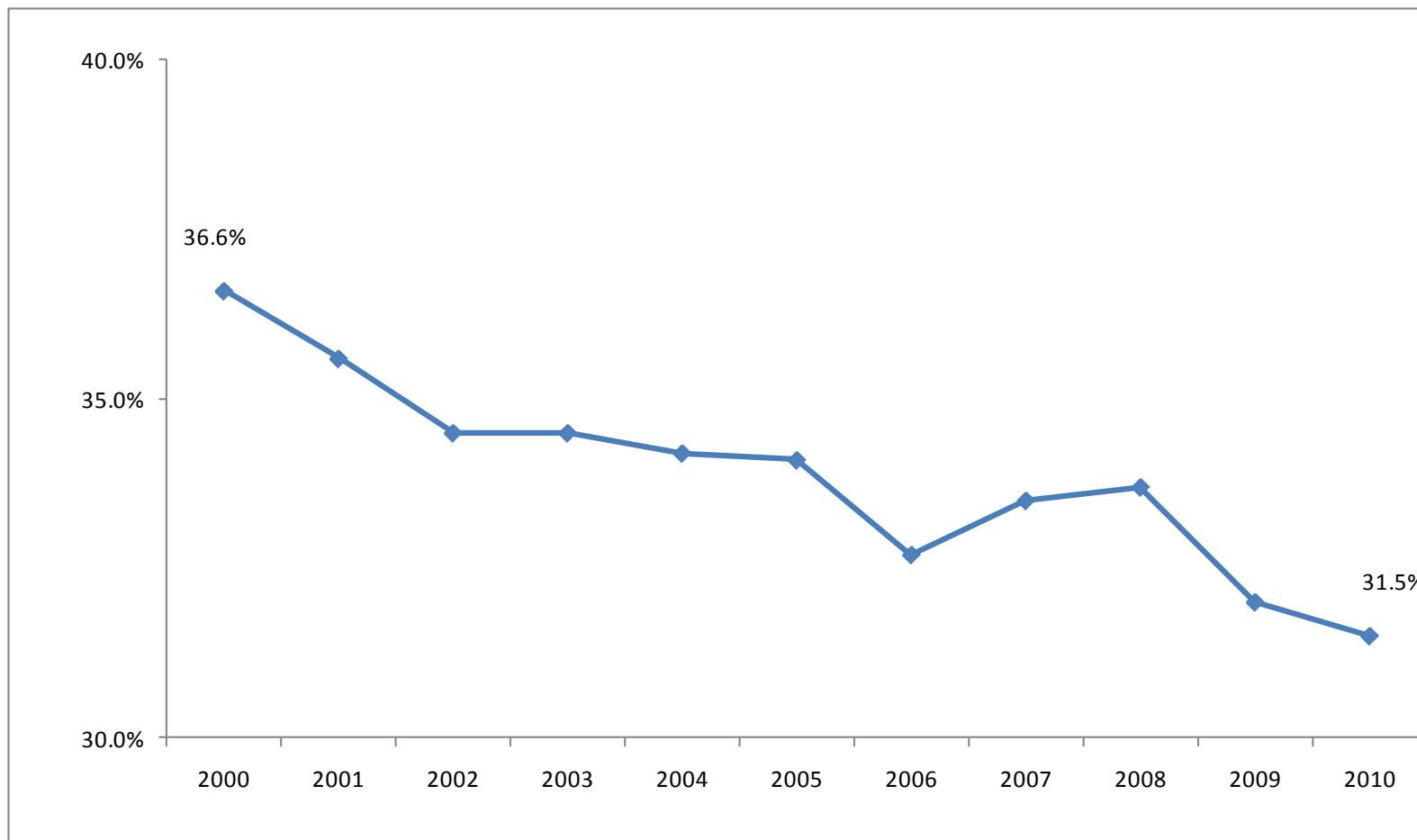
Note: Data source - Bloomberg

# 2000-2010 Gross Profit Margin % To Sales



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# 2000-2010 Selling, General & Administrative % To Sales



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# SEGMENT OVERVIEW

# Consumer Segment Overview

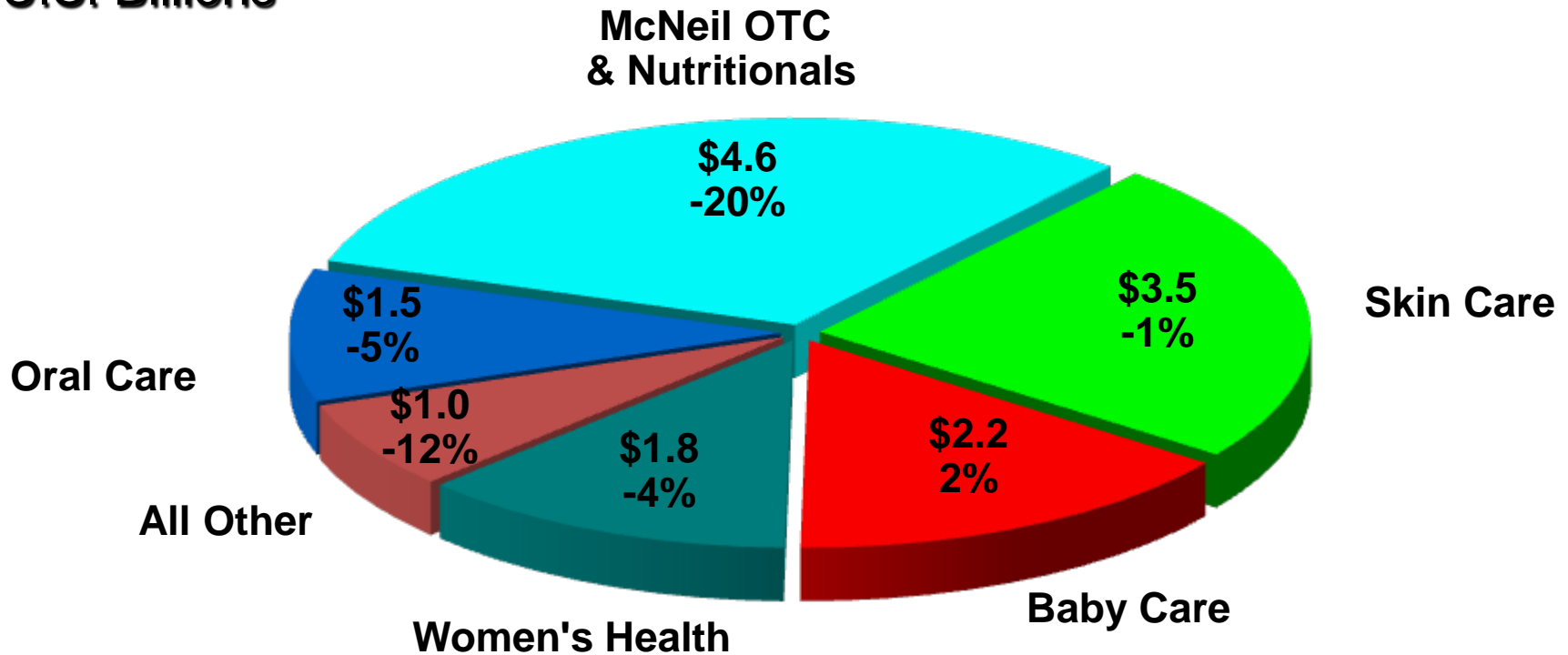
- Worldwide annual sales in 2010 of \$14.6 billion
- Principal products in:
  - Over-the-Counter Pharmaceuticals and Nutritionals
  - Skin Care
  - Baby & Kids Care
  - Wound Care
  - Oral Care
  - Women's Health

# Consumer Segment Sales – Major Franchise & Operational Growth Rates

2010 Sales: \$14.6 Billion

2010 Ops Growth Rate: -8.9%

\$ U.S. Billions



# Medical Devices & Diagnostics Segment Overview

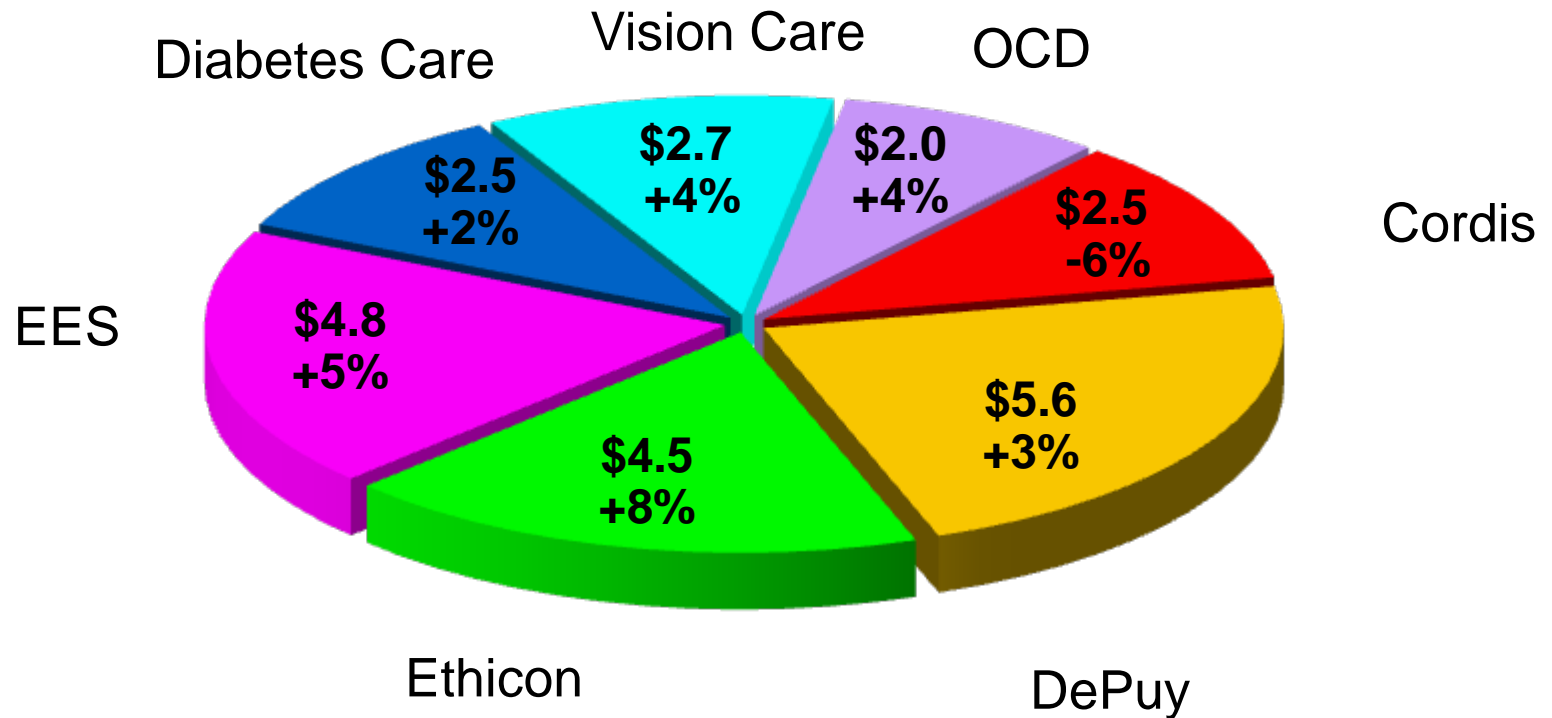
- Worldwide annual sales in 2010 of \$24.6 billion
- Largest medical device company in the world
- Global presence in medical, surgical and diagnostic categories
- Seven large franchises
- 80% of sales coming from #1 or #2 market position

# MD&D Major Franchise Sales & Operational Growth Rates

2010 Sales: \$24.6 Billion

2010 Ops Growth Rate: 3.4%

\$ U.S. Billions





# Pharmaceutical Segment Overview

- Worldwide annual sales in 2010 of \$22.4 billion
- Over 100 drugs marketed in approximately 125 countries
- Seven products with revenues over \$1 billion
- Robust R&D pipeline
- Key licensing & strategic partnerships

# Pharmaceuticals Segment

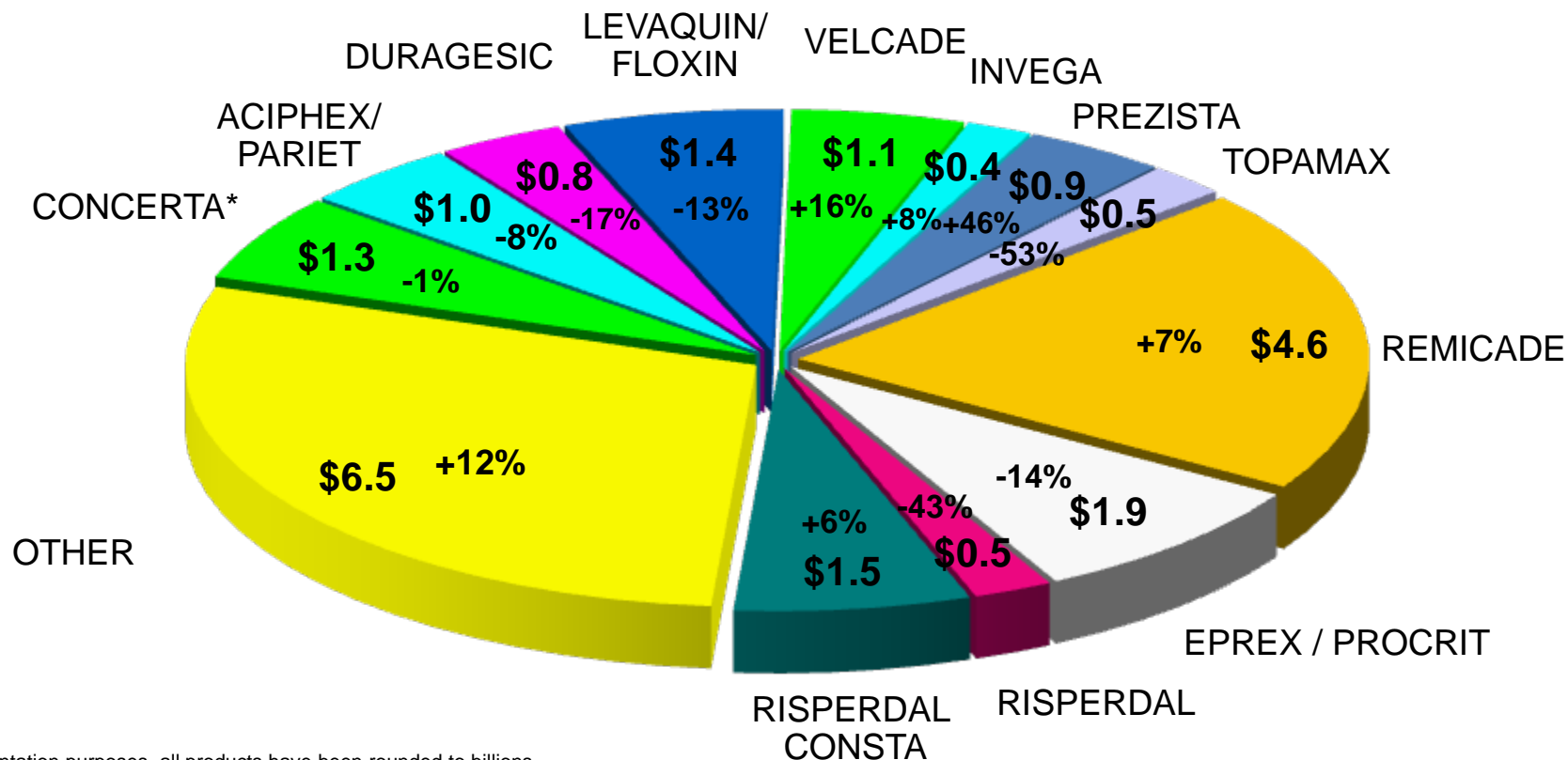
- Leading in Research capabilities
  - Biologics
  - Small molecules
  - Drug delivery, form & formulations
- World-class global operations
- Outcomes based development
- Innovative technologies

# Pharmaceutical Segment Sales – Major Products & Operational Growth Rates

2010 Sales: \$22.4 Billion

2010 Ops Growth Rate: (1.0)%

\$ U.S. Billions



Note: For presentation purposes, all products have been rounded to billions

# Recent Pharmaceutical Approvals

## New Molecular Entities

- INVEGA SUSTENNA (US) / **XEPLION (EU)** – extended-release injectable suspension for the acute and maintenance treatment of schizophrenia in adults (US 7/09; **EU 3/11**)
- PRILIGY –treatment for premature ejaculation in adults (EU 2/09)
- SIMPONI - treatment of adults with rheumatoid arthritis, psoriatic arthritis, and ankylosing spondylitis (US 4/09, EU 10/09)
- STELARA – treatment for moderate to severe psoriasis (US 9/09, EU 1/09)

## Significant Line Extensions

- INVEGA – extended-release tablets for the treatment of schizophrenia in adolescents 12 to 17 years of age (**US 4/11**)
- INVEGA – acute treatment of schizoaffective disorder either as monotherapy or adjunctive therapy to mood stabilizers and or/ antidepressants (US 7/09; EU 12/10)
- PREZISTA -HIV combination therapy in treatment-naïve adults and treatment-experienced adult patients (US 10/08, EU 1/09); full approval in combination with ritonavir and other antiretroviral medicinal products for the treatment of HIV-1 infection. (EU 12/08, US 10/08); QD Dosing in treatment experienced (US 12/10; **EU 3/11**)
- RISPERDAL CONSTA - monotherapy and adjunctive therapy in the maintenance treatment of Bipolar I Disorder (US 5/09), deltoid injection site (US 10/08, EU 7/09)
- SIMPONI - treatment of structural damage in RA (**EU 1/11**)
- VELCADE- Multiple Myeloma First Line Treatment (EU 9/08)

*Johnson & Johnson*

**1Q 2011 Results**

# 1Q 2011 Highlights

	<u>Growth % Change</u>		
	<u>Total</u>	<u>Operations</u>	<u>Currency</u>
Sales			
– Worldwide	3.5%	1.8%	1.7%
– U.S.	(0.6)%		
– International	7.3%	4.1%	3.2%
Adjusted Net Earnings*	3.6%		
Adjusted EPS*	4.7%		

\*Non-GAAP measure; excludes special items

# 1Q 2011 Sales Growth by Segment

	<u>Total</u>	<u>Operations</u>	<u>Currency</u>
Consumer	(2.2)%	(4.1)%	1.9%
Med Device & Diagnostics	3.3%	1.3%	2.0%
Pharmaceutical	<u>7.5%</u>	<u>6.4%</u>	<u>1.1%</u>
Total Company	3.5%	1.8%	1.7%

# 1Q 2011 Consumer Sales (-4.1%)

## Key Drivers:

- OTC/Nutritionals (-8%)
  - Sales impacted by voluntary OTC product recalls
- Skin Care (-4%)
  - Sales negatively impacted by manufacturing enhancements to equipment resulting in temporary reductions of shipments in certain products
- Baby Care (+3%)
  - Powders and Baby Center.com

All growth %'s noted are operational growth



# 1Q 2011 Medical Devices & Diagnostics Sales (+1.3%)

## Growth Drivers:

- Diabetes Care (+6%)
  - ONE TOUCH ULTRA, ONE TOUCH VITA and ONE TOUCH VERIO strip and meter systems
- Vision Care (+5%)
  - ACUVUE TRUEYE and astigmatism lenses
- Ethicon Endo Surgery (+2%)
  - Endoscopy and HARMONIC products and Advanced Sterilization Products' infection prevention solutions

All growth %'s noted are operational growth

# 1Q 2011 Pharmaceutical Sales (+6.4%)

## Key Growth Products

	% Change
• <b>SIMPONI</b> <sup>®</sup> for rheumatoid arthritis	*
• <b>STELARA</b> <sup>®</sup> for psoriasis	+ 90%
• <b>DOXIL</b> <sup>®</sup> / <b>CAELYX</b> <sup>®</sup> for ovarian and breast cancer	+ 72%
• <b>PREZISTA</b> <sup>®</sup> for HIV	+ 42%
• <b>INTELENCE</b> <sup>®</sup> for HIV	+ 25%
• <b>LEVAQUIN</b> <sup>®</sup> , an anti-infective	+17%
• <b>INVEGA</b> <sup>®</sup> , an antipsychotic medication	+ 10%
• <b>CONCERTA</b> <sup>®</sup> for ADHD	+ 9%
• <b>REMICADE</b> <sup>®</sup> for immune mediated inflammatory diseases	+ 8%
• <b>RISPERDAL</b> <sup>®</sup> <b>CONSTA</b> <sup>®</sup> , an antipsychotic medication	+ 6%
• <b>VELCADE</b> <sup>®</sup> for multiple myeloma	+ 6%

\* Denotes percentage greater than 100%

All growth %'s noted are operational growth

*Johnson & Johnson*

**SUMMARY**

# Johnson & Johnson: The Most Broadly Based Health Care Company

- Exceptional track record of superior growth over the long term
- Excellent financial strength
- Innovative products
- Robust pharmaceutical R&D pipeline
- Largest and most globally diverse medical devices and diagnostics company
- Premier consumer health care company

# Expanding Market Leadership in Health Care: Investing for Sustainable Growth

- Strong foundation of Our Credo, Operating Model
- Overall business performing well, led by MD&D & Pharmaceuticals
- Implemented changes to our Supply Chain
- Investing in Consumer business and brands
- Moving innovations to market
- Presence in new growth areas and attractive geographies
- Respected and talented leaders

Johnson & Johnson

# Reconciliation of Non-GAAP Measures

## 2010 Net Earnings, EPS, and Free Cash Flow

Johnson & Johnson and Subsidiaries Reconciliation of Non-GAAP Measures						
<i>(Dollars in Millions Except Per Share Data)</i>	Fourth Quarter		'10 vs. '09	Twelve Months		'10 vs. '09
	2010	2009	% Change	2010	2009	% Change
Net Earnings - as reported	\$ 1,942	2,206	(12.0) %	\$ 13,334	12,266	8.7
Net Litigation Settlements loss (gain)	279	(212)		(698)	(212)	
Product Liability expense	404	-		404	-	
DePuy ASR <sup>®</sup> Hip recall program	239	-		239	-	
Restructuring expense	-	852		-	852	
Net Earnings - as adjusted	\$ 2,864	2,846	0.6 %	\$ 13,279	12,906	2.9
Diluted Net Earnings Per Share - as reported	\$ 0.70	0.79	(11.4) %	\$ 4.78	4.40	8.6
Net Litigation Settlements loss (gain)	0.10	(0.08)		(0.25)	(0.08)	
Product Liability expense	0.14	-		0.14	-	
DePuy ASR <sup>®</sup> Hip recall program	0.09	-		0.09	-	
Restructuring expense	-	0.31		-	0.31	
Diluted Net Earnings per share - as adjusted	\$ 1.03	1.02	1.0 %	\$ 4.76	4.63	2.8
<i>(Dollars in Billions)</i>						
Net Cash Flows from operating activities				\$ 16.4	\$ 16.6	
Additions to property, plant and equipment				(2.4)	(2.4)	
Free Cash Flow				\$ 14.0	\$ 14.2	(1.4)

The Company believes investors gain additional perspective of underlying business trends and results by providing a measure of net earnings and diluted net earnings per share that excludes special items in order to evaluate ongoing business operations.

# Reconciliation of Non-GAAP Measures

## 2010 Operating Profit

Johnson & Johnson  
**Operating Profit by Segment of Business**  
 Reconciliation - Reported vs. Excluding Special Items  
 (\$ in millions)

	2010 TWELVE MONTHS			2009 TWELVE MONTHS		
	As Reported	Adjs.	Adj. Op Prof	As Reported	Adjs.	Adj. Op Prof
<b>Operating Profit</b>						
Consumer	\$ 2,342	-	\$ 2,342	\$ 2,475	369	\$ 2,844
Pharmaceutical	7,086	447	7,533	6,413	588	7,001
Med Devices & Diagnostics	8,272	(564)	7,708	7,694	(157)	7,536
<b>Total segments</b>	<b>17,700</b>	<b>(117)</b>	<b>17,583</b>	<b>16,582</b>	<b>800</b>	<b>17,382</b>
Expenses not allocated to segments	(753)	-	(753)	(827)	-	(827)
<b>Worldwide total</b>	<b>\$ 16,947</b>	<b>(117)</b>	<b>\$ 16,830</b>	<b>\$ 15,755</b>	<b>800</b>	<b>\$ 16,555</b>

	2010 TWELVE MONTHS			2009 TWELVE MONTHS		
	As Reported	Adjs.	Adj. Op Margin	As Reported	Adjs.	Adj. Op Margin
<b>Operating Margin</b>						
Consumer	16.1%		16.1%	15.7%		18.0%
Pharmaceutical	31.6%		33.6%	28.5%		31.1%
Med Devices & Diagnostics	33.6%		31.3%	32.6%		32.0%
<b>Total segments</b>	<b>28.7%</b>		<b>28.5%</b>	<b>26.8%</b>		<b>28.1%</b>
<b>Worldwide total</b>	<b>27.5%</b>		<b>27.3%</b>	<b>25.4%</b>		<b>26.7%</b>



# Reconciliation of Non-GAAP Measures

## 2011 Q1 Net Earnings and EPS

### Johnson & Johnson and Subsidiaries Reconciliation of Non-GAAP Measures

<i>(Dollars in Millions Except Per Share Data)</i>	First Quarter		% Incr. / (Decr.)
	2011	2010	
Earnings before provision for taxes on income - as reported	\$ 4,510	\$ 6,280	(28.2) %
Net Litigation Settlements Loss (Gain)/Other	346	(1,497)	
Earnings before provision for taxes on income - as adjusted	<u>\$ 4,856</u>	<u>\$ 4,783</u>	1.5 %
Net Earnings - as reported	\$ 3,476	\$ 4,526	(23.2) %
Net Litigation Settlements Loss (Gain)/Other	271	(910)	
Net Earnings - as adjusted	<u>\$ 3,747</u>	<u>\$ 3,616</u>	3.6 %
Diluted Net earnings per share - as reported	\$ 1.25	\$ 1.62	(22.8) %
Net Litigation Settlements Loss (Gain)/Other	0.10	(0.33)	
Diluted Net earnings per share - as adjusted	<u>\$ 1.35</u>	<u>\$ 1.29</u>	4.7 %

The Company believes investors gain additional perspective of underlying business trends and results by providing a measure of earnings before provision for taxes on income, net earnings and diluted net earnings per share that excludes special items in order to evaluate ongoing business operations.