



3<sup>rd</sup> Quarter 2014  
Earnings Call Presentation

October 14, 2014

# 3<sup>rd</sup> Quarter 2014 Call Flow

TOPIC	SPEAKER
Introduction and Quarterly Results	Louise Mehrotra, Vice President, Investor Relations
Business Update, Financial Performance and Guidance	Dominic Caruso, Vice President, Finance & Chief Financial Officer
Q&A	Louise Mehrotra/Dominic Caruso
Closing Remarks	Dominic Caruso

# Note on Forward-Looking Statements

These presentations contain “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995 regarding, among other things, future operating and financial performance, product development and business strategy. The viewer is cautioned not to rely on these forward-looking statements. These statements are based on current expectations of future events. If underlying assumptions prove inaccurate or known or unknown risks or uncertainties materialize, actual results could vary materially from the expectations and projections of Johnson & Johnson. Risks and uncertainties include, but are not limited to, economic factors, such as interest rate and currency exchange rate fluctuations; competition, including technological advances, new products and patents attained by competitors; challenges inherent in new product development, including obtaining regulatory approvals; uncertainty of commercial success for new and existing products; challenges to patents; the impact of patent expirations; impact of business combinations and divestitures; significant adverse litigation or government action, including related to product liability claims; changes in behavior and spending patterns or financial distress of purchasers of health care products and services; changes to regulations, including domestic and foreign health care reforms; trends toward health care cost containment; increased scrutiny of the health care industry by government agencies; financial instability of international economies and sovereign risk; disruptions due to natural disasters; manufacturing difficulties or delays, internally or within the supply chain; complex global supply chains with increasing regulatory requirements; and product efficacy or safety concerns resulting in product recalls or regulatory action. A further list and description of these risks, uncertainties and other factors can be found in Johnson & Johnson’s Annual Report on Form 10-K for the fiscal year ended December 29, 2013, including Exhibit 99 thereto, and the company’s subsequent filings with the Securities and Exchange Commission. Copies of these filings are available online at [www.sec.gov](http://www.sec.gov), [www.investor.jnj.com](http://www.investor.jnj.com) or on request from Johnson & Johnson. Any forward-looking statement made in these presentations speaks only as of the date of these presentations. Johnson & Johnson does not undertake to update any forward-looking statements as a result of new information or future events or developments.

# Note on Non-GAAP Financial Measures

These presentations refer to certain non-GAAP financial measures. These non-GAAP financial measures should not be considered replacements for, and should be read together with, the most comparable GAAP financial measures.

A reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measures can be found in the accompanying financial schedules of the earnings release and the Investor Relations section of the Company’s website at [www.investor.jnj.com](http://www.investor.jnj.com).

# 3<sup>rd</sup> Quarter 2014 Sales by Geographic Area

\$ US Billions

% Change

TOTAL COMPANY	3Q 2014	3Q 2013	Reported	Operational*
<b>U.S.</b>	<b>\$8.8</b>	<b>\$7.9</b>	<b>11.6%</b>	<b>11.6%</b>
Europe	4.4	4.5	(0.7)	(0.8)
Western Hemisphere (ex U.S.)	1.8	1.8	(1.2)	3.5
Asia-Pacific, Africa	3.4	3.3	0.9	2.0
<b>International</b>	<b>9.6</b>	<b>9.7</b>	<b>(0.3)</b>	<b>1.0</b>
<b>Worldwide</b>	<b>\$18.5</b>	<b>\$17.6</b>	<b>5.1%</b>	<b>5.8%</b>

\* Excludes currency

# 3<sup>rd</sup> Quarter 2014 Financial Highlights

\$ US Billions, except EPS

% Change

TOTAL COMPANY	3Q 2014	3Q 2013	Reported	Operational*
Sales	\$18.5	\$17.6	5.1%	5.8%
GAAP Earnings	4.7	3.0	59.3	
GAAP EPS	1.66	1.04	59.6	
Adjusted Earnings**	4.3	3.9	9.5	
Adjusted EPS**	\$1.50	\$1.36	10.3%	

\* Excludes currency

\*\* Non-GAAP measure; excludes special items

# Consumer Highlights

3<sup>rd</sup> Quarter 2014 Sales: \$3.6B

Ops Change\*: WW 0.3%, US (4.2%), Int'l 2.6%

Consumer Segment	Total Worldwide (WW) Sales \$MM	Reported % Growth	Operational % Growth*
Baby Care	\$563	0.5%	1.6%
Oral Care	409	3.5	3.7
OTC	1,019	4.5	5.7
Skin Care	920	(0.4)	0.0
Women's Health	325	(20.3)	(18.3)
Wound Care/Other	353	1.1	1.1
<b>Total Consumer</b>	<b>\$3,589</b>	<b>(0.6%)</b>	<b>0.3%</b>

## KEY DRIVERS OF OPERATIONAL PERFORMANCE\*

- **Baby Care**
  - Strong growth of haircare and wipes
- **Oral Care**
  - LISTERINE® new product launches & successful marketing campaigns
- **OTC**
  - Upper respiratory WW +10% driven by OUS +14% due primarily to seasonal inventory build
  - Analgesics WW +6% driven by US +7% due to market share gains partially offset by comparisons to 3Q 2013 inventory build
- **Skin Care**
  - NEUTROGENA® grew 4% WW; US market share gains partially offset by an adjustment in trade inventory levels; strong double digit growth for DABAO® products
- **Women's Health**
  - Divestiture of North American sanitary protection & intimate health business
- **Wound Care/Other**
  - Sales of NEOSPORIN® and BAND-AID®
- **Total Consumer**
  - Excluding the impact of divestitures, WW growth was ~ +2.5%

**Aveeno**  
ACTIVE NATURALS®

**Motrin**®

Johnson's  
baby

LE PETIT  
MARSEILLAIS

**LISTERINE**®

**Benadryl**®

Neutrogena®

**TYLENOL**

**ZYRTEC**  
Cetirizine HCl ALLERGY

\* Excludes currency

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# Pharmaceutical Highlights

3<sup>rd</sup> Quarter 2014 Sales: \$8.3B

Ops Change\*: WW 18.7%, US 33.1%, Int'l 4.1%

Pharm Segment	Total Worldwide (WW) Sales \$MM	Reported % Growth	Operational % Growth*
Immunology	\$2,641	12.7%	13.3%
Infectious Diseases	1,561	90.1	90.3
Neuroscience	1,571	(1.3)	(0.5)
Oncology	1,112	13.4	14.4
Other	1,422	9.5	9.9
<b>Total Pharmaceutical</b>	<b>\$8,307</b>	<b>18.1%</b>	<b>18.7%</b>

## KEY DRIVERS OF OPERATIONAL PERFORMANCE\*

- **Immunology**
  - Strong immunology market growth and increased market share for STELARA® & SIMPONI® / SIMPONI® ARIA™
  - US market leader in immunology
- **Infectious Diseases**
  - Strong sales of OLYSIO® / SOVRIAD®
  - PREZISTA® market growth & increased script share, strong sales for EDURANT®
  - Lower sales of INCIVO® due to competitive launches
  - Lower vaccine sales
- **Neuroscience**
  - Long-acting injectable products growth of ~6% WW, ~10% US
- **Oncology**
  - ZYTIGA® strong market growth, increased US market share, new country launches and increased penetration
  - Sales of recently launched IMBRUVICA®
  - VELCADE® sales impacted by timing of tenders
- **Other**
  - Strong sales for XARELTO® & INVOKANA®
  - Lower sales of ACIPHEX® due to generic competition
- **Total Pharmaceutical**
  - Excluding Hep C sales, WW growth was ~ +8.0%, US ~ +14.0% and OUS ~ +2.0%



\* Excludes currency

# MD&D Highlights

3<sup>rd</sup> Quarter 2014 Sales: \$6.6B

Ops Change\*: WW (4.6%), US (6.5%), Int'l (2.8%)

MD&D Segment	Total Worldwide (WW) Sales \$MM	Reported % Growth	Operational % Growth*
Cardiovascular	\$542	8.2%	9.0%
Diabetes	558	0.2	1.3
Diagnostics	44	(90.4)	(90.1)
Orthopaedics	2,344	2.7	2.9
Specialty Surgery/Other	858	1.4	2.2
Surgical Care	1,521	(0.8)	0.0
Vision Care	704	(5.9)	(4.5)
<b>Total MD&amp;D</b>	<b>\$6,571</b>	<b>(5.2%)</b>	<b>(4.6%)</b>

## KEY DRIVERS OF OPERATIONAL PERFORMANCE\*

- **Cardiovascular**
  - BioSense Webster +18%; Strong growth in all major regions led by the success of the ThermoCool® SmartTouch® Contact Force Sensing Catheter
- **Diabetes**
  - Includes positive impact of adjustment to previously established reserves
  - Excluding the impact of the above adjustment, WW sales were down ~3.5%; Lower price in US related to competitive bidding partially offset by volume growth
- **Diagnostics**
  - Completed divestiture of Ortho-Clinical Diagnostics to The Carlyle Group on June 30th
- **Orthopaedics**
  - Hips +4% WW: Primary stem platform sales major contributor
  - Knees +5% WW: Successful launch of ATTUNE® Knee System
  - Trauma +3% WW: Market growth and new product launches
  - Continued pricing pressure across major categories
- **Specialty Surgery/Other**
  - WW Biosurgery growth of 5% and Energy +6% due to new product launches
  - Competitive pressures for ACCLARENT®, MENTOR® & STERILMED® impacted US sales
- **Surgical Care**
  - Lower sales of Women's Health & Urology
  - Success of ECHELON FLEX™ positively impacted OUS growth
  - Pricing pressures negatively impacted US growth
- **Vision Care**
  - Competitive pricing dynamics, primarily in the US, negatively impacting results
- **Total MD&D**
  - Ex. impact of the OCD divestiture, WW growth was +1.6%, US +0.6%, OUS +2.4%

**ETHICON**  
PART OF THE JOHNSON-JOHNSON FAMILY OF COMPANIES

**Biosense Webster**  
PART OF THE JOHNSON-JOHNSON FAMILY OF COMPANIES

**MENTOR**  
Make life more beautiful™

**DePuy Synthes**  
COMPANIES OF JOHNSON-JOHNSON

**LIFESCAN** **Animas**  
PART OF THE JOHNSON-JOHNSON FAMILY OF COMPANIES

**Johnson & Johnson**  
Vision Care, Inc.

**Acclarent**

\* Excludes currency





Dominic Caruso  
Vice President, Finance & Chief Financial Officer

# Important Developments in 3<sup>rd</sup> Quarter 2014

## Pharmaceuticals:

- INVOKAMET™ (canagliflozin/metformin HCl) received FDA approval for the treatment of adults with type 2 diabetes
- IMBRUVICA® (ibrutinib)
  - Received U.S. Food and Drug Administration (FDA) approval for a third indication for the treatment of patients with chronic lymphocytic leukemia (CLL) who have the genetic mutation 17p deletion (del 17p). The FDA also granted IMBRUVICA® full approval for the treatment of patients with CLL who have received at least one prior therapy
  - Received positive Committee for Medicinal Products for Human Use (CHMP) recommendation for use in the treatment of two forms of blood cancer
- Completed acquisition of Covagen AG, a privately-held, biopharmaceutical company specializing in the development of multispecific protein therapeutics through the FynomAb® technology platform
- REZOLSTA® (darunavir/cobicistat) received positive CHMP opinion for the use in combination with other antiretroviral medicinal products for the treatment of human immunodeficiency virus-1 (HIV-1) infection in adults aged 18 years or older
- Announced response to Ebola crisis with commitment to accelerate vaccine program in collaboration with the U.S. National Institutes of Health and provide immediate humanitarian relief aid to address the current Ebola outbreak
- Announced definitive agreement to acquire Alios BioPharma, Inc., a privately-held clinical stage biopharmaceutical company focused on developing therapies for viral diseases\*

## MD&D:

- INCRAFT® AAA Stent Graft System was approved and launched for treatment of abdominal aortic aneurysms (AAA) in Europe and Canada
- Four additional styles of the MENTOR® MemoryShape® Breast Implants received FDA approval
- HARMONIC FOCUS® + Shears with Adaptive Tissue Technology launched in major markets around the world
- Completed divestiture of Ortho-Clinical Diagnostics to The Carlyle Group

## Other:

- Board of Directors approval of the repurchase of up to \$5 billion of the company's common stock

\* Q4 Event announced September 30, 2014

# 3<sup>rd</sup> Quarter 2014 Condensed Consolidated Statement of Earnings

(Unaudited; Dollars and Shares in Millions Except Per Share Figures)

	2014		2013		Percent Increase (Decrease)
	Amount	Percent to Sales	Amount	Percent to Sales	
Sales to customers	\$ 18,467	100.0	\$ 17,575	100.0	5.1
Cost of products sold	5,399	29.2	5,344	30.4	1.0
Selling, marketing and administrative expenses	5,468	29.6	5,314	30.2	2.9
Research and development expense	2,023	11.0	2,042	11.6	(0.9)
In-process research and development	-	-	178	1.0	
Interest (income) expense, net	112	0.6	87	0.5	
Other (income) expense, net	(1,345)	(7.3)	943	5.4	
Earnings before provision for taxes on income	6,810	36.9	3,667	20.9	85.7
Provision for taxes on income	2,061	11.2	685	3.9	200.9
Net earnings	\$ 4,749	25.7	\$ 2,982	17.0	59.3
Net earnings per share (Diluted)	\$ 1.66		\$ 1.04		59.6
Average shares outstanding (Diluted)	2,864.3		2,881.2		
Effective tax rate	30.3 %		18.7 %		
<b>Adjusted earnings before provision for taxes and net earnings (1)</b>					
Earnings before provision for taxes on income	\$ 5,660	30.6	\$ 4,831	27.5	17.2
Net earnings	\$ 4,292	23.2	\$ 3,919	22.3	9.5
Net earnings per share (Diluted)	\$ 1.50		\$ 1.36		10.3
Effective tax rate	24.2 %		18.9 %		

(1) Non-GAAP measure; excludes special items. See Reconciliation of Non-GAAP Financial Measures

# 2014 Guidance

	As of October 2014	As of July 2014
Net Interest Expense	<b>\$400 - \$500 million</b>	\$400 - \$500 million
Net Other Income*	<b>\$300 - \$400 million</b>	\$450 - \$550 million
Effective Tax Rate*	<b>20.0% - 21.0%</b>	19.0% - 20.0%

\* Non-GAAP measure; excludes special items

# 2014 Guidance

		Estimated Operational at Constant Currency	Estimated Reported*
Sales** % Change vs. PY	October	\$75.2B - \$76.0B 5.5% - 6.5%	\$74.1B - \$74.9B 4.0% - 5.0%
	July	\$74.5B - \$75.3B 4.5% - 5.5%	\$74.1B - \$74.9B 4.0% - 5.0%
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Adjusted EPS** % Change vs. PY	October	\$5.94 - \$5.99 8% - 9%	\$5.92 - \$5.97 7% - 8%
	July	\$5.80 - \$5.87 5% - 6%	\$5.85 - \$5.92 6% - 7%

\* Euro Average Rate: Oct = 1.33; July = 1.37

\*\* Non-GAAP measure; excludes special items

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