Johnson & Johnson and Subsidiaries

Reconciliation of Non-GAAP Financial Measures

	Third Qu	arter	Nine Months Ended		
(Dollars in Millions Except Per Share Data)	2020	2019	2020	2019	
Net Earnings, after tax- as reported	\$3,554	\$1,753	\$12,976	\$11,109	
Pre-tax Adjustments					
Intangible Asset Amortization expense	1,181	1,138	3,426	3,386	
Litigation expense, net	1,477	4,000	2,210	4,832	
IPR&D	138	-	144	890	
Restructuring related	130	128	363	360	
Acquisition and Integration related ¹	(154)	107	(1,087)	229	
Unrealized (gains)/losses on securities	32	89	(174)	(217)	
Medical Device Regulation ²	38	-	89	-	
Other	3	7	6	7	
Tax Adjustments					
Tax impact on special item adjustments ³	(482)	(1,159)	(1,002)	(1,922)	
Tax legislation and related impacts	(49)	(391)	(483)	(391)	
Adjusted Net Earnings, after tax	\$5,868	\$5,672	\$16,468	\$18,283	
Average shares outstanding (Diluted)	2,669.3	2,669.9	2,670.8	2,688.1	
Adjusted net earnings per share (Diluted)	\$2.20	\$2.12	\$6.17	\$6.80	
Operational adjusted net earnings per share (Diluted)	\$2.17		\$6.18		

Notes:

Acquisition and integration related costs for 2020 primarily includes a Contingent Consideration reversal (\$165M in third quarter and \$1,148M in nine months) related to the timing of certain developmental milestones associated with the Auris Health acquisition.

² European Medical Device Regulation (MDR) costs represent one-time compliance costs for the Company's previously registered products. MDR is a replacement of the existing European Medical Devices Directive regulatory framework, and manufacturers of currently marketed medical devices are required to comply with EU MDR beginning in May 2021. The Company considers the adoption of EU MDR to be a significant one-time regulatory change and is not indicative of ongoing operations. The Company has excluded only external third-party regulatory and consulting costs from its Medical Devices operating segments' measures of profit and loss used for making operating decisions and assessing performance.

³ The tax impact related to special item adjustments reflects the current and deferred income taxes associated with the above pre-tax special items in arriving at adjusted earnings.

Adjusted Operational Sales Growth THIRD QUARTER 2020 ACTUAL vs. 2019 ACTUAL

Segments

	Consumer Health	Pharmaceutical	Medical Devices	Total
WW As Reported	1.3%	5.0%	(3.6)%	1.7%
U.S.	11.6%	1.5%	1.2%	2.7%
International	(5.6)%	9.7%	(8.1)%	0.6%
WW Currency	(1.7)	0.4	0.3	0.0
U.S.	-	-	-	-
International	(2.9)	0.9	0.4	0.0
WW Operational	3.0%	4.6%	(3.9)%	1.7%
U.S.	11.6%	1.5%	1.2%	2.7%
International	(2.7)%	8.8%	(8.5)%	0.6%
General Surgery				
Advanced Sterilization Products			0.5	0.2
U.S.			0.0	0.0
International			0.9	0.4
Baby Care				
Baby Center	0.1			0.0
U.S.	0.4			0.1
International	0.0			0.0
All Other Acquisitions and Divestitures	0.0	0.1	0.0	0.1
U.S.	0.0	0.0	0.1	0.0
International	(0.1)	0.3	0.0	0.1
WW Adjusted Operational	3.1%	4.7%	(3.3)%	2.0%
U.S.	12.0%	1.5%	1.3%	2.8%
International	(2.8)%	9.2%	(7.6)%	1.1%

Note: Percentages are based on actual, non-rounded figures and may not sum

Adjusted Operational Sales Growth NINE MONTHS 2020 ACTUAL vs. 2019 ACTUAL

Segments

	Consumer Health	Pharmaceutical	Medical Devices	Total
WW As Reported	1.0%	5.2%	(15.3)%	(2.0)%
U.S.	11.1%	5.2%	(15.1)%	0.0%
International	(6.4)%	5.3%	(15.5)%	(4.0)%
WW Currency	(2.4)	(0.9)	(0.7)	(1.2)
U.S.	-	-	-	-
International	(4.2)	(2.1)	(1.4)	(2.3)
WW Operational	3.4%	6.1%	(14.6)%	(0.8)%
U.S.	11.1%	5.2%	(15.1)%	0.0%
International	(2.2)%	7.4%	(14.1)%	(1.7)%
Skin Health / Beauty				
Dr. Ci Labo - Japan	(0.1)			0.0
U.S.	0.0			0.0
International	(0.2)			0.0
General Surgery				
Advanced Sterilization Products			0.9	0.3
U.S.			0.8	0.3
International			0.9	0.4
Baby Care				
Baby Center	0.2			0.0
U.S.	0.6			0.1
International	0.0			0.0
All Other Acquisitions and Divestitures	(0.1)	0.2	0.0	0.1
U.S.	0.0	0.0	0.0	0.0
International	(0.1)	0.3	0.0	0.1
WW Adjusted Operational	3.4%	6.3%	(13.7)%	(0.4)%
U.S.	11.7%	5.2%	(14.3)%	0.4%
International	(2.6)%	7.7%	(13.1)%	(1.3)%

Note: Percentages are based on actual, non-rounded figures and may not sum

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

Q3 QTD - Income Before Tax by Segment*
Dollars in Millions

		Consumer Health		Pharmaceutical		Medical D	Medical Devices		Unallocated		Worldwide Total	
		<u>2020</u>	2019	<u>2020</u>	2019	<u>2020</u>	2019	<u>2020</u>	2019	<u>2020</u>	2019	
Reported Income Before Tax by Segment % to Sales	\$	191 5.4%	653 18.8%	3,439 30.1%	(222) -2.0 %	1,010 16.4%	1,392 21.8%	(239) - 1.1%	(176) - 0.8%	4,401 20.9 %	1,647 7.9%	
Intangible asset amortization expense		104	84	828	809	249	245	-	-	1,181	1,138	
In-process research and development		-	-	-	-	138	-	-	-	138	-	
Litigation expense, net		531	(8)	971	3,974	(25)	34	-	-	1,477	4,000	
Unrealized loss/(gain) on securities		(1)	2	31	58	2	29	-	-	32	89	
Restructuring related		31	17	29	24	70	87	-	-	130	128	
Acquisition and integration related		-	-	1	33	(155)	74	-	-	(154)	107	
Medical Device Regulation		-	-	-	-	38	-	-	-	38	-	
Other		-	-	-	-	3	7	-	-	3	7	
Adjusted Income Before Tax by Segment	\$	856	748	5,299	4,676	1,330	1,868	(239)	(176)	7,246	7,116	
% to Sales	-	24.4%	21.6%	46.4%	43.0%	21.6%	29.3%	-1.1%	-0.8%	34.4%	34.3%	

^{*}Estimated as of 10/13/2020.

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

Q3 YTD - Income Before Tax by Segment*
Dollars in Millions

		Consumer Health		Pharmace	Pharmaceutical		Medical Devices		ated	Worldwide Total	
		<u>2020</u>	2019	<u>2020</u>	<u>2019</u>	<u>2020</u>	2019	<u>2020</u>	2019	<u>2020</u>	2019
Reported Income Before Tax by Segment % to Sales	\$	993 9.5%	1,800 17.4%	11,787 35.4%	5,786 18.3%	2,681 16.4%	6,078 31.4%	(611) - 1.0%	(554) - 0.9 %	14,850 24.7 %	13,110 21.4%
Intangible asset amortization expense		306	287	2,378	2,370	742	729	-	-	3,426	3,386
In-process research and development		-	-	-	890	144	-	-	-	144	890
Litigation expense, net		1,169	172	1,006	4,325	35	335	-	-	2,210	4,832
Unrealized loss/(gain) on securities		-	(1)	(177)	(236)	3	20	-	-	(174)	(217)
Restructuring related		69	61	70	68	224	231	-	-	363	360
Acquisition and integration related		-	-	20	123	(1,107)	106	-	-	(1,087)	229
Medical Device Regulation		-	-	-	-	89	-	-	-	89	-
Other		-	-	-	-	6	7	-	-	6	7
Adjusted Income Before Tax by Segment	\$	2,537	2,319	15,084	13,326	2,817	7,506	(611)	(554)	19,827	22,597
% to Sales	_	24.3%	22.4%	45.3%	42.1%	17.2%	38.8%	-1.0%	-0.9%	33.0%	36.9%

^{*}Estimated as of 10/13/2020.

Johnson & Johnson and Subsidiaries GAAP to Non-GAAP Reconciliation \$ in Millions

Quarter to Date

	Sep	rd Quarter t. 27, 2020 GAAP	Intangible asset amortization	Litigation expense, net	In-process research and development	Restructuring related	Acquisition related (1)	Unrealized (loss)/gain on securities	Medical Device Regulation	Tax legislation and related impacts	Other	Third Quarter Sept. 27, 2020 Non-GAAP
Cost of products sold	\$	6,972	(1,181)			(32)			(18)			5,741
Selling, marketing and admin expenses		5,431							(4)			5,427
Research and development expense		2,840					5		(16)			2,829
Other (Income) / Expense		1,200	-	(1,477)		(30)	149	(32)			(3)	(193)
In-process research and development		138			(138)							-
Restructuring		68				(68)						-
Provision for taxes on income		847	187	230	29	22	3	5	7	49	(1)	1,378
Net Earnings		3,554	994	1,247	109	108	(157)	27	31	(49)	4	5,868
	Thi	rd Quarter			In-process			Unrealized				Third Quarter
	Sept	t. 29, 2019	Intangible asset	Litigation	research and	Restructuring	Acquisition	(loss)/gain on	Medical Device	Tax legislation and		Sept. 29, 2019
		GAAP	amortization	expense, net	development	related	related	securities	Regulation	related impacts	Other	Non-GAAP
Cost of products sold	\$	6,867	(1,138)			(20)			-		<u> </u>	5,709
Other (Income) / Expense		4,214		(4,000)		(39)	(107)	(89)			(7)	(28)
Restructuring		69				(69)						-
Provision for/(Benefit from) taxes on income		(106)	127	920		22	19	18		391	53	1,444
Net Earnings		1,753	1,011	3,080		106	88	71		(391)	(46)	5,672
Year to Date												
		e Months			In-process			Unrealized				Nine Months
	Sep	t. 27, 2020	Intangible asset amortization	Litigation expense, net	research and	Restructuring related	Acquisition related (1)	(loss)/gain on	Medical Device Regulation	Tax legislation and related impacts	Other	Sept. 27, 2020
Cost of products sold	Sep		Intangible asset amortization (3,426)	Litigation expense, net		Restructuring related (69)			Regulation	Tax legislation and related impacts	Other	
Cost of products sold Selling, marketing and admin expenses	Sept	t. 27, 2020 GAAP	amortization	-	research and	related		(loss)/gain on	Regulation (40)	-	Other	Sept. 27, 2020 Non-GAAP
•	Sept	E. 27, 2020 GAAP 20,613	amortization	-	research and	related		(loss)/gain on	Regulation	-	Other	Sept. 27, 2020 Non-GAAP 17,078
Selling, marketing and admin expenses	Sept	20,613 15,627	amortization	-	research and	related	related (1)	(loss)/gain on	(40) (10)	-	Other (6)	Sept. 27, 2020 Non-GAAP 17,078 15,617
Selling, marketing and admin expenses Research and development expense	Sept	20,613 15,627 8,127	amortization	expense, net	research and	related (69)	related (1)	(loss)/gain on securities	(40) (10)	-		Sept. 27, 2020 Non-GAAP 17,078 15,617 8,088
Selling, marketing and admin expenses Research and development expense Other (Income) / Expense	Sept	20,613 15,627 8,127 545	amortization	expense, net	research and development	related (69)	related (1)	(loss)/gain on securities	(40) (10)	-		Sept. 27, 2020 Non-GAAP 17,078 15,617 8,088 (517)
Selling, marketing and admin expenses Research and development expense Other (Income) / Expense In-process research and development	Sept	20,613 15,627 8,127 545 144	amortization	expense, net	research and development	(69)	related (1)	(loss)/gain on securities	(40) (10)	-		Sept. 27, 2020 Non-GAAP 17,078 15,617 8,088 (517)
Selling, marketing and admin expenses Research and development expense Other (Income) / Expense In-process research and development Restructuring	Sept	20,613 15,627 8,127 545 144 187	amortization (3,426)	expense, net (2,210)	research and development	(69) (107) (187)	related (1) - 1,087	(loss)/gain on securities	(40) (10) (39)	related impacts		Sept. 27, 2020 Non-GAAP 17,078 15,617 8,088 (517) -
Selling, marketing and admin expenses Research and development expense Other (Income) / Expense In-process research and development Restructuring Provision for taxes on income	\$	20,613 15,627 8,127 545 144 187 1,874 12,976	<u>amortization</u> (3,426) - 550	(2,210)	research and development (144) 30 114	(107) (187) 65	related (1) - 1,087	(loss)/gain on securities 174 (42) (132)	Regulation (40) (10) (39)	related impacts 483	(6)	Sept. 27, 2020 Non-GAAP 17,078 15,617 8,088 (517) - - 3,359 16,468
Selling, marketing and admin expenses Research and development expense Other (Income) / Expense In-process research and development Restructuring Provision for taxes on income	\$ Nir	20,613 20,613 15,627 8,127 545 144 187 1,874 12,976		(2,210) 373 1,837	research and development (144) 30 114 In-process	related (69) (107) (187) 65 298	related (1) - 1,087 10 (1,097)	(loss)/gain on securities 174 (42) (132) Unrealized	Regulation (40) (10) (39) 16 73	related impacts 483 (483)	(6)	Sept. 27, 2020 Non-GAAP 17,078 15,617 8,088 (517) 3,359 16,468 Nine Months
Selling, marketing and admin expenses Research and development expense Other (Income) / Expense In-process research and development Restructuring Provision for taxes on income	\$ Nin Sepi	20,613 20,613 15,627 8,127 545 144 187 1,874 12,976 ie Months 1,29,2019	amortization (3,426) -	(2,210) 373 1,837	research and development (144) 30 114 In-process research and	related (69) (107) (187) 65 298	related (1)	(loss)/gain on securities 174 (42) (132) Unrealized (loss)/gain on	Regulation	related impacts 483 (483) Tax legislation and	(6) - 6	Sept. 27, 2020 Non-GAAP 17,078 15,617 8,088 (517) 3,359 16,468 Nine Months Sept. 29, 2019
Selling, marketing and admin expenses Research and development expense Other (Income) / Expense In-process research and development Restructuring Provision for taxes on income Net Earnings	\$ Nin Sepi	20,613 20,613 15,627 8,127 545 144 187 1,874 12,976 12,976	amortization (3,426) - 550 2,876 Intangible asset amortization	(2,210) 373 1,837	research and development (144) 30 114 In-process	related (69) (107) (187) 65 298 Restructuring related	related (1) - 1,087 10 (1,097)	(loss)/gain on securities 174 (42) (132) Unrealized	Regulation (40) (10) (39) 16 73	related impacts 483 (483)	(6)	Sept. 27, 2020 Non-GAAP 17,078 15,617 8,088 (517) 3,359 16,468 Nine Months Sept. 29, 2019 Non-GAAP
Selling, marketing and admin expenses Research and development expense Other (Income) / Expense In-process research and development Restructuring Provision for taxes on income Net Earnings Cost of products sold	\$ Nin Sept	20,422 20,422 20,613 15,627 8,127 545 144 187 1,874 12,976 10 Months 12,2019 6AAP 20,422	amortization (3,426) - 550 2,876 Intangible asset amortization (3,348)	(2,210) 373 1,837 Litigation expense, net	research and development (144) 30 114 In-process research and	related (69) (107) (187) 65 298 Restructuring related (81)	1,087 10 (1,097) Acquisition related	(loss)/gain on securities 174 (42) (132) Unrealized (loss)/gain on securities	Regulation	related impacts 483 (483) Tax legislation and	(6) - 6	Sept. 27, 2020 Non-GAAP 17,078 15,617 8,088 (517) 3,359 16,468 Nine Months Sept. 29, 2019 Non-GAAP
Selling, marketing and admin expenses Research and development expense Other (Income) / Expense In-process research and development Restructuring Provision for taxes on income Net Earnings Cost of products sold Other (Income) / Expense	\$ Nin Sept	20,422 2,509	amortization (3,426) - 550 2,876 Intangible asset amortization	(2,210) 373 1,837	research and development (144) 30 114 In-process research and development	related (69) (107) (187) 65 298 Restructuring related	related (1)	(loss)/gain on securities 174 (42) (132) Unrealized (loss)/gain on	Regulation	related impacts 483 (483) Tax legislation and	(6) - 6	Sept. 27, 2020 Non-GAAP 17,078 15,617 8,088 (517) 3,359 16,468 Nine Months Sept. 29, 2019 Non-GAAP
Selling, marketing and admin expenses Research and development expense Other (Income) / Expense In-process research and development Restructuring Provision for taxes on income Net Earnings Cost of products sold Other (Income) / Expense In-process research and development	\$ Nin Sept	20,613 20,613 15,627 8,127 545 144 187 1,874 12,976 se Months 22,2019 GAAP 20,422 2,509 890	amortization (3,426) - 550 2,876 Intangible asset amortization (3,348)	(2,210) 373 1,837 Litigation expense, net	research and development (144) 30 114 In-process research and	related (69) (107) (187) 65 298 Restructuring related (81) (117)	1,087 10 (1,097) Acquisition related	(loss)/gain on securities 174 (42) (132) Unrealized (loss)/gain on securities	Regulation	related impacts 483 (483) Tax legislation and	(6) - 6	Sept. 27, 2020 Non-GAAP 17,078 15,617 8,088 (517) 3,359 16,468 Nine Months Sept. 29, 2019 Non-GAAP
Selling, marketing and admin expenses Research and development expense Other (Income) / Expense In-process research and development Restructuring Provision for taxes on income Net Earnings Cost of products sold Other (Income) / Expense	\$ Nin Sept	20,422 2,509	amortization (3,426) - 550 2,876 Intangible asset amortization (3,348)	(2,210) 373 1,837 Litigation expense, net	research and development (144) 30 114 In-process research and development	related (69) (107) (187) 65 298 Restructuring related (81)	1,087 10 (1,097) Acquisition related	(loss)/gain on securities 174 (42) (132) Unrealized (loss)/gain on securities	Regulation	related impacts 483 (483) Tax legislation and	(6) - 6	Sept. 27, 2020 Non-GAAP 17,078 15,617 8,088 (517) 3,359 16,468 Nine Months Sept. 29, 2019 Non-GAAP

⁽¹⁾ Primarily includes a Contingent Consideration reversal (\$165M 2020 quarter to date/\$1,148M 2020 year to date) related to the timing of certain developmental milestones associated with the Auris Health acquisition.