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Johnson & Johnson Reports 2018 Third-Quarter Results:

Oct 16, 2018

NEW BRUNSWICK, N.J., Oct. 16, 2018 /PRNewswire/ -- Johnson & Johnson (NYSE: JNJ) today announced sales of \$20.3 billion for the third quarter of 2018, an increase of 3.6% as compared to the third quarter of 2017. Operational sales results increased 5.5%, partially offset by the negative impact of currency of 1.9%. Domestic sales increased 3.6%. International sales increased 3.5%, reflecting operational growth of 7.5% and a negative currency impact of 4.0%. Excluding the net impact of acquisitions and divestitures, on an operational basis, worldwide sales increased 6.1%, domestic sales increased 3.9% and international sales increased 8.5%.*

Net earnings and diluted earnings per share for the third quarter of 2018 were \$3.9 billion and \$1.44, respectively. Third-quarter 2018 net earnings included after-tax intangible amortization expense of approximately \$1.0 billion and a net charge for after-tax special items of approximately \$0.7 billion, primarily consisting of a non-cash charge attributed to a partial write-down of an in-process research and development asset associated with the acquisition of Alios BioPharma Inc. Third-quarter 2017 net earnings included after-tax intangible amortization expense of approximately \$0.9 billion and a charge for after-tax special items of approximately \$0.5 billion. Excluding after-tax intangible amortization expense and special items, adjusted net earnings for the current quarter were \$5.6 billion and adjusted diluted earnings per share were \$2.05, representing increases of 7.3% and 7.9%, respectively, as compared to the same period in 2017.* On an operational basis, adjusted diluted earnings per share also increased 9.5%.* A reconciliation of non-GAAP financial measures is included as an accompanying schedule.

"We are pleased with our strong third-quarter performance, which reflects continued above-market growth in our Pharmaceutical business, accelerating sales momentum in our Consumer business and consistent progress in our Medical Devices business," said Alex Gorsky, Chairman and Chief Executive Officer. "I'm confident that with our collaborative and inspired J&J colleagues around the world, unique broad-based business model and strategic investments in innovation, we are well positioned for success today and into the future."

The Company issued sales guidance for the full-year 2018 in a range of \$81.0 to \$81.4 billion. This reflects an increase in expected operational growth to a range of 5.5% to 6.0%, partially offset by the estimated lower favorable impact of currency. Additionally, the Company increased its adjusted earnings guidance for full-year 2018 to a range of \$8.13 to \$8.18 per share. This reflects an increase in expected operational EPS growth to a range of 9.3% to 10.0%.

Segment Sales Performance

Worldwide Consumer sales of \$3.4 billion for the third quarter 2018 represented an increase of 1.8% versus the prior year, consisting of an operational increase of 4.9% and a negative impact from currency of 3.1%. Domestic sales increased 6.6%, while international sales decreased 1.3%, which reflected an operational increase of 3.7% and a negative currency impact of 5.0%. Excluding the net impact of acquisitions and divestitures, on an operational basis, worldwide sales increased 6.1%, with domestic sales increasing 6.4% and international sales increasing 5.9%.*

Worldwide operational results, excluding the net impact of acquisitions and divestitures, were driven by over-the-counter products including MOTRIN and TYLENOL analgesics, ZYRTEC upper respiratory and IMODIUM digestive health products; beauty products including NEUTROGENA, OGX and DR. CI LABO; as well as domestic sales of JOHNSON's baby care products.

During the quarter, the acquisition of Zarbee's, Inc., a leader in naturally-based healthcare products, was completed.

Worldwide Pharmaceutical sales of \$10.3 billion for the third quarter 2018 represented an increase of 6.7% versus the prior year with an operational increase of 8.2% and a negative impact from currency of 1.5%. Domestic sales increased 4.8%, international sales increased 9.5%, which reflected an operational increase of 13.2% and a negative currency impact of 3.7%. Acquisitions and divestitures had a negligible impact to sales growth in the quarter.

Worldwide operational results, excluding the net impact of acquisitions and divestitures, were driven by ZYTIGA (abiraterone acetate), an oral, once-daily medication for use in combination with prednisone for the treatment of metastatic, castration-resistant prostate cancer, IMBRUVICA (ibrutinib), an oral, once-daily therapy approved for use in treating certain B-cell malignancies, a type of blood or lymph node cancer, STELARA (ustekinumab), a biologic for the treatment of a number of immune-mediated inflammatory diseases, DARZALEX (daratumumab), for the treatment of multiple myeloma, TREMFYA (guselkumab), for the treatment of adults living with moderate to severe plaque psoriasis, INVEGA SUSTENNA/XEPLION/INVEGA TRINZA/TREVICTA (paliperidone palmitate), long-acting, injectable atypical antipsychotics for the treatment of schizophrenia in adults, SIMPONI/SIMPONI ARIA (golimumab), a biologic for the treatment of a number of immune-mediated inflammatory diseases, OPSUMIT (macitentan), an oral endothelin receptor antagonist indicated for the treatment of pulmonary arterial hypertension to delay disease progression, and UPTRAVI (selexipag), an oral prostacyclin receptor agonist used to treat pulmonary arterial hypertension and reduce hospitalization.

During the quarter, the U.S. Food and Drug Administration (FDA) approved an additional indication for IMBRUVICA (ibrutinib) in combination with rituximab as a non-chemotherapy combination regimen for patients with Waldenström's Macroglobulinemia, a rare blood cancer. The European Commission (EC) granted marketing authorization for DARZALEX (daratumumab) in combination with VELCADE (bortezomib), a proteasome inhibitor, melphalan, an alkylating agent, and prednisone for the treatment of newly diagnosed multiple myeloma patients who are ineligible for autologous stem cell transplant. In addition, the FDA approved and the EC granted marketing authorization for SYMTUZA (D/C/F/TAF), a complete darunavir-based single-tablet regimen for the treatment of HIV-1 infection.

A New Drug Application was submitted to the FDA for esketamine nasal spray, a rapidly acting antidepressant for treatment-resistant depression in adults and erdafitinib, a once-daily, oral pan-fibroblast growth factor receptor (FGFR) inhibitor for the treatment of locally advanced or metastatic urothelial cancer. A supplemental New Drug Application was submitted to the FDA seeking to broaden the use of IMBRUVICA (ibrutinib) in chronic lymphocytic leukemia or small lymphocytic lymphoma to include combination use with a non-chemotherapy agent, obinutuzumab, in the frontline setting. A Type II Variation was submitted to the European Medicines Agency (EMA) seeking to expand the indication of OPSUMIT (macitentan) to include the treatment of adults with inoperable chronic thromboembolic pulmonary hypertension (CTEPH), WHO Group 4, to improve exercise capacity and pulmonary vascular resistance. In addition, the Company also submitted a supplemental Biologics License Application to the FDA and a Type II Variation to the EMA seeking approval of a split dosing regimen for DARZALEX (daratumumab).

Subsequent to the quarter, the FDA approved an additional indication for XARELTO (rivaroxaban) to reduce the risk of major cardiovascular (CV) events, such as CV death, myocardial infarction and stroke, in people with chronic coronary or peripheral artery disease. Additionally, a Marketing Authorization Application was submitted to the EMA for esketamine nasal spray, a rapidly acting antidepressant for treatment-resistant depression in adults. The Company also entered into an exclusive worldwide license agreement with Arrowhead Pharmaceuticals, Inc. to develop and commercialize a new treatment for chronic Hepatitis B viral infection.

Worldwide Medical Devices sales of \$6.6 billion for the third quarter 2018 represented a decrease of 0.2% versus the prior year consisting of an operational increase of 1.7% and a negative currency impact of 1.9%. Domestic sales increased 0.3%, while international sales decreased 0.6%, which reflected an operational increase of 3.0% and a negative currency impact of 3.6%. Excluding the net impact of acquisitions and divestitures, on an operational basis, worldwide sales increased 2.9%, domestic sales increased 1.2% and international sales increased 4.4%.*

Worldwide operational results, excluding the net impact of acquisitions and divestitures, were driven by the growth of electrophysiology products in the Interventional Solutions business; ACUVUE contact lenses in the Vision business; endocutters and biosurgicals in the Advanced Surgery business; and wound closure products in the General Surgery business, partially offset by declines in the Diabetes Care business.

During the quarter, the Company received European CE mark approval for its BRAVO Flow Diverter for use in the treatment of patients suffering from intracranial aneurysms. In addition, the acquisition of Emerging Implant Technologies GmbH, a privately held manufacturer of 3D-printed titanium interbody implants for spinal fusion surgery, was completed. Lastly, the Company accepted the binding offer from Fortive Corporation to acquire its Advanced Sterilization Products business for an aggregate value of approximately \$2.8 billion, subject to customary adjustments.

Subsequent to the quarter, the Company announced the completion of the divestiture of its LifeScan business to Platinum Equity for approximately \$2.1 billion, subject to customary adjustments.

About Johnson & Johnson

At Johnson & Johnson, we believe good health is the foundation of vibrant lives, thriving communities and forward progress. That's why for more than 130 years, we have aimed to keep people well at every age and every stage of life. Today, as the world's largest and most broadly-based health care company, we are committed to using our reach and size for good. We strive to improve access and affordability, create healthier communities, and put a healthy mind, body and environment within reach of everyone, everywhere. We are blending our heart, science and ingenuity to profoundly change the trajectory of health for humanity.

* Operational sales growth excluding the net impact of acquisitions and divestitures, as well as adjusted net earnings, adjusted diluted earnings per share and operational adjusted diluted earnings per share excluding after-tax intangible amortization expense and special items, are non-GAAP financial measures and should not be considered replacements for, and should be read together with, the most comparable GAAP financial measures. Except for guidance measures, reconciliations 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. Johnson & Johnson does not provide GAAP financial measures on a forward-looking basis because the company is unable to predict with reasonable certainty the ultimate outcome of legal proceedings, unusual gains and losses, acquisition-related expenses and purchase accounting fair value adjustments without unreasonable effort. These items are uncertain, depend on various factors, and could be material to Johnson & Johnson's results computed in accordance with GAAP.

Johnson & Johnson will conduct a conference call with investors to discuss this news release today at 8:30 a.m., Eastern Time. A simultaneous webcast of the call for investors and other interested parties may be accessed by visiting the Johnson & Johnson website at www.investor.jnj.com. A replay and podcast will be available approximately two hours after the live webcast by visiting www.investor.jnj.com.

Copies of the financial schedules accompanying this press release are available at www.investor.jnj.com/historical-sales.cfm. These schedules include supplementary sales data, a condensed consolidated statement of earnings, reconciliations of non-GAAP financial measures, and sales of key products/franchises. Additional information on Johnson & Johnson, including adjusted income before tax by segment, a pharmaceutical pipeline of selected compounds in late stage development and a copy of today's earnings call presentation can be found on the company's website at www.investor.jnj.com.

NOTE TO INVESTORS CONCERNING FORWARD-LOOKING STATEMENTS

This press release contains "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, market position and business strategy. The reader 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 research and development, including unexpected clinical trial results, additional analysis of existing clinical data, uncertainty of clinical success and obtaining regulatory approvals; uncertainty of commercial success for new and existing products; the impact of business combinations and divestitures; challenges to patents; the impact of patent expirations; the ability of the company to successfully execute strategic plans, including restructuring plans; manufacturing difficulties or delays, internally or within the supply chain; product efficacy or safety concerns resulting in product recalls or regulatory action; significant adverse litigation or government action, including related to product liability claims; changes to applicable laws and regulations, including tax laws, global health care reforms and import/export and trade laws; trends toward health care cost containment; changes in behavior and spending patterns of purchasers of health care products and services; financial instability of international economies and legal systems and sovereign risk; increased scrutiny of the health care industry by government agencies. A further list and descriptions 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 31, 2017, including in the sections captioned "Cautionary Note Regarding Forward-Looking Statements" and "Item 1A. Risk Factors," in the company's most recently filed Quarterly Report on Form 10-Q and in the company's subsequent filings with the Securities and Exchange Commission. Copies of these filings are available online at www.sec.gov, www.jnj.com or on request from Johnson & Johnson. Any forward-looking statement made in this release speaks only as of the date of this release. Johnson & Johnson does not undertake to update any forward-looking statement as a result of new information or future events or developments.

Johnson & Johnson and Subsidiaries

Supplementary Sales Data

(Unaudited; Dollars in Millions)

THIRD QUARTER**NINE MONTHS**

Percent Change

Percent Change

2018	2017	Total	Operations	Currency	2018	2017	Total	Operations	Currency
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Sales to customers by**segment of business**

Consumer

U.S.	\$	1,370	1,285	6.6%	6.6	-	\$	4,282	4,186	2.3%	2.3	-
International		2,045	2,071	(1.3)	3.7	(5.0)		6,035	5,876	2.7	1.6	1.1
		3,415	3,356	1.8	4.9	(3.1)		10,317	10,062	2.5	1.9	0.6

Pharmaceutical

U.S.		6,097	5,816	4.8	4.8	-		17,350	15,698	10.5	10.5	-
International		4,249	3,879	9.5	13.2	(3.7)		13,194	10,877	21.3	17.5	3.8
		10,346	9,695	6.7	8.2	(1.5)		30,544	26,575	14.9	13.4	1.5

Medical Devices

U.S.		3,197	3,189	0.3	0.3	-		9,623	9,510	1.2	1.2	-
International		3,390	3,410	(0.6)	3.0	(3.6)		10,703	10,108	5.9	3.2	2.7
		6,587	6,599	(0.2)	1.7	(1.9)		20,326	19,618	3.6	2.2	1.4

U.S.		10,664	10,290	3.6	3.6	-		31,255	29,394	6.3	6.3	-
International		9,684	9,360	3.5	7.5	(4.0)		29,932	26,861	11.4	8.6	2.8

Worldwide	\$ 20,348	19,650	3.6%	5.5	(1.9)	\$ 61,187	56,255	8.8%	7.5	1.3
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Johnson & Johnson and Subsidiaries

Supplementary Sales Data

(Unaudited; Dollars in Millions)

THIRD QUARTER

NINE MONTHS

Percent Change

Percent Change

	2018	2017	Total	Operations	Currency	2018	2017	Total	Operations	Currency
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Sales to customers by

geographic area

U.S.	\$ 10,664	10,290	3.6%	3.6	-	\$ 31,255	29,394	6.3%	6.3	-
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Europe	4,416	4,308	2.5	5.1	(2.6)	14,023	12,398	13.1	7.1	6.0
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Western Hemisphere excluding U.S.	1,550	1,569	(1.2)	11.2	(12.4)	4,657	4,522	3.0	8.4	(5.4)
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Asia-Pacific, Africa	3,718	3,483	6.7	8.6	(1.9)	11,252	9,941	13.2	10.8	2.4
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International	9,684	9,360	3.5	7.5	(4.0)	29,932	26,861	11.4	8.6	2.8
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Worldwide	\$ 20,348	19,650	3.6%	5.5	(1.9)	\$ 61,187	56,255	8.8%	7.5	1.3
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Johnson & Johnson and Subsidiaries

Condensed Consolidated Statement of Earnings

(Unaudited; in Millions Except Per Share Figures)

THIRD QUARTER

	2018		2017*		Percent Increase
	Amount	Percent to Sales	Amount	Percent to Sales	
Sales to customers	\$ 20,348	100.0	\$ 19,650	100.0	3.6
Cost of products sold	6,589	32.4	6,925	35.2	(4.9)
Gross Profit	13,759	67.6	12,725	64.8	8.1
Selling, marketing and administrative expenses	5,543	27.3	5,423	27.6	2.2
Research and development expense	2,508	12.3	2,585	13.2	(3.0)
In-process research and development	1,126	5.6	-	-	

Interest (income) expense, net	68	0.3	155	0.8	
Other (income) expense, net	3	0.0	(297)	(1.5)	
Restructuring	88	0.4	69	0.3	
Earnings before provision for taxes on income	4,423	21.7	4,790	24.4	(7.7)
Provision for taxes on income	489	2.4	1,026	5.2	(52.3)
Net earnings	\$ 3,934	19.3	\$ 3,764	19.2	4.5
Net earnings per share (Diluted)	\$ 1.44		\$ 1.37		5.1
Average shares outstanding (Diluted)	2,727.6		2,737.7		
Effective tax rate	11.1%		21.4%		

Adjusted earnings before provision for taxes and net earnings ⁽¹⁾					
Earnings before provision for taxes on income	\$ 6,780	33.3	\$ 6,573	33.5	3.1
Net earnings	\$ 5,590	27.5	\$ 5,208	26.5	7.3
Net earnings per share (Diluted)	\$ 2.05		\$ 1.90		7.9
Effective tax rate	17.6%		20.8%		

(1)See Reconciliation of Non-GAAP Financial Measures.

*2017 Statement of Earnings line items have been restated to reflect impact of ASU 2017-07

Johnson & Johnson and Subsidiaries

Condensed Consolidated Statement of Earnings

(Unaudited; in Millions Except Per Share Figures)

NINE MONTHS

	2018		2017*		Percent
	Amount	Percent to Sales	Amount	Percent to Sales	Increase (Decrease)
Sales to customers	\$ 61,187	100.0	\$ 56,255	100.0	8.8
Cost of products sold	20,130	32.9	18,180	32.3	10.7
Gross Profit	41,057	67.1	38,075	67.7	7.8
Selling, marketing and administrative expenses	16,549	27.1	15,475	27.5	6.9

Research and development expense	7,551	12.3	6,951	12.4	8.6
In-process research and development	1,126	1.8	-	-	
Interest (income) expense, net	340	0.6	360	0.6	
Other (income) expense, net	427	0.7	11	0.0	
Restructuring	187	0.3	165	0.3	
Earnings before provision for taxes on income	14,877	24.3	15,113	26.9	(1.6)
Provision for taxes on income	2,622	4.3	3,100	5.5	(15.4)
Net earnings	\$ 12,255	20.0	\$ 12,013	21.4	2.0
Net earnings per share (Diluted)	\$ 4.49		\$ 4.37		2.7
Average shares outstanding (Diluted)	2,729.6		2,746.4		
Effective tax rate	17.6%		20.5%		

Adjusted earnings before provision for taxes and net earnings ⁽¹⁾					
Earnings before provision for taxes on income	\$ 20,652	33.8	\$ 18,961	33.7	8.9
Net earnings	\$ 16,943	27.7	\$ 15,263	27.1	11.0

Net earnings per share (Diluted)	\$ 6.21	\$ 5.56	11.7
Effective tax rate	18.0%	19.5%	

(1)See Reconciliation of Non-GAAP Financial Measures.

*2017 Statement of Earnings line items have been restated to reflect impact of ASU 2017-07

Johnson & Johnson and Subsidiaries

Reconciliation of Non-GAAP Financial Measures

	Third Quarter		% Incr. /	Nine Months YTD		% Incr. /
	2018	2017	(Decr.)	2018	2017	(Decr.)
<i>(Dollars in Millions Except Per Share Data)</i>						
Earnings before provision for taxes on income - as reported	\$ 4,423	4,790	(7.7)%	\$ 14,877	15,113	(1.6)%
Intangible asset amortization expense	1,085	1,077		3,284	1,886	
In-process research and development	1,126	-		1,126	-	
Litigation expense, net	-	118		703	611	

Restructuring/Other ⁽¹⁾	190	187		473	476	
Actelion acquisition related cost	40	367		200	580	
Contingent liability reversal	(184)	-		(184)	-	
AMO acquisition related cost	36	36		82	115	
Diabetes asset impairment	-	(2)		4	180	
Unrealized loss/(gain) on securities	9	-		(3)	-	
Other	55	-		90	-	
				\$		
Earnings before provision for taxes on income - as adjusted	\$ 6,780	6,573	3.1%	20,652	18,961	8.9%
				\$		
Net Earnings - as reported	\$ 3,934	3,764	4.5%	12,255	12,013	2.0%
Intangible asset amortization expense	968	933		2,931	1,555	
In-process research and development	859	-		859	-	
Litigation expense, net	-	97		609	449	
Restructuring/Other	162	136		395	358	
Actelion acquisition related cost	37	255		193	454	
Contingent liability reversal	(184)	-		(184)	-	

AMO acquisition related cost	29	28		68	314	
Diabetes asset impairment	-	(5)		3	120	
Unrealized loss/(gain) on securities	8	-		(2)	-	
Impact of tax legislation ⁽²⁾	(265)	-		(253)	-	
Other	42	-		69	-	
Net Earnings - as adjusted	\$ 5,590	5,208	7.3%	\$ 16,943	15,263	11.0%
Diluted Net Earnings per share - as reported	\$ 1.44	1.37	5.1%	\$ 4.49	4.37	2.7%
Intangible asset amortization expense	0.35	0.34		1.07	0.57	
In-process research and development	0.32	-		0.32	-	
Litigation expense, net	-	0.04		0.22	0.16	
Restructuring/Other	0.06	0.05		0.15	0.14	
Actelion acquisition related cost	0.02	0.09		0.07	0.16	
Contingent liability reversal	(0.07)	-		(0.07)	-	
AMO acquisition related cost	0.01	0.01		0.02	0.11	
Diabetes asset impairment	-	-		-	0.05	
Unrealized loss/(gain) on securities	-	-		-	-	

Impact of tax legislation	(0.10)	-		(0.09)	-	
Other	0.02	-		0.03	-	
<hr/>						
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				\$		
Diluted Net Earnings per share - as adjusted	\$ 2.05	1.90	7.9%	6.21	5.56	11.7%

Operational Diluted Net Earnings per share - as adjusted

at 2016 foreign currency exchange rates 1.85 5.57

Impact of currency at 2017 foreign currency exchange rates 0.03 0.05 (0.17) (0.01)

Operational Diluted Net Earnings per share - as adjusted

at 2017 foreign currency exchange rates \$ 2.08 1.90 9.5% \$ 6.04 5.56 8.6%

⁽¹⁾Includes \$23M recorded in cost of products sold and \$79M recorded in other (income) expense for the third quarter 2018. Includes \$73M recorded in cost of products sold

and \$213M recorded in other (income) expense for nine months 2018 YTD. Includes \$29M recorded in cost of products sold and \$89M recorded in other (income) expense for the

third quarter 2017. Includes \$46M recorded in cost of products sold and \$265M recorded in other (income) expense for nine months 2017 YTD.

(2)Includes foreign currency translation

Johnson & Johnson and Subsidiaries

Reconciliation of Non-GAAP Financial Measure

Operational Sales Growth Excluding Acquisitions and Divestitures

THIRD QUARTER 2018 ACTUAL vs. 2017 ACTUAL

Segments

	Consumer	Pharmaceutical	Medical Devices	Total
	Operational % ⁽¹⁾			
WW As Reported:	4.9%	8.2%	1.7%	5.5%
U.S.	6.6%	4.8%	0.3%	3.6%
International	3.7%	13.2%	3.0%	7.5%

Spine & Other

Codman Neuroscience			1.0	0.4
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U.S.			0.6	0.2
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International			1.4	0.5
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Wound Care / Other

Compeed		0.8		0.1
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U.S.		0.0		0.0
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International		1.3		0.3
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Beauty

Nizoral		0.5		0.1
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U.S.		0.3		0.0
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International		0.7		0.1
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All Other Acquisitions and Divestitures		(0.1)	0.0	0.2	0.0
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U.S.		(0.5)	0.0	0.3	0.1
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International		0.2	0.0	0.0	0.1
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WW Ops excluding Acquisitions and Divestitures	6.1%	8.2%	2.9%	6.1%
U.S.	6.4%	4.8%	1.2%	3.9%
International	5.9%	13.2%	4.4%	8.5%

⁽¹⁾Operational growth excludes the effect of translational currency

Johnson & Johnson and Subsidiaries

Reconciliation of Non-GAAP Financial Measure

Operational Sales Growth Excluding Acquisitions and Divestitures

NINE MONTHS 2018 ACTUAL vs. 2017 ACTUAL

Segments

	Consumer	Pharmaceutical	Medical Devices	Total
	Operational % ⁽¹⁾			
WW As Reported:	1.9%	13.4%	2.2%	7.5%

U.S.	2.3%	10.5%	1.2%	6.3%
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International	1.6%	17.5%	3.2%	8.6%
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Pulmonary Hypertension

Actelion		(4.3)		(2.0)
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U.S.		(4.7)		(2.5)
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International		(3.8)		(1.6)
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Cardiovascular / Metabolism / Other

Actelion		(0.2)		(0.1)
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U.S.		(0.1)		(0.1)
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International		(0.3)		(0.1)
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Spine & Other

Codman Neuroscience			1.0	0.4
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U.S.			0.6	0.3
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International			1.4	0.6
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Wound Care / Other

Compeed	0.9		0.2	
U.S.	0.0		0.0	
International	1.5		0.3	
Vision				
Vision Surgical & Eye Health Business			(1.0)	(0.4)
U.S.			(0.9)	(0.3)
International			(1.1)	(0.4)
Beauty				
Nizoral	0.2		0.0	
U.S.	0.1		0.0	
International	0.3		0.1	
All Other Acquisitions and Divestitures	0.0	0.0	0.1	0.0
U.S.	(0.1)	0.0	0.0	0.0
International	0.2	0.0	0.2	0.1

WW Ops excluding Acquisitions and Divestitures	3.0%	8.9%	2.3%	5.6%
U.S.	2.3%	5.7%	0.9%	3.7%
International	3.6%	13.4%	3.7%	7.6%

⁽¹⁾Operational growth excludes the effect of translational currency

REPORTED SALES vs. PRIOR PERIOD (\$MM)

	THIRD QUARTER					NINE MONTHS				
	% Change					% Change				
	<u>Operational</u>					<u>Operational</u>				
	<u>2018</u>	<u>2017</u>	<u>Reported</u>	<u>(1)</u>	<u>Currency</u>	<u>2018</u>	<u>2017</u>	<u>Reported</u>	<u>(1)</u>	<u>Currency</u>
<u>CONSUMER SEGMENT</u>										
<u>(2)</u>										
<u>BABY CARE</u>										
	\$	\$				\$	\$			
US	120	100	20.0%	20.0%	-	306	326	-6.1%	-6.1%	-
Intl	352	377	-6.6%	0.1%	-6.7%	1,079	1,100	-1.9%	-0.5%	-1.4%
WW	472	477	-1.0%	4.3%	-5.3%	1,385	1,426	-2.9%	-1.8%	-1.1%
<u>BEAUTY</u>										

US	543	523	3.8%	3.8%	-	1,791	1,739	3.0%	3.0%	-
Intl	535	510	4.9%	9.2%	-4.3%	1,480	1,351	9.5%	7.7%	1.8%
WW	1,078	1,033	4.4%	6.5%	-2.1%	3,271	3,090	5.9%	5.1%	0.8%
<u>ORAL CARE</u>										
US	158	154	2.6%	2.6%	-	472	460	2.6%	2.6%	-
Intl	226	228	-0.9%	3.6%	-4.5%	684	678	0.9%	-0.5%	1.4%
WW	384	382	0.5%	3.2%	-2.7%	1,156	1,138	1.6%	0.7%	0.9%
<u>OTC</u>										
US	440	401	9.7%	9.7%	-	1,359	1,310	3.7%	3.7%	-
Intl	608	601	1.2%	4.8%	-3.6%	1,827	1,711	6.8%	3.8%	3.0%
WW	1,048	1,002	4.6%	6.8%	-2.2%	3,186	3,021	5.5%	3.8%	1.7%
<u>WOMEN'S HEALTH</u>										
US	3	3	0.0%	0.0%	-	10	9	11.1%	11.1%	-
Intl	266	267	-0.4%	8.0%	-8.4%	782	779	0.4%	2.0%	-1.6%
WW	269	270	-0.4%	7.9%	-8.3%	792	788	0.5%	2.1%	-1.6%
<u>WOUND CARE / OTHER</u>										
US	106	104	1.9%	1.9%	-	344	342	0.6%	0.6%	-
Intl	58	88	-34.1%	-31.3%	-2.8%	183	257	-28.8%	-30.0%	1.2%

WW	164	192	-14.6%	-13.3%	-1.3%	527	599	-12.0%	-12.5%	0.5%
<u>TOTAL CONSUMER</u>										
US	1,370	1,285	6.6%	6.6%	-	4,282	4,186	2.3%	2.3%	-
Intl	2,045	2,071	-1.3%	3.7%	-5.0%	6,035	5,876	2.7%	1.6%	1.1%
WW	\$ 3,415	\$ 3,356	1.8%	4.9%	-3.1%	\$ 10,317	\$ 10,062	2.5%	1.9%	0.6%

See footnotes at end of
schedule

REPORTED SALES vs. PRIOR PERIOD (\$MM)

	THIRD QUARTER					NINE MONTHS				
	% Change					% Change				
	<u>Operational</u>					<u>Operational</u>				
	<u>2018</u>	<u>2017</u>	<u>Reported</u>	<u>(1)</u>	<u>Currency</u>	<u>2018</u>	<u>2017</u>	<u>Reported</u>	<u>(1)</u>	<u>Currency</u>
<u>PHARMACEUTICAL SEGMENT (2)(5)</u>										
<u>IMMUNOLOGY</u>										
US	\$ 2,400	\$ 2,420	-0.8%	-0.8%	-	\$ 6,717	\$ 6,644	1.1%	1.1%	-

Intl	998	849	17.6%	21.7%	-4.1%	3,061	2,514	21.8%	18.6%	3.2%
WW	3,398	3,269	3.9%	5.0%	-1.1%	9,778	9,158	6.8%	5.9%	0.9%
<u>REMICADE</u>										
US	987	1,206	-18.2%	-18.2%	-	2,821	3,452	-18.3%	-18.3%	-
US Exports ⁽³⁾	100	156	-35.9%	-35.9%	-	346	448	-22.8%	-22.8%	-
Intl	292	285	2.5%	8.2%	-5.7%	921	949	-3.0%	-3.9%	0.9%
WW	1,379	1,647	-16.3%	-15.3%	-1.0%	4,088	4,849	-15.7%	-15.9%	0.2%
<u>SIMPONI / SIMPONI ARIA</u>										
US	281	242	16.1%	16.1%	-	779	701	11.1%	11.1%	-
Intl	255	234	9.0%	13.5%	-4.5%	823	642	28.2%	25.3%	2.9%
WW	536	476	12.6%	14.8%	-2.2%	1,602	1,343	19.3%	17.9%	1.4%
<u>STELARA</u>										
US	889	800	11.1%	11.1%	-	2,460	2,027	21.4%	21.4%	-
Intl	421	324	29.9%	33.0%	-3.1%	1,252	903	38.6%	32.9%	5.7%
WW	1,310	1,124	16.5%	17.4%	-0.9%	3,712	2,930	26.7%	24.9%	1.8%
<u>OTHER IMMUNOLOGY</u>										
US	143	16	*	*	-	311	16	*	*	-
Intl	30	6	*	*	*	65	20	*	*	*

WW	173	22	*	*	*	376	36	*	*	*
<u>INFECTIOUS DISEASES</u>										
US	345	353	-2.3%	-2.3%	-	1,006	1,020	-1.4%	-1.4%	-
Intl	478	460	3.9%	7.4%	-3.5%	1,496	1,334	12.1%	8.1%	4.0%
WW	823	813	1.2%	3.2%	-2.0%	2,502	2,354	6.3%	4.0%	2.3%
<u>EDURANT / rilpivirine</u>										
US	13	15	-13.3%	-13.3%	-	42	44	-4.5%	-4.5%	-
Intl	189	179	5.6%	6.8%	-1.2%	581	478	21.5%	14.2%	7.3%
WW	202	194	4.1%	5.2%	-1.1%	623	522	19.3%	12.6%	6.7%
<u>PREZISTA / PREZCOBIX / REZOLSTA / SYMTUZA</u>										
US	297	287	3.5%	3.5%	-	847	824	2.8%	2.8%	-
Intl	193	180	7.2%	12.4%	-5.2%	613	527	16.3%	13.5%	2.8%
WW	490	467	4.9%	6.9%	-2.0%	1,460	1,351	8.1%	7.0%	1.1%
<u>OTHER INFECTIOUS DISEASES</u>										
US	35	51	-31.4%	-31.4%	-	117	152	-23.0%	-23.0%	-
Intl	96	101	-5.0%	-0.3%	-4.7%	302	329	-8.2%	-9.3%	1.1%
WW	131	152	-13.8%	-10.7%	-3.1%	419	481	-12.9%	-13.7%	0.8%

REPORTED SALES vs. PRIOR PERIOD (\$MM)

	THIRD QUARTER					NINE MONTHS				
	% Change					% Change				
	<u>2018</u>	<u>2017</u>	<u>Operational</u>		<u>Currency</u>	<u>2018</u>	<u>2017</u>	<u>Operational</u>		<u>Currency</u>
<u>Reported</u>			<u>(1)</u>	<u>Reported</u>				<u>(1)</u>		
<u>NEUROSCIENCE</u>										
US	651	647	0.6%	0.6%	-	1,914	1,931	-0.9%	-0.9%	-
Intl	839	851	-1.4%	2.1%	-3.5%	2,663	2,531	5.2%	2.3%	2.9%
WW	1,490	1,498	-0.5%	1.5%	-2.0%	4,577	4,462	2.6%	0.9%	1.7%
<u>CONCERTA/ methlyphenidate</u>										
US	57	100	-43.0%	-43.0%	-	191	284	-32.7%	-32.7%	-
Intl	100	98	2.0%	7.3%	-5.3%	322	304	5.9%	4.4%	1.5%
WW	157	198	-20.7%	-18.1%	-2.6%	513	588	-12.8%	-13.6%	0.8%
<u>INVEGA SUSTENNA/ XEPLION / TRINZA/ TREVICTA</u>										
US	468	395	18.5%	18.5%	-	1,306	1,154	13.2%	13.2%	-
Intl	281	248	13.3%	16.6%	-3.3%	859	722	19.0%	14.2%	4.8%

WW	749	643	16.5%	17.8%	-1.3%	2,165	1,876	15.4%	13.5%	1.9%
<u>RISPERDAL CONSTA</u>										
US	76	87	-12.6%	-12.6%	-	238	273	-12.8%	-12.8%	-
Intl	99	107	-7.5%	-4.0%	-3.5%	321	335	-4.2%	-7.3%	3.1%
WW	175	194	-9.8%	-7.9%	-1.9%	559	608	-8.1%	-9.8%	1.7%
<u>OTHER NEUROSCIENCE</u>										
US	50	65	-23.1%	-23.1%	-	179	220	-18.6%	-18.6%	-
Intl	359	398	-9.8%	-6.6%	-3.2%	1,161	1,170	-0.8%	-2.9%	2.1%
WW	409	463	-11.7%	-9.0%	-2.7%	1,340	1,390	-3.6%	-5.4%	1.8%
<u>ONCOLOGY</u>										
US	1,250	846	47.8%	47.8%	-	3,268	2,207	48.1%	48.1%	-
Intl	1,338	1,052	27.2%	31.2%	-4.0%	4,087	3,012	35.7%	30.9%	4.8%
WW	2,588	1,898	36.4%	38.6%	-2.2%	7,355	5,219	40.9%	38.1%	2.8%
<u>DARZALEX</u>										
US	318	230	38.3%	38.3%	-	880	643	36.9%	36.9%	-
Intl	180	87	*	*	*	561	228	*	*	*
WW	498	317	57.1%	60.0%	-2.9%	1,441	871	65.4%	63.6%	1.8%
<u>IMBRUVICA</u>										

US	334	230	45.2%	45.2%	-	811	622	30.4%	30.4%	-
Intl	371	282	31.6%	36.6%	-5.0%	1,101	749	47.0%	42.2%	4.8%
WW	705	512	37.7%	40.4%	-2.7%	1,912	1,371	39.5%	36.9%	2.6%
<u>VELCADE</u>										
US	-	-	-	-	-	-	-	-	-	-
Intl	271	273	-0.7%	1.8%	-2.5%	864	843	2.5%	-1.7%	4.2%
WW	271	273	-0.7%	1.8%	-2.5%	864	843	2.5%	-1.7%	4.2%
<u>ZYTIGA</u>										
US	527	352	49.7%	49.7%	-	1,420	826	71.9%	71.9%	-
Intl	431	317	36.0%	38.8%	-2.8%	1,292	924	39.8%	34.2%	5.6%
WW	958	669	43.2%	44.5%	-1.3%	2,712	1,750	55.0%	52.0%	3.0%
<u>OTHER ONCOLOGY</u>										
US	71	34	*	*	-	157	116	35.3%	35.3%	-
Intl	85	93	-8.6%	-4.7%	-3.9%	269	268	0.4%	-2.5%	2.9%
WW	156	127	22.8%	25.6%	-2.8%	426	384	10.9%	8.9%	2.0%
<u>PULMONARY HYPERTENSION⁽⁴⁾</u>										
US	425	371	14.6%	14.6%	-	1,215	408	*	*	-
Intl	231	261	-11.5%	-8.9%	-2.6%	691	309	*	*	*

WW	656	632	3.8%	4.9%	-1.1%	1,906	717	*	*	*
<u>OPSUMIT</u>										
US	182	150	21.3%	21.3%	-	511	174	*	*	-
Intl	128	109	17.4%	20.9%	-3.5%	381	130	*	*	*
WW	310	259	19.7%	21.2%	-1.5%	892	304	*	*	*
<u>TRACLEER</u>										
US	69	83	-16.9%	-16.9%	-	208	85	*	*	-
Intl	70	127	-44.9%	-43.6%	-1.3%	214	151	41.7%	37.5%	4.2%
WW	139	210	-33.8%	-33.0%	-0.8%	422	236	78.8%	76.1%	2.7%
<u>UPTRAVI</u>										
US	154	113	36.3%	36.3%	-	433	121	*	*	-
Intl	17	11	54.5%	57.3%	-2.8%	49	12	*	*	*
WW	171	124	37.9%	38.1%	-0.2%	482	133	*	*	*
<u>OTHER</u>										
US	20	25	-20.0%	-20.0%	-	63	28	*	*	-
Intl	16	14	14.3%	21.2%	-6.9%	47	16	*	*	*
WW	36	39	-7.7%	-5.2%	-2.5%	110	44	*	*	*
<u>CARDIOVASCULAR / METABOLISM /</u>										

OTHER										
US	1,026	1,179	-13.0%	-13.0%	-	3,230	3,488	-7.4%	-7.4%	-
Intl	365	406	-10.1%	-6.5%	-3.6%	1,196	1,177	1.6%	-1.1%	2.7%
WW	1,391	1,585	-12.2%	-11.3%	-0.9%	4,426	4,665	-5.1%	-5.8%	0.7%
XARELTO										
US	612	635	-3.6%	-3.6%	-	1,869	1,790	4.4%	4.4%	-
Intl	-	-	-	-	-	-	-	-	-	-
WW	612	635	-3.6%	-3.6%	-	1,869	1,790	4.4%	4.4%	-
INVOKANA / INVOKAMET										
US	150	220	-31.8%	-31.8%	-	523	723	-27.7%	-27.7%	-
Intl	40	45	-11.1%	-6.7%	-4.4%	130	121	7.4%	4.8%	2.6%
WW	190	265	-28.3%	-27.6%	-0.7%	653	844	-22.6%	-23.0%	0.4%
PROCRIT / EPREX										
US	178	168	6.0%	6.0%	-	523	511	2.3%	2.3%	-
Intl	77	70	10.0%	12.8%	-2.8%	244	229	6.6%	2.9%	3.7%
WW	255	238	7.1%	7.9%	-0.8%	767	740	3.6%	2.4%	1.2%
OTHER										
US	86	156	-44.9%	-44.9%	-	315	464	-32.1%	-32.1%	-
Intl	248	291	-14.8%	-11.1%	-3.7%	822	827	-0.6%	-3.1%	2.5%

WW	334	447	-25.3%	-22.9%	-2.4%	1,137	1,291	-11.9%	-13.5%	1.6%
<u>TOTAL PHARMACEUTICAL</u>										
US	6,097	5,816	4.8%	4.8%	-	17,350	15,698	10.5%	10.5%	-
Intl	4,249	3,879	9.5%	13.2%	-3.7%	13,194	10,877	21.3%	17.5%	3.8%
WW	\$ 10,346	\$ 9,695	6.7%	8.2%	-1.5%	\$ 30,544	\$ 26,575	14.9%	13.4%	1.5%

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	<u>2018</u>	<u>2017</u>	<u>Reported</u>	<u>(1)</u>	<u>Currency</u>	<u>2018</u>	<u>2017</u>	<u>Reported</u>	<u>(1)</u>	<u>Currency</u>
<u>MEDICAL DEVICES SEGMENT (2)(5)</u>										
<u>DIABETES CARE</u>										
US	\$ 125	\$ 168	-25.6%	-25.6%	-	\$ 371	\$ 482	-23.0%	-23.0%	-
Intl	190	237	-19.8%	-16.0%	-3.8%	638	743	-14.1%	-16.3%	2.2%
WW	315	405	-22.2%	-20.0%	-2.2%	1,009	1,225	-17.6%	-19.0%	1.4%

<u>DIAGNOSTICS</u>										
US	-	-	-	-	-	-	-	-	-	-
Intl	-	-	-	-	-	-	1	*	*	*
WW	-	-	-	-	-	-	1	*	*	*
<u>INTERVENTIONAL SOLUTIONS</u>										
US	320	279	14.7%	14.7%	0.0%	947	843	12.3%	12.3%	-
Intl	333	274	21.5%	24.1%	-2.6%	1,013	832	21.8%	17.5%	4.3%
WW	653	553	18.1%	19.4%	-1.3%	1,960	1,675	17.0%	14.9%	2.1%
<u>ORTHOPAEDICS</u>										
US	1,284	1,308	-1.8%	-1.8%	-	3,923	4,034	-2.8%	-2.8%	-
Intl	827	896	-7.7%	-4.4%	-3.3%	2,700	2,738	-1.4%	-4.6%	3.2%
WW	2,111	2,204	-4.2%	-2.9%	-1.3%	6,623	6,772	-2.2%	-3.5%	1.3%
<u>HIPS</u>										
US	201	195	3.1%	3.1%	-	621	612	1.5%	1.5%	-
Intl	129	133	-3.0%	1.0%	-4.0%	432	418	3.3%	0.1%	3.2%
WW	330	328	0.6%	2.2%	-1.6%	1,053	1,030	2.2%	0.9%	1.3%
<u>KNEES</u>										

US	215	220	-2.3%	-2.3%	-	672	702	-4.3%	-4.3%	-
Intl	126	123	2.4%	6.8%	-4.4%	438	424	3.3%	0.2%	3.1%
WW	341	343	-0.6%	1.0%	-1.6%	1,110	1,126	-1.4%	-2.6%	1.2%
<u>TRAUMA</u>										
US	395	398	-0.8%	-0.8%	-	1,196	1,179	1.4%	1.4%	-
Intl	259	264	-1.9%	1.0%	-2.9%	829	768	7.9%	4.4%	3.5%
WW	654	662	-1.2%	0.0%	-1.2%	2,025	1,947	4.0%	2.6%	1.4%
<u>SPINE & OTHER</u>										
US	473	495	-4.4%	-4.4%	-	1,434	1,541	-6.9%	-6.9%	-
Intl	313	376	-16.8%	-13.9%	-2.9%	1,001	1,128	-11.3%	-14.3%	3.0%
WW	786	871	-9.8%	-8.6%	-1.2%	2,435	2,669	-8.8%	-10.1%	1.3%
<u>SURGERY</u>										
US	1,016	1,002	1.4%	1.4%	-	3,031	3,009	0.7%	0.7%	-
Intl	1,360	1,344	1.2%	5.6%	-4.4%	4,283	3,992	7.3%	5.0%	2.3%
WW	2,376	2,346	1.3%	3.8%	-2.5%	7,314	7,001	4.5%	3.2%	1.3%
<u>ADVANCED</u>										
US	421	398	5.8%	5.8%	-	1,216	1,190	2.2%	2.2%	-
Intl	555	525	5.7%	10.0%	-4.3%	1,731	1,543	12.2%	9.5%	2.7%

WW	976	923	5.7%	8.1%	-2.4%	2,947	2,733	7.8%	6.3%	1.5%
<u>GENERAL</u>										
US	423	430	-1.6%	-1.6%	-	1,282	1,276	0.5%	0.5%	-
Intl	657	675	-2.7%	1.6%	-4.3%	2,094	2,017	3.8%	1.5%	2.3%
WW	1,080	1,105	-2.3%	0.3%	-2.6%	3,376	3,293	2.5%	1.1%	1.4%
<u>SPECIALTY</u>										
US	172	174	-1.1%	-1.1%	-	533	543	-1.8%	-1.8%	-
Intl	148	144	2.8%	7.9%	-5.1%	458	432	6.0%	4.9%	1.1%
WW	320	318	0.6%	2.9%	-2.3%	991	975	1.6%	1.1%	0.5%
<u>VISION</u>										
US	452	432	4.6%	4.6%	-	1,351	1,142	18.3%	18.3%	-
Intl	680	659	3.2%	6.2%	-3.0%	2,069	1,802	14.8%	12.6%	2.2%
WW	1,132	1,091	3.8%	5.6%	-1.8%	3,420	2,944	16.2%	14.9%	1.3%
<u>CONTACT LENSES / OTHER</u>										
US	319	302	5.6%	5.6%	-	948	832	13.9%	13.9%	-
Intl	516	498	3.6%	6.4%	-2.8%	1,538	1,404	9.5%	7.4%	2.1%
WW	835	800	4.4%	6.2%	-1.8%	2,486	2,236	11.2%	9.9%	1.3%
<u>SURGICAL</u>										

US	133	130	2.3%	2.3%	-	403	310	30.0%	30.0%	-
Intl	164	161	1.9%	5.5%	-3.6%	531	398	33.4%	31.0%	2.4%
WW	297	291	2.1%	4.1%	-2.0%	934	708	31.9%	30.5%	1.4%
<u>TOTAL MEDICAL DEVICES</u>										
US	3,197	3,189	0.3%	0.3%	-	9,623	9,510	1.2%	1.2%	-
Intl	3,390	3,410	-0.6%	3.0%	-3.6%	10,703	10,108	5.9%	3.2%	2.7%
WW	\$ 6,587	\$ 6,599	-0.2%	1.7%	-1.9%	\$ 20,326	\$ 19,618	3.6%	2.2%	1.4%

* Percentage greater than 100% or not meaningful

(1) Operational growth excludes the effect of translational currency

(2) Unaudited

(3) Reported as U.S. sales

(4) Products acquired from Actelion acquisition on June 16, 2017

(5) Prior year amounts have been reclassified to conform to current year product disclosure



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