

Johnson & Johnson and Subsidiaries

Reconciliation of Non-GAAP Financial Measures

(Dollars in Millions Except Per Share Data)	Fourth Quarter		Twelve Months Ended	
	2020	2019	2020	2019
Net Earnings, after tax- as reported	\$1,738	\$4,010	\$14,714	\$15,119
<i>Pre-tax Adjustments</i>				
Intangible Asset Amortization expense	1,234	1,142	4,660	4,528
Litigation expense, net	2,902	264	5,112	5,096
IPR&D	37	-	181	890
Restructuring related	85	251	448	611
Acquisition and Integration related ¹	14	90	(1,073)	319
Unrealized (gains)/losses on securities	(373)	(350)	(547)	(567)
Medical Device Regulation ²	55	-	144	-
Other	-	13	6	20
<i>Tax Adjustments</i>				
Tax impact on special item adjustments ³	(606)	(123)	(1,608)	(1,977)
Tax legislation and other tax related	(121)	(270)	(604)	(729)
Adjusted Net Earnings, after tax	\$4,965	\$5,027	\$21,433	\$23,310
Average shares outstanding (Diluted)	2,669.2	2,669.1	2,670.7	2,684.3
Adjusted net earnings per share (Diluted)	\$1.86	\$1.88	\$8.03	\$8.68
Operational adjusted net earnings per share (Diluted)	\$1.82		\$8.00	

Notes:

¹ Acquisition and integration related costs for 2020 primarily includes a Contingent Consideration reversal of \$1,148M 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 on-going 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.

Prior year amounts have been reclassified to conform to current year disclosure

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

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

	Segments			
	<u>Consumer Health</u>	<u>Pharmaceutical</u>	<u>Medical Devices</u>	<u>Total</u>
WW As Reported	1.4%	16.3%	(0.7)%	8.3%
U.S.	2.7%	15.3%	1.5%	9.6%
International	0.5%	17.7%	(2.6)%	7.0%
WW Currency	(0.6)	1.7	1.5	1.2
U.S.	-	-	-	-
International	(1.0)	4.2	2.9	2.7
WW Operational	2.0%	14.6%	(2.2)%	7.1%
U.S.	2.7%	15.3%	1.5%	9.6%
International	1.5%	13.5%	(5.5)%	4.3%
General Surgery				
<i>Advanced Sterilization Products</i>			0.6	0.2
U.S.			0.0	0.0
International			1.0	0.4
All Other Acquisitions and Divestitures	0.1	0.0	0.1	0.1
U.S.	0.1	(0.1)	0.2	0.0
International	0.1	0.2	0.0	0.1
WW Adjusted Operational	2.1%	14.6%	(1.5)%	7.3%
U.S.	2.8%	15.2%	1.7%	9.6%
International	1.6%	13.7%	(4.4)%	4.8%

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

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

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

Segments				
	Consumer Health	Pharmaceutical	Medical Devices	Total
WW As Reported	1.1%	8.0%	(11.6)%	0.6%
U.S.	9.0%	7.8%	(10.9)%	2.5%
International	(4.6)%	8.3%	(12.2)%	(1.3)%
WW Currency	(1.9)	(0.2)	(0.2)	(0.6)
U.S.	-	-	-	-
International	(3.3)	(0.5)	(0.4)	(1.1)
WW Operational	3.0%	8.2%	(11.4)%	1.2%
U.S.	9.0%	7.8%	(10.9)%	2.5%
International	(1.3)%	8.8%	(11.8)%	(0.2)%
Skin Health / Beauty				
<i>Dr. Ci Labo - Japan</i>	(0.1)			0.0
U.S.	0.0			0.0
International	(0.2)			0.0
General Surgery				
<i>Advanced Sterilization Products</i>			0.8	0.3
U.S.			0.6	0.2
International			1.0	0.4
Baby Care				
<i>Baby Center</i>	0.2			0.0
U.S.	0.5			0.1
International	0.0			0.0
All Other Acquisitions and Divestitures	0.0	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	3.1%	8.4%	(10.5)%	1.5%
U.S.	9.5%	7.8%	(10.2)%	2.8%
International	(1.5)%	9.1%	(10.9)%	0.2%

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

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Reconciliation of Non-GAAP Financial Measures

Q4 YTD - Income Before Tax by Segment*
Dollars in Millions

	Consumer Health		Pharmaceutical		Medical Devices		Unallocated		Worldwide Total	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Reported Income/(Loss) Before Tax by Segment	\$ (1,064)	2,061	15,462	8,816	3,044	7,286	(945)	(835)	16,497	17,328
% to Sales	-7.6%	14.8%	33.9%	20.9%	13.3%	28.1%	-1.1%	-1.0%	20.0%	21.1%
Intangible asset amortization expense	415	392	3,246	3,151	999	985	-	-	4,660	4,528
In-process research and development	-	-	10	890	171	-	-	-	181	890
Litigation expense, net	3,931	393	834	4,331	347	372	-	-	5,112	5,096
Unrealized loss/(gain) on securities	-	(1)	(545)	(572)	(2)	6	-	-	(547)	(567)
Restructuring related	68	123	94	93	286	395	-	-	448	611
Acquisition and integration related	-	-	20	185	(1,093)	134	-	-	(1,073)	319
Medical Device Regulation	-	-	-	-	144	-	-	-	144	-
Other	-	-	-	-	6	20	-	-	6	20
Adjusted Income Before Tax by Segment	\$ <u>3,350</u>	<u>2,968</u>	<u>19,121</u>	<u>16,894</u>	<u>3,902</u>	<u>9,198</u>	<u>(945)</u>	<u>(835)</u>	<u>25,428</u>	<u>28,225</u>
% to Sales	23.8%	21.4%	42.0%	40.0%	17.0%	35.4%	-1.1%	-1.0%	30.8%	34.4%

*Estimated as of 1/26/2021.

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

Quarter to Date

	Fourth Quarter Jan. 3, 2021 GAAP	Intangible asset amortization	Litigation expense, net	In-process research and development	Restructuring related	Acquisition related	Unrealized (loss)/gain on securities	Medical Device Regulation	Tax legislation and other tax related	Other	Fourth Quarter Jan. 3, 2021 Non-GAAP
Cost of products sold	\$ 7,814	(1,225)			(20)			(19)			6,550
Selling, marketing and admin expenses	6,457							(7)			6,450
Research and development expense	4,032					-		(29)			4,003
Other (Income) / Expense	2,354	(9)	(2,902)		(5)	(14)	373			-	(203)
In-process research and development	37			(37)							-
Restructuring	60				(60)						-
Provision for/(Benefit from) taxes on income	(91)	(46)	682	6	16	3	(66)	11	121	-	636
Net Earnings	1,738	1,280	2,220	31	69	11	(307)	44	(121)	-	4,965
	Fourth Quarter Dec. 29, 2019 GAAP	Intangible asset amortization	Litigation expense, net	In-process research and development	Restructuring related	Acquisition related	Unrealized (loss)/gain on securities	Medical Device Regulation	Tax legislation and other tax related	Other	Fourth Quarter Dec. 29, 2019 Non-GAAP
Cost of products sold	\$ 7,134	(1,124)			(70)						5,940
Research and development expense	3,232					(47)					3,185
Other (Income) / Expense	16	(18)	(264)		(77)	(43)	350			(13)	(49)
Restructuring	104				(104)						-
Provision for taxes on income	208	134	13		37	8	(73)		270	4	601
Net Earnings	4,010	1,008	251		214	82	(277)		(270)	9	5,027

Year to Date

	Twelve Months Jan. 3, 2021 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 other tax related	Other	Twelve Months Jan. 3, 2021 Non-GAAP
Cost of products sold	\$ 28,427	(4,651)			(89)			(59)			23,628
Selling, marketing and admin expenses	22,084							(17)			22,067
Research and development expense	12,159							(68)			12,091
Other (Income) / Expense	2,899	(9)	(5,112)		(112)	1,073	547			(6)	(720)
In-process research and development	181			(181)							-
Restructuring	247				(247)						-
Provision for taxes on income	1,783	504	1,055	36	81	13	(108)	27	604	-	3,995
Net Earnings	14,714	4,156	4,057	145	367	(1,086)	(439)	117	(604)	6	21,433
	Twelve Months Dec. 29, 2019 GAAP	Intangible asset amortization	Litigation expense, net	In-process research and development	Restructuring related	Acquisition related	Unrealized (loss)/gain on securities	Medical Device Regulation	Tax legislation and other tax related	Other	Twelve Months Dec. 29, 2019 Non-GAAP
Cost of products sold	\$ 27,556	(4,472)			(151)						22,933
Research and development expense	11,355					(47)					11,308
Other (Income) / Expense	2,525	(56)	(5,096)		(194)	(272)	567			(20)	(2,546)
In-process research and development	890			(890)							-
Restructuring	266				(266)						-
Provision for taxes on income	2,209	684	1,081	187	100	39	(119)		729	5	4,915
Net Earnings	15,119	3,844	4,015	703	511	280	(448)		(729)	15	23,310

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

Prior year amounts have been reclassified to conform to current year presentation