Johnson & Johnson

# Fourth Quarter 1998 Results

New Brunswick, NJ (January 26, 1999) -- Johnson & Johnson today announced sales for the fourth quarter of 1998 of $6.4 billion, an increase of 13.1% over sales of $5.6 billion for the same period last year. Domestic sales were up 14.2% while international sales increased 11.8%. Worldwide sales for the year 1998 were $23.7 billion, an increase of 4.5% over 1997 sales of $22.6 billion. Earnings per share, before special charges, were $2.67 for the year, compared with $2.41 per share in 1997, an increase of 10.8%.

For the fourth quarter of 1998, the Company reported earnings per share, before special charges, of $.50, an increase of 11.1% compared with $.45 for the same period in 1997. Consolidated net earnings, before special charges, were $693 million, compared with $630 million for the same period a year ago, an increase of 10.0%.

Consolidated net earnings for the year, before special charges, were $3.7 billion, an increase of 11.1% over $3.3 billion in 1997. The net income margin for 1998, excluding the impact of these charges, was a record 15.5%, up from 14.6% in 1997.

Ralph S. Larsen, Chairman and Chief Executive Officer, said: "I am particularly pleased to end the year with our strongest sales performance of 1998. I'm also pleased with our ability to continue to deliver double-digit earnings growth and improved operating margins, despite a year of severe economic turmoil and protracted negative currency impact. We managed through these challenges and took several important strategic initiatives in 1998 to better position Johnson & Johnson for future growth in sales, earnings and shareowner value."

During the fourth quarter, the Company announced an initiative to reconfigure its global network of manufacturing. The Company took special charges against fourth quarter earnings of $610 million after-tax to account for the costs of its planned reconfiguration, including write-downs and write-offs of assets no longer providing economic benefit to the Company, as well as for in-process research and development costs primarily associated with the recent acquisition of DePuy, Inc. "This strategic initiative will help improve productivity and efficiency and allow us to continue to fund important new research and development opportunities across our pharmaceutical, professional and consumer business segments," said Mr. Larsen. The charges reduced earnings per share for the fourth quarter and full year to $.06 and $2.23, respectively. Consolidated net earnings, after special charges, for the fourth quarter and full year were reduced to $83 million and $3.1 billion, respectively.

Worldwide Pharmaceutical sales of $8.6 billion for 1998 increased 11.3% over 1997, including 21.4% growth in domestic sales. International sales increased .9%. Sales gains in local currency of 5.7% were partially offset by a negative currency impact of 4.8%. Worldwide growth reflects the strong performance of RISPERDAL, an antipsychotic medication; PROCRIT, for the treatment of anemia; DURAGESIC, a transdermal patch for chronic pain; LEVAQUIN, an anti-infective, and the oral contraceptive line of products. At year-end 1998, the Company received approval from the FDA for LEVAQUIN for the additional indication of uncomplicated urinary tract infection.

Worldwide sales of $8.6 billion in the Professional segment represented an increase of 1.6% over 1997. Domestic sales were down 2.4%, while international sales gains in local currency of 10.7% were partially offset by the strength of the U.S. dollar. Strong sales growth from Ethicon Endo-Surgery's laparoscopy and mechanical closure products, Ethicon's Mitek suture anchors and Gynecare's women's health products, and the acquisition of DePuy's orthopaedic products were offset by a decline in sales of Cordis' coronary stents.

During the fourth quarter, the Company completed the acquisition of DePuy, one of the world's leading orthopaedic products companies with products in reconstructive, spinal, trauma, and sports medicine. "This acquisition has transformed us into a leading player in the $9 billion orthopaedic market," Mr. Larsen said. "The excellent product synergies of both organizations have created a solid platform for ongoing growth." The Company also completed the acquisition of FemRx, a leader in the development of proprietary surgical systems that enable surgeons to perform less invasive alternatives to hysterectomy.

At year-end 1998, two new Cordis products were approved for marketing by the FDA. The S.M.A.R.T. stent, a self-expanding, crush-recoverable nitinol stent was approved for use in treating biliary obstructions. Its nitinol alloy design allows for precise placement and flexibility in reaching lesions, even through very tortuous vessels. In addition, the NINJA balloon was approved in the U.S. for use in angioplasty procedures. Initial market acceptance has been strong.

Worldwide Consumer sales for 1998 were $6.5 billion, an increase of .4% over 1997. Domestic sales increased by 2.6% while international sales declined by 1.7%. International sales gains in local currency of 5.2% were offset by a negative currency impact of 6.9%. Consumer sales were led by continued strength in the skin care franchise, which includes the NEUTROGENA, RoC and CLEAN & CLEAR product lines, as well as strong performances from the adult and children's MOTRIN line of analgesic products. During the fourth quarter, the Company announced the signing of a definitive agreement to acquire the dermatological skin care business of S.C. Johnson & Son, Inc., consisting of the AVEENO brand specialty soaps, bath, anti-itch and moisturizing cream and lotion products.

The Company continued to improve operating margins in 1998. Gross Profit margin, excluding special charges, improved from 68.4% to 68.6%; while Selling, Marketing and Administrative expenses as a percent of sales dropped from 38.5% to 37.7%.

In 1998, investment in research and development reached $2.3 billion, or 9.6% of sales, an increase of $129 million from 1997. "Our commitment to research and development has never been stronger," said Mr. Larsen. "One of the keys to our growth in the next century is investing in new opportunities."

The Company increased its quarterly dividend in 1998 for the 36th consecutive year, from $.22 per quarter in 1997 to $.25 per quarter, an increase of 13.6%.

Johnson & Johnson, with approximately 93,100 employees, is the world's most comprehensive and broadly-based manufacturer of health care products, as well as a provider of related services, for the consumer, pharmaceutical and professional markets. Johnson & Johnson has more than 180 operating companies in 51 countries around the world, selling products in more than 175 countries.

(This press release contains "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. These statements are based on current expectations, forecasts and assumptions that are subject to risks and uncertainties which could cause actual outcomes and results to differ materially from these statements. Risks and uncertainties include general industry and market conditions; general domestic and international economic conditions, such as interest rate and currency exchange rate fluctuations; technological advances and patents attained by competitors; challenges inherent in new product development, including obtaining regulatory approvals; domestic and foreign health care reforms; trends toward managed care and health care cost containment, and governmental laws and regulations affecting domestic and foreign operations. A further list and description of these risks, uncertainties and other factors can be found in Item 2 of the Company's Quarterly Report on Form 10-Q for the quarter ended September 27, 1998. Copies of this Form 10-Q are available on request from the Company. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.)