

JOHNSON & JOHNSON AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

At December 31, 2017 and January 1, 2017

(Dollars in Millions Except Share and Per Share Amounts) (Note 1)

	2017	2016
Assets		
Current assets		
Cash and cash equivalents (Notes 1 and 2)	\$17,824	18,972
Marketable securities (Notes 1 and 2)	472	22,935
Accounts receivable trade, less allowances for doubtful accounts \$291 (2016, \$252)	13,490	11,699
Inventories (Notes 1 and 3)	8,765	8,144
Prepaid expenses and other receivables	2,537	3,282
Total current assets	43,088	65,032
Property, plant and equipment, net (Notes 1 and 4)	17,005	15,912
Intangible assets, net (Notes 1 and 5)	53,228	26,876
Goodwill (Notes 1 and 5)	31,906	22,805
Deferred taxes on income (Note 8)	7,105	6,148
Other assets	4,971	4,435
Total assets	\$157,303	141,208
Liabilities and Shareholders' Equity		
Current liabilities		
Loans and notes payable (Note 7)	\$3,906	4,684
Accounts payable	7,310	6,918
Accrued liabilities	7,304	5,635
Accrued rebates, returns and promotions	7,210	5,403
Accrued compensation and employee related obligations	2,953	2,676
Accrued taxes on income (Note 8)	1,854	971
Total current liabilities	30,537	26,287
Long-term debt (Note 7)	30,675	22,442
Deferred taxes on income (Note 8)	8,368	2,910
Employee related obligations (Notes 9 and 10)	10,074	9,615
Long-term taxes payable (Note 8)	8,472	–
Other liabilities	9,017	9,536
Total liabilities	97,143	70,790
Shareholders' equity		
Preferred stock – without par value (authorized and unissued 2,000,000 shares)	–	–
Common stock – par value \$1.00 per share (Note 12) (authorized 4,320,000,000 shares; issued 3,119,843,000 shares)	3,120	3,120
Accumulated other comprehensive income (loss) (Note 13)	(13,199)	(14,901)
Retained earnings	101,793	110,551
	91,714	98,770
Less: common stock held in treasury, at cost (Note 12) (437,318,000 shares and 413,332,000 shares)	31,554	28,352
Total shareholders' equity	60,160	70,418
Total liabilities and shareholders' equity	\$157,303	141,208

See Notes to Consolidated Financial Statements

JOHNSON & JOHNSON AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS

(Dollars and Shares in Millions Except Per Share Amounts) (Note 1)

	2017	2016	2015
Sales to customers	\$76,450	71,890	70,074
Cost of products sold	25,354	21,685	21,536
Gross profit	51,096	50,205	48,538
Selling, marketing and administrative expenses	21,420	19,945	21,203
Research and development expense	10,554	9,095	9,046
In-process research and development	408	29	224
Interest income	(385)	(368)	(128)
Interest expense, net of portion capitalized (Note 4)	934	726	552
Other (income) expense, net	183	484	(2,064)
Restructuring (Note 22)	309	491	509
Earnings before provision for taxes on income	17,673	19,803	19,196
Provision for taxes on income (Note 8)	16,373	3,263	3,787
Net earnings	\$1,300	16,540	15,409
Net earnings per share (Notes 1 and 15)			
Basic	\$0.48	6.04	5.56
Diluted	\$0.47	5.93	5.48
Cash dividends per share	\$3.32	3.15	2.95
Average shares outstanding (Notes 1 and 15)			
Basic	2,692.0	2,737.3	2,771.8
Diluted	2,745.3	2,788.9	2,812.9

See Notes to Consolidated Financial Statements

JOHNSON & JOHNSON AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in Millions) (Note 1)

	2017	2016	2015
Cash flows from operating activities			
Net earnings	\$1,300	16,540	15,409
Adjustments to reconcile net earnings to cash flows from operating activities:			
Depreciation and amortization of property and intangibles	5,642	3,754	3,746
Stock based compensation	962	878	874
Venezuela adjustments	—	—	122
Asset write-downs	795	283	624
Net gain on sale of assets/businesses	(1,307)	(563)	(2,583)
Deferred tax provision	2,406	(341)	(270)
Accounts receivable allowances	17	(11)	18
Changes in assets and liabilities, net of effects from acquisitions and divestitures:			
Increase in accounts receivable	(633)	(1,065)	(433)
Decrease/(Increase) in inventories	581	(249)	(449)
Increase in accounts payable and accrued liabilities	2,725	656	287
Increase in other current and non-current assets	(411)	(529)	(103)
Increase/(Decrease) in other current and non-current liabilities	8,979	(586)	2,327
Net cash flows from operating activities	21,056	18,767	19,569
Cash flows from investing activities			
Additions to property, plant and equipment	(3,279)	(3,226)	(3,463)
Proceeds from the disposal of assets/businesses, net	1,832	1,267	3,464
Acquisitions, net of cash acquired (Note 20)	(35,151)	(4,509)	(954)
Purchases of investments	(6,153)	(33,950)	(40,828)
Sales of investments	28,117	35,780	34,149
Other (primarily intangibles)	(234)	(123)	(103)
Net cash used by investing activities	(14,868)	(4,761)	(7,735)
Cash flows from financing activities			
Dividends to shareholders	(8,943)	(8,621)	(8,173)
Repurchase of common stock	(6,358)	(8,979)	(5,290)
Proceeds from short-term debt	869	111	2,416
Retirement of short-term debt	(1,330)	(2,017)	(1,044)
Proceeds from long-term debt, net of issuance costs	8,992	12,004	75
Retirement of long-term debt	(1,777)	(2,223)	(68)
Proceeds from the exercise of stock options/employee withholding tax on stock awards, net	1,062	1,189	1,005
Other	(188)	(15)	(57)
Net cash used by financing activities	(7,673)	(8,551)	(11,136)
Effect of exchange rate changes on cash and cash equivalents	337	(215)	(1,489)
(Decrease)/Increase in cash and cash equivalents	(1,148)	5,240	(791)
Cash and cash equivalents, beginning of year (Note 1)	18,972	13,732	14,523
Cash and cash equivalents, end of year (Note 1)	\$17,824	18,972	13,732
Supplemental cash flow data			
Cash paid during the year for:			
Interest	\$960	730	617
Interest, net of amount capitalized	866	628	515
Income taxes	3,312	2,843	2,865
Supplemental schedule of non-cash investing and financing activities			
Treasury stock issued for employee compensation and stock option plans, net of cash proceeds/ employee withholding tax on stock awards	\$2,062	2,043	1,486
Conversion of debt	16	35	16
Acquisitions			
Fair value of assets acquired	\$36,937	4,586	1,174
Fair value of liabilities assumed and noncontrolling interests	(1,786)	(77)	(220)
Net cash paid for acquisitions	\$35,151	4,509	954

See Notes to Consolidated Financial Statements