

JOHNSON & JOHNSON  
Form 10-Q  
November 04, 2008

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended September 28, 2008

or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from to

Commission file number 1-3215

(Exact name of registrant as specified in its charter)

**NEW JERSEY**  
(State or other jurisdiction of incorporation or organization)

22-1024240  
(I.R.S. Employer Identification No.)

One Johnson & Johnson Plaza  
New Brunswick, New Jersey 08933  
(Address of principal executive offices)

Registrant's telephone number, including area code (732) 524-0400

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

On October 26, 2008 2,774,568,107 shares of Common Stock, \$1.00 par value, were outstanding.

1

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JOHNSON & JOHNSON AND SUBSIDIARIES

TABLE OF CONTENTS

Part I - Financial Information	Page No.
Item 1. Financial Statements (unaudited)	
Consolidated Balance Sheets - September 28, 2008 and December 30, 2007	3
Consolidated Statements of Earnings for the Fiscal Third Quarters Ended September 28, 2008 and September 30, 2007	5
Consolidated Statements of Earnings for the Fiscal Nine Months Ended September 28, 2008 and September 30, 2007	6
Consolidated Statements of Cash Flows for the Fiscal Nine Months Ended September 28, 2008 and September 30, 2007	7
Notes to Consolidated Financial Statements	9
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	33
Item 3. Quantitative and Qualitative Disclosures About Market Risk	46
Item 4. Controls and Procedures	46
Part II - Other Information	
Item 1 - Legal Proceedings	47
Item 2 – Unregistered Sales of Equity Securities and Use of Proceeds	47
Item 6 - Exhibits	48
Signatures	49

## Part I - FINANCIAL INFORMATION

## Item 1 – FINANCIAL STATEMENTS

JOHNSON & JOHNSON AND SUBSIDIARIES  
 CONSOLIDATED BALANCE SHEETS  
 (Unaudited; Dollars in Millions)

## ASSETS

	September 28, 2008	December 30, 2007
Current assets:		
Cash & cash equivalents	\$ 14,018	\$ 7,770
Marketable securities	781	1,545
Accounts receivable, trade, less allowances for doubtful accounts \$254 (2007,\$193)	10,156	9,444
Inventories (Note 4)	5,473	5,110
Deferred taxes on income	2,584	2,609
Prepaid expenses and other receivables	3,578	3,467
Total current assets	36,590	29,945
Marketable securities, non-current	2	2
Property, plant and equipment at cost	27,601	26,466
Less: accumulated depreciation	(13,246)	(12,281)
Property, plant and equipment, net	14,355	14,185
Intangible assets, net (Note 5)	14,296	14,640
Goodwill, net (Note 5)	14,275	14,123
Deferred taxes on income	5,191	4,889
Other assets	3,015	3,170
Total assets	\$ 87,724	\$ 80,954

See Notes to Consolidated Financial Statements



JOHNSON & JOHNSON AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(Unaudited; Dollars in Millions)

LIABILITIES AND SHAREHOLDERS' EQUITY

	September 28, 2008	December 30, 2007
Current liabilities:		
Loans and notes payable	\$ 6,245	\$ 2,463
Accounts payable	6,384	6,909
Accrued liabilities	5,521	6,412
Accrued rebates, returns and promotions	2,609	2,318
Accrued salaries, wages and commissions	1,513	1,512
Accrued taxes on income	458	223
Total current liabilities	22,730	19,837
Long-term debt	8,395	7,074
Deferred taxes on income	1,384	1,493
Employee related obligations	5,533	5,402
Other liabilities	3,948	3,829
Total liabilities	41,990	37,635
Shareholders' equity:		
Common stock – par value \$1.00 per share (authorized 4,320,000,000 shares; issued 3,119,842,548 shares)	3,120	3,120
Accumulated other comprehensive income (Note 8)	(930)	(693)
Retained earnings	61,878	55,280
Less: common stock held in treasury, at cost (339,515,000 and 279,620,000 shares)	18,334	14,388
Total shareholders' equity	45,734	43,319
Total liabilities and shareholders' equity	\$ 87,724	\$ 80,954



JOHNSON & JOHNSON AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF EARNINGS  
(Unaudited; dollars & shares in millions  
except per share amounts)

	Sept. 28, 2008	Fiscal Quarters Ended Percent to Sales	Sept. 30, 2007	Percent to Sales
Sales to customers (Note 6)	\$ 15,921	100.0%	\$ 14,970	100.0%
Cost of products sold	4,774	30.0	4,274	28.5
Gross profit	11,147	70.0	10,696	71.5
Selling, marketing and administrative expenses	5,195	32.6	4,899	32.7
Research expense	1,861	11.7	1,834	12.3
Restructuring (Note 11)	-	-	745	5.0
Interest income	(97)	(0.6)	(134)	(0.9)
Interest expense, net of portion capitalized	122	0.8	82	0.6
Other (income)expense, net	(224)	(1.4)	2	-
Earnings before provision for taxes on income	4,290	26.9	3,268	21.8
Provision for taxes on income (Note 3)	980	6.1	720	4.8
NET EARNINGS	\$ 3,310	20.8%	\$ 2,548	17.0%
NET EARNINGS PER SHARE (Note 7)				
Basic	\$ 1.19		\$ 0.88	
Diluted	\$ 1.17		\$ 0.88	
CASH DIVIDENDS PER SHARE	\$ 0.460		\$ 0.415	
AVG. SHARES OUTSTANDING				
Basic	2,790.9		2,887.7	
Diluted	2,831.3		2,912.9	

See Notes to Consolidated Financial Statements



JOHNSON & JOHNSON AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF EARNINGS  
(Unaudited; dollars & shares in millions  
except per share amounts)

	Sept. 28, 2008	Fiscal Nine Months Ended Percent to Sales	Sept. 30, 2007	Percent to Sales
Sales to customers (Note 6)	\$ 48,565	100.0%	\$ 45,138	100.0%
Cost of products sold	14,139	29.1	13,017	28.8
Gross profit	34,426	70.9	32,121	71.2
Selling, marketing and administrative expenses	15,825	32.6	14,730	32.6
Research expense	5,469	11.3	5,352	11.9
In-process research & development (IPR&D)	40	0.1	807	1.8
Restructuring (Note 11)	-	-	745	1.7
Interest income	(268)	(0.6)	(324)	(0.7)
Interest expense, net of portion capitalized	325	0.7	203	0.4
Other (income)expense, net	(377)	(0.8)	(343)	(0.8)
Earnings before provision for taxes on income	13,412	27.6	10,951	24.3
Provision for taxes on income (Note 3)	3,177	6.5	2,749	6.1
NET EARNINGS	\$ 10,235	21.1%	\$ 8,202	18.2%
NET EARNINGS PER SHARE (Note 7)				
Basic	\$ 3.64		\$ 2.84	
Diluted	\$ 3.60		\$ 2.81	
CASH DIVIDENDS PER SHARE	\$ 1.335		\$ 1.205	
AVG. SHARES OUTSTANDING				
Basic	2,811.9		2,892.0	
Diluted	2,847.8		2,919.3	



JOHNSON & JOHNSON AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited; Dollars in Millions)

	Fiscal Nine Months Ended	
	Sept. 28, 2008	Sept. 30, 2007
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net earnings	\$ 10,235	\$ 8,202
Adjustment to reconcile net earnings to cash flows from operating activities:		
Depreciation and amortization of property and intangibles	2,117	1,902
Stock based compensation	524	537
Purchased in-process research and development	40	807
Deferred tax provision	(354)	(900)
Accounts receivable allowances	62	13
Changes in assets and liabilities, net of effects from acquisitions:		
Increase in accounts receivable	(790)	(407)
Increase in inventories	(348)	(309)
(Decrease)/Increase in accounts payable and accrued liabilities	(1,103)	933
Increase in other current and non-current assets	(2)	(1,007)
Increase in other current and non-current liabilities	590	1,154
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>10,971</b>	<b>10,925</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to property, plant and equipment	(1,938)	(1,704)
Proceeds from the disposal of assets	56	214
Acquisitions, net of cash acquired	(400)	(1,378)
Purchases of investments	(1,434)	(8,475)
Sales of investments	2,079	6,706
Other (primarily intangibles)	(36)	(101)
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b>(1,673)</b>	<b>(4,738)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		