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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OF
THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED JANUARY 3, 1999 COMMISSION FILE NUMBER 1-3215

JOHNSON & JOHNSON
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

NEW JERSEY	22-1024240
(State of Incorporation)	(I.R.S. Employer Identification No.)
ONE JOHNSON & JOHNSON PLAZA NEW BRUNSWICK, NEW JERSEY	08933
(Address of principal executive offices)	(Zip Code)

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

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock, Par Value $1.00	New York Stock Exchange

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 [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K [ ]

The aggregate market value of the voting stock held by non-affiliates of the registrant on February 23, 1999 was approximately $117.2 billion.

On February 23, 1999 there were 1,345,589,883 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Parts I and II:	Portions of registrant's annual report to shareowners for fiscal year 1998.
Part III:	Portions of registrant's proxy statement for its 1999 annual meeting of shareowners.

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PART I

Form 10-Q Quarterly Reports Available. A copy of Johnson & Johnson's Quarterly Report on Form 10-Q for any of the first three quarters of the current fiscal year, without exhibits, will be provided without charge to any shareowner submitting a written request to the Secretary at the principal executive offices of the Company or by calling 800-328-9033. Each report will be available about 45 days after the end of the quarter to which it relates.

PART I

ITEM 1. BUSINESS

GENERAL

Johnson & Johnson, employing approximately 93,100 people worldwide, is engaged in the manufacture and sale of a broad range of products in the health care field in many countries of the world. Johnson & Johnson's primary interest, both historically and currently, has been in products related to health and well-being. Johnson & Johnson was organized in the State of New Jersey in 1887.

Johnson & Johnson is organized on the principles of decentralized management. The Executive Committee of Johnson & Johnson is the principal management group responsible for the operations of Johnson & Johnson. In addition, certain Executive Committee members serve as Worldwide Chairmen of Group Operating Committees, which are comprised of managers who represent key operations within the group, as well as management expertise in other specialized functions. These Committees oversee and coordinate the activities of domestic and international companies related to each of the Consumer, Pharmaceutical and Professional segments of business. Operating management of each company is headed by a Chairman, President, General Manager or Managing Director who reports directly to, or through a line executive to, a Group Operating Committee. In line with this policy of decentralization, each international subsidiary is, with some exceptions, managed by citizens of the country where it is located.

SEGMENTS OF BUSINESS; GEOGRAPHIC AREAS

Johnson & Johnson's worldwide business is divided into three segments: Consumer, Pharmaceutical and Professional. Johnson & Johnson further categorizes its sales and operating profit by major geographic areas of the world. Additional information required by this item is incorporated herein by reference to the narrative and tabular (but not the graphic) descriptions of segments and geographic areas captioned "Management's Discussion and Analysis of Results of Operations and Financial Condition -- Segments of Business, Consumer, Pharmaceutical, Professional and Geographic Areas" on pages 27 through 30 and 45 of Johnson & Johnson's Annual Report to Shareowners for fiscal year 1998.

CONSUMER

The Consumer segment's principal products are personal care and hygienic products, including oral and baby care products, first aid products, nonprescription drugs, sanitary protection products and adult skin and hair care products. Major brands include ACT Fluoride Rinse; BAND-AID Brand Adhesive Bandages; CAREFREE Panty Shields; CLEAN & CLEAR Skin Care Products; IMODIUM A-D, an antidiarrheal; JOHNSON'S Baby line of products; JOHNSON'S pH 5.5 skin and hair care products; MONISTAT, a remedy for vaginal yeast infections; adult and children's MOTRIN analgesic products; MYLANTA gastrointestinal products and PEPCID AC Acid Controller from Johnson & Johnson - Merck Consumer Pharmaceuticals Co.; NEUTROGENA skin and hair care products; NICOTROL smoking cessation products; o.b. Tampons; PENATEN and NATUSAN baby care products; PIZ BUIN and SUNDOWN sun care products; REACH toothbrushes; RoC skin care products; SHOWER TO SHOWER personal care products; STAYFREE and SURE & NATURAL sanitary protection products; and the broad family of TYLENOL acetaminophen products. These products are marketed principally to the general public and distributed both to wholesalers and directly to independent and chain retail outlets.

PHARMACEUTICAL

The Pharmaceutical segment's principal worldwide franchises are in the allergy, anti-infective, antifungal, antianemia, central nervous system, contraceptive, dermatology, gastrointestinal, and pain management fields. These products are distributed both directly and through wholesalers for use by health care professionals and the general public. Prescription drugs include DURAGESIC (fentanyl transdermal system sold abroad as DUROGESIC), a transdermal patch for chronic pain; EPREX (Epoetin alfa sold in the U.S. as PROCRIT), a biotechnology derived version of the human hormone erythropoietin that stimulates red blood cell

production; ERGAMISOL (levamisole hydrochloride), a colon cancer drug; FLOXIN (ofloxacin) and LEVAQUIN (levofloxacin), both anti-infectives; IMODIUM (loperamide HCI), an antidiarrheal;
LEUSTATIN (cladribine), for hairy cell leukemia; MOTILIUM (domperidone), a gastrointestinal mobilizer; NIZORAL (ketoconazole), SPORANOX (itraconazole) and TERAZOL (terconazole), antifungals; ORTHOCLONE OKT-3 (muromonab-CD3), for reversing the rejection of kidney, heart and liver transplants; ORTHO-NOVUM (norethindrone/mestranol) group of oral contraceptives; PREPULSID (cisapride sold in the U.S. as PROPULSID), a gastrointestinal prokinetic; RETIN-A (tretinoin), a dermatological cream for acne; RISPERDAL (risperidone), an antipsychotic drug; and ULTRAM (tramadol hydrochloride), a centrally acting prescription analgesic for moderate to moderately severe pain.

PROFESSIONAL

The Professional segment includes suture and mechanical wound closure products, minimally invasive surgical instruments, diagnostic products, cardiology products, disposable contact lenses, surgical instruments, orthopaedic joint replacements and products for wound management and infection prevention and other medical equipment and devices. These products are used principally in the professional fields by physicians, nurses, therapists, hospitals, diagnostic laboratories and clinics. Distribution to these markets is done both directly and through surgical supply and other dealers. In November 1998, Johnson & Johnson completed the acquisition of DePuy, Inc., an orthopaedic products company with products in reconstructive, spinal, trauma and sports medicine.

INTERNATIONAL

The international business of Johnson & Johnson is conducted by subsidiaries manufacturing in 36 countries outside the United States and selling in over 175 countries throughout the world. The products made and sold in the international business include many of those described above under "Business -- Consumer, Pharmaceutical and Professional." However, the principal markets, products and methods of distribution in the international business vary with the country and the culture. The products sold in the international business include not only those which were developed in the United States but also those which were developed by subsidiaries abroad.

Investments and activities in some countries outside the United States are subject to higher risks than comparable domestic activities because the investment and commercial climate is influenced by restrictive economic policies and political uncertainties.

RAW MATERIALS

Raw materials essential to Johnson & Johnson's business are generally readily available from multiple sources.

PATENTS AND TRADEMARKS

Johnson & Johnson has made a practice of obtaining patent protection on its products and processes where possible. Johnson & Johnson owns or is licensed under a number of patents relating to its products and manufacturing processes, which in the aggregate are believed to be of material importance in the operation of its business. However, it is believed that no single patent or related group of patents is material in relation to Johnson & Johnson as a whole.

Johnson & Johnson has made a practice of selling its products under trademarks and of obtaining protection for these trademarks by all available means. Johnson & Johnson's trademarks are protected by registration in the United States and other countries where its products are marketed. Johnson & Johnson considers these trademarks in the aggregate to be of material importance in the operation of its business.

SEASONALITY

Worldwide sales do not reflect any significant degree of seasonality; however spending has been heavier in the fourth quarter of each year than in other quarters. This reflects increased spending decisions, principally for advertising and research grants.

COMPETITION

In all its product lines, Johnson & Johnson companies compete with companies both large and small, located in the United States and abroad. Competition is strong in all lines without regard to the number and size of the competing companies involved. Competition in research, involving the development of new products and processes and the improvement of existing products and processes, is particularly significant and results from time to time in product and process obsolescence. The development of new and improved products is important to Johnson & Johnson's success in all areas of its business. This competitive environment requires substantial investments in continuing research and in multiple sales forces. In addition, the winning and retention of customer acceptance of Johnson & Johnson's consumer products involve heavy expenditures for advertising, promotion and selling.

RESEARCH

Research activities are important to all segments of Johnson & Johnson's business. Major research facilities are located not only in the United States but also in Australia, Belgium, Brazil, Canada, Germany, Switzerland and the United Kingdom. The costs of Johnson & Johnson's worldwide research activities relating to the development of new products, the improvement of existing products, technical support of products and compliance with governmental regulations for the protection of the consumer amounted to $2,269, $2,140 and $1,905 million for fiscal years 1998, 1997 and 1996, respectively. These costs are charged directly to income in the year in which incurred. All research was sponsored by Johnson & Johnson.

ENVIRONMENT

During the past year Johnson & Johnson was subject to a variety of federal, state and local environmental protection measures. Johnson & Johnson believes that its operations comply in all material respects with applicable environmental laws and regulations. Johnson & Johnson's compliance with these requirements did not and is not expected to have a material effect upon its capital expenditures, earnings or competitive position.

REGULATION

Most of Johnson & Johnson's business is subject to varying degrees of governmental regulation in the countries in which operations are conducted, and the general trend is toward regulation of increasing stringency. In the United States, the drug, device, diagnostics and cosmetic industries have long been subject to regulation by various federal, state and local agencies, primarily as to product safety, efficacy, advertising and labeling. The exercise of broad regulatory powers by the Food and Drug Administration (the "FDA") continues to result in increases in the amounts of testing and documentation required for FDA clearance of new drugs and devices and a corresponding increase in the expense of product introduction. Similar trends toward product and process regulation are also evident in a number of major countries outside of the United States, especially in the European Economic Community where efforts are continuing to harmonize the internal regulatory systems.

The costs of human health care have been and continue to be a subject of study, investigation and regulation by governmental agencies and legislative bodies in the United States and other countries. In the United States, attention has been focused on drug prices and profits and programs that encourage doctors to write prescriptions for particular drugs or recommend particular medical devices. Even in the absence of new government regulation, managed care has become a more potent force in the market place and it is likely that increased attention will be paid to drug pricing, appropriate drug utilization and the quality of health care.

The regulatory agencies under whose purview Johnson & Johnson operates have administrative powers that may subject Johnson & Johnson to such actions as product recalls, seizure of products and other civil and criminal sanctions. In some cases Johnson & Johnson may deem it advisable to initiate product recalls voluntarily.

ITEM 2. PROPERTIES

Johnson & Johnson and its worldwide subsidiaries operate 175 manufacturing facilities occupying approximately 17.8 million square feet of floor space.

The manufacturing facilities are used by the industry segments of Johnson & Johnson's business approximately as follows:

SEGMENT	SQUARE FEET (IN THOUSANDS)
Consumer	5,620
Pharmaceutical	4,174
Professional	8,014
Worldwide total	17,808

Within the United States, 9 facilities are used by the Consumer segment, 9 by the Pharmaceutical segment and 51 by the Professional segment. Johnson & Johnson's manufacturing operations outside the United States are often conducted in facilities which serve more than one segment of the business.

The locations of the manufacturing facilities by major geographic areas of the world are as follows:

GEOGRAPHIC AREA	NUMBER OF FACILITIES	SQUARE FEET (IN THOUSANDS)
United States	69	7,999
Europe	47	4,979
Western Hemisphere excluding U.S.A.	20	2,483
Africa, Asia and Pacific	39	2,347
Worldwide total	175	17,808

In addition to the manufacturing facilities discussed above, Johnson & Johnson maintains numerous office and warehouse facilities throughout the world. Research facilities are also discussed in Item 1 under "Business -- Research."

Johnson & Johnson generally seeks to own its manufacturing facilities, although some, principally in locations abroad, are leased. Office and warehouse facilities are often leased.

Johnson & Johnson's properties are maintained in good operating condition and repair and are well utilized.

For information regarding lease obligations see Note 9 "Rental Expense and Lease Commitments" under "Notes to Consolidated Financial Statements" on page 38 of Johnson & Johnson's Annual Report to Shareowners for fiscal year 1998. Segment information on additions to Johnson & Johnson's property, plant and equipment is contained on page 45 of Johnson & Johnson's Annual Report to Shareowners for fiscal year 1998. For information regarding plans to close certain manufacturing facilities, see Note 15 "Restructuring and In-Process Research and Development Charges" under "Notes to Consolidated Financial Statements" on page 41 of Johnson & Johnson's Annual Report to Shareowners for fiscal year 1998.

ITEM 3. LEGAL PROCEEDINGS

The information set forth in Note 18 "Pending Legal Proceedings" under "Notes to Consolidated Financial Statements" on pages 42 through 43 of Johnson & Johnson's Annual Report to Shareowners for fiscal year 1998 is incorporated herein by reference.

The Company or its subsidiaries are parties to a number of proceedings brought under the Comprehensive Environmental Response, Compensation, and Liability Act, commonly known as Superfund, and comparable state laws in which the primary relief sought is the cost of past and future remediation. While it is not feasible to predict or determine the outcome of these proceedings, in the opinion of the Company, such proceedings would not have a material adverse effect on the results of operations, cash flows or financial position of the Company.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT

Listed below are the executive officers of Johnson & Johnson as of March 26, 1999, each of whom, unless otherwise indicated below, has been an employee of the Company or its affiliates and held the position indicated during the past five years. There are no family relationships between any of the executive officers, and there is no arrangement or understanding between any executive officer and any other person pursuant to which the executive officer was selected. At the annual meeting of the Board of Directors which follows the Annual Meeting of Shareowners executive officers are elected by the Board to hold office for one year and until their respective successors are elected and qualified, or until earlier resignation or removal.

Information with regard to the directors of the Company, including those of the following executive officers who are directors, is incorporated herein by reference to pages 3 through 6 of Johnson & Johnson's Proxy Statement dated March 10, 1999.

NAME	AGE	POSITION
Robert J. Darretta.....	52	Member, Executive Committee; Vice President, Finance(a)
Russell C. Deyo.....	49	Member, Executive Committee; Vice President, Administration(b)
Roger S. Fine.....	56	Member, Executive Committee; Vice President, General Counsel(c)
Ronald G. Gelbman.....	51	Member, Executive Committee; Worldwide Chairman, Health Systems and Diagnostics Group(d)
JoAnn Heffernan Heisen.....	49	Member, Executive Committee; Vice President, Chief Information Officer(e)
Christian A. Koffmann.....	58	Member, Executive Committee; Worldwide Chairman, Consumer and Personal Care Group(f)
Ralph S. Larsen.....	60	Chairman, Board of Directors and Chief Executive Officer; Chairman, Executive Committee
James T. Lenehan.....	50	Member, Executive Committee; Worldwide Chairman, Consumer Pharmaceuticals and Professional Group(g)
William C. Weldon.....	50	Member, Executive Committee; Worldwide Chairman, Pharmaceuticals Group(h)
Robert N. Wilson.....	58	Vice-Chairman, Board of Directors; Vice-Chairman Executive Committee

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(a) Mr. R. J. Darretta joined the Company in 1968 and held various positions before becoming President of Iolab Corporation in 1988 and Treasurer of the Company in 1995. He became a Member of the Executive Committee and Vice President, Finance in 1997.
(b) Mr. R. C. Deyo joined the Company in 1985 and became Associate General Counsel in 1991. He became a Member of the Executive Committee and Vice President, Administration in 1996.
(c) Mr. R. S. Fine joined the Company in 1974 and became Assistant General Counsel in 1978 and Associate General Counsel in 1984. He became a Member of the Executive Committee and Vice President, Administration in 1991 and became Vice President, General Counsel in 1996.
(d) Mr. R. G. Gelbman joined the Company in 1972 and became a Company Group Chairman in 1987 and a Member of the Executive Committee in 1994. He was named Worldwide Chairman, Pharmaceutical and Diagnostics Group in 1994 and Worldwide Chairman, Health Systems and Diagnostics Group in June 1998.

(e) Ms. J. H. Heisen joined the Company in 1989 as Assistant Treasurer and became Vice President, Investor Relations in 1990, Treasurer in 1991 and Controller in 1995. She became a Member of the Executive Committee and Vice President, Chief Information Officer in 1997.
(f) Mr. C. A. Koffmann joined the Company in 1989 as a Company Group Chairman. He became a Member of the Executive Committee and Worldwide Chairman, Consumer and Personal Care Group in 1995.
(g) Mr. J. T. Lenehan joined the Company in 1976 and became a Company Group Chairman in 1993. He became a Member of the Executive Committee and Worldwide Chairman, Consumer Pharmaceuticals and Professional Group in 1994.
(h) Mr. W. C. Weldon joined the Company in 1971 and held various positions before becoming President of Ethicon Endo-Surgery in 1992 and Company Group Chairman of Ethicon Endo-Surgery in 1995. He became a Member of the Executive Committee and Worldwide Chairman, Pharmaceuticals Group in June 1998.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED SHAREOWNER MATTERS

The information called for by this item is incorporated herein by reference to the material captioned "Management's Discussion and Analysis of Results of Operations and Financial Condition--Common Stock Market Prices and Cash Dividends Paid" on page 25 of Johnson & Johnson's Annual Report to Shareowners for fiscal year 1998.

ITEM 6. SELECTED FINANCIAL DATA

The information called for by this item is incorporated herein by reference to the material captioned "Summary of Operations and Statistical Data 1988-1998" on page 46 of Johnson & Johnson's Annual Report to Shareowners for fiscal year 1998.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information called for by this item is incorporated herein by reference to the narrative and tabular (but not the graphic) material included in the material captioned "Management's Discussion and Analysis of Results of Operations and Financial Condition" on pages 24 through 30 of Johnson & Johnson's Annual Report to Shareowners for fiscal year 1998.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information called for by this item is incorporated herein by reference to the material captioned "Management's Discussion and Analysis of Results of Operations and Financial Condition -- Financial Instruments" on page 26 of Johnson & Johnson's Annual Report to Shareowners for fiscal year 1998.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information called for by this item is incorporated herein by reference to the Consolidated Financial Statements and the Notes thereto and the material captioned "Independent Auditor's Report" on pages 31 through 44 of Johnson & Johnson's Annual Report to Shareowners for fiscal year 1998.

ITEM 9. CHANGE IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information called for by this item is incorporated herein by reference to (a) the material under the caption "Election of Directors -- Nominees" on pages 2 through 6 of Johnson & Johnson's Proxy Statement dated March 10, 1999, (b) the material in Part I hereof under the caption "Executive Officers of the Registrant" and (c) the material under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" on page 9 of Johnson & Johnson's Proxy Statement dated March 10, 1999.

ITEM 11. EXECUTIVE COMPENSATION

The information called for by this item is incorporated herein by reference to the following sections of Johnson & Johnson's Proxy Statement dated March 10, 1999: "Election of Directors -- Directors' Fees, Committees and Meetings" on pages 7 through 8; "Compensation Committee Report on Executive Compensation" on pages 9 through 12; "Shareowner Return Performance Graphs" on pages 12 through 13; and "Executive Compensation" on pages 14 through 17.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information called for by this item is incorporated herein by reference to the material captioned "Election of Directors--Stock Ownership/Control" on page 7 of Johnson & Johnson's Proxy Statement dated March 10, 1999.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Not applicable.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) The following documents are filed as part of this report

1. Financial Statements

The following Consolidated Financial Statements and the Notes thereto and the Independent Auditor's Report on pages 31 through 44 of Johnson & Johnson's Annual Report to Shareowners for fiscal year 1998 are incorporated herein by reference:

Consolidated Balance Sheet at end of Fiscal Years 1998 and 1997

Consolidated Statement of Earnings for Fiscal Years 1998, 1997 and 1996

Consolidated Statement of Equity for Fiscal Years 1998, 1997 and 1996

Consolidated Statement of Cash Flows for Fiscal Years 1998, 1997 and 1996

Notes to Consolidated Financial Statements

Independent Auditor's Report

2. Financial Statement Schedules

Schedule II -- Valuation and Qualifying Accounts

Schedules other than those listed above are omitted because they are not required or are not applicable.

3. Exhibits Required to be Filed by Item 60l of Regulation S-K

The information called for by this item is incorporated herein by reference to the Exhibit Index in this report.

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the last quarter of 1998.

JOHNSON & JOHNSON AND SUBSIDIARIES

SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS

FISCAL YEARS ENDED JANUARY 3, 1999, DECEMBER 28, 1997 AND DECEMBER 29, 1996
(DOLLARS IN MILLIONS)

	BALANCE AT BEGINNING OF PERIOD	ADDITIONS CHARGED TO COSTS AND EXPENSES(A)	DEDUCTIONS FROM RESERVES		BALANCE AT END OF PERIOD
			DESCRIPTION	AMOUNT	
1998					
Reserves deducted from accounts receivable, trade					
Reserve for doubtful accounts	$152	39	Write-offs less recoveries	15	
			Currency adjustments	(5)	181
Reserve for customer rebates	164	978	Customer rebates allowed	993	
			Currency adjustments	(8)	157
			Cash discounts allowed	429	
Reserve for cash discounts	42	431	Currency adjustments	(3)	47
	$358	1,448		1,421	385
1997					
Reserves deducted from accounts receivable, trade					
Reserve for doubtful accounts	$141	49	Write-offs less recoveries	29	
			Currency adjustments	9	152
Reserve for customer rebates	129	855	Customer rebates allowed	813	
			Currency adjustments	7	164
			Cash discounts allowed	341	
Reserve for cash discounts	39	352	Currency adjustments	8	42
	$309	1,256		1,207	358
1996					
Reserves deducted from accounts receivable, trade					
Reserve for doubtful accounts	$109	60	Write-offs less recoveries	27	
			Currency adjustments	1	141
Reserve for customer rebates	115	686	Customer rebates allowed	671	
			Currency adjustments	1	129
Reserve for cash discounts	34	388	Cash discounts allowed	383	39
	$258	1,134		1,083	309

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(A) Charges related to customer rebates and cash discounts are reflected as reductions of sales to customers.

SIGNATURES

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 22, 1999

JOHNSON & JOHNSON
(Registrant)

By /s/ R. S. LARSEN
R. S. Larsen, Chairman, Board of Directors and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ R. S. LARSEN R. S. Larsen	Chairman, Board of Directors and Chief Executive Officer, and Director (Principal Executive Officer)	March 22, 1999
/s/ R. J. DARRETTA R. J. Darretta	Vice President -- Finance (Principal Financial Officer)	March 25, 1999
/s/ C. E. LOCKETT C. E. Lockett	Controller	March 23, 1999
/s/ G. N. BURROW G. N. Burrow	Director	March 24, 1999
/s/ J. G. COONEY J. G. Cooney	Director	March 24, 1999
/s/ J. G. CULLEN J. G. Cullen	Director	March 29, 1999
/s/ M. J. FOLKMAN M. J. Folkman	Director	March 25, 1999
/s/ A. D. JORDAN A. D. Jordan	Director	March 23, 1999
/s/ A. G. LANGBO A. G. Langbo	Director	March 24, 1999
/s/ J. S. MAYO J. S. Mayo	Director	March 22, 1999

SIGNATURE	TITLE	DATE
/s/ P. J. RIZZO P. J. Rizzo	Director	March 22, 1999
/s/ H. B. SCHACHT H. B. Schacht	Director	March 24, 1999
/s/ M. F. SINGER M. F. Singer	Director	March 23, 1999
J. W. Snow	Director	March , 1999
/s/ R. N. WILSON R. N. Wilson	Vice Chairman, Board of Directors and Director	March 30, 1999

REPORT OF INDEPENDENT AUDITORS

To the Shareowners and Board of Directors of
Johnson & Johnson:

Our report on the consolidated financial statements of Johnson & Johnson and subsidiaries has been incorporated by reference in this Form 10-K from the Johnson & Johnson 1998 Annual Report to Shareowners and appears on page 44 therein. In connection with our audits of such financial statements, we have also audited the related financial statement schedule listed in the index in Item 14 of this Form 10-K.

In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information required to be included therein.

/s/ PricewaterhouseCoopers LLP
PRICEWATERHOUSECOOPERS LLP

New York, New York
January 25, 1999

EXHIBIT INDEX

REG. S-K EXHIBIT TABLE ITEM NO.	DESCRIPTION OF EXHIBIT
3(a)(i)	Restated Certificate of Incorporation dated April 26, 1990 -- Incorporated herein by reference to Exhibit 3(a) of the Registrant's Form 10-K Annual Report for the year ended December 30, 1990.
3(a)(ii)	Certificate of Amendment to the Restated Certificate of Incorporation of the Company dated May 20, 1992 -- Incorporated herein by reference to Exhibit 3(a) of the Registrant's Form 10-K Annual Report for the year ended January 3, 1993.
3(a)(iii)	Certificate of Amendment to the Restated Certificate of Incorporation of the Company dated May 21, 1996 -- Incorporated herein by reference to Exhibit 3(a)(iii) of the Registrant's Form 10-K Annual Report for the year ended December 29, 1996.
3(b)	By-Laws of the Company, as amended and currently in effect -- Incorporated herein by reference to Exhibit 3(b) of the Registrant's Form 10-K Annual Report for the year ended December 28, 1997.
4(a)	Upon the request of the Securities and Exchange Commission, the Registrant will furnish a copy of all instruments defining the rights of holders of long term debt of the Registrant.
10(a)	Stock Option Plan for Non-Employee Directors -- Incorporated herein by reference to Exhibit 10(a) of the Registrant's Form 10-K Annual Report for the year ended December 29, 1996.*
10(b)	1995 Stock Option Plan (as amended) -- Filed with this document.*
10(c)	1991 Stock Option Plan (as amended) -- Incorporated herein by reference to Exhibit 10(c) of the Registrant's Form 10-K Annual Report for the year ended December 28, 1997.*
10(d)	1986 Stock Option Plan (as amended) -- Incorporated herein by reference to Exhibit 10(d) of the Registrant's Form 10-K Annual Report for the year ended December 28, 1997.*
10(e)	1995 Stock Compensation Plan -- Incorporated herein by reference to Exhibit 10(e) of the Registrant's Form 10-K Annual Report for the year ended December 31, 1995.*
10(f)	Executive Incentive Plan -- Incorporated herein by reference to Exhibit 10(f) of the Registrant's Form 10-K Annual Report for the year ended December 29, 1996.*
10(g)	Domestic Deferred Compensation Plan (as amended) -- Incorporated herein by reference to Exhibit 10(g) of the Registrant's Form 10-K Annual Report for the year ended December 29, 1996.*
10(h)	Deferred Fee Plan for Directors (as amended) -- Incorporated herein by reference to Exhibit 10(h) of the Registrant's Form 10-K Annual Report for the year ended December 29, 1996.*
10(i)	Executive Income Deferral Plan -- Incorporated herein by reference to Exhibit 10(i) of the Registrant's Form 10-K Annual Report for the year ended December 28, 1997.*
10(j)	Excess Savings Plan -- Incorporated herein by reference to Exhibit 10(j) of the Registrant's Form 10-K Annual Report for the year ended December 29, 1996.*
10(k)	Supplemental Retirement Plan -- Incorporated herein by reference to Exhibit 10(h) of the Registrant's Form 10-K Annual Report for the year ended January 3, 1993.*
10(l)	Executive Life Insurance Plan -- Incorporated herein by reference to Exhibit 10(i) of the Registrant's Form 10-K Annual Report for the year ended January 3, 1993.*
12	-- Statement of Computation of Ratio of Earnings to Fixed Charges -- Filed with this document.

REG. S-K EXHIBIT TABLE ITEM NO.	DESCRIPTION OF EXHIBIT
13	-- Pages 24 through 46 of the Company's Annual Report to Shareowners for fiscal year 1998 (only those portions of the Annual Report incorporated by reference in this report are deemed "filed") -- Filed with this document.
21	-- Subsidiaries -- Filed with this document.
23	-- Consent of Independent Auditors -- Filed with this document.
27	-- Financial Data Schedule for Year Ended January 3, 1999 -- Filed with this document.
99(a)	-- Annual Reports on Form 11-K for the Johnson & Johnson Savings Plans, to be filed on or before June 30, 1999.
99(b)	-- Cautionary Statement pursuant to Private Securities Litigation Reform Act of 1995: "Safe Harbor" for Forward-Looking Statements -- Filed with this document.

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* Management contracts and compensatory plans and arrangements required to be filed as Exhibits to this form pursuant to Item 14(c) of the report.

A copy of any of the Exhibits listed above will be provided without charge to any shareowner submitting a written request specifying the desired exhibit(s) to the Secretary at the principal executive offices of the Company.

EXHIBIT 10(b)

JOHNSON & JOHNSON

1995 STOCK OPTION PLAN
(EFFECTIVE APRIL 27, 1995, AS AMENDED NOVEMBER 30, 1995, DECEMBER 4, 1997 AND JUNE 8, 1998)

1. PURPOSE

The purpose of the Johnson & Johnson 1995 Stock Option Plan (the "Plan") is to promote the interests of Johnson & Johnson (the "Company") by ensuring continuity of management and increased incentive on the part of officers and executive employees responsible for major contributions to effective management, through facilitating their acquisition of an equity interest in the Company on reasonable terms.

2. ADMINISTRATION

The Plan shall be administered by the Compensation Committee of the Board of Directors (the "Committee"). The Committee shall consist of not less than three directors. No person shall be eligible to serve as a member of such Committee unless such person is a "disinterested person" within the meaning of Rule 16b-3 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended, and an "outside director" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"). Committee members shall not be eligible to participate in the Plan while members of the Committee. It shall have the power to select optionees, to establish the number of shares and other terms applicable to each such option, to construe the provisions of the Plan, and to adopt rules and regulations governing the administration of the Plan.

The Board of Directors, within its discretion, shall have authority to amend the Plan and the terms of any option issued hereunder without the necessity of obtaining further approval of the stockholders, unless such approval is required by law.

3. ELIGIBILITY

Those eligible to participate in the Plan will be selected by the Committee from the following:

(1) Directors who are employees of the Company or its domestic subsidiaries (excluding members from time to time of the Committee).

(2) Officers and other key employees of the Company and its domestic subsidiaries.

(3) Key employees of subsidiaries outside the United States.

(4) Key employees of a joint venture operation of the Company or its subsidiaries and key employees of joint venture partners who are assigned to such a joint venture.

In all cases, optionees shall be selected on the basis of demonstrated ability to contribute substantially to the effective management of the Company.

In no event shall an option be granted to any individual who, immediately after such option is granted, is considered to own stock possessing more than 10% of the combined voting power of all classes of stock of Johnson & Johnson or any of its subsidiaries within the meaning of Section 422 of the Internal Revenue Code.

4. ALLOTMENT OF SHARES

A maximum of 56,000,000 authorized but unissued shares of the Common Stock of the Company (par value $1.00) will be allotted to the Plan, subject to the required approval by the stockholders. The total number of shares which may be awarded under the Plan to any optionee in any one year shall not exceed 5% of the total shares allotted to the Plan. The Committee may, in its discretion, use Treasury shares in lieu of authorized but unissued shares for the options. To the extent this is done, the number of authorized but unissued shares to be used for the Plan will be reduced.

Shares covered by options which lapse or have been terminated during the duration of this Plan may be reallocated by the Committee.

5. EFFECTIVE DATE AND TERM OF PLAN

The Plan shall become effective on April 27, 1995. No option shall be granted pursuant to this Plan later than April 26, 2000, but options theretofore granted may extend beyond that date in accordance with their terms.

6. TERMS AND CONDITIONS

A. All Options

The following shall apply to all options granted under the Plan:

(i) Option Price

The option price per share for each stock option shall be determined by the Committee and shall not be less than the fair market value on the date the option is granted. The fair market value shall be determined as prescribed by the Internal Revenue Code and Regulations.

(ii) Time of Exercise of Option

The Committee shall establish the time or times within the option period when the stock option may be exercised in whole or in such parts as may be specified from time to time by the Committee. With respect to an optionee whose employment has terminated by reason of death, disability or retirement, the Committee may in its discretion accelerate the time or times when any particular stock option held by said optionee may be so exercised so that such time or times are earlier than those originally provided in said option. In all cases exercise of a stock option shall be subject to the provisions of Section 6B(ii) or 6C(iii), as the case may be. The Committee shall determine, either at the time of grant or later whether, and to what extent and under what circumstances, the transfer of shares issuable in connection with the exercise of a non-qualified option may be deferred at the election of the optionee.

(iii) Payment

The entire option price may be paid at the time the option is exercised. When an option is exercised prior to termination of employment, the Committee shall have the discretion to arrange for the payment of such price, in whole or in part, in installments. In such cases, the Committee shall obtain such evidence of the optionee's obligation, establish such interest rate and require such security as it may deem appropriate for the adequate protection of the Company.

(iv) Non-Transferability of Option

Unless otherwise specified by the Committee to the contrary, an option by its terms shall not be transferable by the optionee otherwise than by will or by the laws of descent and distribution and

shall be exercisable during the optionee's lifetime only by the optionee. The Committee may, in the manner established by the Committee, provide for the transfer, without payment of consideration, of a non-qualified option by an optionee to a member of the optionee's immediate family or to a trust or partnership whose beneficiaries are members of the optionee's immediate family. In such case, the option shall be exercisable only by such transferee. For purposes of this provision, an optionee's "immediate family" shall mean the holder's spouse, children and grandchildren.

(v) Adjustment in Event of Recapitalization of the Company

In the event of a reorganization, recapitalization, stock split, stock dividend, combination of shares, merger, consolidation, rights offering, or any other change in the corporate structure or shares of the Company, the Board of Directors shall make such adjustment as it may deem equitably required in the number and kind of shares authorized by and for the Plan, in the number and kind of shares covered by the options granted, in the number of shares which may be awarded to an optionee in any one year, and in the option price.

B. Non-Qualified Stock Options

The Committee may, in its discretion, grant options under the Plan which, in whole or in part, do not qualify as incentive stock options under Section 422 of the Internal Revenue Code. In addition to the terms and conditions set forth in Section 6A above, the following terms and conditions shall govern any option (or portion thereof) to the extent that it does not so qualify.

(i) Form of Payment

Payment of the option price of any option (or portion thereof) not qualifying as an incentive stock option shall be made in cash or, in the discretion of the Committee, in the Common Stock of the Company valued at its fair market value (as the same shall be determined by the Committee), or a combination of such Common Stock and cash.

(ii) Rights after Termination of Employment

(a) For options granted prior to July 1, 1998

In the event of termination of employment due to any cause including death, disability or retirement, rights to exercise the stock option shall cease, except for those which have accrued to the date of termination, unless the Committee shall otherwise specify. These rights shall remain exercisable for a period of three months, or such longer period (not to exceed three years) as the Committee shall provide, following termination for any cause other than death, disability or retirement and for a period of three years following termination due to death, disability or retirement, unless the Committee otherwise specifies. The Committee may, in its discretion, extend the period within which any particular option may be exercised beyond the expiration date originally provided in said option. However, no stock option shall, in any event, be exercised after the expiration of the full term of the option.

(b) For options granted on or after July 1, 1998:

(1) In the event of termination of employment due to any cause other than death, disability or retirement, rights to exercise the stock option shall cease, except for those which have accrued to and including the date of termination, unless the Committee shall otherwise specify. These rights shall

remain exercisable for a period of three (3) months, or such longer period (not to exceed three (3) years) as the Committee shall provide.

(2) In the event of termination of employment due to death or disability, rights to exercise the stock option shall cease, except for those which have accrued to and including the date of termination, unless the Committee shall otherwise specify. These rights shall remain exercisable for a period of three (3) years, or such longer period (not to exceed the term of the option) as the Committee shall provide.

Notwithstanding the above, in the event such termination of employment due to death or disability occurs with optionee having at least ten (10) years of service, any unexercised or unexercisable portion of the stock option may be exercised in whole or in part during the remaining term of the Option at such times and to the extent the optionee could have exercised such stock option had the optionee's employment not terminated.

(3) In the event of retirement (unrelated to termination for cause, as defined below, which shall be governed by the provisions of (1) above) rights to exercise the stock option shall cease, except for those which have accrued to and including the date of termination unless the Committee shall otherwise specify. These rights shall remain exercisable for a period of three (3) years, or such longer period (not to exceed the term of the option) as the Committee shall provide, provided, however, that in the event the Optionee is employed by a competitor (as defined below) within two (2) years from the date of such retirement, no rights may be exercisable beyond a date which is three (3) months after the commencement of such employment with a competitor.

Notwithstanding the above, in the event such retirement (unrelated to termination for cause which shall be governed by the provisions of (1) above) occurs with optionee having at least ten (10) years of service, any unexercised or unexercisable portion of the stock option may be exercised in whole or in part during the remaining term of the stock option at such times and to the extent the optionee could have exercised such stock option had the optionee's employment not terminated, provided, however, that in the event the optionee is employed by a competitor within two (2) years from the date of such retirement, (i) any unexercisable portion of the stock option shall terminate immediately and (ii) no rights may be exercisable beyond a date which is three (3) months after the commencement of such employment with a competitor.

(4) No stock option shall, in any event, be exercised after the expiration of the full term of the option. In addition, any stock option granted within six (6) months of termination of employment due to any cause shall be void unless the Committee shall otherwise provide.

(5) As used in the Plan:

(i) The term "termination for cause" shall mean optionee's termination by the Company in connection with the violation of any federal or state law, dishonesty, the willful and deliberate failure on the part of an optionee to perform his/her employment duties in any material respect or such other events, including the existence of a conflict of interest, as the Management Compensation Committee may determine. Such committee shall have the sole discretion to determine whether a "termination for cause" exists, and its determination shall be final.

(ii) The term "employed by a competitor" shall mean the optionee's engaging in any activity or providing services, whether as director, employee, advisor, consultant or otherwise, for any corporation or other entity which is a competitor of the Company. The Management

Compensation Committee shall have the sole discretion to determine if an optionee is "employed by a competitor", and its determination shall be final.

(iii) Period of Option

The exercise period of each non-qualified stock option shall be specified by the Committee at the time of grant.

C. Incentive Stock Options

The Committee may, in its discretion, grant options under the Plan which qualify in whole or in part as incentive stock options under Section 422 of the Internal Revenue Code. In addition to the terms and conditions set forth in Section 6A above, the following terms and conditions shall govern any option (or portion thereof) to the extent that it so qualifies:

(i) Maximum Fair Market Value of Incentive Stock Options

The aggregate fair market value (determined as of the time such option is granted) of the Common Stock for which any optionee may have stock options which first became vested in any calendar year (under all incentive stock option plans of the Company and its parent and subsidiary corporations) shall not exceed $100,000.

(ii) Form of Payment

Payment of the option price for incentive stock options shall be made in cash or in the Common Stock of the Company valued at its fair market value (as the same shall be determined by the Committee), or a combination of such Common Stock and cash. Where payment of the option price is to be made with Common Stock acquired under a Company compensation plan (within the meaning of paragraph 11(g) of Opinion No. 25 of the Accounting Principles Board), such Common Stock will not be accepted as payment unless the optionee has beneficially owned such Common Stock for at least six months (increased to one year if such Common Stock was acquired under an incentive stock option) prior to such payment.

(iii) Rights after Termination of Employment

(a) For options granted prior to July 1, 1998

In the event of termination of employment due to any cause including death, disability or retirement, rights to exercise the stock option shall cease, except for those which have accrued to the date of termination, unless the Committee shall otherwise specify. These rights shall remain exercisable for a period of three months, or such longer period (not to exceed three years) as the Committee shall provide, following termination for any cause other than death, disability or retirement and for a period of three years following termination due to death, disability or retirement, unless the Committee otherwise specifies. However, no incentive stock option shall, in any event, be exercised after the expiration of 10 years from the date such option is granted, or such earlier date as may be specified in the option.

(b) For incentive stock options granted on or after July 1, 1998:

(1) In the event of termination of employment due to any cause other than death, disability or retirement, rights to exercise the stock option shall cease, except for those which have accrued to and including the date of termination, unless the Committee shall otherwise specify. These rights shall

remain exercisable for a period of three (3) months, or such longer period (not to exceed three (3) years) as the Committee shall provide.

(2) In the event of termination of employment due to death or disability, rights to exercise the stock option shall cease, except for those which have accrued to and including the date of termination, unless the Committee shall otherwise specify. These rights shall remain exercisable for a period of three (3) years, or such longer period (not to exceed the term of the option) as the Committee shall provide.

Notwithstanding the above, in the event such termination of employment due to death or disability occurs with optionee having at least ten (10) years of service, any unexercised or unexercisable portion of the stock option may be exercised in whole or in part during the remaining term of the Option at such times and to the extent the optionee could have exercised such stock option had the optionee's employment not terminated.

(3) In the event of retirement (unrelated to termination for cause (as defined in Section 6B(ii)(b)(5) above, which shall be governed by the provisions of (1) above) rights to exercise the stock option shall cease, except for those which have accrued to and including the date of termination unless the Committee shall otherwise specify. These rights shall remain exercisable for a period of three (3) years, or such longer period (not to exceed the term of the option) as the Committee shall provide, provided, however, that in the event the Optionee is employed by a competitor (as defined in Section 6B(ii)(b)(5) above) within two (2) years from the date of such retirement, no rights may be exercisable beyond a date which is three (3) months after the commencement of such employment with a competitor.

Notwithstanding the above, in the event such retirement (unrelated to termination for cause which shall be governed by the provisions of (1) above) occurs with optionee having at least ten (10) years of service, any unexercised or unexercisable portion of the stock option may be exercised in whole or in part during the remaining term of the stock option at such times and to the extent the optionee could have exercised such stock option had the optionee's employment not terminated, provided, however, that in the event the optionee is employed by a competitor within two (2) years from the date of such retirement, (i) any unexercisable portion of the stock option shall terminate immediately and (ii) no rights may be exercisable beyond a date which is three (3) months after the commencement of such employment with a competitor.

(4) No incentive stock option shall, in any event, be exercised after the expiration of 10 years from the date such option is granted, or such earlier date as may be specified in the option. In addition, any stock option granted within six (6) months of termination of employment due to any cause shall be void unless the Committee shall otherwise provide.

(iv) Period of Option

The exercise period of each incentive stock option by its terms shall not be more than 10 years from the date the option is granted as specified by the Committee.

EXHIBIT 12

JOHNSON & JOHNSON AND SUBSIDIARIES

STATEMENT OF COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES(1)
(DOLLARS IN MILLIONS)

	FISCAL YEAR ENDED				
	JANUARY 3, 1999(2)	DECEMBER 28, 1997	DECEMBER 29, 1996	DECEMBER 31, 1995	JANUARY 1, 1995
Determination of Earnings:					
Earnings Before Provision for Taxes on Income	$4,269	4,576	4,033	3,317	2,681
Fixed Charges	190	198	204	219	234
Total Earnings as Defined	$4,459	4,774	4,237	3,536	2,915
Fixed Charges and Other:					
Rents	80	78	79	76	92
Interests	110	120	125	143	142
Fixed Charges	190	198	204	219	234
Capitalized Interest	71	40	55	70	44
Total Fixed Charges	$ 261	238	259	289	278
Ratio of Earnings to Fixed Charges	17.08	20.06	16.36	12.24	10.49

- ---

(1) The ratio of earnings to fixed charges represents the historical ratio of the Company and is calculated on a total enterprise basis. The ratio is computed by dividing the sum of earnings before provision for taxes and fixed charges (excluding capitalized interest) by fixed charges. Fixed charges represent interest (including capitalized interest) and amortization of debt discount and expense and the interest factor of all rentals, consisting of an appropriate interest factor on operating leases.

(2) 1998 earnings include charges related to restructuring of $613 million and in-process research and development charges, relating primarily to the DePuy acquisition, of $164 million. Excluding the effect of these charges, the ratio of earnings to fixed charges would have been 20.06.

EXHIBIT 13

Management's Discussion and Analysis of Results of Operations and Financial Condition

Overview

Record 1998 sales of $23.66 billion, an increase over 1997 of 4.5%, marked the sixty-sixth consecutive year of positive sales growth. The Company achieved this increase despite the impact of the stronger dollar that depressed sales by 2.5%. During the fourth quarter of 1998, the Company completed the acquisition of DePuy, Inc. and approved a reconfiguration plan for its manufacturing facilities worldwide. As a result, net earnings included special charges of $610 million for the cost of purchased In-Process Research and Development (IPR&D) primarily related to the DePuy acquisition as well as restructuring costs related to the reconfiguration plan. The objective of the reconfiguration plan was to enhance worldwide operating efficiencies. For detailed discussion of this plan, see Note 15 and 17. Reported net earnings decreased by 7.4% to $3.06 billion. Prior to the effect of the special charges, net earnings increased 11.1% over 1997 and the net income margin for 1998 was a record high of 15.5%.

The Company's investment in research and development continues to drive sales of innovative products. In 1998, $2.3 billion or 9.6% of sales was invested in research and development. This level of investment, the highest in the Company's history, reflects the Company's continued commitment to achieving significant advances in health care through the discovery and development of innovative, knowledge-based, cost effective products that prolong and enhance the quality of life.

In 1998, the Company continued to improve operating margins. The gross profit margin, excluding special charges, improved from 68.4% to 68.6% while selling, marketing and administrative expenses as a percent to sales dropped from 38.5% to 37.7%.

Cash from operations in 1998 was $4.89 billion and served as the primary source of funding to finance capital investments of $1.5 billion, dividend distribution of $1.3 billion and the purchase of treasury stock of $.9 billion, with the remaining cash used to partially fund the DePuy acquisition. Cash dividends paid to shareowners in 1998 increased by 14.1% over 1997 and represented the thirty-sixth consecutive year of dividend increases.

Total equity market capitalization was $112.7 billion, an increase of 29.1% over 1997, while the percentage return on average shareowners' equity, excluding the impact of special charges, was 27.6% in 1998.

The worldwide health care market continues to be transformed as customers have become more knowledgeable and demand even greater value. Simultaneously, the marketplace has become increasingly more competitive. The Company believes that it is well positioned to meet these challenges by providing innovative products as demonstrated by the Company's commitment to research and development. In addition, dedicated employees along with strong Credo values and decentralized management structure enable the Company to provide its customers with value creating, innovative products and services.

Sales and Earnings

In 1998, worldwide sales increased 4.5% to $23.66 billion compared to increases of 4.7% in 1997 and 14.7% in 1996. Excluding the impact of foreign currencies, worldwide sales increased 7.0% in 1998, 8.7% in 1997 and 16.5% in 1996.

Sales to Customers

[GRAPHIC OMITTED]

Worldwide net earnings for 1998 including the impact of the Restructuring and IPR&D charges were $3.06 billion, reflecting a 7.4% decrease from 1997. Worldwide net earnings per share for 1998 equaled $2.23 per share, a decrease of 7.5% from the $2.41 net earnings per share in 1997.

Worldwide net earnings for 1998 excluding the impact of the Restructuring and IPR&D charges were $3.67 billion, reflecting an 11.1% increase over 1997. Excluding the impact of these charges, worldwide net earnings per share for 1998 equaled $2.67 per share, an increase of 10.8% over the $2.41 net earnings per share in 1997. The income margin for 1998, excluding the impact of these charges was a record 15.5%, up from 14.6% in 1997.

Worldwide net earnings for 1997 were $3.30 billion, or net earnings per share of $2.41, representing an increase over 1996 of 13.7%. In 1996, worldwide net earnings were $2.89 billion, or net earnings per share of $2.12 on a split-adjusted basis, representing an increase over 1995 of 16.5%.

Average diluted shares of common stock outstanding in 1998 and 1997 were 1.37 billion compared with 1.36 billion in 1996.

Net Earnings

[GRAPHIC OMITTED]

Sales by domestic companies were $12.56 billion in 1998, $11.76 billion in 1997 and $10.9 billion in 1996. This represents an increase of 6.8% in 1998, 7.9% in 1997 and 18.6% in 1996. The strong performance of products introduced in the

past few years and the continued expansion of base businesses resulted in the sales increase in 1998.

Sales by international companies were $11.1 billion in 1998, $10.87 billion in 1997 and $10.72 billion in 1996. This represents an increase of 2.1% in 1998, 1.4% in 1997 and 11.1% in 1996. Excluding the impact of the foreign currency fluctuations over the past three years, international company sales increased 7.3% in 1998, 9.5% in 1997 and 14.6% in 1996.

All geographic areas throughout the world posted solid operational gains during 1998. Excluding the effect of exchange rate fluctuations of the U.S. dollar on foreign currencies, sales increased 10.3% in Europe, 5.7% in the Western Hemisphere (excluding the U.S.) and 8.8% in the Asia-Pacific, Africa regions.

The Company achieved an annual compound growth rate of 10.2% for worldwide sales for the ten-year period since 1988 with domestic sales growing at a rate of 10.6% and international sales growing at a rate of 9.6%. For the same ten-year period, excluding the impact of special charges in 1998, worldwide net earnings achieved an annual growth rate of 14.2%, while earnings per share grew at a rate of 14.3%. For the last five years, the annual compound growth rate for sales was 10.8%. Excluding the special charges, the annual compound growth rate for net earnings was 15.5% and the annual compound growth rate for earnings per share was 14.4%.

Common Stock Market Prices

The Company's common stock is listed on the New York Stock Exchange under the symbol JNJ. The approximate number of shareowners of record at year-end 1998 was 165,900. The composite market price ranges for Johnson & Johnson common stock during 1998 and 1997 were:

	1998		1997	
	High	Low	High	Low
First quarter	$76 1/2	63 3/8	62 3/4	48 5/8
Second quarter	77 7/8	67	66 7/8	51 1/8
Third quarter	80 3/4	68 1/4	65 7/8	55 1/8
Fourth quarter	89 3/4	72 5/8	67 5/16	52 5/8
Year-end close	83 7/8		64 7/8	

Cash Dividends Paid

The Company increased its dividends in 1998 for the thirty-sixth consecutive year. Cash dividends paid were $.97 per share in 1998 compared with dividends of $.85 per share in 1997 and $.735 per share in 1996. The dividends were distributed as follows:

	1998	1997	1996
First quarter	$.22	.19	.165
Second quarter	.25	.22	.19
Third quarter	.25	.22	.19
Fourth quarter	.25	.22	.19
Total	$.97	.85	.735

On December 3, 1998, the Board of Directors declared a regular cash dividend of $.25 per share, paid on March 9, 1999 to shareowners of record on February 11, 1999.

The Company expects to continue the practice of paying regular cash dividends.

Costs and Expenses

Research activities represent a significant part of the Company's business. These expenditures relate to the development of new products, improvement of existing products, technical support of products and compliance with governmental regulations for the protection of the consumer. Worldwide costs of research activities, excluding the write-off of IPR&D primarily in connection with the acquisition of DePuy, were as follows:

(Millions of Dollars)	1998	1997	1996
Research expense	$2,269	2,140	1,905
Percent increase over prior year	6.0%	12.3%	16.6%
Percent of sales	9.6	9.5	8.8

Research expense as a percent of sales for the Pharmaceutical segment was 15.8% for 1998, 16.7% for 1997 and 15.2% in 1996, while averaging 6.1%, 5.7% and 5.6% in the other two segments.

Research Expense

[GRAPHIC OMITTED]

Advertising expenses, which are comprised of television, radio and print media, were $1.19 billion in 1998 and $1.26 billion in both 1997 and 1996. Additionally, significant expenditures were incurred for promotional activities such as couponing and performance allowances.

The Company believes that its operations comply in all material respects with applicable environmental laws and regulations. The Company or its subsidiaries are parties to a number of proceedings brought under the Comprehensive Environmental Response, Compensation and Liability Act, commonly known as Superfund, and comparable state laws, in which primary relief sought is the cost of past and future remediation. While it is not feasible to predict or determine the outcome of these proceedings, in the opinion of the Company, such proceedings would not have a material adverse effect on the results of operations, cash flows or financial position of the Company.

Worldwide sales do not reflect any significant degree of seasonality; however, spending has been heavier in the fourth quarter of each year than in other quarters. This reflects increased spending decisions, principally for advertising and research grants.

The worldwide effective income tax rate was 28.3% in 1998, 27.8% in 1997 and 28.4% in 1996. The increase in the 1998 worldwide effective tax rate was primarily due to the Company's charge for IPR&D in the fourth quarter of 1998, which is not tax deductible. Refer to Note 6 of the Notes to Consolidated Financial Statements for additional information.

A summary of operations and related statistical data for the years 1988-1998 can be found on page 46.

Distribution of Sales Revenues

The distribution of sales revenues for 1998, 1997 and 1996 were:

	1998	1997	1996
Employment costs	23.9%	23.8%	24.4%
Cost of materials and services	48.9	50.8	51.8
Depreciation and amortization of property and intangibles	5.3	4.7	4.6
Taxes other than payroll	6.4	6.1	5.8
Earnings reinvested in business	7.4	9.6	8.9
Cash dividends paid	5.5	5.0	4.5
Restructuring/IPR&D	2.6	--	--

Liquidity and Capital Resources

Cash generated from operations and selected borrowings provide the major sources of funds for the growth of the business, including working capital, additions to property, plant and equipment and acquisitions. Cash and current marketable securities totaled $2.58 billion at the end of 1998 as compared with $2.90 billion at the end of 1997.

Total unused credit available to the Company approximates $3.2 billion, including $1.2 billion of credit commitments with various worldwide banks, $800 million of which expires on October 1, 1999 and $400 million on October 6, 2003.

In 1998 the Company issued $60 million of 5.12% notes due 2003, the proceeds of which were used for general corporate purposes. The Company issued no medium term notes during 1998. At January 3, 1999, the Company had $2.29 billion remaining on its shelf registration of $2.59 billion. A summary of borrowings can be found on page 36.

Total borrowings at the end of 1998 and 1997 were $4.02 billion and $1.84 billion, respectively. The increase in borrowings was attributable to financing the acquisition of DePuy. In 1998 net debt (debt net of cash and current marketable securities) was 9.6% of net capital (shareowners' equity and net debt). In 1997 net cash (cash and current marketable securities net of debt) was $1.06 billion. Total debt represented 22.8% of total capital (shareowners' equity and total debt) in 1998 and 13.0% of total capital in 1997. Shareowners' equity per share at the end of 1998 was $10.11 compared with $9.19 at year-end 1997, an increase of 10.0%.

Financial Instruments

The Company uses financial instruments to manage the impact of interest rate and foreign exchange rate changes on earnings and cash flows. Accordingly, the Company enters into forward foreign exchange contracts to protect the value of existing foreign currency assets and liabilities and to hedge future foreign currency product costs. Gains or losses on these contracts are offset by the gains or losses on the underlying transactions. A 10% appreciation of the U.S. Dollar from January 3, 1999 market rates would increase the unrealized value of the Company's forward contracts by $225 million. Conversely, a 10% depreciation of the U.S. Dollar from January 3, 1999 market rates would decrease the unrealized value of the Company's forward contracts by $259 million. In either scenario, the gain or loss on the forward contract is offset by the gain or loss on the underlying transaction and therefore has no impact on future earnings and cash flows.

The Company enters into interest rate and currency swap contracts to manage the Company's exposure to interest rate changes and hedge foreign currency denominated debt. The impact of a 1% change in interest rates on the Company's interest rate sensitive financial instruments is immaterial.

The Company does not enter into financial instruments for trading or speculative purposes. Further, the Company has a policy of only entering into contracts with parties that have at least an "A" (or equivalent) credit rating. The counterparties to these contracts are major financial institutions and the Company does not have significant exposure to any one counterparty. Management believes the risk of loss is remote and in any event would be immaterial.

Changing Prices and Inflation

Johnson & Johnson is aware that its products are used in a setting where, for more than a decade, policymakers, consumers, and businesses have expressed concern about the rising cost of health care. In response to these concerns, Johnson & Johnson has a long-standing policy of pricing products responsibly. For the period 1980-1998, in the United States, the weighted average compound annual growth rate of Johnson & Johnson price increases for health care products (prescription and over-the-counter drugs, hospital and professional products) was below the U.S. Consumer Price Index (CPI) for the period.

Inflation rates, even though moderate in many parts of the world during 1998, continue to have an effect on worldwide economies and, consequently, on the way companies operate. In the face of increasing costs, the Company strives to maintain its profit margins through cost reduction programs, productivity improvements and periodic price increases.

YEAR 2000

The YEAR 2000 problem may occur when computer systems use the two digits "00"to represent the year 2000. As a result, these systems may not process dates after 1999, causing system errors or failures. The Company has had a program in place since the fourth quarter of 1996 to address YEAR 2000 issues in our critical business areas relating to information management systems (IM), non-IM systems with embedded technology, products, suppliers and customers. A report on this program's process has been provided to the Board of Directors.

The Company has completed its review of critical IM systems and is in the process of correcting issues as necessary. These corrective actions will be substantially complete by the second quarter of 1999. Additionally, the Company is reviewing all other automated systems including non-IM systems with embedded technology and adjusting these systems as needed. This phase is also expected to be completed by the end of the second quarter of 1999.

The Company has made substantial progress in its assessment and testing plan for all its products. The Company has substantially completed this plan at year-end 1998 with full completion expected by the third quarter of 1999.

The Company's ability to implement its YEAR 2000 program and the related non-implementation costs cannot be accurately determined at this time. Although a failure to completely correct one system may adversely affect other systems, the Company does not believe that these effects are likely. A material adverse effect on the financial condition and results of operations of the business may occur if a significant number of such failures should take place, requiring manual backup methods and related costs.

The Company has been reviewing and has requested assurances on the status of YEAR 2000 readiness of its critical suppliers. Many of these suppliers however, have either declined to provide or have limited their assurances on the status of their YEAR 2000 readiness. The Company has established a plan for continued monitoring of critical suppliers during 1999.

Although the Company has contacted major customers to assess the status of their YEAR 2000 issues, their YEAR 2000 readiness is unclear. If a significant number of suppliers and customers experience disruptions as a result of YEAR 2000 issues, this could have a material adverse effect on the financial position and results of operations of the Company.

The Company is formulating contingency plans to deal with the impact of YEAR 2000 problems on critical suppliers and major customers. For critical suppliers, these plans may include identifying the availability of alternate utilities and raw material supply sources as well as increasing levels of inventory. To mitigate the effects of lack of YEAR 2000 readiness of major customers, the Company has few alternatives other than manual methods. Regardless of the contingency plans developed, there can be no assurance that these plans will address all YEAR 2000 problems or that implementation of these plans will be successful.

The total cost of addressing the Company's YEAR 2000 readiness issues is not expected to be material to the Company's financial condition or results of operations. Since the initiation of the YEAR 2000 readiness program in 1996, the Company estimates that it has expensed approximately $125 million in internal and external costs on a pre-tax basis. The Company currently estimates that the total costs for addressing YEAR 2000 readiness will approximate $200 million on a pre-tax basis. These costs are being expensed as incurred and are funded through operating cash flows. No projects material to the financial condition or results of operations of the Company have been deferred or delayed as a result of the Company's YEAR 2000 program.

New Accounting Pronouncement

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133 "Accounting for Derivative Instruments and Hedging Activities" (FAS 133). This standard is effective for all fiscal quarters of fiscal years beginning after June 15, 1999.

FAS 133 requires that all derivative instruments be recorded on the balance sheet at their respective fair values. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on the designation of the hedge transaction. For fair-value hedge transactions in which the Company is hedging changes in an asset's, liability's or firm commitment's fair value, changes in the fair value of the derivative instrument will generally be offset by changes in the hedged item's fair value. For cash flow hedge transactions in which the Company is hedging the variability of cash flows related to a variable rate asset, liability or forecasted transaction, changes in the fair value of the derivative instrument will be reported in other comprehensive income. The gains and losses on the derivative instrument that are reported in other comprehensive income will be recognized in earnings in the periods in which earnings are impacted by the variability of the cash flows of the hedged item.

The Company will adopt FAS 133 in the first quarter of 2000 and does not expect it to have a material effect on the Company's results of operations, cash flows or financial position.

Segments of Business

Financial information for the Company's three worldwide business segments is summarized below. Refer to page 45 for additional information on segments of business.

Sales by Segment of Business

[GRAPHIC OMITTED]

Sales			Increase	
(Millions of Dollars)	1998	1997	Amount	Percent
Consumer	$ 6,526	6,498	28	0.4%
Pharmaceutical	8,562	7,696	866	11.3
Professional	8,569	8,435	134	1.6
Worldwide total	$23,657	22,629	1,028	4.5%

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Operating Profit by Segment of Business(2)

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Operating Profit

(Millions of Dollars)	1998	1998(1)	1997	Percent of Sales 1998	Percent of Sales 1997
Consumer	$ 414	658	551	6.3%	8.5%
Pharmaceutical	3,016	3,081	2,567	35.2	33.4
Professional	941	1,409	1,543	11.0	18.3
Worldwide total	4,371	5,148	4,661	18.5	20.6
Expenses not allocated to segments	(102)	(102)	(85)	(.4)	(.4)
Earnings before taxes on income	$ 4,269	5,046	4,576	18.0%	20.2%

(1) 1998 results excluding Restructuring and In-Process Research and Development charges. Excluding these charges, operating profit as a percent of sales by segment was: Consumer 10.1%, Pharmaceutical 36.0%, and Professional 16.4%.

(2) Prior year restated to conform to 1998 presentation according to SFAS No. 131.

Consumer

The Consumer segment's principal products are personal care and hygienic products, including oral and baby care products, first aid products, nonprescription drugs, sanitary protection products and adult skin and hair care products. Major brands include ACT Fluoride Rinse; BAND-AID Brand Adhesive Bandages; CAREFREE Panty Shields; CLEAN & CLEAR skin care products; IMODIUM A-D, an antidiarrheal; JOHNSON'S Baby line of products; JOHNSON'S pH5.5 skin and hair care products; MONISTAT, a remedy for vaginal yeast infections; adult and children's MOTRIN analgesic products; MYLANTA gastrointestinal products and PEPCID AC Acid Controller from the Johnson & JohnsonoMerck Consumer Pharmaceuticals Co.; NEUTROGENA skin and hair care products; NICOTROL smoking cessation products; o.b. Tampons; PENATEN and NATUSAN baby care products; PIZ BUIN and SUNDOWN sun care products; REACH toothbrushes; RoC skin care products; SHOWER TO SHOWER personal care products; STAYFREE and SURE & NATURAL sanitary protection products; and the broad family of TYLENOL acetaminophen products. These products are marketed principally to the general public and distributed both to wholesalers and directly to independent and chain retail outlets.

Consumer segment sales in 1998 were $6.53 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 that 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., including the AVEENO brand specialty soaps, bath, anti-itch and moisturizing cream and lotion products.

The 1998 special pre-tax charge for the Consumer segment was $244 million. See Note 15 for detailed discussion on the Restructuring charges.

Consumer segment sales in 1997 were $6.50 billion, an increase of 2.1% over 1996. Sales by domestic companies accounted for 49.9% of the total segment, while international companies accounted for 50.1%. During 1997, the Company announced a licensing agreement with Raisio Group of Finland for the North American marketing rights (as well as a letter of intent for the worldwide marketing rights) to a dietary ingredient, stanol ester, which is patented for use in reducing cholesterol. The Company also established an alliance with Takeda Chemical Industries in Japan for the sale and distribution of OTC products beginning with several forms of TYLENOL brand acetaminophen products.

Consumer segment sales in 1996 were $6.36 billion, an increase of 9.1% over 1995. Sales by domestic companies accounted for 49.7% of the total segment, while international companies accounted for 50.3%. The sales growth was led by the strong performance of TYLENOL brand products, despite heavy competition.

Pharmaceutical

The Pharmaceutical segment represents over 50% of operating profit for all segments.

The Pharmaceutical segment's principal worldwide franchises are in the allergy, anti-infective, antifungal, antianemia, central nervous system, contraceptive, dermatology, gastrointestinal, and pain management fields. These products are distributed both directly and through wholesalers for use by health care professionals and the general public.

Prescription drugs include DURAGESIC (fentanyl transdermal system sold abroad as DUROGESIC), a transdermal patch for chronic pain; EPREX (Epoetin alfa sold in the U.S. as PROCRIT), a biotechnology derived version of the human hormone erythropoietin that stimulates red blood cell production; ERGAMISOL (levamisole hydrochloride), a colon cancer drug; FLOXIN (ofloxacin) and LEVAQUIN (levofloxacin), both anti-infectives; IMODIUM (loperamide HCl), an antidiarrheal; LEUSTATIN (cladribine), for hairy cell leukemia; MOTILIUM (domperidone), a gastrointestinal mobilizer; NIZORAL (ketoconazole), SPORANOX (itraconazole) and TERAZOL (terconazole), antifungals; ORTHOCLONE OKT-3 (muromonab-CD3), for reversing the rejection of kidney, heart and liver transplants; ORTHO-NOVUM (norethindrone/mestranol) group of oral contraceptives; PREPULSID (cisapride sold in the U.S. as PROPULSID), a gastrointestinal prokinetic; RETIN-A (tretinoin), a dermatological

cream for acne; RISPERDAL (risperidone), an antipsychotic drug; and ULTRAM (tramadol hydrochloride), a centrally acting prescription analgesic for moderate to moderately severe pain.

Johnson & Johnson markets more than 90 prescription drugs around the world, with 45% of the sales generated outside the United States. Twenty-eight drugs sold by the Company had 1998 sales in excess of $50 million, with 17 of them in excess of $100 million.

Pharmaceutical segment sales in 1998 were $8.56 billion, an increase of 11.3% over 1997 including 21.4% growth in domestic sales. International sales increased .9% as sales gains in local currency of 5.7% were offset by a negative currency impact of 4.8%. Worldwide growth reflects the strong performance of RISPERDAL, PROCRIT, DURAGESIC, LEVAQUIN, and the oral contraceptive line of products. At year-end 1998, the Company received approval from the FDA for LEVAQUIN for the indication of uncomplicated urinary tract infection.

The 1998 special pre-tax charge for the Pharmaceutical segment was $65 million. See Note 15 for detailed discussion on the Restructuring charges.

Pharmaceutical segment sales in 1997 were $7.70 billion, an increase of 7.1% over 1996. This growth reflected the strong performance of RISPERDAL, PROCRIT, PROPULSID, ULTRAM, DURAGESIC, and LEVAQUIN, a new anti-infective launched in 1997. At year-end 1997, the Company received approval from the FDA for REGRANEX (becaplermin), the first biologic treatment proven to increase the incidence of healing in diabetic foot ulcers.

Pharmaceutical segment sales in 1996 were $7.19 billion, an increase of 14.6% over 1995. Domestic sales advanced 24.4% while international sales advanced 7.2%. The worldwide growth was a result of the outstanding performances of PROCRIT, RISPERDAL, SPORANOX, PROPULSID, ULTRAM, and DURAGESIC.

Significant research activities continued in the Pharmaceutical segment, increasing to $1.4 billion in 1998, or $68 million over 1997. This represents 15.8% of 1998 Pharmaceutical sales and a compound annual growth rate of approximately 14.6% for the five-year period since 1993.

Pharmaceutical research is led by two worldwide organizations, Janssen Research Foundation, headquartered in Belgium and the R.W. Johnson Pharmaceutical Research Institute, headquartered in the United States. Additional research is conducted through collaboration with the James Black Foundation in London, England.

Professional

The Professional segment includes suture and mechanical wound closure products, minimally invasive surgical instruments, diagnostic products, cardiology products, disposable contact lenses, surgical instruments, orthopaedic joint replacements, products for wound management and infection prevention and other medical equipment and devices. These products are used principally in the professional fields by physicians, nurses, therapists, hospitals, diagnostic laboratories and clinics. Distribution to these markets is done both directly and through surgical supply and other dealers.

Worldwide sales of $8.57 billion in the Professional segment represented an increase of 1.6% over 1997. Domestic sales decreased 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 the DePuy orthopaedic products business 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 for $3.7 billion. 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.

The 1998 special pre-tax charge for the Professional segment for restructuring was $304 million. Additionally, the write-off of IPR&D related to acquisitions was $164 million. See Note 15 and 17 for detailed discussion on Restructuring charges and Acquisitions.

Worldwide sales of $8.44 billion in 1997 in the Professional segment represented an increase of 4.5 % over 1996. Sales growth continued to be fueled by the excellent performance of Ethicon Endo-Surgery's minimally invasive surgical instruments, Johnson & Johnson's orthopaedics business, Vistakon's disposable contact lenses and LifeScan's blood glucose monitoring systems. The Asia-Pacific and Central Europe regions contributed significantly to the overall increase in the Professional segment. There were also several business combinations in the Professional segment during 1997. These included Biopsys Medical, Inc., a maker of products for the diagnosis and management of breast cancer; Biosense, Inc., a leader in medical sensor technology for use in diagnostic and therapeutic interventional procedures; Gynecare, Inc., a maker of minimally invasive medical devices for the treatment of uterine disorders; and Innotech, Inc., a manufacturer of equipment for high quality prescription

eyeglass lenses.

In 1996, Professional segment sales increased 19.8% over 1995, to $8.07 billion. The sales growth included the full year impact of the merger with Cordis Corporation in early 1996. Strong growth in the Asia-Pacific region also contributed to the increase in the Professional segment, as did excellent performances by LifeScan's blood glucose monitors, Vistakon's disposable contact lenses, Ethicon Endo-Surgery's minimally invasive surgical instruments and Johnson & Johnson Professional's orthopaedic business. Acquisitions and divestitures during 1998 and 1997 are described in more detail on page 42.

Geographic Areas

The Company further categorizes its sales by major geographic area as presented for the years 1998 and 1997.

Sales

(Millions of Dollars)	1998	1997	Increase Amount	Increase Percent
United States	$12,562	11,757	805	6.8%
Europe	6,317	5,942	375	6.3
Western Hemisphere excluding U.S.	2,090	2,034	56	2.8
Asia-Pacific, Africa	2,688	2,896	(208)	(7.2)
Worldwide total	$23,657	22,629	1,028	4.5%

International sales were once again negatively impacted by the translation of local currency operating results into U.S. dollars. Average exchange rates to the dollar have declined each year since 1995.

See page 45 for additional information on geographic areas.

Sales by Geographic Area of Business

[GRAPHIC OMITTED]

Description of Business

The Company, which employees 93,100 employees worldwide, is engaged in the manufacture and sale of a broad range of products in the health care field. It conducts business in virtually all countries of the world. The Company's primary interest, both historically and currently, has been in products related to health and well-being.

The Company is organized on the principle of decentralized management. The Executive Committee of Johnson & Johnson is the principal management group responsible for the operations and allocations of resources of the Company. In addition, several Executive Committee members serve as Chairmen of Group Operating Committees, which are comprised of managers who represent key operations within the group, as well as management expertise in other specialized functions. The composition of these Committees can change over time in response to business needs. These Committees oversee and coordinate the activities of domestic and international companies related to each of the Consumer, Pharmaceutical and Professional businesses. Operating management is headed by a Chairman, President, General Manager or Managing Director who reports directly, or through a line executive to a Group Operating Committee.

In line with this policy of decentralization, each international subsidiary is, with some exceptions, managed by citizens of the country where it is located. The Company's international business is conducted by subsidiaries manufacturing in 36 countries outside the United States and selling in over 175 countries throughout the world.

In all its product lines, the Company competes with companies both large and small, located in the U.S. and abroad. Competition is strong in all lines without regard to the number and size of the competing companies involved. Competition in research, involving the development and improvement of new and existing products and processes, is particularly significant and results from time to time in product and process obsolescence. The development of new and improved products is important to the Company's success in all areas of its business. This competitive environment requires substantial investments in continuing research and in multiple sales forces. In addition, the winning and retention of customer acceptance of the Company's consumer products involves heavy expenditures for advertising, promotion, and selling.

Cautionary Factors that May Affect Future Results

This Annual Report may contain forward-looking statements that anticipate results based on management's plans that are subject to uncertainty. The use of the words "expects," "plans, " "anticipates" and other similar words in conjunction with discussions of future operations or financial performance identifies these statements.

Forward-looking statements are based on current expectations of future events. The Company cannot ensure that any forward-looking statement will be accurate, although the Company believes that it has been reasonable in its expectations and assumptions. Investors should realize that if underlying assumptions prove inaccurate or that unknown risks or uncertainties materialize, actual results could vary materially from our projections. The Company assumes no obligation to update any forward-looking statements as a result of future events or developments.

In Item 1 of the Company's Annual Report on Form 10-K for the year ended January 3, 1999 that will be filed in April 1999, the Company discusses in more detail various factors that could cause actual results to differ from

expectations. Prior to the filing of Form 10-K, investors should reference the Company's quarterly report on Form 10-Q for the quarter ended September 27, 1998. The Company notes these factors as permitted by the Private Securities Litigation Reform Act of 1995. Investors are cautioned not to place undue reliance on such statements that speak only as of the date made. Investors also should understand that it is not possible to predict or identify all such factors and should not consider this list to be a complete statement of all potential risks and uncertainties.

Consolidated Balance Sheet Johnson & Johnson and Subsidiaries

At January 3, 1999 and December 28, 1997 (Dollars in Millions) (Note 1)	1998	1997
Assets		
Current assets		
Cash and cash equivalents (Notes 1 and 16)	$ 1,927	2,753
Marketable securities at cost (Note 16)	651	146
Accounts receivable trade, less allowances $385 (1997, $358)	3,661	3,329
Inventories (Notes 1 and 2)	2,853	2,516
Deferred taxes on income (Note 6)	1,180	831
Prepaid expenses and other receivables	860	988
Total current assets	$ 11,132	10,563
Marketable securities, non-current (Note 16)	416	385
Property, plant and equipment, net (Notes 1, 3 and 15)	6,240	5,810
Intangible assets, net (Notes 1 and 5)	7,209	3,261
Deferred taxes on income (Note 6)	102	332
Other assets	1,112	1,102
Total assets	$ 26,211	21,453
Liabilities and Shareowners' Equity		
Current liabilities		
Loans and notes payable (Note 4)	$ 2,747	714
Accounts payable	1,861	1,753
Accrued liabilities	2,920	2,258
Accrued salaries, wages and commissions	428	332
Taxes on income	206	226
Total current liabilities	8,162	5,283
Long-term debt (Note 4)	1,269	1,126
Deferred tax liability (Note 6)	578	175
Employee related obligations (Note 11)	1,738	1,562
Other liabilities	874	948
Shareowners' equity		
Preferred stock-without par value (authorized and unissued 2,000,000 shares)	--	--
Common stock-par value $1.00 per share (Note 20) (authorized 2,160,000,000 shares; issued 1,534,824,000 shares)	1,535	1,535
Note receivable from employee stock ownership plan (Note 14)	(44)	(51)
Accumulated other comprehensive income (Note 8)	(328)	(378)
Retained earnings	13,928	12,661
	15,091	13,767
Less common stock held in treasury, at cost (Note 20) (190,773,000 and 189,687,000 shares)	1,501	1,408
Total shareowners' equity	13,590	12,359
Total liabilities and shareowners' equity	$ 26,211	21,453

See Notes to Consolidated Financial Statements

Consolidated Statement of Earnings Johnson & Johnson and Subsidiaries

(Dollars in Millions Except Per Share Figures) (Note 1)	1998	1997	1996
Sales to customers	$ 23,657	22,629	21,620
Cost of products sold (1998 includes $60 of inventory write-offs for restructuring)	7,496	7,152	7,018
Gross profit	16,161	15,477	14,602
Selling, marketing and administrative expenses	8,907	8,715	8,394
Research expense	2,269	2,140	1,905
Purchased in-process research and development (Notes 15 and 17)	164	--	--
Interest income	(262)	(203)	(139)
Interest expense, net of portion capitalized (Note 3)	110	120	125
Other expense, net	151	129	284
Restructuring charge (Note 15)	553	--	--
	11,892	10,901	10,569
Earnings before provision for taxes on income	4,269	4,576	4,033
Provision for taxes on income (Note 6)	1,210	1,273	1,146
Net earnings	$ 3,059	3,303	2,887
Basic net earnings per share (Notes 1 and 19)	$ 2.27	2.47	2.17
Diluted net earnings per share (Notes 1 and 19)	$ 2.23	2.41	2.12

See Notes to Consolidated Financial Statements

Consolidated Statement of Equity Johnson & Johnson and Subsidiaries

(Dollars in Millions)	Total	Comprehensive Income	Retained Earnings	Note Receivable From Employee Stock Ownership Plan (ESOP)	Accumulated Other Comprehensive Income	Common Stock Issued Amount	Treasury Stock Amount
Balance, December 31, 1995	$ 9,045		9,702	(64)	189	1,535	2,317
Net earnings	2,887	2,887	2,887				
Cash dividends paid	(974)		(974)				
Employee compensation and stock option plans	204		(185)				(389)
Repurchase of common stock	(412)						412
Business combinations	318		(490)				(808)
Other comprehensive income, net of tax:							
Currency translation adjustments	(270)	(270)					
Unrealized gains on securities	31	31					
Other comprehensive income		(239)			(239)		
Total comprehensive income		2,648					
Note receivable from ESOP	7			7			
Balance, December 29, 1996	$ 10,836		10,940	(57)	(50)	1,535	1,532
Net earnings	3,303	3,303	3,303				
Cash dividends paid	(1,137)		(1,137)				
Employee compensation and stock option plans	290		(333)				(623)
Repurchase of common stock	(628)						628
Business combinations	17		(112)				(129)
Other comprehensive income, net of tax:							
Currency translation adjustments	(289)	(289)					
Unrealized gains (losses) on securities	(39)	(39)					
Other comprehensive income		(328)			(328)		
Total comprehensive income		2,975					
Note receivable from ESOP	6			6			
Balance, December 28, 1997	$ 12,359		12,661	(51)	(378)	1,535	1,408
Net earnings	3,059	3,059	3,059				
Cash dividends paid	(1,305)		(1,305)				
Employee compensation and stock option plans	340		(494)				(834)
Repurchase of common stock	(930)						930
Business combinations	10		7				(3)
Other comprehensive income, net of tax:							
Currency translation adjustments	82	82					
Unrealized gains (losses) on securities	(32)	(32)					
Other comprehensive income		50			50		
Total comprehensive income		3,109					
Note receivable from ESOP	7			7			
Balance, January 3, 1999	$ 13,590		13,928	(44)	(328)	1,535	1,501

See Notes to Consolidated Financial Statements

Consolidated Statement of Cash Flows Johnson & Johnson and Subsidiaries

(Dollars in Millions) (Note 1)	1998	1997	1996
Cash flows from operating activities			
Net earnings	$ 3,059	3,303	2,887
Adjustments to reconcile net earnings to cash flows:			
Depreciation and amortization of property and intangibles	1,246	1,067	1,009
Increase in deferred taxes	(239)	(121)	(3)
Purchased in-process research and development	164	--	--
Changes in assets and liabilities, net of effects from acquisition of businesses:			
Increase in accounts receivable, less allowances	(74)	(318)	(306)
Increase in inventories	(80)	(175)	(242)
Increase in accounts payable and accrued liabilities	622	460	245
Decrease (increase) in other current and non-current assets	139	10	(40)
Increase in other current and non-current liabilities	49	117	341
Net cash flows from operating activities	4,886	4,343	3,891
Cash flows from investing activities			
Additions to property, plant and equipment	(1,460)	(1,391)	(1,373)
Proceeds from the disposal of assets	71	69	37
Acquisition of businesses, net of cash acquired (Note 17)	(3,481)	(180)	(233)
Other, principally marketable securities	(769)	(112)	(123)
Net cash used by investing activities	(5,639)	(1,614)	(1,692)
Cash flows from financing activities			
Dividends to shareowners	(1,305)	(1,137)	(974)
Repurchase of common stock	(930)	(628)	(412)
Proceeds from short-term debt	2,424	300	282
Retirement of short-term debt	(226)	(182)	(128)
Proceeds from long-term debt	86	7	126
Retirement of long-term debt	(416)	(504)	(411)
Proceeds from the exercise of stock options	269	225	149
Net cash used by financing activities	(98)	(1,919)	(1,368)
Effect of exchange rate changes on cash and cash equivalents	25	(68)	(21)
(Decrease) increase in cash and cash equivalents	(826)	742	810
Cash and cash equivalents, beginning of year (Note 1)	2,753	2,011	1,201
Cash and cash equivalents, end of year (Note 1)	$ 1,927	2,753	2,011
Supplemental cash flow data			
Cash paid during the year for:			
Interest, net of portion capitalized	$ 89	91	113
Income taxes	1,310	1,431	1,210
Supplemental schedule of noncash investing and financing activities			
Treasury stock issued for employee compensation and stock option plans net of cash proceeds	$ 598	425	252
Acquisitions of businesses			
Fair value of assets acquired	$ 4,322	184	237
Fair value of liabilities assumed (including $296 of assumed debt)	(545)	(4)	(4)
Net purchase price	$ 3,777	180	233

See Notes to Consolidated Financial Statements

1 Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Johnson & Johnson and subsidiaries. Intercompany accounts and transactions are eliminated.

Cash Equivalents

The Company considers securities with maturities of three months or less, when purchased, to be cash equivalents.

Revenue Recognition

The Company recognizes revenue from product sales when the goods are shipped and title passes to the customer.

Inventories

Inventories are stated at the lower of cost or market determined by the first-in, first-out method.

Depreciation of Property

The Company utilizes the straight-line method of depreciation for financial statement purposes for all additions to property, plant and equipment.

Intangible Assets

The excess of the cost over the fair value of net assets of purchased businesses is recorded as goodwill and is amortized on a straight-line basis over periods of 40 years or less. The cost of other acquired intangibles is amortized on a straight-line basis over their estimated useful lives. The Company continually evaluates the carrying value of goodwill and other intangible assets. Any impairments would be recognized when the expected future operating cash flows derived from such intangible assets is less than their carrying value.

Financial Instruments

Gains and losses on foreign currency hedges of existing assets or liabilities, or hedges of firm commitments, are deferred and recognized in income as part of the related transaction.

Unrealized gains and losses on currency swaps which hedge third party debt are classified in the balance sheet as other assets or liabilities. Interest expense under these agreements, and the respective debt instruments that they hedge, are recorded at the net effective interest rate of the hedged transaction.

In the event of early termination of a currency swap contract that hedges third party debt, the gain or loss on the swap contract is amortized over the remaining life of the related transaction. If the underlying transaction associated with a swap, or other derivative contract, is accounted for as a hedge and is terminated early, the related derivative contract is terminated simultaneously and any gains or losses would be included in income immediately.

Advertising

Costs associated with advertising are expensed in the year in- curred. Advertising expenses worldwide, which are comprised of television, radio and print media, were $1.19 billion in 1998 and $1.26 billion in 1997 and 1996 respectively.

Income Taxes

The Company intends to continue to reinvest its undistributed international earnings to expand its international operations; therefore, no tax has been provided to cover the repatriation of such undistributed earnings. At January 3, 1999 and December 28, 1997 the cumulative amount of undistributed international earnings was approximately $7.0 billion and $5.9 billion, respectively.

Net Earnings Per Share

Basic earnings per share is computed by dividing net income available to common shareowners by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock.

Risks and Uncertainties

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported. Actual results are not expected to differ materially from those estimates.

Annual Closing Date

The Company follows the concept of a fiscal year which ends on the Sunday nearest to the end of the month of December. Normally each fiscal year consists of 52 weeks, but every five or six years, as in 1998, the fiscal year consists of 53 weeks.

Reclassification

Certain prior year amounts have been reclassified to conform with current year presentation.

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2 Inventories

At the end of 1998 and 1997, inventories were comprised of:

(Dollars in Millions)	1998	1997
Raw materials and supplies	$ 770	655
Goods in process	489	417
Finished goods	1,594	1,444
	$2,853	2,516

3 Property, Plant and Equipment

At the end of 1998 and 1997, property, plant and equipment at cost and accumulated depreciation consisted of:

(Dollars in Millions)	1998	1997
Land and land improvements	$ 459	407
Buildings and building equipment	2,922	2,895
Machinery and equipment	5,575	5,224
Construction in progress	1,068	918
	10,024	9,444
Less accumulated depreciation	3,784	3,634
	$ 6,240	5,810

The Company capitalizes interest expense as part of the cost of construction of facilities and equipment. Interest expense capitalized in 1998, 1997 and 1996 was $71, $40 and $55 million, respectively.

Upon retirement or other disposal of fixed assets, the cost and related amount of accumulated depreciation or amortization are eliminated from the asset and reserve accounts, respectively. The difference, if any, between the net asset value and the proceeds is adjusted to income. For additional discussion on property, plant and equipment, see Note 15.

4 Borrowings

The Components of long-term debt are as follows:

(Dollars in Millions)	1998	Eff. Rate	1997	Eff. Rate
8.72% Debentures due 2024	$ 300	8.72%	300	8.72%
6.73% Debentures due 2023	250	6.73	250	6.73
7 3/8% Notes due 2002	199	7.49	199	7.49
8.25% Euro Notes due 2004	199	8.37	199	8.37
11 1/4% Italian Lire Notes due 1998(1)	--	--	115	4.88
5% Deutsche Mark Notes due 2001(3)	107	1.98	101	1.98
5.12% Notes due 2003(4)	60	0.82	--	--
4 1/2% Currency Indexed Notes due 1998(1)	--	--	72	5.26
8.18% to 8.25% Medium Term Notes due 1998	--	--	65	8.23
Industrial Revenue Bonds	50	5.28	57	5.77
Other, principally international	139	--	36	--
	1,304	6.85(2)	1,394	6.96(2)
Less current portion	35		268	
	$1,269		1,126	

(1) The principal amounts of these debt issues include the effect of foreign currency movements. Such debt was converted to fixed or floating rate U.S. dollar liabilities via interest rate and currency swaps. Unrealized currency gains (losses) on currency swaps are not included in the basis of the related debt transactions and are classified in the balance sheet as other assets (liabilities).

(2) Weighted average effective rate.

(3) Represents 5% Deutsche Mark notes due 2001 issued by a Japanese subsidiary and converted to a 1.98% fixed rate yen note via an interest rate and currency swap.

(4) Represents 5.12% U.S. Dollar notes due 2003 issued by a Japanese subsidiary and converted to a 0.82% fixed rate yen note via an interest rate and currency swap
.

The Company has access to substantial sources of funds at numerous banks worldwide. Total unused credit available to the Company approximates $3.2 billion, including $1.2 billion of credit commitments with various worldwide banks, $800 million of which expire on October 1, 1999 and $400 million on October 6, 2003. Interest charged on borrowings under the credit line agreements is based on either bids provided by the banks, the prime rate or London Interbank Offered Rates (LIBOR), plus applicable margins. Commitment fees under the agreements are not material.

The Company's shelf registration filed with the Securities and Exchange

Commission enables the Company to issue up to $2.59 billion of unsecured debt securities, and warrants to purchase debt securities, under its medium term note (MTN) program. No MTN's were issued during 1998. At January 3, 1999, the Company had $2.29 billion remaining on its shelf registration. In 1998 the Company issued $60 million of 5.12% notes due 2003, the proceeds of which were used for general corporate purposes.

Short-term borrowings and current portion of long-term debt amounted to $2.7 billion at the end of 1998. These borrowings are composed of $2.2 billion U.S. commercial paper, at an average rate of 5.0% and $0.5 billion of local borrowings, principally by international subsidiaries.

Aggregate maturities of long-term obligations for each of the next five years commencing in 1999 are:

(Dollars in Millions)	1999	2000	2001	2002	2003	After 2003
	$ 35	31	137	214	80	807

5 Intangible Assets

At the end of 1998 and 1997, the gross and net amounts of intangible assets were:

(Dollars in Millions)	1998	1997
Goodwill - gross	$4,112	2,198
Less accumulated amortization	329	241
Goodwill - net	$3,783	1,957
Patents & trademarks - gross	$1,634	1,074
Less accumulated amortization	343	262
Patents and trademarks - net	$1,291	812
Other intangibles - gross	$2,296	613
Less accumulated amortization	161	121
Other intangibles - net	$2,135	492
Total intangible assets - gross	$8,042	3,885
Less accumulated amortization	833	624
Total intangible assets - net	$7,209	3,261

The weighted average amortization periods for goodwill, patents and trademarks and other intangibles are 32 years, 21 years and 18 years, respectively.

6 Income Taxes

The provision for taxes on income consists of:

(Dollars in Millions)	1998	1997	1996
Currently payable:			
U.S. taxes	$ 964	939	662
International taxes	485	455	487
	1,449	1,394	1,149
Deferred:			
U.S. taxes	(122)	(115)	28
International taxes	(117)	(6)	(31)
	(239)	(121)	(3)
	$ 1,210	1,273	1,146

Deferred income taxes are recognized for tax consequences of "temporary differences" by applying enacted statutory tax rates, applicable to future years, to differences between the financial reporting and the tax basis of existing assets and liabilities.

Temporary differences and carryforwards for 1998 are as follows:

	Deferred Tax	
(Dollars in Millions)	Asset	Liability
Employee benefit obligations	$ 546	--
Depreciation	--	(329)
Non-deductible intangibles	--	(851)
International R&D capitalized for tax	150	--
Reserves & liabilities	609	--
Income reported for tax purposes	231	--
Miscellaneous international	168	(276)
Miscellaneous U.S.	377	--
Total deferred income taxes	$2,081	(1,456)

A comparison of income tax expense at the federal statutory rate of 35% in 1998, 1997 and 1996, to the Company's effective tax rate is as follows:

(Dollars in Millions)	1998	1997	1996
Earnings before taxes on income	$4,269	4,576	4,033
Statutory taxes	$1,494	1,602	1,412
Tax rates:			
Statutory	35.0%	35.0%	35.0%
Puerto Rico & Ireland operations	(5.5)	(5.7)	(6.3)
Research tax credits	(0.3)	(0.3)	(0.3)
Domestic state and local	1.0	1.0	1.6
International subsidiaries excluding Ireland	(3.3)	(2.7)	(2.0)
IPR&D	1.3	--	--
All other	0.1	0.5	0.4
Effective tax rate	28.3%	27.8%	28.4%

The increase in the 1998 worldwide effective tax rate was primarily due to the Company's fourth quarter purchased IPR&D charge. During 1998, the Company had subsidiaries operating in Puerto Rico under a tax incentive grant expiring December 31, 2007. In addition, the Company has subsidiaries manufacturing in Ireland under an incentive tax rate effective through the year 2010.

7 International Currency Translation

For translation of its international currencies, the Company has determined that the local currencies of its international subsidiaries are the functional currencies except those in highly inflationary economies, which are defined as those which have had compound cumulative rates of inflation of 100% or more during the past three years.

In consolidating international subsidiaries, balance sheet currency

effects are recorded as a separate component of shareowners' equity. This equity account includes the results of translating all balance sheet assets and liabilities at current exchange rates, except for those located in highly inflationary economies, principally Latin America, which are reflected in operating results.

An analysis of the changes during 1998 and 1997 for cumulative currency translation adjustments is included in Note 8.

Net currency transaction and translation gains and losses included in other expense were after-tax losses of $15 million in 1998, after-tax losses of $27 million in 1997, and after-tax gains of $2 million in 1996.

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8 Accumulated Other Comprehensive Income

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 130 "Reporting Comprehensive Income" that the Company adopted in the first quarter of 1998. SFAS 130 requires presentation of comprehensive income and its components in the financial statements. Components of other comprehensive income/(loss) consist of the following:

(Dollars in Millions)	Foreign Currency Translation	Unrealized Gains/(Losses) on Securities	Accumulated Other Comprehensive Income/(Loss)
December 31, 1995	$ 148	41	189
1996 change	(270)	31	(239)
December 29, 1996	(122)	72	(50)
1997 change	(289)	(39)	(328)
December 28, 1997	(411)	33	(378)
1998 change	82	(32)	50
January 3, 1999	$(329)	1	(328)

The change in unrealized gains/(losses) on marketable securities during 1998 includes reclassification adjustments of $38 million of losses realized from the write-down of marketable securities and the associated tax benefit was $13 million. The tax effect on the components of other comprehensive income are benefits of $17 million and $21 million in 1998 and 1997, respectively and expense of $16 million in 1996 related to unrealized gains (losses) on securities.

The currency translation adjustments are not adjusted for income taxes as they relate to indefinite investments in non-U.S. subsidiaries.

9 Rental Expense and Lease Commitments

Rentals of space, vehicles, manufacturing equipment and office and data processing equipment under operating leases amounted to approximately $239 million in 1998, $235 million in 1997 and $237 million in 1996.

The approximate minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year at January 3, 1999 are:

(Dollars in Millions)	1999	2000	2001	2002	2003	After 2003	Total
	$80	64	45	37	31	78	335

Commitments under capital leases are not significant.

10 Common Stock, Stock Option Plans and Stock Compensation Agreements

At January 3, 1999 the Company had eight stock-based compensation plans. Under the 1995 Employee Stock Option Plan, the Company may grant options to its employees for up to 56 million shares of common stock. The shares outstanding are for contracts under the Company's 1986, 1991 and 1995 Employee Stock Option Plans, the 1997 Non-Employee Directors' Plan and the Mitek, Cordis, Biosense and Gynecare Stock Option plans.

Stock options expire ten years from the date they are granted and vest over service periods that range from one to six years. Shares available for future grants amounted to 15.0 million, 22.7 million and 32.9 million in 1998, 1997 and 1996, respectively.

A summary of the status of the Company's stock option plans as of January 3, 1999, December 28, 1997 and December 29, 1996 and changes during the years ending on those dates, is presented below:

(Shares in Thousands)	Options Outstanding*	Weighted Average Exercise Price
Balance at December 31, 1995	78,624	24.89
Options granted	10,120	43.81
Options exercised	(7,442)	16.13
Options cancelled/forfeited	(2,231)	29.27
Balance at December 29, 1996	79,071	28.01
Options granted	12,564	60.62
Options exercised	(10,597)	16.80
Options cancelled/forfeited	(2,193)	36.36
Balance at December 28, 1997	78,845	34.48
Options granted	9,872	80.05
Options exercised	(11,076)	18.59
Options cancelled/forfeited	(2,204)	44.46
Balance at January 3, 1999	75,437	42.49

* Adjusted to reflect the 1996 two-for-one stock split.

The Company applies the provisions of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," that calls for companies to measure employee stock compensation expense based on the fair value method of accounting. However, as allowed by the Statement, the Company elected continued use of Accounting Principle Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees, " with pro forma disclosure of net income and earnings per share determined as if the fair value method had been applied in measuring compensation cost. Had the fair value method been applied, net income would have been reduced by $66 million or $.05 per share in 1998 and $30 million or $.02 per share in 1997. In 1996, net income would have been reduced by $16 million or $.01 earnings per share. These calculations only take into account the options issued since January 1, 1995. The average fair value of options granted was $19.62 in 1998, $17.50 in 1997 and $13.37 in 1996. The fair value was estimated using the Black-Scholes option pricing model based on the weighted average assumptions of:

	1998	1997	1996
Risk-free rate	4.52%	5.89%	6.11%
Volatility	22.0%	21.5%	18.2%
Expected life	5 yrs	5.3 yrs	7 yrs
Dividend yield	1.30%	1.43%	1.48%

The following table summarizes stock options outstanding and exercisable at January 3, 1999:

(Shares in Thousands)	Outstanding			Exercisable	
Exercise Price Range	Options	Average Life(a)	Average Exercise Price	Options	Average Exercise Price
$8.00-$22.28	11,973	3.2	$18.78	10,629	$18.39
$22.32-$42.86	22,733	4.7	24.93	18,016	24.61
$43.13-$59.88	20,477	7.2	46.44	7,238	44.97
$60.13-$83.63	20,254	9.4	72.19	1	71.06
$8.00-$83.63	75,437	6.4	$42.49	35,884	$26.88

(a) Average contractual life remaining in years

11 Employee Related Obligations

At the end of 1998 and 1997, employee related obligations were:

(Dollars in Millions)	1998	1997
Post retirement benefits	$ 767	753
Post employment benefits	144	166
Unfunded pension liabilities	677	517
Certificates of extra compensation	150	126
Employee related obligations	$1,738	1,562

12 Segments of Business and Geographic Areas

In 1998 the Company adopted Financial Accounting Standards No. 131, "Segments of Business;" see page 45.

13 Retirement and Pension Plans

The Company sponsors various retirement and pension plans, including defined benefit, defined contribution and termination indemnity plans, which cover most employees worldwide. The Company also provides postretirement benefits, primarily health care to all domestic retired employees and their dependents. Most international employees are covered by government-sponsored programs and the cost to the Company is not significant.

Retirement plan benefits are primarily based on the employee's compensation during the last three to five years before retirement and the number of years of service. The Company's objective in funding its domestic plans is to accumulate funds sufficient to provide for all accrued benefits. International subsidiaries have plans under which funds are deposited with trustees, annuities are purchased under group contracts, or reserves are provided.

In certain countries other than the United States, the funding of pension plans is not a common practice as funding provides no economic benefit. Consequently, the Company has several pension plans which are not funded.

The Company does not fund retiree health care benefits in advance and has the right to modify these plans in the future.

Effective December 29, 1997, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 132,"Employers' Disclosures about Pensions and Postretirement Benefits," which standardizes the disclosure requirements for pensions and other postretirement benefits. The Statement addresses disclosure only. It does not address liability measurement or expense recognition. There was no effect on financial position or net income as a result of adopting SFAS No. 132.

Net periodic benefit costs for the Company's defined benefit retirement plans and other benefit plans for 1998, 1997 and 1996 include the following components:

	Retirement Plans			Other Benefit Plans		
(Dollars in Millions)	1998	1997	1996	1998	1997	1996
Service cost	$ 185	166	159	20	17	16
Interest cost	254	239	230	50	46	46
Expected return on plan assets	(291)	(256)	(231)	(14)	(3)	(3)
Amortization of prior service cost	17	16	14	2	1	1
Amortization of net transition assets	(14)	(13)	(13)	--	--	--
Recognized actuarial (gain)/loss	(24)	(19)	2	8	(6)	(1)
Curtailments and settlements	2	1	--	--	--	--
Net periodic benefit cost	$ 129	134	161	66	55	59

The net periodic cost attributable to domestic retirement plans included above was $40 million in 1998, $50 million in 1997 and $84 million in 1996.

The following tables provide the weighted-average assumptions used to develop net periodic benefit cost and the actuarial present value of projected benefit obligations:

	Retirement Plans			Other Benefit Plans		
Domestic Benefit Plans	1998	1997	1996	1998	1997	1996
Weighted average discount rate	6.75%	7.25%	7.75%	6.75%	7.25%	7.75%
Expected long-term rate of return on plan assets	9.0	9.0	9.0	9.0	9.0	9.0
Rate of increase in compensation levels	5.0	5.0	5.5	5.0	5.0	5.5
International Benefit Plans						
Weighted average discount rate	5.50%	6.25%	6.50%	6.00%	7.00%	7.25%
Expected long-term rate of return on plan assets	7.75	7.75	7.75	--	--	--
Rate of increase in compensation levels	3.50	4.25	4.75	4.25	5.00	5.00

Health care cost trends are projected at annual rates grading from 10% for employees under age 65 and 7% for employees over age 65 down to 5% for both groups by the year 2008 and beyond. The effect of a 1% change in these assumed cost trends on the accumulated postretirement benefit obligation at the end of 1998 would be a $99 million increase or an $88 million decrease and the effect on the service and interest cost components of the net periodic postretirement benefit cost for 1998 would be a $12 million increase or a $10 million decrease.

The following tables set forth the change in benefit obligations and change in plan assets at year-end 1998 and 1997 for the Company's defined benefit retirement plans and other postretirement plans:

(Dollars in Millions)	Retirement Plans		Other Benefit Plans	
Change in Benefit Obligation	1998	1997	1998	1997
Benefit obligation - beginning of year	$3,704	3,412	691	591
Service cost	185	166	20	17
Interest cost	254	239	50	46
Plan participant contributions	11	10	--	--
Amendments	13	27	--	--
Actuarial loss	325	123	--	66
Curtailments & settlements	(7)	1	--	--
Total benefits paid	(203)	(175)	(33)	(28)
Effect of exchange rates	33	(99)	(2)	(1)
Benefit obligation - end of year	$4,315	3,704	726	691
Change in Plan Assets				
Plan assets at fair value - beginning of year	$3,694	3,330	46	41
Actual return on plan assets	606	547	14	8
Company contributions	45	35	29	24
Plan participant contributions	11	10	--	--
Settlements	(4)	--	--	--
Benefits paid from plan assets	(193)	(158)	(32)	(27)
Effect of exchange rates	14	(70)	--	--
Plan assets at fair value - end of year	$4,173	3,694	57	46

Amounts recognized in the Company's balance sheet consist of the following:

	Retirement Plans		Other Benefit Plans	
(Dollars in Millions)	1998	1997	1998	1997
Plan assets less than projected benefit obligation	$ (142)	(10)	(668)	(645)
Unrecognized actuarial gains	(511)	(543)	(117)	(107)
Unrecognized prior service cost	98	102	(11)	(8)
Unrecognized net transition asset	(37)	(51)	--	--
Total recognized in the consolidated balance sheet	$ (592)	(502)	(796)	(760)
Book reserves	$ (726)	(592)	(796)	(760)
Prepaid benefits	109	75	--	--
Intangible assets	25	15	--	--
Total recognized in the consolidated balance sheet	$ (592)	(502)	(796)	(760)

Plans with accumulated benefit obligations in excess of plan assets consist of the following:

	Retirement Plans		Other Benefit Plans	
(Dollars in Millions)	1998	1997	1998	1997
Accumulated benefit obligation	$ (558)	(435)	(696)	(691)
Projected benefit obligation	$ (723)	(566)	--	--
Plan assets at fair value	$ 162	126	57	46

14 Savings Plan

The Company has voluntary 401(k) savings plans designed to enhance the existing retirement programs covering eligible employees. The Company matches a percentage of each employee's contributions consistent with the provisions of the plan for which he/she is eligible.

In the U.S. salaried plan, one-third of the Company match is paid in Company stock under an employee stock ownership plan (ESOP). In 1990, to establish the ESOP, the Company loaned $100 million to the ESOP Trust to purchase shares of the Company stock on the open market. In exchange, the Company received a note, the balance of which is recorded as a reduction of shareowners' equity.

Total Company contributions to the plans were $63 million in 1998, $58 million in 1997, and $50 million in 1996.

15 Restructuring and In-Process Research and Development Charges

In the fourth quarter of 1998, the Company approved a plan to reconfigure its global network of manufacturing and operating facilities with the objective of enhancing operating efficiencies. It is expected that the plan will be completed over the next eighteen months. Among the initiatives supporting this plan were the closure of inefficient manufacturing facilities, exiting certain businesses which were not providing an acceptable return and related employee separations. The closure of these facilities represented approximately 10% of the Company's manufacturing capacity.

The estimated cost of this plan is $613 million which has been reflected in cost of sales ($60 million) and restructuring charge ($553 million). The charge consisted of employee separation costs of $161 million, asset impairments of $322 million, impairments of intangibles of $52 million, and other exit costs of $78 million. Employee separations will occur primarily in manufacturing and operations facilities affected by the plan. The decision to exit certain facilities and businesses decreased cash flows triggering the asset impairment. The amount of impairment of such assets was calculated using discounted cash flows or appraisals.

Special charges recorded during 1998 were as follows:

(Dollars in Millions)	Beginning Accrual	1998 Cash Outlays	Remaining Accrual
Restructuring charges:			
Employee separations	$161	3	158
Other exit costs	78	--	78
	239	3	236
Asset impairments	322		
Intangible assets	52		
Total restructuring plan	613		
In-process R&D	164		
Total special charges	$777		

The headcount reduction for the year ended January 3, 1999 was approximately 225 employees.

In connection with the businesses acquired in 1998, the Company recognized charges for in-process research and development (IPR&D) in the amount of $164 million related primarily to DePuy. The value of the IPR&D projects was calculated with the assistance of third party appraisers and was based on the estimated percentage completion of the various research and development projects being pursued using cash flow projections discounted for the risk inherent in such projects. The majority of the value of the IPR&D is associated with DePuy projects that focus on spinal and hip implants. For additional discussion on acquisitions, see Note 17.

The special charges impacted the business segments as follows: the special pre-tax charge for the Consumer segment was $244 million. This charge reflects $85 million for severance costs associated with the termination of approximately 2,550 employees; $133 million for the write-down of impaired assets and $26 million for other exit costs. The Pharmaceutical business segment recorded $65 million of the special charge representing $18 million for severance costs associated with the termination of approximately 250 employees and $47 million for the write-down of impaired assets. Acquisitions within the Professional business segment resulted in a $164 million write-off of purchased IPR&D. Additionally, the Professional business segment recorded other special charges of $304 million. This charge included $58 million for severance costs associated with the termination of approximately 2,300 employees; $194 million for the write-down of impaired assets and $52 million for other exit costs.

16 Financial Instruments

Derivative Financial Instrument Risk

The Company uses derivative financial instruments to manage the impact of interest rate and foreign exchange rate changes on earnings and cash flows. The Company does not enter into financial instruments for trading or speculative purposes.

The Company has a policy of only entering into contracts with parties that have at least an "A" (or equivalent) credit rating. The counterparties to these contracts are major financial institutions and the Company does not have significant exposure to any one counterparty. Management believes the risk of loss is remote and in any event would be immaterial.

Interest Rate and Foreign Exchange Risk Management

The Company uses interest rate and currency swaps to manage interest rate and currency risk primarily related to borrowings. Interest rate and currency swap agreements that hedge third party debt mature with these borrowings and are described in Note 4.

The Company enters into forward foreign exchange contracts maturing within five years to protect the value of existing foreign currency assets and liabilities and to hedge future foreign currency product costs. The Company has forward exchange contracts outstanding at year-end in various currencies, principally in U.S. Dollars, Belgian Francs and Swiss Francs. In addition, the Company has currency swaps outstanding, principally in U.S. Dollars, Belgian Francs and French Francs. Unrealized gains and losses, based on dealer quoted market prices, are presented in the following table:

	1998		
(Dollars in Millions)	Notional Amounts	Gains	Losses
Forwards	$6,848	94	227
Currency swaps	3,422	25	89

Fair Value of Financial Instruments

The carrying amount of cash and cash equivalents and current and non-current marketable securities approximates fair value of these instruments. In addition the carrying amount of long-term investments, long-term debt, interest rate and currency swaps (used to hedge third party debt) approximates fair value of these instruments for 1998 and 1997.

The fair value of current and non-current marketable securities, long-term debt and interest rate and currency swap agreements was estimated based on quotes obtained from brokers for those or similar instruments. The fair value of long-term investments was estimated based on quoted market prices at year-end.

Concentration of Credit Risk

The Company invests its excess cash in both deposits with major banks throughout the world and other high quality short-term liquid money market instruments (commercial paper, government and government agency notes and bills, etc.). The Company has a policy of making investments only with commercial institutions that have at least an "A" (or equivalent) credit rating. These investments generally mature within six months and the Company has not incurred any related losses.

The Company sells a broad range of products in the health care field in most countries of the world. Concentrations of credit risk with respect to trade receivables are limited due to the large number of customers comprising the Company's customer base. Ongoing credit evaluations of customers' financial condition are performed and, generally, no collateral is required. The Company maintains reserves for potential credit losses and such losses, in the aggregate, have not exceeded management's expectations.

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17 Mergers, Acquisitions and Divestitures

Certain businesses were acquired for $3.8 billion during 1998 and the purchase method of accounting was employed. The most significant 1998 acquisition was DePuy, Inc., a leading orthopaedics company. DePuy's product lines include reconstructive products (implants for hips, knees and extremities), spinal implants, trauma repair and sports-related injury products.

The excess of purchase price over the estimated fair value amounted to $3.3 billion. This amount has been allocated to identifiable intangibles and goodwill. Approximately $164 million has been identified as the value of IPR&D associated with the acquisitions. The majority of the value is associated with DePuy projects that focus on spinal and hip implants, which were near regulatory approval as of the acquisition date. The remaining effort and cost to complete these projects is not expected to be material. The Company is in the process of finalizing a plan to reconfigure and integrate DePuy's operations, which will be completed within one year of acquisition. This effort is expected to result in employee terminations, facility closures and other related costs, which will be recorded as adjustments to the opening balance sheet and are not expected to be material. Pro forma information is not provided since the impact of the acquisitions does not have a material effect on the Company's results of operations, cash flows or financial position.

During 1997, certain businesses were merged with Johnson & Johnson at a value, net of cash, of $737 million. The mergers have been accounted for as poolings of interests; prior period financial statements have not been restated since the effect of these mergers would not materially effect previously issued financial statements. The 1997 mergers included Biopsys Medical, Inc., Biosense, Inc. and Gynecare, Inc. Biopsys Medical, Inc. is an innovator and marketer of the MAMMOTOME Breast Biopsy System. Biosense, Inc. is a leader in developing medical sensor technology and is developing several applications that will facilitate a variety of diagnostic and therapeutic interventional and cardiovascular procedures. Gynecare, Inc. is the developer and marketer of innovative, minimally invasive medical devices utilized in the treatment of uterine disorders.

Certain businesses were acquired for $180 million during 1997 and the purchase method of accounting was employed. The most significant 1997 acquisition was Innotech, Inc., a developer and marketer of eyeglass lens products.

The excess of purchase price over the estimated fair value of 1997 acquisitions amounted to $157 million. This amount has been allocated to identifiable intangibles and goodwill. Pro forma information is not provided for in 1997 as the impact of the acquisition does not have a material effect on the Company's results of operations, cash flows or financial position.

Divestitures in 1998 and 1997 did not have a material effect on the Company's results of operations, cash flows or financial position.

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18 Pending Legal Proceedings

The Company is involved in numerous product liability cases in the United States, many of which concern adverse reactions to drugs and medical devices. The damages claimed are substantial, and while the Company is confident of the adequacy of the warnings which accompany such products, it is not feasible to predict the ultimate outcome of litigation. However, the Company believes that if any liability results from such cases, it will be substantially covered by reserves established under its self-insurance program and by commercially available excess liability insurance.

The Company, along with numerous other pharmaceutical manufacturers and distributors, is a defendant in a large number of individual and class actions

brought by retail pharmacies in state and federal courts under the antitrust laws. These cases assert price discrimination and price-fixing violations resulting from an alleged industry-wide agreement to deny retail pharmacists price discounts on sales of brand name prescription drugs. The Company believes the claims against the Company in these actions are without merit and is defending them vigorously.

The Company, together with another contact lens manufacturer, a trade association and various individual defendants, is a defendant in several consumer class actions and an action brought by multiple State Attorneys General on behalf of consumers alleging violations of federal and state antitrust laws. These cases assert that enforcement of the Company's long-standing policy of selling contact lenses only to licensed eye care professionals is a result of an unlawful conspiracy to eliminate alternative distribution channels from the disposable contact lens market. The Company believes that these actions are without merit and is defending them vigorously.

The Company is involved in a number of patent, trademark and other lawsuits incidental to its business. Among those is a patent infringement action in which U.S. Surgical Corporation seeks substantial damages and an injunction based on what it alleges are infringing trocar surgical instrument sales by the Company's Ethicon Endo-Surgery unit. The Company disputes infringement as well as the validity and enforceability of the asserted patents and is vigorously contesting the claims.

However, it is not possible to predict with certainty the outcome of litigation, and while the Company does not believe an adverse result would have a material effect on the Company's consolidated financial position, it could be material to the results of operations for a fiscal year.

The Company's Ortho Biotech subsidiary is party to an arbitration proceeding filed against it by Amgen, Ortho's licensor of U.S. non-dialysis rights to EPO, in which Amgen seeks to terminate Ortho's U.S. license rights based on alleged deliberate EPO sales by Ortho during the early 1990's into Amgen's reserved dialysis market. The Company believes no basis exists for terminating Ortho's U.S. license rights and is vigorously contesting Amgen's claims. However, Ortho's U.S. license rights to EPO are material to the Company; thus, an unfavorable outcome could have a material adverse effect on the Company's consolidated financial position, liquidity or results of operations.

In December 1998, Ortho Biotech was found in a separate arbitration not to have rights in what Amgen describes as its second-generation EPO product, known as Novel Erythropoiesis Stimulating Protein, or NESP. The effect of the ruling is to allow Amgen's NESP product, if approved, to compete with Ortho's EPO product in the U.S. non-dialysis market and in all markets overseas, except China and Japan, which are reserved to Kirin-Amgen. Currently, Ortho is Amgen's exclusive licensee for EPO in U.S. non-dialysis markets and in all ex-U.S. markets except China and Japan. Because NESP is still in clinical trials, it is not possible to predict the impact on Ortho's marketing of EPO.

The Company believes that the above proceedings, except as noted above, would not have a material adverse effect on its results of operations, cash flows or financial position.

19 Earnings Per Share

The following is a reconciliation of basic net earnings per share to diluted net earnings per share for the years ended January 3, 1999, December 28, 1997 and December 29, 1996:

(Shares in Millions)	1998(1)	1997	1996
Basic net earnings per share	$ 2.27	2.47	2.17
Average shares outstanding - basic	1,344.8	1,336.0	1,332.6
Potential shares exercisable under stock option plans	65.8	68.1	71.6
Less: shares repurchased under treasury stock method	(39.0)	(34.2)	(44.8)
Adjusted average shares outstanding - diluted	1,371.6	1,369.9	1,359.4
Diluted earnings per share	$ 2.23	2.41	2.12

(1) 1998 results excluding Restructuring and In-Process Research & Development charges are: Basic EPS at $2.73 and diluted EPS at $2.67 (unaudited).

20 Capital and Treasury Stock

Changes in treasury stock were:

Amounts in millions except number of shares in thousands	Treasury Stock Shares	Amount
Balance at December 31, 1995	239,464	$2,317
Employee compensation and stock option plans	(8,510)	(389)
Repurchase of common stock	8,745	412
Business combinations	(37,359)	(808)
Balance at December 29, 1996	202,340	1,532
Employee compensation and stock option plans	(11,175)	(623)
Repurchase of common stock	10,520	628
Business combinations	(11,998)	(129)
Balance at December 28, 1997	189,687	1,408
Employee compensation and stock option plans	(11,516)	(834)
Repurchase of common stock	12,602	930
Business combinations		(3)
Balance at January 3, 1999	190,773	$1,501

Shares of common stock authorized and issued were 1,534,824,000 shares at the end of 1998, 1997, 1996 and 1995.

21 Selected Quarterly Financial Data (Unaudited)

Selected unaudited quarterly financial data for the years 1998 and 1997 is

summarized below:

(Dollars in Millions Except Per Share Figures)	1998 First Quarter	1998 Second Quarter	1998 Third Quarter	1998 Fourth Quarter(1)	1997 First Quarter	1997 Second Quarter	1997 Third Quarter	1997 Fourth Quarter
Segment sales to customers								
Consumer	$1,639	1,571	1,587	1,731	1,683	1,612	1,585	1,618
Pharmaceutical	2,092	2,162	2,098	2,210	1,944	1,934	1,918	1,900
Professional	2,052	2,050	2,039	2,426	2,088	2,152	2,083	2,112
Total sales	5,783	5,783	5,724	6,367	5,715	5,698	5,586	5,630
Gross profit	4,006	3,980	3,966	4,209	3,943	3,949	3,836	3,749
Earnings before provision for taxes on income	1,434	1,371	1,317	147	1,302	1,294	1,197	783
Net earnings	1,010	1,005	961	83	909	909	855	630
Basic net earnings per share	$ 0.75	.75	.71	.06	.68	.68	.64	.47
Diluted net earnings per share	$ 0.73	.74	.70	.06	.66	.67	.63	.45

(1) 1998 results excluding Restructuring and In-Process Research & Development charges: Earnings before taxes $924; Net earnings $693; Basic EPS $.52 and Diluted EPS $.50.

Report of Management

The management of Johnson & Johnson is responsible for the integrity and objectivity of the accompanying financial statements and related information. The statements have been prepared in conformity with generally accepted accounting principles, and include amounts that are based on our best judgments with due consideration given to materiality.

Management maintains a system of internal accounting controls monitored by a corporate staff of professionally trained internal auditors who travel worldwide. This system is designed to provide reasonable assurance, at reasonable cost, that assets are safeguarded and that transactions and events are recorded properly. While the Company is organized on the principle of decentralized management, appropriate control measures are also evidenced by well-defined organizational responsibilities, management selection, development and evaluation processes, communicative techniques, financial planning and reporting systems and formalized procedures.

It has always been the policy and practice of the Company to conduct its affairs ethically and in a socially responsible manner. This responsibility is characterized and reflected in the Company's Credo and Policy on Business Conduct that are distributed throughout the Company. Management maintains a systematic program to ensure compliance with these policies.

PricewaterhouseCoopers LLP, independent auditors, is engaged to audit our financial statements. Pricewaterhouse-Coopers LLP maintains an understanding of our internal controls and conducts such tests and other auditing procedures considered necessary in the circumstances to express their opinion in the report that follows.

The Audit Committee of the Board of Directors, composed solely of outside directors, meets periodically with the independent auditors, management and internal auditors to review their work and confirm that they are properly discharging their responsibilities. In addition, the independent auditors, the General Counsel and the Vice President, Internal Audit are free to meet with the Audit Committee without the presence of management to discuss the results of their work and observations on the adequacy of internal financial controls, the quality of financial reporting and other relevant matters.

/s/ Ralph S. Larsen	/s/ Robert J. Darretta
Ralph S. Larsen Chairman, Board of Directors and Chief Executive Officer	Robert J. Darretta Vice President, Finance and Chief Financial Officer

Independent Auditor's Report

To the Shareowners and Board of Directors of Johnson & Johnson:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of earnings, consolidated statements of equity, and consolidated statements of cash flows present fairly, in all material respects, the financial position of Johnson & Johnson and its subsidiaries at January 3, 1999 and December 28, 1997, and the results of their operations and their cash flows for each of the three years in the period ended January 3, 1999, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

/s/ PricewaterhouseCooper LLP

New York, New York
January 25, 1999

Segments of Business(1) Johnson & Johnson and Subsidiaries

(Dollars in Millions)	Sales to Customers(2) 1998	1997	1996
Consumer-Domestic	$ 3,325	3,240	3,166
International	3,201	3,258	3,198
Total	6,526	6,498	6,364
Pharmaceutical-Domestic	4,707	3,877	3,355
International	3,855	3,819	3,833
Total	8,562	7,696	7,188
Professional-Domestic	4,530	4,640	4,378
International	4,039	3,795	3,690
Total	8,569	8,435	8,068
Worldwide total	$23,657	22,629	21,620

(Dollars in Millions)	Operating Profit(3) 1998(5)	1997	1996	Identifiable Assets 1998	1997	1996
Consumer	$ 414	551	346	4,645	4,745	4,874
Pharmaceutical	3,016	2,567	2,441	6,441	5,919	5,581
Professional	941	1,543	1,406	12,856	7,773	7,505
Segments total	4,371	4,661	4,193	23,942	18,437	17,960
Expenses not allocated to segments(4)	(102)	(85)	(160)			
General corporate				2,269	3,016	2,050
Worldwide total	$ 4,269	4,576	4,033	26,211	21,453	20,010

(Dollars in Millions)	Additions to Property, Plant & Equipment 1998	1997	1996	Depreciation and Amortization 1998	1997	1996
Consumer	$ 268	267	294	273	265	257
Pharmaceutical	515	460	445	313	267	265
Professional	627	573	594	629	495	446
Segments total	1,410	1,300	1,333	1,215	1,027	968
General corporate	50	91	40	31	40	41
Worldwide total	$ 1,460	1,391	1,373	1,246	1,067	1,009

Geographic Areas (2)

(Dollars in Millions)	Sales to Customers(2) 1998	1997	1996	Long-Lived Assets(3) 1998	1997	1996
United States	$12,562	11,757	10,899	8,284	5,623	5,200
Europe	6,317	5,942	6,151	4,072	2,357	2,452
Western Hemisphere excluding U.S.	2,090	2,034	1,914	429	457	441
Asia-Pacific, Africa	2,688	2,896	2,656	402	384	435
Segments total	23,657	22,629	21,620	13,187	8,821	8,528
General corporate				262	250	230
Other non long-lived assets				12,762	12,382	11,252
Worldwide total	$23,657	22,629	21,620	26,211	21,453	20,010

(1) See Management's Discussion and Analysis, pages 27 to 30, for a description of the segments in which the Company does business.

(2) Export sales and intersegment sales are not significant. No single customer or country represents 10% or more of total sales.

(3) Prior years restated to conform to 1998 presentation according to SFAS No. 131.

(4) Amounts not allocated to segments include interest income/expense, minority interests and general corporate income and expense.

(5) 1998 results excluding Restructuring and In-Process Research and Development charges: Consumer $658, Pharmaceutical $3,081 and Professional $1,409.

See Note 15 for details of Restructuring and IPR&D charges by segment.
Geographic Areas(2)

Summary of Operations and
Statistical Data 1988-1998 Johnson & Johnson and Subsidiaries

(Dollars in Millions Except Per Share Figures)	1998	1997	1996	1995	1994	1993
Sales to customers - Domestic	$ 12,562	11,757	10,899	9,190	7,812	7,203
Sales to customers - International	11,095	10,872	10,721	9,652	7,922	6,935
Total sales	23,657	22,629	21,620	18,842	15,734	14,138
Cost of products sold	7,496	7,152	7,018	6,235	5,299	4,791
Selling, marketing and administrative expenses	8,907	8,715	8,394	7,462	6,350	5,771
Research expense	2,269	2,140	1,905	1,634	1,278	1,182
Purchased in-process research and development	164	--	--	--	--	--
Interest income	(262)	(203)	(139)	(115)	(60)	(80)
Interest expense, net of portion capitalized	110	120	125	143	142	126
Other expense (income), net	151	129	284	166	44	16
Restructuring charge	553	--	--	--	--	--
	19,388	18,053	17,587	15,525	13,053	11,806
Earnings before provision for taxes on income	4,269	4,576	4,033	3,317	2,681	2,332
Provision for taxes on income	1,210	1,273	1,146	914	675	545
Earnings before cumulative effect of accounting changes	3,059	3,303	2,887	2,403	2,006	1,787
Cumulative effect of accounting changes (net of tax)	--	--	--	--	--	--
Net earnings	$ 3,059	3,303	2,887	2,403	2,006	1,787
Percent of sales to customers	12.9(3)	14.6	13.4	12.8	12.7	12.6
Basic net earnings per share of common stock*	$ 2.27(3)	2.47	2.17	1.86	1.56	1.37
Diluted net earnings per share of common stock*	$ 2.23(3)	2.41	2.12	1.82	1.55	1.36
Percent return on average shareowners' equity	23.6(3)	28.5	29.0	29.7	31.6	33.3
Percent increase (decrease) over previous year:						
Sales to customers	4.5	4.7	14.7	19.8	11.3	2.8
Basic net earnings per share	(8.1)(3)	13.8	16.7	19.2	13.9	75.6(1)
Diluted net earnings per share	(7.5)(3)	13.7	16.5	17.4	14.0	76.6(1)
Supplementary expense data:						
Cost of materials and services(5)	$ 11,580	11,484	11,204	9,852	7,952	7,033
Total employment costs	5,659	5,387	5,275	4,707	4,282	4,066
Depreciation and amortization	1,246	1,067	1,009	857	724	617
Maintenance and repairs(6)	294	265	281	252	217	202
Total tax expense(7)	1,845	1,843	1,699	1,433	1,142	968
Total tax expense per share(7)*	1.37	1.38	1.27	1.11	.89	.74
Supplementary balance sheet data:						
Property, plant and equipment, net	$ 6,240	5,810	5,651	5,196	4,910	4,406
Additions to property, plant and equipment	1,460	1,391	1,373	1,256	937	975
Total assets	26,211	21,453	20,010	17,873	15,668	12,242
Long-term debt	1,269	1,126	1,410	2,107	2,199	1,493
Common stock information:*						
Dividends paid per share	$ .97	.85	.735	.64	.565	.505
Shareowners' equity per share	$ 10.11	9.19	8.13	6.98	5.54	4.33
Market price per share (year-end close)	$ 83 7/8	64 7/8	50 1/2	42 3/4	27 3/8	22 3/8
Average shares outstanding (millions) - basic	1,344.8	1,336.0	1,332.6	1,291.9	1,286.1	1,303.5
- diluted	1,371.6	1,369.9	1,359.4	1,317.4	1,297.2	1,315.1
Shareowners of record (thousands)	165.9	156.8	138.5	113.5	104.7	96.1
Employees (thousands)	93.1	90.5	89.3	82.3	81.5	81.6

(Dollars in Millions Except Per Share Figures)	1992	1991	1990	1989	1988
Sales to customers - Domestic	6,903	6,248	5,427	4,881	4,576
Sales to customers - International	6,850	6,199	5,805	4,876	4,424
Total sales	13,753	12,447	11,232	9,757	9,000
Cost of products sold	4,678	4,204	3,937	3,480	3,292
Selling, marketing and administrative expenses	5,671	5,099	4,469	3,897	3,630
Research expense	1,127	980	834	719	674
Purchased in-process research and development	--	--	--	--	--
Interest income	(93)	(88)	(98)	(87)	(72)
Interest expense, net of portion capitalized	124	129	201(4)	141	104
Other expense (income), net	39	85	266(4)	93	(24)
Restructuring charge	--	--	--	--	--
	11,546	10,409	9,609	8,243	7,604
Earnings before provision for taxes on income	2,207	2,038	1,623	1,514	1,396
Provision for taxes on income	582	577	480	432	422
Earnings before cumulative effect of accounting changes	1,625	1,461	1,143	1,082	974
Cumulative effect of accounting changes (net of tax)	(595)	--	--	--	--

Net earnings	1,030	1,461	1,143	1,082	974
Percent of sales to customers	7.5(1)	11.7	10.2(2)	11.1	10.8
Basic net earnings per share of common stock*	.78	1.10	.86	.81	.71
Diluted net earnings per share of common stock*	.77	1.08	.85	.80	.70
Percent return on average shareowners' equity	19.1(1)	27.8	25.3(2)	28.3	27.9
Percent increase (decrease) over previous year:					
Sales to customers	10.5	10.8	15.1	8.4	12.3
Basic net earnings per share	(29.1)(1)	27.9(2)	6.2(2)	14.1	18.2
Diluted net earnings per share	(28.7)(1)	27.1(2)	6.3(2)	14.3	18.6
Supplementary expense data:					
Cost of materials and services(5)	6,857	6,329	5,728	4,908	4,528
Total employment costs	4,044	3,507	3,195	2,871	2,639
Depreciation and amortization	560	493	474	414	391
Maintenance and repairs(6)	210	203	185	193	191
Total tax expense(7)	1,000	966	825	708	678
Total tax expense per share(7)*	.76	.73	.62	.53	.50
Supplementary balance sheet data:					
Property, plant and equipment, net	4,115	3,667	3,247	2,846	2,493
Additions to property, plant and equipment	1,103	987	830	750	664
Total assets	11,884	10,513	9,506	7,919	7,119
Long-term debt	1,365	1,301	1,316	1,170	1,166
Common stock information:*					
Dividends paid per share	.445	.385	.33	.28	.24
Shareowners' equity per share	3.94	4.22	3.68	3.11	2.63
Market price per share (year-end close)	25 1/4	28 5/8	17 7/8	14 7/8	10 5/8
Average shares outstanding (millions) - basic	1,318.9	1,332.3	1,332.2	1,332.5	1,362.4
- diluted	1,336.9	1,353.2	1,349.7	1,350.8	1,379.6
Shareowners of record (thousands)	84.1	69.9	64.6	60.5	54.5
Employees (thousands)	84.9	82.7	82.2	83.1	81.3

* Adjusted to reflect the 1996 two-for-one stock split.

(1) Excluding the cumulative effect of accounting changes of $595 million.-1992 earnings percent of sales to customers before accounting changes is 11.8%. -1992 earnings percent return on average shareowners' equity before accounting changes is 28.5%. -1993 basic net earnings per share percent increase over prior year before accounting change is 11.4%; 1992 is 12.3%.

(2) Excluding Latin America non-recurring charges of $125 million. -1990 net earnings percent of sales to customers before non-recurring charges is 11.3%.-1990 percent return on average shareowners' equity before non-recurring charges is 27.6%. -1991 basic net earnings per share percent increase over prior year before non-recurring charges is 15.3%; 1990 is 17.3%.

(3) Excluding Restructuring and In-Process Research and Development charges of $610 million. -1998 earnings percent of sales to customers before special charges is 15.5%. -1998 basic net earnings per share before special charges of $2.73. -1998 diluted net earnings per share before special charges is $2.67. - -1998 percent return on average shareowners' equity before special charges is 27.6%. -1998 basic net earnings per share increase over prior year before special charges is 10.5%. -1998 diluted net earnings per share increase over prior year before special charges is 10.8%. - 1998 cost of products sold includes $60 million of inventory write-offs for restructuring.

(4) Includes Latin America non-recurring charge of $36 million for the liquidation of Argentine debt and $104 million writedown in other expenses for permanent impairment of certain assets and operations in Latin America.

(5) Net of interest and other income.

(6) Also included in cost of materials and services category.

(7) Includes taxes on income, payroll, property and other business taxes.

EXHIBIT 21

SUBSIDIARIES

Johnson & Johnson, a New Jersey corporation, has the domestic and international subsidiaries shown below. Certain domestic subsidiaries and international subsidiaries are not named because they are not significant in the aggregate. Johnson & Johnson has no parent.

NAME OF SUBSIDIARY	JURISDICTION OF ORGANIZATION
Domestic Subsidiaries:	
Biopsys Medical, Inc.	Delaware
Biosense, Inc	Delaware
Cordis Corporation	Florida
Cordis International Corporation	Delaware
Cordis Webster, Inc.	California
DePuy, Inc	Delaware
DePuy ACE Medical Co	California
DePuy AcroMed, Inc.	Ohio
DePuy Finance LLC	Delaware
DePuy Orthopaedics, Inc.	Indiana
DePuy Orthopaedic Technologies, Inc.	Delaware
Ethicon Endo-Surgery, Inc.	Ohio
Ethicon, Inc.	New Jersey
Ethicon LLC	Delaware
GynoPharma Inc.	Delaware
Indigo Medical, Incorporated	Delaware
Janssen Ortho LLC	Delaware
Janssen Pharmaceutica Inc.	Pennsylvania
Janssen Products, Inc.	Delaware
Johnson & Johnson Consumer Companies, Inc.	New Jersey
Johnson & Johnson Development Corporation	New Jersey
Johnson & Johnson Finance Corporation	New Jersey
Johnson & Johnson Health Care Systems Inc.	New Jersey
Johnson & Johnson International	New Jersey
Johnson & Johnson Japan Inc.	New Jersey
Johnson & Johnson - Merck Consumer Pharmaceuticals Co.	New Jersey
Johnson & Johnson (Middle East) Inc.	New Jersey
Johnson & Johnson Professional, Inc.	New Jersey
Johnson & Johnson (Russia), Inc.	New Jersey
Johnson & Johnson S.E., Inc	New Jersey
Johnson & Johnson Services, Inc.	New Jersey
Johnson & Johnson Vision Products, Inc.	Florida
Joint Medical Products Corporation	Delaware
JJHC, Inc.	Delaware
LifeScan, Inc.	California
LifeScan LLC	Delaware
McNeil Consumer Brands, Inc	New Jersey
McNEIL-PPC, Inc.	New Jersey
NDC Investment Corporation	Delaware

NAME OF SUBSIDIARY	JURISDICTION OF ORGANIZATION
Neutrogena Corporation	Delaware
Nitinol Development Corporation	California
Noramco, Inc.	Georgia
OMJ Pharmaceuticals, Inc.	Delaware
Ortho Biologics LLC	Delaware
Ortho Biotech Inc.	New Jersey
Ortho-Clinical Diagnostics, Inc.	New York
Ortho-McNeil Pharmaceutical, Inc.	Delaware
Raritan Advertising, Inc.	New Jersey
RoC USA Corporation	Delaware
Therakos, Inc.	Florida
International Subsidiaries:	
Abello Farmacia SL	Italy
Bioland Pharma S.A.R.L.	France
Centra Medicamenta OTC SRL	Italy
Cilag AG	Switzerland
Cilag AG International	Switzerland
Cilag de Mexico, S.A. de C.V.	Mexico
Cilag Farmaceutica Ltda.	Brazil
Cilag Holding AG	Switzerland
Corange U.K. Holdings Ltd	United Kingdom
Cordis AB	Sweden
Cordis Europa N.V.	Netherlands
Cordis Medizinische Apparate GmbH	Germany
Cordis S.A.	France
DePuy Australia Pty. Ltd	Australia
DePuy Bioland S.A	France
DePuy France S.A	France
DePuy International Ltd	United Kingdom
DePuy Intl. (Holdings) Ltd	United Kingdom
DePuy Japan Inc	Japan
DePuy Orthopedie GmbH	Germany
DePuy Orthopedie S.A	France
Ethicon Endo-Surgery (Europe) GmbH	Germany
Ethicon GmbH & Co. KG	Germany
Ethicon Ireland Limited	Ireland
Ethicon Limited	Scotland
Ethicon S.A.S	France
Ethicon S.p.A.	Italy
Ethnor (Proprietary) Limited	South Africa
Greiter AG	Switzerland
Greiter Distribution AG	Switzerland
Greiter (International) AG	Switzerland
Janssen Animal Health BVBA	Belgium
Janssen-Cilag A/S	Norway
Janssen-Cilag AB	Sweden
Janssen-Cilag AG	Switzerland

NAME OF SUBSIDIARY	JURISDICTION OF ORGANIZATION
Janssen-Cilag A/S	Denmark
Janssen-Cilag B.V.	Netherlands
Janssen-Cilag Egypt Ltd.	Egypt
Janssen-Cilag C.A.	Venezuela
Janssen-Cilag Farmaceutica Ltda	Brazil
Janssen-Cilag Farmaceutica, Ltda.	Portugal
Janssen-Cilag International N.V.	Belgium
Janssen-Cilag Ltd	United Kingdom
Janssen-Cilag Limited	South Africa
Janssen-Cilag Medizinische Information GmbH	Austria
Janssen-Cilag N.V.	Belgium
Janssen-Cilag OY	Finland
Janssen-Cilag Pharmaceutical S.A.C.I.	Greece
Janssen-Cilag Pharma Vertrieb GmbH	Austria
Janssen-Cilag Pty. Limited	Australia
Janssen-Cilag S.A.	Spain
Janssen-Cilag S.A.	France
Janssen-Cilag S.p.A.	Italy
Janssen Farmaceutica, S.A. de C.V.	Mexico
Janssen-Cilag GmbH	Germany
Janssen-Cilag International N.V.	Belgium
Janssen International C.V.	Belgium
Janssen Korea, Ltd.	Korea
Janssen-Kyowa Co., Ltd.	Japan
Janssen Ortho Inc.	Canada
Janssen Pharmaceutica Limited	Thailand
Janssen Pharmaceutica N.V.	Belgium
Janssen Pharmaceutical Limited	Ireland
J-C Healthcare Ltd.	Israel
JHC Nederland B.V.	Netherlands
J&J/MSD Consumer Pharmaceuticals S.A.S.	France
Johnson & Johnson AB	Sweden
Johnson & Johnson AG	Switzerland
Johnson & Johnson A/S	Denmark
Johnson & Johnson S.A. de C.V.	Mexico
Johnson & Johnson de Argentina, S.A.C.e I.	Argentina
Johnson & Johnson (China) Ltd.	China
Johnson & Johnson Consumer N.V./S.A.	Belgium
Johnson & Johnson de Colombia S.A.	Colombia
Johnson & Johnson del Ecuador S.A.	Ecuador
Johnson & Johnson (Egypt) S.A.E.	Egypt
Johnson & Johnson Finance Limited	United Kingdom
Johnson & Johnson/Gaba B.V.	Netherlands
Johnson & Johnson GmbH	Germany
Johnson & Johnson Gesellschaft m.b.H	Austria
Johnson & Johnson Hellas S.A.	Greece
Johnson & Johnson (Holding) GmbH	Germany

NAME OF SUBSIDIARY	JURISDICTION OF ORGANIZATION
Johnson & Johnson (Hong Kong) Limited	Hong Kong
Johnson & Johnson Inc.	Canada
Johnson & Johnson Industria e Comercio Ltda	Brazil
Johnson & Johnson International S.A.	France
Johnson & Johnson Investments Limited	United Kingdom
Johnson & Johnson (Ireland) Limited	Ireland
Johnson & Johnson (Kenya) Limited	Kenya
Johnson & Johnson Korea Ltd.	Korea
Johnson & Johnson Kft.	Hungary
Johnson & Johnson K.K.	Japan
Johnson & Johnson Leasing GmbH	Germany
Johnson & Johnson Lda	Portugal
Johnson & Johnson Ltd	United Kingdom
Johnson & Johnson Ltd.	India
Johnson & Johnson Management Ltd.	United Kingdom
Johnson & Johnson Medical B.V.	Netherlands
Johnson & Johnson Medical (China) Ltd.	China
Johnson & Johnson Medical G.m.b.H.	Austria
Johnson & Johnson Medical GmbH	Germany
Johnson & Johnson Medical K.K.	Japan
Johnson & Johnson Medical Korea Limited	Korea
Johnson & Johnson Medical Limited.	United Kingdom
Johnson & Johnson Medical Mfg. Sdn. Bhd.	Malaysia
Johnson & Johnson Medical NV/SA	Belgium
Johnson & Johnson Medical Pty. Ltd.	Australia
Johnson & Johnson Medical S.A.	Argentina
Johnson & Johnson Medical S.A.R.L.	France
Johnson & Johnson Morocco S.A.	Morocco
Johnson & Johnson (New Zealand) Limited	New Zealand
Johnson & Johnson Pacific Pty. Ltd.	Australia
Johnson & Johnson Pakistan (Private) Limited	Pakistan
Johnson & Johnson (Philippines), Inc.	Philippines
Johnson & Johnson Poland Sp. z o.o.	Poland
Johnson & Johnson (Private) Limited	Zimbabwe
Johnson & Johnson Products Inc.	Canada
Johnson & Johnson Produtos Profissionais Ltda	Brazil
Johnson & Johnson Professional Products (Proprietary) Ltd.	South Africa
Johnson & Johnson (Proprietary) Limited	South Africa
Johnson & Johnson Pte. Ltd.	Singapore
Johnson & Johnson Pty. Limited	Australia
Johnson & Johnson Research Pty. Limited	Australia
Johnson & Johnson, S.A. de C.V.	Mexico
Johnson & Johnson S.A.S.	France
Johnson & Johnson S.A.	Spain
Johnson & Johnson SDN. BHD.	Malaysia
Johnson & Johnson S.p.A.	Italy
Johnson & Johnson, Spol.s.r.o.	Czech Republic

NAME OF SUBSIDIARY	JURISDICTION OF ORGANIZATION
Johnson & Johnson Taiwan Ltd.	Taiwan
Johnson & Johnson (Thailand) Ltd	Thailand
Johnson & Johnson Vision Products AB	Sweden
Johnson & Johnson Vision Products (Ireland) Ltd	Ireland
Johnson & Johnson (Zambia) Limited	Zambia
Laboratoires Martin Johnson & Johnson -- MSD S.A.S	France
Laboratoires Polive S.N.C.	France
Lifescan Canada Ltd.	Canada
Medos S.A.	Switzerland
Neutrogena Corporation S.A.R.L.	France
Neutrogena Provence S.A.R.L	France
OMJ Ireland Limited	Ireland
OMJ Manufacturing Ltd	Ireland
Ortho-Clinical Diagnostics European Support Center	France
Ortho-Clinical Diagnostics GmbH	Germany
Ortho-Clinical Diagnostics K.K.	Japan
Ortho-Clinical Diagnostics	United Kingdom
Ortho-Clinical Diagnostics S.A.	Spain
Ortho-Clinical Diagnostics N.V.	Belgium
Ortho-Clinical Diagnostics S.A.	France
Ortho-Clinical Diagnostics S.p.A.	Italy
Pharma Argentina S.A.	Argentina
P.T. Johnson & Johnson Indonesia	Indonesia
RoC S.A.S.	France
The R.W. Johnson Pharmaceutical Research Institute	Switzerland
Shanghai Johnson & Johnson Pharmaceuticals, Ltd	China
Shanghai Johnson & Johnson Ltd.	China
Surgikos, S.A. de C.V.	Mexico
Tasmanian Alkaloids Pty. Ltd.	Australia
Taxandria Pharmaceutica B.V.	Netherlands
Vania Expansion, S.N.C	France
Woelm Pharma GmbH & Co	Germany
Xian-Janssen Pharmaceutical Limited	China

EXHIBIT 23

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in Registration Statements No. 33-52252, 33-40294, 33-40295, 33-32875, 33-7634, 033-59009, 333-38055, 333-40681 and 333-26979 on Form S-8. No. 33-55977 and 33-47424 on Form S-3 and No. 33-57583, 333-00391, 333-38097 and 333-30081 on Form S-4 and related Prospectuses of our reports dated January 25, 1999, on our audits of the consolidated financial statements and financial statement schedule of Johnson & Johnson and subsidiaries as of January 3, 1999 and December 28, 1997, and for each of the three years in the period ended January 3, 1999, which reports are included or incorporated by reference in this Annual Report on Form 10-K.

/s/ PricewaterhouseCoopers LLP
PRICEWATERHOUSECOOPERS LLP

New York, New York
March 30, 1999

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1998 results excluding Restructuring and In-Process Research and Development charges; Earnings before Taxes $5,046; Net Earnings $3,669; Basic EPS $2.73 and Diluted EPS $2.67.

1,000,000

YEAR	
JAN-03-1999	
JAN-03-1999	
	1,927
	651
	4,046
	385
	2,853
	11,132
	10,024
	3,784
	26,211
	8,162
	1,304
	0
	0
	1,535
	12,055
	26,211
	23,657
	23,657
	7,496
	7,496
	2,269
	39
	110
	4,269
	1,210
	3,059
	0
	0
	0
	3,059
	2.27
	2.23

EXHIBIT 99(b)

CAUTIONARY STATEMENT PURSUANT TO PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 -- "SAFE HARBOR" FOR FORWARD-LOOKING STATEMENTS

The Company may from time to time make certain forward-looking statements in publicly-released materials, both written and oral. Forward-looking statements do not relate strictly to historical or current facts and may be identified by their use of words like "plans," "expects", "will", "anticipates," "estimates" and other words of similar meaning. Such statements may address, among other things, the Company's strategy for growth, product development, regulatory approvals, market position, expenditures, financial results and the effect of Year 2000 readiness issues.

Forward-looking statements are based on current expectations of future events. The Company cannot guarantee that expectations expressed in forward-looking statements will be realized. Some important factors that could cause the Company's actual results to differ materially from those projected in any such forward-looking statements are as follows:

Economic factors, including inflation and fluctuations in interest rates and foreign currency exchange rates and the potential effect of such fluctuations on revenues, expenses and resulting margins;

Competitive factors, including technological advances achieved and patents attained by competitors and generic competition as patents on the Company's products expire;

Domestic and foreign healthcare changes resulting in pricing pressures, including the continued consolidation among healthcare providers, trends toward managed care and healthcare cost containment and government laws and regulations relating to sales and promotion, reimbursement and pricing generally;

Government laws and regulations, affecting domestic and foreign operations, including those relating to trade, monetary and fiscal policies, taxes, price controls, regulatory approval of new products and licensing;

Difficulties inherent in product development, including the potential inability to successfully continue technological innovation, complete clinical trials, obtain regulatory approvals in the United States and abroad, gain and maintain market approval of products and the possibility of encountering infringement claims by competitors with respect to patent or other intellectual property rights which can preclude or delay commercialization of a product;

Significant litigation adverse to the Company including product liability claims, patent infringement claims, and antitrust claims;

Product efficacy or safety concerns resulting in product recalls or declining sales;

The impact of business combinations, including acquisitions and divestitures, and organizational restructuring consistent with evolving business strategies;

Issuance of new or revised accounting standards by the American Institute of Certified Public Accountants, the Financial Accounting Standards Board or the Securities and Exchange Commission;

The dates for completion of specified tasks in the Company's Year 2000 readiness program and the assessment of future costs are based upon, among other things, assumptions of the lack of complicating factors that could cause delay, the availability of adequate resources, including appropriately skilled third parties, and the availability of substitute or alternate products or services, where required;

The assessments of the Year 2000 readiness of others and of the effects of lack of such readiness are highly uncertain. The impact of a failure of readiness by critical suppliers or major customers or both cannot be estimated with confidence. The effectiveness of contingency plans to mitigate the effects of any such failures is largely untested;

The Company has employed its standard internal procedures to assess the reasonableness of its estimates of costs, timing and effectiveness of remediation of Year 2000 readiness issues. While the Company believes such an approach is adequate, it should be noted that no external or independent audit or verification of such estimates has been completed nor have extraordinary means been undertaken to verify their reasonableness;

Even though the Company expects an increased ability to avoid significant disruptions of its business as a result of its Year 2000 readiness program, management cannot provide an assurance that there will be no material adverse effects to the financial condition or results of operations of the Company as a result of Year 2000 issues; and

The Company may not successfully identify all systems and products that present Year 2000 readiness issues. Even if the Company successfully identifies all such systems and products, it may not be successful in remedying the problems presented.

The foregoing list sets forth many, but not all, of the factors that could impact upon the Company's ability to achieve results described in any forward-looking statements. Investors are cautioned not to place undue reliance on such statements that speak only as of the date made. Investors also should understand that it is not possible to predict or identify all such factors and that this list should not be considered a complete statement of all potential risks and uncertainties. Investors should also realize that if underlying assumptions prove inaccurate or unknown risks or uncertainties materialize, actual results could vary materially from the Company's projections. The Company undertakes no obligation to update any forward-looking statements as a result of future events or developments.