

Third Quarter and Nine Months 2016 Earnings Call Presentation



October 27, 2016

Safe Harbor Statement

Forward-Looking Statements

Certain statements in this presentation are forward-looking as defined in the Private Securities Litigation Reform Act of 1995. These forward-looking statements may be identified by the fact they use words such as “should,” “expect,” “anticipate,” “estimate,” “target,” “may,” “project,” “guidance,” “intend,” “plan,” “believe” and other words and terms of similar meaning and expression. Such statements are likely to relate to, among other things, a discussion of goals, plans and projections regarding financial position, results of operations, cash flows, market position, market growth and trends, product development, product approvals, sales efforts, expenses, capital expenditures, performance or results of current and anticipated products and the outcome of contingencies such as legal proceedings and financial results. Forward-looking statements can also be identified by the fact that they do not relate strictly to historical or current facts. Such forward-looking statements are based on current expectations that involve inherent risks, uncertainties and assumptions that may cause actual results to differ materially from expectations as of the date of this presentation. These risks include, but are not limited to: (1) the ability to sustain brand strength, particularly the Enfa family of brands; (2) the effect on the company’s reputation of real or perceived quality issues; (3) the effect of regulatory restrictions related to the company’s products; (4) the adverse effect of commodity costs; (5) increased competition from branded, private label, store and economy-branded products; (6) the effect of an economic downturn on consumers’ purchasing behavior and customers’ ability to pay for product; (7) inventory reductions by customers; (8) the adverse effect of changes in foreign currency exchange rates; (9) the effect of changes in economic, political and social conditions in the markets where we operate; (10) changing consumer preferences; (11) the possibility of changes in the Women, Infant and Children (WIC) program, or participation in WIC; (12) legislative, regulatory or judicial action that may adversely affect the company’s ability to advertise its products, maintain product margins, or negatively impact the company’s reputation or result in fines or penalties that decrease earnings; and (13) the ability to develop and market new, innovative products. For additional information regarding these and other factors, see the company’s filings with the United States Securities and Exchange Commission (the SEC), including its most recent Annual Report on Form 10-K, which filings are available upon request from the SEC or at www.meadjohnson.com. The company cautions readers not to place undue reliance on any forward-looking statements, which speak only as of the date made. The company undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise.

Factors Affecting Comparability – Non-GAAP Financial Measures

This presentation contains non-GAAP financial measures. The items included in GAAP measures, but excluded for the purpose of determining the non-GAAP financial measures, include significant income/expenses not indicative of underlying operating results, including the related tax effect and, at times, the impact of foreign exchange. The non-GAAP measures represent an indication of the company’s underlying operating results and are intended to enhance an investor’s overall understanding of the company’s financial performance and ability to compare the company’s performance to that of its peer companies. In addition, this information is among the primary indicators the company uses as a basis for evaluating company performance, setting incentive compensation targets and planning and forecasting of future periods. This information is not intended to be considered in isolation or as a substitute for financial measures prepared in accordance with GAAP. Tables that reconcile non-GAAP to GAAP disclosure are included in the Appendix.

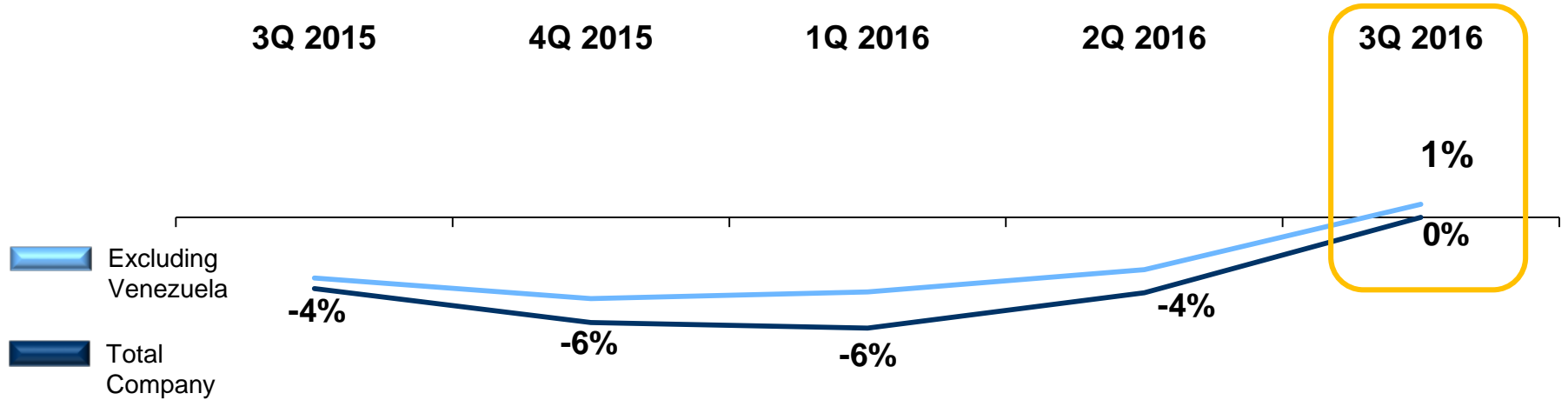
This presentation should be reviewed in conjunction with the company’s earnings release and conference call transcript for the third quarter and nine months of 2016 and the company’s Quarterly Report on Form 10-Q for the period ended September 30, 2016.

For more information:

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Net Sales Improved Further in Third Quarter

% change from prior year quarter



Positive Sales Development in Third Quarter

\$ in Millions

3Q 2016

Change vs. 2015

<u>Actual</u>	<u>Reported</u>	<u>Foreign Exchange</u>	<u>Constant Dollar Basis</u>
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Gross Sales

\$1,289	(2%)	(3%)	1%
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Net Sales

\$938	(4%)	(4%)	0%
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9 Months 2016

Change vs. 2015

<u>Actual</u>	<u>Reported</u>	<u>Foreign Exchange</u>	<u>Constant Dollar Basis</u>
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\$3,887	(5%)	(4%)	(1%)
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\$2,841	(8%)	(4%)	(4%)
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Strong EBIT Growth in Third Quarter

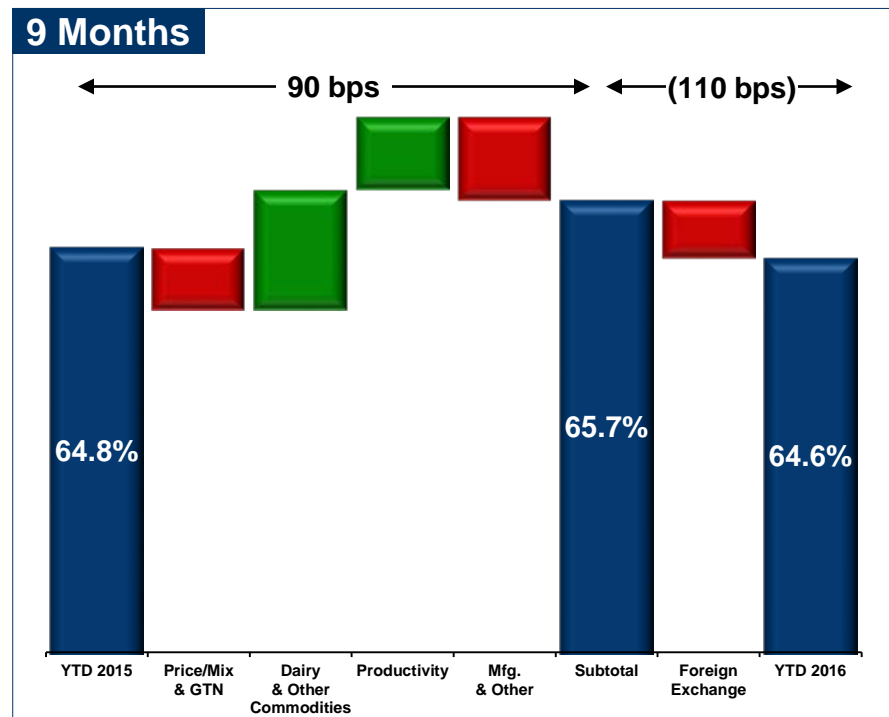
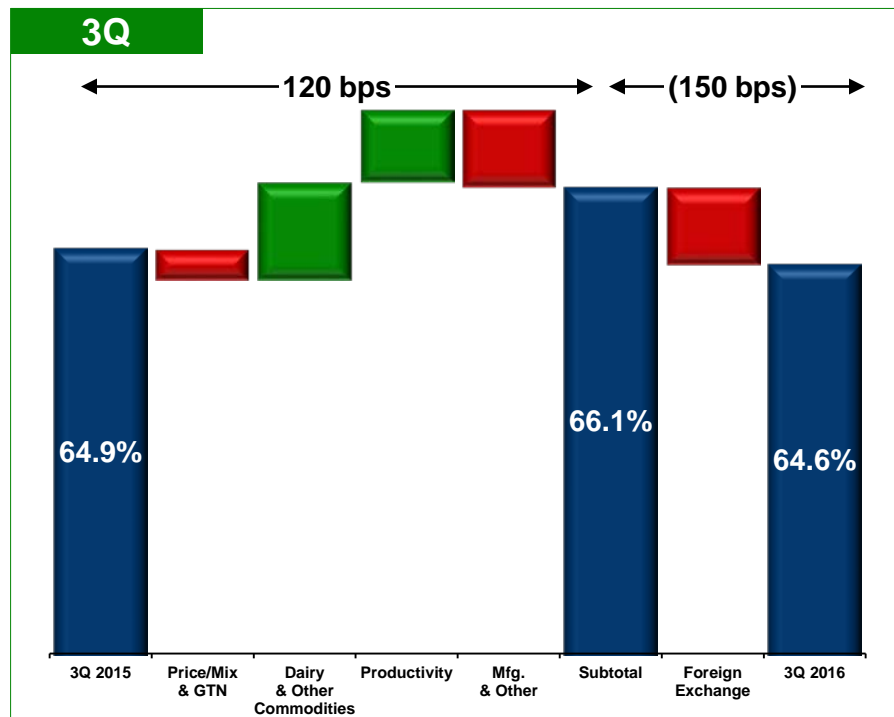
\$ in Millions

	3Q 2016			9 Months 2016		
		<u>Change vs. 2015</u>			<u>Change vs. 2015</u>	
	<u>Actual</u>	<u>Constant Dollar Basis</u>	<u>Reported</u>	<u>Actual</u>	<u>Constant Dollar Basis</u>	<u>Reported</u>
Net Sales	\$938	0%	(4%)	\$2,841	(4%)	(8%)
Gross Profit*	\$605			\$1,835		
<i>Gross Margin*</i>	64.6%	+120 bps	(30 bps)	64.6%	+90 bps	(20 bps)
EBIT*	\$244	9%	2%	\$719	2%	(6%)
<i>EBIT Margin*</i>	26.1%		+160 bps	25.3%		+80 bps

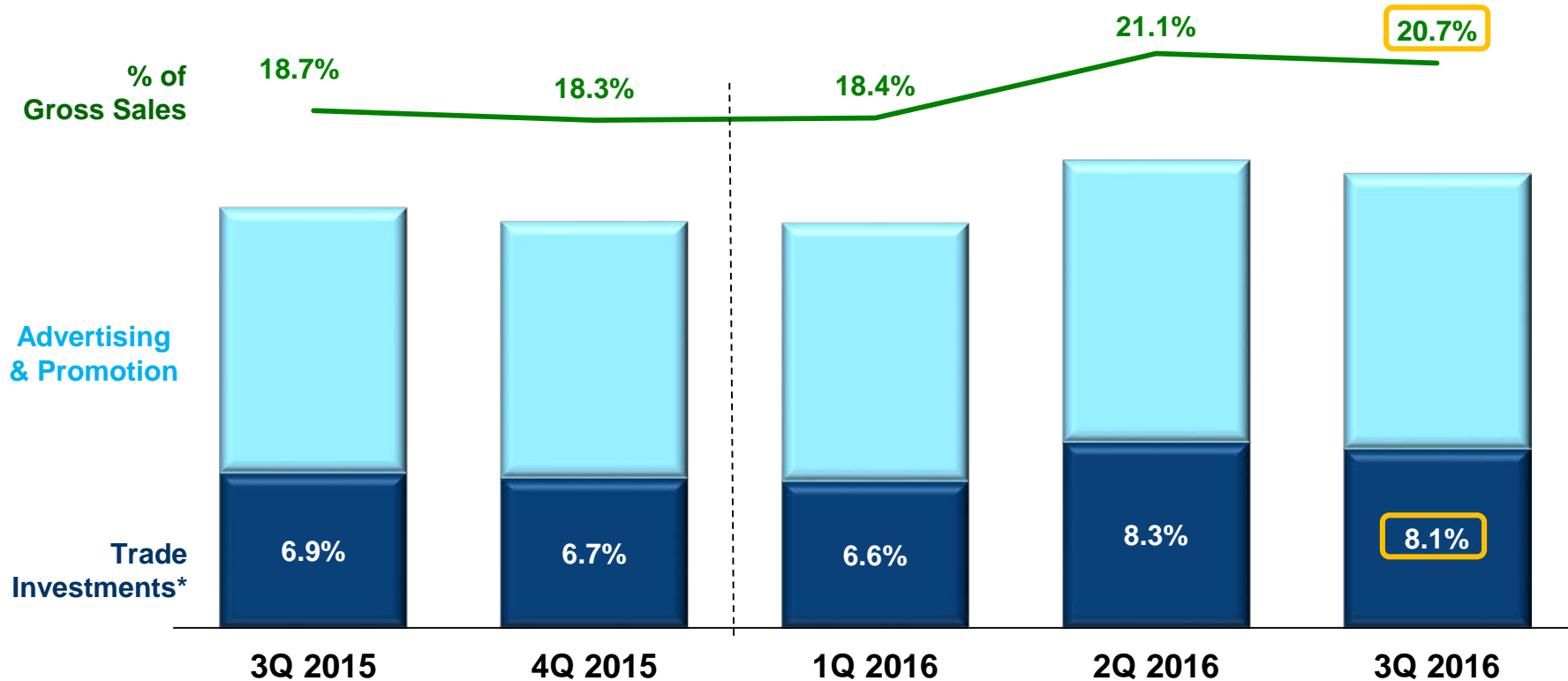
* Presented on a non-GAAP basis.

Dairy & Productivity Benefits Offset Other Headwinds

Gross Margin



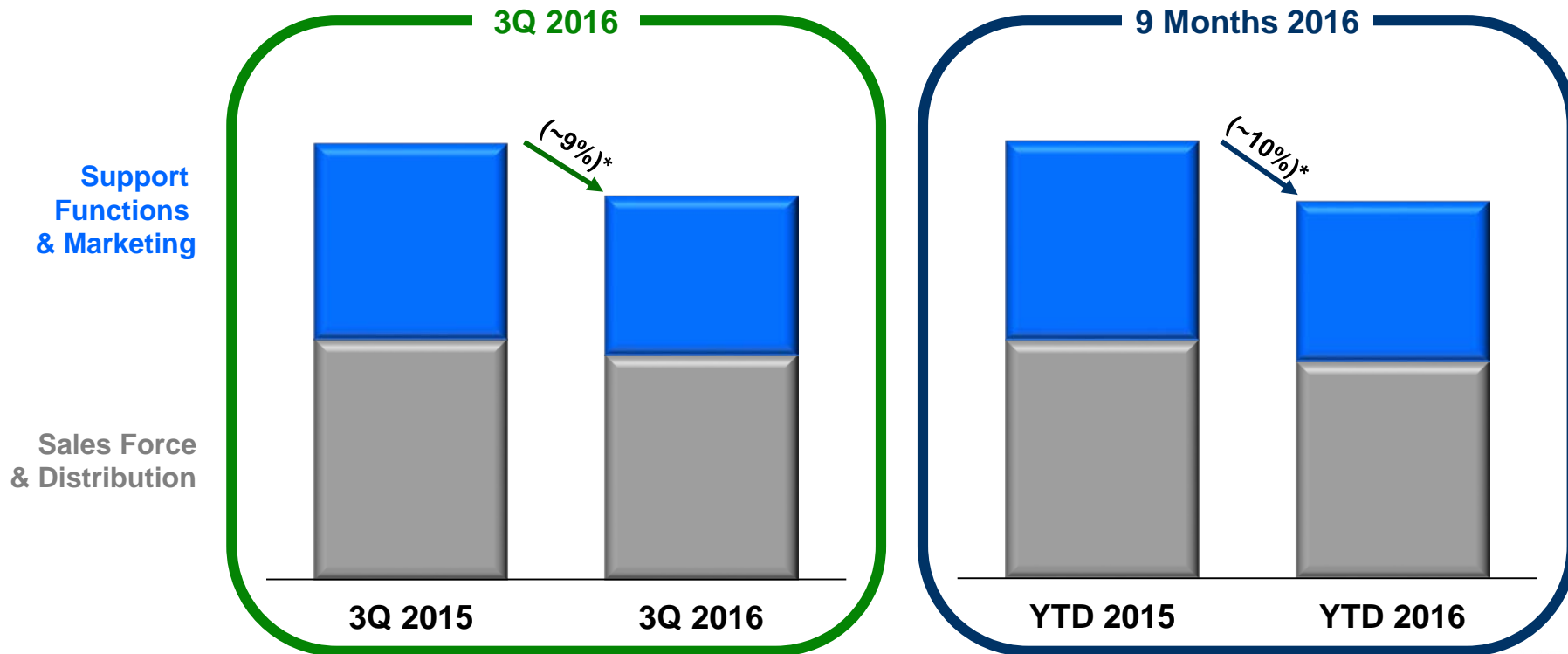
Investments to Support Innovation Rollout



* Trade investments represents sales discounts reported in Gross-to-Net Sales Adjustments.

Fuel for Growth Delivered Substantial Savings

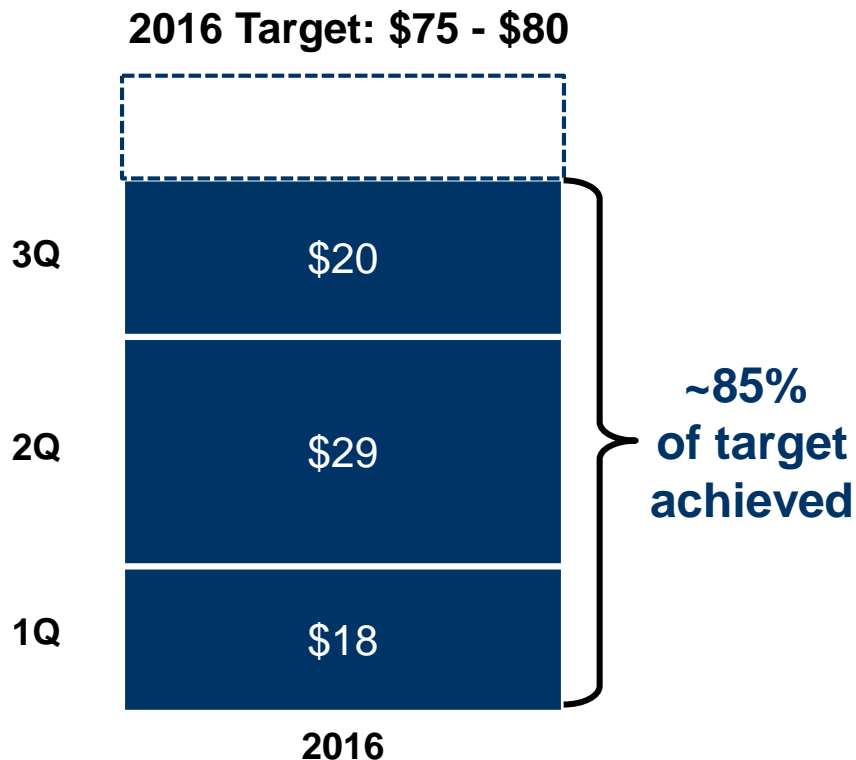
SG&A



* SG&A also known as Selling, General and Administrative expenses. A substantial portion of the year over year reduction is due to Fuel for Growth. Percentage change on a non-GAAP, constant dollar basis.

Fuel for Growth to Deliver at High End of Target

\$ in Millions



Year-to-Date Program Achievements

~ **\$50M** Corporate & Other savings

~ **30%** G&A Outside services reduction

Strong Underlying Profitability in All Segments

\$ in Millions

	<u>Asia</u>	<u>North America/ Europe</u>	<u>Latin America</u>	<u>Corporate & Other</u>	<u>Company</u>
Sales	\$ 463	\$ 314	\$ 161	-	\$ 938
vs. 2015*	0%	0%	0%	-	0%
EBIT*	\$ 135	\$ 107	\$ 40	(\$ 38)	\$ 244
vs. 2015*	(7%)	9%	30%	(20%)	9%
EBIT Margin*	29%	34%	25%	-	26%
vs. 2015	(320 bps)	+210 bps	+390 bps	-	+160 bps

* Year over year percentage changes are on a constant dollar basis and exclude the impact of foreign exchange transactional gains or losses. Corporate & Other and Company presented on a non-GAAP basis.

Financial Results: From EBIT to EPS

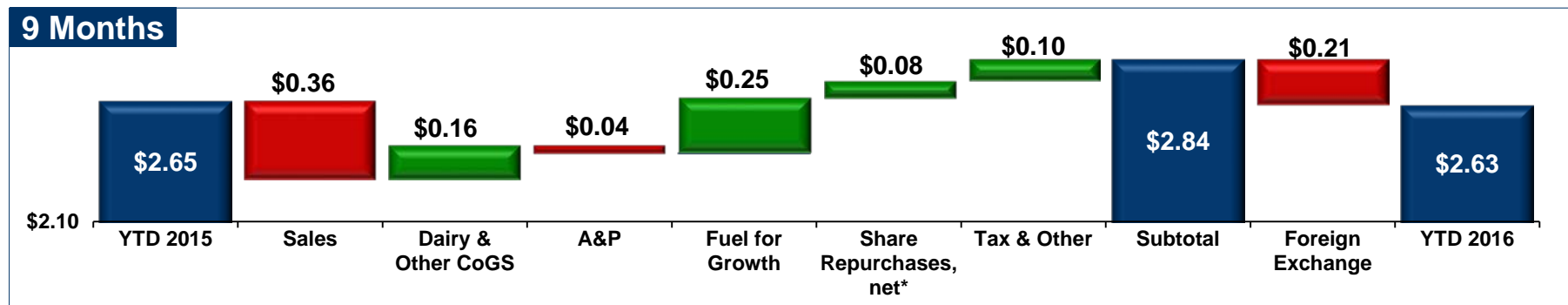
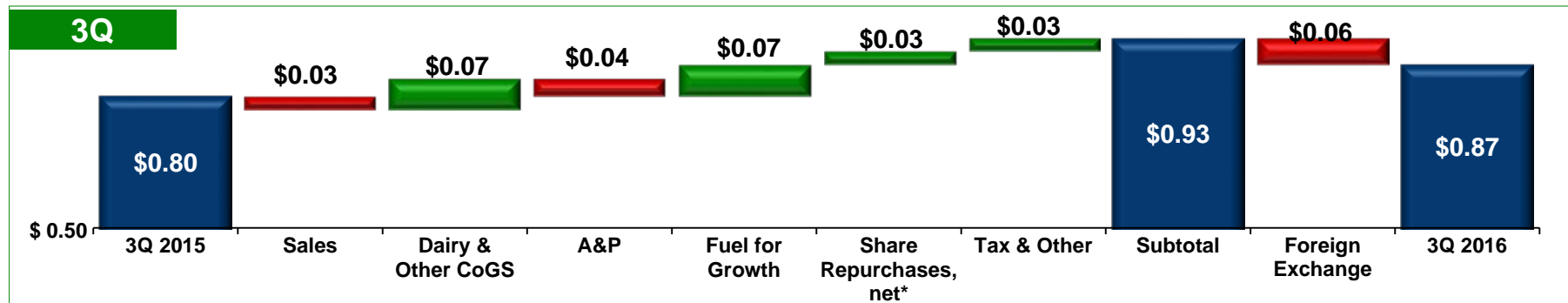
\$ in Millions, except for per share data

	3Q 2016			9 Months 2016		
	<u>Actual</u>	<u>Change vs. 2015</u>		<u>Actual</u>	<u>Change vs. 2015</u>	
		<u>Constant Dollar Basis</u>	<u>Reported</u>		<u>Constant Dollar Basis</u>	<u>Reported</u>
EBIT*	\$244	9%	2%	\$719	2%	(6%)
Interest Exp.	\$26			\$79		
Tax*	\$57			\$145		
ETR*	26.0%			22.6%		
Non-GAAP EPS	\$0.87	16%	9%	\$2.63	7%	(1%)
Diluted Shares**	185.0			186.3		

* Presented on a non-GAAP basis.

** 3Q 2016 average diluted shares outstanding.

Positive EPS Growth in Third Quarter

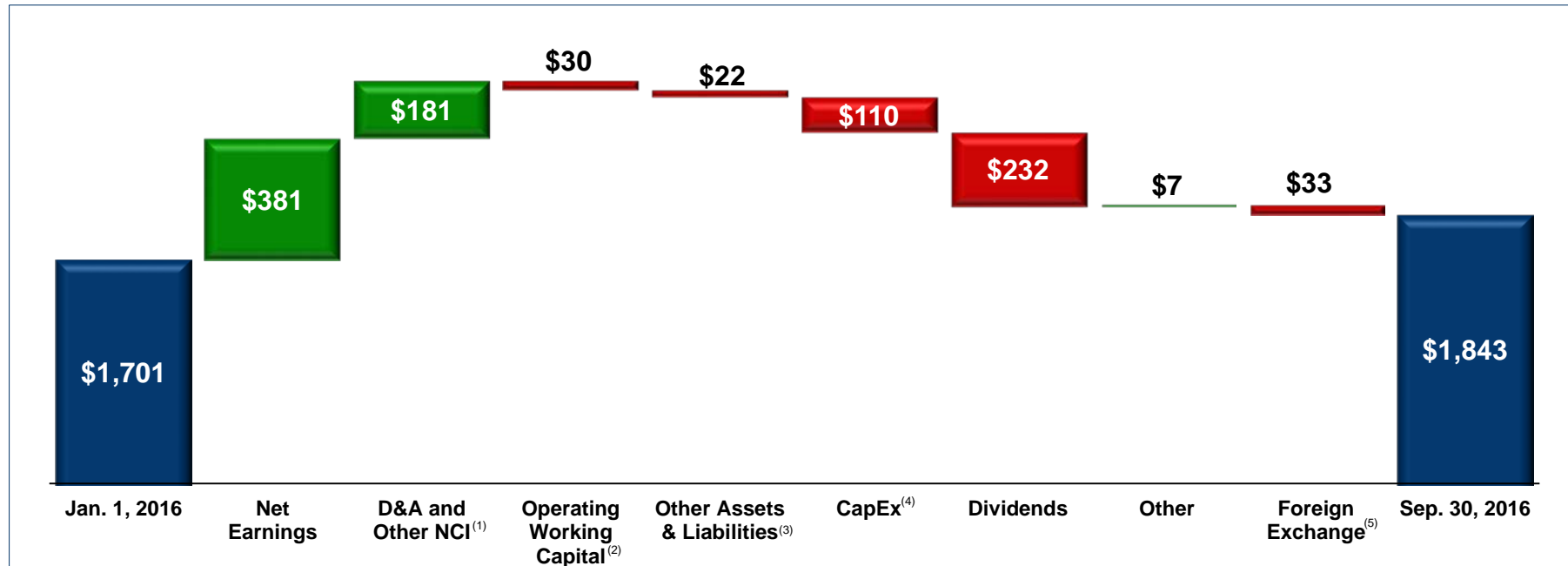


Presented on a non-GAAP basis.

* 2015 Share Repurchase impact is net of increase in interest expense, as repurchases were financed with long-term debt.

Improved Cash Conversion

\$ in Millions



(1) Other NCI-Non Cash Items includes Impairment of Long-Lived Assets and other.

(2) Operating Working Capital includes changes in Receivables, Inventory and Trade Payables (excluding Capital Expenditure accruals).

(3) Other Assets and Liabilities includes changes in all other current Assets and Liabilities, Pension and Other Post-employment Benefit Contributions.

(4) CapEx includes payments for Capital Expenditures and Proceeds from Sale of Property, Plant and Equipment.

(5) Foreign Exchange is mainly from Venezuela cash devaluation.

2016 Guidance

Prior Guidance⁽¹⁾

New Guidance⁽¹⁾

Net Sales	Reported \$ (5%) to (7%)	Constant \$ 0% to (2%)	Reported \$ (6%) to (7%)	Constant \$ (2%) to (3%)
GAAP EPS⁽²⁾	\$2.91 - \$3.03		\$2.80 - \$2.87	
Non-GAAP EPS	\$3.48 - \$3.60		\$3.43 - \$3.50	

(1) New Guidance provided in the company's press release on October 27, 2016. For Prior Guidance see the company's Current Report on Form 8-K filed with the SEC on September 7, 2016.

(2) GAAP EPS is likely to be impacted by future mark-to-market pension adjustments which cannot be estimated.

Appendix

Reconciliation of Non-GAAP to GAAP Results

This presentation contains non-GAAP financial measures, each of which is listed in the tables below. The items included in GAAP measures, but excluded for the purpose of determining the non-GAAP financial measures, include significant income/expenses not indicative of underlying operating results, including the related tax effect and, at times, the impact of foreign exchange. The non-GAAP measures represent an indication of the company's underlying operating results and are intended to enhance an investor's overall understanding of the company's financial performance and ability to compare the company's performance to that of its peer companies. In addition, this information is among the primary indicators the company uses as a basis for evaluating company performance, setting incentive compensation targets and planning and forecasting of future periods. This information is not intended to be considered in isolation or as a substitute for financial measures prepared in accordance with GAAP. Tables that reconcile non-GAAP to GAAP disclosure follow below and appear elsewhere in this presentation.

Constant Dollar

Certain measures in this presentation are presented excluding the impact of foreign currency exchange (constant dollar). To present this information, current period results for entities reporting in currencies other than United States dollars are translated into United States dollars at the average exchange rates in effect during the corresponding period of the prior fiscal year, rather than the actual average exchange rates in effect during the current fiscal year. The company believes that these constant dollar measures provide useful information to investors because they provide transparency to underlying performance by excluding the effect that foreign currency exchange rate fluctuations have on period-to-period comparability given volatility in foreign currency exchange markets. The primary currencies which impact the company are: the Argentine peso, the Chinese renminbi, the Hong Kong dollar, the Mexican peso and the Philippine peso.

Specified Items

Non-GAAP measures presented within this presentation exclude Specified Items. The company considers Specified Items to be significant income/expense items as not indicative of underlying operating results, including the related tax effect. See the company's Quarterly Report on Form 10-Q for the period ended September 30, 2016 for a description of Specified Items and the related tax effect.

Reconciliation of Non-GAAP to GAAP Results Third Quarter and Nine Months 2016

Gross and Net Sales \$ in Millions		Three Months Ended September 30,		% Change			
	2016	2015	Reported	Foreign Exchange	Constant Dollar	Impact of Venezuela	Excluding Venezuela
Gross Sales							
Total Gross Sales	1,289.5	1,320.7	(2%)	(3%)	1%		
Net Sales							
Asia	463.2	476.8	(3%)	(3%)	0%		
Latin America	160.6	184.5	(13%)	(13%)	0%	(5%)	5%
North America/Europe	313.7	316.2	(1%)	(1%)	0%		
Net Sales	<u>\$ 937.5</u>	<u>\$ 977.5</u>	(4%)	(4)%	0%	(1%)	1%

Gross and Net Sales \$ in Millions		Nine Months Ended September 30,		% Change			
	2016	2015	Reported	Foreign Exchange	Constant Dollar	Impact of Venezuela	Excluding Venezuela
Gross Sales							
Total Gross Sales	\$ 3,887.3	\$ 4,101.7	(5%)	(4%)	(1%)		
Net Sales							
Asia	1,420.0	1,571.0	(10%)	(4%)	(6%)		
Latin America	487.4	587.3	(17%)	(14%)	(3%)	(9%)	6%
North America/Europe	933.7	946.0	(1%)	(1%)	0%		
Net Sales	<u>\$ 2,841.1</u>	<u>\$ 3,104.3</u>	(8%)	(4)%	(4%)	(2%)	(2%)

Reconciliation of Non-GAAP to GAAP Results Third Quarter and Nine Months 2016, continued

Net Sales \$ in Millions			
	Consolidated	Impact of Venezuela	Excluding Venezuela
Third Quarter 2015 Sales	\$ 977.5		
Third Quarter 2016 Sales	937.5		
Percentage Change in Sales on a GAAP basis	(4)%		
Impact of Foreign Exchange	(4)%		
Percentage Change in Sales in Constant Dollars	—%	(1)%	1%
Second Quarter 2015 Sales	\$ 1,032.4		
Second Quarter 2016 Sales	941.5		
Percentage Change in Sales on a GAAP basis	(9)%		
Impact of Foreign Exchange	(5)%		
Percentage Change in Sales in Constant Dollars	(4)%		
First Quarter 2015 Sales	\$ 1,094.4		
First Quarter 2016 Sales	962.1		
Percentage Change in Sales on a GAAP basis	(12)%		
Impact of Foreign Exchange	(6)%		
Percentage Change in Sales in Constant Dollars	(6)%		
Fourth Quarter 2014 Sales	\$ 1,094.2		
Fourth Quarter 2015 Sales	967.0		
Percentage Change in Sales on a GAAP basis	(12)%		
Impact of Foreign Exchange	(6)%		
Percentage Change in Sales in Constant Dollars	(6)%		
Third Quarter 2014 Sales	\$ 1,090.7		
Third Quarter 2015 Sales	977.5		
Percentage Change in Sales on a GAAP basis	(10)%		
Impact of Foreign Exchange	(6)%		
Percentage Change in Sales in Constant Dollars	(4)%		

Reconciliation of Non-GAAP to GAAP Results Third Quarter and Nine Months 2016, continued

Gross Profit \$ in millions	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	GAAP	\$ 603.8	\$ 630.7	\$ 1,826.6
Pension Remeasurement	1.4	3.9	8.0	3.4
Non-GAAP	\$ 605.2	\$ 634.6	\$ 1,834.6	\$ 2,011.0

Gross Margin %	Three Months Ended September 30,		% Change		Nine Months Ended September 30,		% Change	
	2016	2015	Reported	Constant Dollar	2016	2015	Reported	Constant Dollar
	GAAP	64.4%	64.5%	(0.1%)		64.3%	64.7%	(0.4%)
Pension Remeasurement	0.2%	0.4%			0.3%	0.1%		
Non-GAAP	64.6%	64.9%	(30) bps	120 bps	64.6%	64.8%	(20) bps	90 bps
Impact of Foreign Exchange	150 bps				110 bps			
Non-GAAP Constant Dollar	66.1%				65.7%			

Selling, General & Administrative \$ in Millions	Three Months Ended September 30,		% Change		Nine Months Ended September 30,		% Change	
	2016	2015	\$ Change	Reported	2016	2015	Reported	
	GAAP	\$ 190.0	\$ 216.1		(12%)	\$ 595.6	\$ 679.5	(12%)
Pension Remeasurement	(2.4)	(6.3)			(13.1)	(5.5)		
Venezuela	(2.0)	—			(2.0)	—		
All Other	(1.6)	(0.6)			(1.6)	(1.9)		
Non-GAAP	184.0	209.2		(12%)	578.9	672.1		
Impact of Foreign Exchange	6.9	—			29.3	—		
Non-GAAP Constant Dollar	\$ 190.9	\$ 209.2	\$ (18.3)	(9%)	\$ 608.2	\$ 672.1	(10%)	

Reconciliation of Non-GAAP to GAAP Results Third Quarter and Nine Months 2016, continued

Earnings Before Interest and Income Taxes (EBIT) \$ in Millions	Three Months Ended September 30,		% Change			Nine Months Ended September 30,		% Change		
	2016	2015	Reported	Foreign Exchange	Constant Dollar	2016	2015	Reported	Foreign Exchange	Constant Dollar
	EBIT	\$ 228.2	\$ 226.0	1%			\$ 592.7	\$ 740.4	(20%)	
EBIT Margin	24.3%	23.1%				20.9%	23.9%			
Pension Remeasurement	4.2	11.4				23.4	9.9			
Investigation Accrual	—	—				—	12.0			
Fuel for Growth	7.3	—				18.4	—			
Venezuela	2.8	—				81.2	—			
All Other	1.7	1.6				3.0	(1.1)			
Non-GAAP EBIT	\$ 244.2	\$ 239.0	2%	(7)%	9%	\$ 718.7	\$ 761.2	(6%)	(8)%	2%
Non-GAAP EBIT Margin	26.1%	24.5%	160 bps			25.3%	24.5%	80 bps		

Provision for Income Taxes and Effective Tax Rate \$ in Millions	Three Months Ended September 30, 2016		Three Months Ended September 30, 2015	Nine Months Ended September 30, 2016	
	Provision for Income Taxes	Effective Tax Rate	Effective Tax Rate	Provision for Income Taxes	Effective Tax Rate
GAAP	\$ 53.3	26.4%	26.8%	\$ 132.7	25.8%
Pension Remeasurement	1.5	0.2%	0.4%	8.3	0.4%
Fuel for Growth	1.4	(0.3)	—	3.2	(0.3)%
Venezuela	—	(0.3)	—	—	(3.3)%
All Other	0.5	—	0.9%	0.5	—%
Non-GAAP	\$ 56.7	26.0%	28.1%	\$ 144.7	22.6%

Reconciliation of Non-GAAP to GAAP Results Third Quarter and Nine Months 2016, continued

Corporate and Other EBIT \$ in Millions	Three Months Ended September 30,		% Change		
	2016	2015	Reported	Foreign Exchange	Constant Dollar
GAAP	\$ (53.6)	\$ (68.4)	22%		
Pension Remeasurement	4.2	11.4			
Fuel for Growth	7.3	—			
Venezuela	2.8	—			
All Other	1.7	1.6			
Non-GAAP EBIT	\$ (37.6)	\$ (55.4)	32%	12%	20%

Corporate and Other EBIT \$ in Millions	Nine Months Ended September 30,		% Change		
	2016	2015	Reported	Foreign Exchange	Constant Dollar
GAAP	\$ (253.4)	\$ (207.6)	(22%)		
Pension Remeasurement	23.4	9.9			
Investigation Accrual	—	12.0			
Fuel for Growth	18.4	—			
Venezuela	81.2	—			
All Other	3.0	(1.1)			
Non-GAAP EBIT	\$ (127.4)	\$ (186.8)	32%	7%	25%

Reconciliation of Non-GAAP to GAAP Results Third Quarter and Nine Months 2016, continued

Earnings Before Interest and Income Taxes (EBIT) \$ in Millions

	Three Months Ended September 30,			% Change			Nine Months Ended September 30,			% Change		
	2016	2015		Reported	Foreign Exchange	Constant Dollar	2016	2015		Reported	Foreign Exchange	Constant Dollar
Asia	\$ 134.6	\$ 154.2		(13%)	(6%)	(7%)	\$ 440.7	\$ 542.1		(19%)	(6%)	(13%)
Latin America	40.1	38.9		3%	(27%)	30%	117.1	141.0		(17%)	(19%)	2%
North America/Europe	107.1	101.3		6%	(3%)	9%	288.3	264.9		9%	(4%)	13%

Earnings per Share \$ in millions

	Three Months Ended September 30,			% Change			Nine Months Ended September 30,			% Change		
	2016	2015		Reported	Foreign Exchange	Constant Dollar	2016	2015		Reported	Foreign Exchange	Constant Dollar
			\$ Change									
GAAP	\$ 0.80	\$ 0.77	\$ 0.03	4%			\$ 2.02	\$ 2.59		(22%)		
Pension Remeasurement	0.01	0.04					0.08	0.03				
Investigation Accrual	—	—					—	0.03				
Fuel for Growth	0.03	—					0.08	—				
Venezuela	0.02	—					0.44	—				
All Other	0.01	(0.01)					0.01	—				
Non-GAAP	0.87	0.80	0.07	9%	(7%)	16%	2.63	2.65		(1%)	(8%)	7%
Impact of Foreign Exchange	0.06	—					0.21	—				
Non-GAAP Constant Dollar	\$ 0.93	\$ 0.80	\$ 0.13				\$ 2.84	\$ 2.65				

Reconciliation of Non-GAAP to GAAP 2016 Guidance

	<u>Low End</u>	<u>High End</u>
Reported Sales	(7%)	(6%)
Less impact of Foreign Currency	<u>(4%)</u>	<u>(4%)</u>
Constant Dollar Sales	(3%)	(2%)
GAAP Earnings per Share*	\$ 2.80	\$ 2.87
Less Specified Items	<u>(0.63)</u>	<u>(0.63)</u>
Non-GAAP Earnings per Share	\$ 3.43	\$ 3.50

*GAAP guidance is likely to be impacted by potentially significant future mark-to-market pension adjustments which cannot be estimated and are classified as a Specified Item.