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If you sell or transfer or have sold or otherwise transferred all of your shares in the Company, please send this document, together with the accompanying Form of Proxy, at once to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. However, such documents should not be forwarded, distributed or transmitted in or into any jurisdiction in which such act would constitute a violation of the relevant laws in such jurisdiction. If you have sold part of your holding of shares in the Company, please retain this document and the accompanying Form of Proxy and contact immediately the bank, stockbroker or other agent through whom the sale or transfer was effected.

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Reckitt Benckiser Group plc

(a public limited company incorporated in England and Wales under the Companies Act 1985 with registered number 6270876)

Proposed acquisition of Mead Johnson Nutrition Company

Circular to Shareholders

and

Notice of General Meeting

This document should be read as a whole. Your attention is drawn to the letter from the Chairman of the Company which is set out on pages 7 to 16 of this document and which recommends you to vote in favour of the Resolution to be proposed at the General Meeting referred to below.

Notice of a General Meeting of the Company to be held at the Auditorium of Deutsche Bank AG, Ground Floor, Winchester House, 75 London Wall, London EC2N 2DB at 3.00 p.m. on 31 May 2017 is set out at the end of this document. A Form of Proxy for use at the General Meeting is enclosed and, to be valid, should be completed, signed and returned so as to be received by the Company's registrars, Computershare Investor Services PLC of The Pavilions, Bridgwater Road, Bristol BS99 6ZY, as soon as possible but, in any event, so as to arrive no later than 3.00 p.m. on 29 May 2017. In addition, CREST members may use the CREST electronic proxy appointment service. Details of the electronic appointment methods are found in Notes 3 to 4 of the Notice of General Meeting set out at the end of this document. Completion and return of a Form of Proxy will not prevent members from attending and voting in person should they wish to do so.

For a discussion of certain risk factors which should be taken into account when considering what action you should take in connection with the General Meeting, please see Part II (Risk Factors) of this document.

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Important Notice

Robey Warshaw LLP ("**Robey Warshaw**"), which is authorised and regulated by the FCA, is acting exclusively for the Company and no-one else in connection with the contents of this document and will not be responsible to anyone other than the Company for providing the protections afforded to its clients or for providing advice in connection with the contents of this document or any matter referred to in this document.

Merrill Lynch International ("**BofA Merrill Lynch**") is authorised by the Prudential Regulation Authority and regulated by the FCA and the Prudential Regulation Authority in the United Kingdom. BofA Merrill Lynch is acting exclusively for the Company and no-one else in connection with the contents of this document. In connection with such matters, BofA Merrill Lynch, its affiliates and their respective directors, officers, employees and agents will not regard any other person as their client, nor will they be responsible to any other person for providing the protections afforded to their clients or for providing advice in connection with this document or any other matter referred to herein.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Event	Date
Reckitt Benckiser Group plc and Mead Johnson signed the Merger Agreement and Acquisition announced	10 February 2017
Publication date of Circular and Notice of General Meeting	5 May 2017
Voting record time for the General Meeting	8.00 p.m. on 26 May 2017
Latest time and date for receipt of Forms of Proxy (or CREST/electronic proxy appointments) for the General Meeting	3.00 p.m. on 29 May 2017
Reckitt Benckiser Group plc General Meeting	3.00 p.m. on 31 May 2017
Mead Johnson Stockholder Meeting	7.00 p.m. on 31 May 2017
Expected completion of regulatory approval process	By the end of the third quarter of 2017
Expected Completion	By the end of the third quarter of 2017

All references to time in this document are to London time unless otherwise stated.

The dates given are based on the Company's current expectations and may be subject to change. If any of the times or dates above change, the Company will give notice of the change by issuing an announcement through a Regulatory Information Service.

GENERAL INFORMATION

FORWARD-LOOKING STATEMENTS

This document may include certain forward-looking statements, beliefs or opinions, including statements with respect to the Group's or the Enlarged Group's business, financial condition and results of operations. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "anticipates", "targets", "aims", "continues", "expects", "intends", "hopes", "may", "will", "would", "could" or "should" or, in each case, their negative or other various or comparable terminology or by discussions of strategy, plans, objectives, goals, future events or intentions. These statements are made by the Directors in good faith based on the information available to them at the date of this document and reflect the Directors' beliefs and expectations. By their nature these statements involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. A number of factors could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, developments in the global economy, changes in regulation and government policies, spending and procurement methodologies, currency fluctuations, a failure in the Group's or the Enlarged Group's health, safety or environmental policies and other factors discussed in Part II (*Risk Factors*) of this document.

No representation or warranty is made that any of these statements or forecasts will come to pass or that any forecast results will be achieved. Forward-looking statements may, and often do, differ materially from actual results. Any forward-looking statements in this document speak only as of their respective dates, reflect the Directors' current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group's or the Enlarged Group's operations and growth strategy. You should specifically consider the factors identified in this document which could cause actual results to differ before making any decision in relation to the Acquisition. Subject to the requirements of the FCA, the London Stock Exchange, the Listing Rules and the DTRs (and/or any regulatory requirements) or applicable law, the Company explicitly disclaims any obligation or undertaking publicly to release the result of any revisions to any forward-looking statements in this document that may occur due to any change in the Company's expectations or to reflect events or circumstances after the date of this document. Neither the forward-looking statements contained in this document, nor the statements in this General Information section seek to in any way qualify the working capital statement in Part VII (*Additional Information*) of this document.

Unless otherwise expressly stated, no statement in this document is or is intended to be a profit forecast or to imply that the earnings of the Company or Mead Johnson for the current or future financial years will necessarily match or exceed the historical or published earnings of the Company or Mead Johnson.

Any information contained in this document on the price at which shares or other securities in the Company have been bought or sold in the past, or on the yield on such shares or other securities, should not be relied upon as a guide to future performance.

NO OFFER OR SOLICITATION

This document is not a prospectus and it does not constitute or form part of any offer or invitation to purchase, acquire, subscribe for, sell, dispose of or issue, or any solicitation of any offer to sell, dispose of, purchase, acquire or subscribe for, any security.

PUBLICATION ON WEBSITE AND AVAILABILITY OF HARD COPIES

A copy of this document, together with all information incorporated into this document by reference to another source, is and will be available for inspection on the Company's website at www.rb.com from the time this document is published. For the avoidance of doubt, the contents of the websites referred to in this document are not incorporated into and do not form part of this document.

To the extent that any document or information incorporated by reference or attached to this document, itself incorporates any information by reference, either expressly or impliedly, such information will not form part of this document, except where such information or documents are stated within this document as specifically being incorporated by reference or where this document is specifically defined as including such information.

In particular, information on or accessible through the Company's corporate website www.rb.com and through Mead Johnson's corporate website www.meadjohnson.com does not form part of and is not incorporated into this document.

If you have received this document in electronic form, you may request a hard copy of this document and/or any information incorporated into this document by reference to another source by contacting the Company's registrars, Computershare Investor Services PLC, at The Pavilions, Bridgwater Road, Bristol BS99 6ZY, or between 8.30 a.m. and 5.30 p.m. (London time), Monday to Friday (excluding English and Welsh public holidays), on 0370 703 0118 from within the UK or on +44(0) 370 703 0118 if calling from outside the UK (calls from outside the UK will be charged at the applicable international rate), with your full name and the full address to which the hard copy may be sent (calls may be recorded and monitored for training and security purposes).

PRESENTATION OF FINANCIAL INFORMATION

Percentages in tables may have been rounded and accordingly may not add up to 100 per cent. Certain financial data has been rounded and, as a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data.

Certain operating and financial performance metrics contained in this document have not been audited and this document contains some financial measures which are not within the scope of IFRS or U.S. GAAP ("**Non-GAAP**") and which are used by the Company and Mead Johnson, respectively, to assess the financial performance of their businesses. These measures include, among others, "Adjusted EBITDA" and "Adjusted EPS" for Mead Johnson and are included because the Company or Mead Johnson believe that they are important supplemental measures of operating performance. These are not measures of operating performance derived from IFRS or U.S. GAAP and should not be considered as substitutes for the Group's or Mead Johnson Group's financial results based on IFRS or U.S. GAAP, as the case may be. In addition, these measures are not intended to be an indication of the Company's ability to fund the Group's or, following Completion, the Enlarged Group's cash requirements. Consideration should be given to the types of events and transactions that are excluded from the calculation of the measures. These Non-GAAP measures are not uniformly defined by all companies, and therefore comparability may be limited. Non-GAAP financial measures are used by RB to make operating decisions because they facilitate internal comparisons of RB's performance to historical results and to competitors' results. The Directors also believe that they are useful in that they provide investors with alternative means to evaluate the underlying performance and position of the Group.

The Mead Johnson equity value is calculated based on 183,635,708 shares of common stock outstanding and estimated total dilution from stock options, restricted share units and performance share awards of 1,775,240 shares as at 13 April 2017. The estimated dilution from stock options has been calculated using the treasury stock method, based on the options with exercise price below $90.00 per share.

Mead Johnson's net debt of $1,185 million includes $2,976 million of long-term debt and $4 million of short-term borrowings, less $1,795 million of cash and cash equivalents as at 31 December 2016. Mead Johnson had $41 million of non-controlling interests as at 31 December 2016.

References to "£", "GBP", "pounds", "pounds sterling", "sterling", "p", "penny" or "pence" are to the lawful currency of the United Kingdom.

References to "$", "US$", "$US", "USD", "US Dollars", "US dollars" or "cents" are to the lawful currency of the United States of America.

Throughout this document, unless otherwise stated, the GBP to USD exchange rate used in this document is as derived from Bloomberg on 1 May 2017, being £1 to $1.29 and the GBP to KRW exchange rate used in this document is as derived from Bloomberg at close of business on 31 December 2016, being £1 to KRW 1,491.1. The information presented in Part VI (*Unaudited Pro Forma Statement of Net Assets for the Enlarged Group*) has been prepared on the basis of the notes set out therein.

CERTAIN DEFINED TERMS

Certain terms used in this document, including capitalised terms and certain technical and other items, are defined and explained in Part IX (*Definitions and Glossary*) of this document.

PART I

LETTER FROM THE CHAIRMAN OF RECKITT BENCKISER GROUP PLC

(incorporated in England and Wales under the Companies Act 1985 with registered number 6270876)

103-105 Bath Road
Slough, Berkshire
SL1 3UH

5 May 2017

Directors

Adrian Bellamy	*Non-executive Chairman*
Rakesh Kapoor	*Chief Executive Officer*
Nicandro Durante	*Non-executive Director*
Mary Harris	*Non-executive Director*
Adrian Hennah	*Chief Financial Officer*
Ken Hydon	*Non-executive Director*
Pam Kirby	*Non-executive Director*
André Lacroix	*Non-executive Director*
Chris Sinclair	*Non-executive Director*
Judy Sprieser	*Non-executive Director*
Warren Tucker	*Non-executive Director*

Dear Shareholder

Proposed Acquisition of Mead Johnson Nutrition Company

1 Introduction

On 10 February 2017, the boards of directors of the Company and Mead Johnson announced that they had entered into the Merger Agreement, which sets out the terms for the acquisition of Mead Johnson by the Company. Mead Johnson is one of the world's leading companies in the infant and children's nutrition category. The Acquisition is to be implemented by way of merger whereby an indirect wholly-owned subsidiary of the Company, Marigold Merger Sub, Inc., will merge with Mead Johnson, with Mead Johnson surviving the merger and becoming an indirect wholly-owned subsidiary of the Company. Under the terms of the Merger Agreement, Mead Johnson stockholders will receive $90 in cash for each share of Common Stock, valuing the total equity of Mead Johnson at $16.7 billion.

Because of its size, the Acquisition constitutes a Class 1 transaction for the Company under the UK Listing Rules and will therefore require the approval of the Company's shareholders. Accordingly, a General Meeting to seek the Shareholders' approval for the Acquisition is being convened for 3.00 p.m. on 31 May 2017 at the Auditorium of Deutsche Bank AG, Ground Floor, Winchester House, 75 London Wall, London EC2N 2DB, notice of which is set out at the end of this document.

I am writing to you today to (i) explain the background to and reasons for the Acquisition; (ii) provide you with information about Mead Johnson; (iii) explain why the Directors unanimously consider the Acquisition to be in the best interests of the Shareholders as a whole; and (iv) recommend that you vote in favour of the Resolution to be proposed at the General Meeting.

2 Background to and reasons for the Acquisition

The Acquisition of Mead Johnson is aligned with RB's well established strategic focus on growing in consumer health and on investing in Powerbrands with attractive growth prospects. RB already reaches millions of mothers through its hygiene education programmes and, through

world class brands such as Nurofen and Mucinex, provides parents with relief and reassurance when their children are unwell. This will be enhanced by Mead Johnson's deep understanding of a new mother's journey and well established relationships with healthcare professionals.

The Company has identified the following as the key expected benefits of the Acquisition:

The Acquisition is a significant step forward in consumer health for RB in a structurally attractive category

Mead Johnson is a leader in the global infant and children's nutrition category, which is worth approximately $46 billion in annual sales. RB expects the category to grow at approximately 3-5 per cent. per annum in the medium to long term.

Growth in the category is underpinned by demographic trends, particularly in developing markets, such as economic growth, urbanisation, increasing spend on premium nutrition, special nutritional needs, a higher proportion of mothers choosing to work while their children are young and changes to China's one child policy.

Brand, quality and innovation are increasingly important differentiators in the category.

Mead Johnson is a global leader in infant and children's nutrition and has an attractive portfolio of products

The Enfa family of brands, including *Enfamil* and *Enfagrow*, is the world's leading infant and children's nutrition franchise by sales. Mead Johnson brings a long-established scientific and R&D heritage and a strong reputation among healthcare professionals and consumers, creating a high level of trust in Mead Johnson and its family of brands. The Mead Johnson name has been associated with science-based infant and children's nutrition products for over 100 years.

Mead Johnson's portfolio is attractive in its simplicity and focus, with approximately 80 per cent. of 2016 net sales from the Enfa family of brands and 65 per cent. of 2016 net sales in three markets: China, the United States and Mexico.

Mead Johnson has a strong presence in Asia and Latin America, from where it derives 67 per cent. of its net sales. In 2016, Mead Johnson had net sales of $1.1 billion in China.

Mead Johnson operated with an attractive gross margin of 64 per cent. and an operating margin of 22 per cent. in 2016 (25 per cent. on a Non-GAAP basis[1]).

The combination of RB and Mead Johnson will add significant value

Mead Johnson's infant and children's nutrition business will increase RB's revenues in consumer health by approximately 90 per cent., while its global Enfa franchise, which includes *Enfamil*, will become RB's largest Powerbrand.

RB's ambition is to bring together the best of both companies, keeping the consumer at the heart of the Enlarged Group. RB has extensive multi-channel go-to-market and global branding capabilities across consumer health and a track record of consumer-centric innovation. These capabilities, together with RB's culture of swift decision-making and a commitment to driving performance, will enable RB to add value to the Mead Johnson business by enhancing its position in key markets.

The Acquisition will complement RB's geographic presence, increasing its developing markets scale by approximately 65 per cent. Developing markets will account for approximately 40 per cent. of the Enlarged Group's sales, with a critical mass in key geographies, notably China. RB's retail scale and whitespace expertise will also enable accelerated entry into new markets for Mead Johnson.

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1 Calculated using the net sales and Non-GAAP EBIT reported by Mead Johnson in its Form 8-K filing made on 26 January 2017.

RB and Mead Johnson have complementary e-commerce expertise, particularly in China where approximately 30 per cent. of RB's sales are online. RB expects to build upon Mead Johnson's direct-to-consumer e-commerce platforms globally.

RB's priority will be the return of the Mead Johnson business to long-term growth after a period of sales decline over the last two years. Following an initial transitional period, RB's goal is for it to perform progressively towards the upper end of the estimated category growth rates of 3 to 5 per cent. per annum in the medium to long term. RB's multi-geography supply chain infrastructure and distribution network will enhance Mead Johnson's go-to-market capabilities. RB's scale and expertise will also enable accelerated market entry into nascent territories for Mead Johnson where RB has an existing and deep understanding of the local consumer health dynamics.

The integration of RB's and Mead Johnson's businesses is expected to deliver cost savings of approximately £200 million per annum by the end of the third full year following Completion, as further detailed in paragraph 4 below.

3 Information on Mead Johnson

Mead Johnson was founded in 1905 and introduced Dextri-Maltose, its first infant feeding product, in 1911. In 1967, it became a wholly-owned subsidiary of Bristol-Myers Squibb Company ("**BMS**"), but in 2009 completed a split-off from BMS and has been an independent public company listed on the New York Stock Exchange (trading under the symbol "MJN") since that time.

Mead Johnson, a global leader in infant and children's nutrition, develops, manufactures, markets and distributes more than 70 products in over 50 markets worldwide. It is headquartered in Illinois with international operations in four distinct geographies. In 2016, 72 per cent. of Mead Johnson's net sales were generated outside the United States. Mead Johnson's markets are spread across Asia (representing 50 per cent. of total sales in 2016), Latin America (17 per cent. of total sales in 2016) and North America and Europe (33 per cent. of total sales in 2016). Mead Johnson has manufacturing facilities in Michigan and Indiana in the United States, as well as in the Netherlands, Mexico, Brazil, Singapore, Thailand, China and the Philippines.

Mead Johnson's mission is to nourish the world's children for the best start in life. Mead Johnson's most prominent product form around the world is milk-based powder, but its comprehensive product portfolio addresses a broad range of nutritional needs for infants, children and expectant and nursing mothers. This product portfolio is split into the following product categories:

(i) **infant formula**, which accounted for 59 per cent. of net sales in 2016, comprising:

  (a) **routine infant** such as *Enfamil Premium*, *Enfamil A+*, *Enfalac Premium*, *Enfapro A+* and *Enfinitas*, which are intended for healthy infants without special nutritional needs;

  (b) **solutions** such as *Enfamil Gentlease* (for fussiness and gas), *Enfamil A.R.* (to reduce spit-up), *Enfamil ProSobee* (a soy based formula) and *Enfamil LactoFree* (for lactose intolerance), which are intended for infants with common feeding problems; and

  (c) **specialty** such as *Nutramigen* (for cow's milk protein allergies) and *Puramino* (an amino acid formula for severe cow's milk protein allergies or multiple other food allergies), which are intended for infants with certain conditions or special medical needs;

(ii) **children's nutrition** such as *Enfagrow*, *Enfinitas*, *Sustagen* and *Lactum*, which accounted for 40 per cent. of net sales in 2016. Children's nutrition products are designed to meet the nutritional needs of children at different stages of development; and

(iii) **other**, which includes maternal nutritional supplements such as *Expecta* and *EnfaMama*, vitamins (such as *Enfamil Poly-Vi-Sol*) and oral electrolyte solutions for infants and children (such as *Enfalyte*).

Mead Johnson conducts regional marketing within a strategic framework focused on both parents and healthcare professionals in accordance with country-specific regulatory requirements. To do this, it maintains both a healthcare professional sales team and a retail sales organisation.

The Mead Johnson healthcare professional sales team educates healthcare professionals, where permitted, about the benefits of its infant formula products in each of the countries where it markets its infant formula products. Mead Johnson focuses product retailing efforts on neonatal intensive care units, physicians and other healthcare professionals, hospital group purchasing organisations and other integrated buying organisations.

Where permitted, Mead Johnson also participates in a variety of evidence-based marketing activities for consumers that emphasise the nutritional science inherent in its products. Mead Johnson has invested in targeted digital marketing programmes that allow it to attract new or prospective parents' attention online, engage with potential consumers by connecting them to content that reflects their needs and then provide targeted information and product offers. It has also developed technology platforms to support e-commerce and mobile commerce within its regions across the globe.

Its retail sales organisation markets products to each of the retail channels where Mead Johnson products are purchased by consumers, including mass merchandisers (e.g. Walmart), e-commerce retailers, baby stores, club stores and grocery stores.

Investing in innovation through R&D capabilities and projects is an important part of the business. Mead Johnson's R&D department consists of professionals, many of whom have extensive industry experience and advanced educational backgrounds. Mead Johnson has global R&D centres located in the United States, Mexico, Thailand, China, the Netherlands and Singapore, and four Paediatric Nutrition Institutes located in the United States, Mexico, China and Singapore, as well as external development relationships to complement these internal R&D capabilities. Mead Johnson's R&D expense was $97.4 million in the year ended 31 December 2016.

In the year ended 31 December 2016, Mead Johnson reported net sales of $3,743 million. On a U.S. GAAP basis, Mead Johnson reported earnings before interest and income taxes of $819 million, earnings before income taxes of $713 million and net earnings attributable to stockholders of $545 million. In its Form 8-K filing made on 26 January 2017, Mead Johnson reported (on a Non-GAAP basis) earnings before interest and income taxes of $927 million and EBITDA of $1,026 million for the year ended 31 December 2016. As at 31 December 2016, Mead Johnson reported total assets of $4,088 million.

The following table sets out selected financial information for the Mead Johnson Group for the first quarter of the 2017 financial year and the last three financial years:

	Three months ended 31 March 2017	Year ended 31 December 2016	Year ended 31 December 2015	Year ended 31 December 2014
		($m)		
Net revenue	883.5	3,742.7	4,071.3	4,409.3
Gross profit	553.3	2,401.7	2,616.0	2,708.7
Earnings before interest and income taxes	155.1	818.7	936.2	988.3
Net earnings	117.6	549.3	655.3	728.8
Net income[1]	98.0	537.0	632.5	771.0

Note:

1 Net income is the resultant measure of profit after the reconciliation of the historical net earnings of Mead Johnson to net income on the basis of the accounting policies of the Company. Details of the reconciliation is included in Part IV (*Financial Information on the Mead Johnson Group*).

Unless otherwise stated, the financial information set out in this paragraph has been extracted from Part IV (*Financial Information on the Mead Johnson Group*) of this document. Shareholders should read the whole of this document and should not rely solely on the summarised financial information set out above.

4 Financial effects of the Acquisition

Financial terms

Under the terms agreed, Mead Johnson stockholders will receive $90 in cash for each share of Common Stock, valuing the total equity at $16.7 billion. The terms of the Acquisition represent a premium of 29 per cent. to the closing price of Mead Johnson of $69.50 on 1 February 2017 (being the day before the Company confirmed that it was in negotiations regarding a possible acquisition), and 24 per cent. to Mead Johnson's 30-day volume-weighted average price of $72.37 at the same date. Including Mead Johnson's net debt and non-controlling interests of $1.2 billion as at 31 December 2016, the total enterprise value of the Acquisition is $17.9 billion, representing a multiple of 17.5x 2016 Non-GAAP EBITDA of $1.0 billion and 13.9x 2016 Non-GAAP EBITDA including expected run-rate cost savings of approximately £200 million.

Mead Johnson may continue to pay its normal quarterly dividend until Completion, not to exceed $0.4125 per share, to be declared and paid on dates consistent with the 2016 quarterly dividend declaration and payment dates. On 1 March 2017, Mead Johnson declared its first quarterly dividend of $0.4125 per share, which was paid to stockholders on 3 April 2017.

Synergies and integration

The Company expects the integration of RB's and Mead Johnson's businesses to deliver cost savings of approximately £200 million per annum for the Enlarged Group by the end of the third full year following Completion. These cost savings arise principally from removing duplication in back office functions and leveraging the enhanced scale of the Enlarged Group in the procurement of raw and packaging materials, advertising and promotional expenditure and other spend.

The one-off costs to achieve the savings are expected to be approximately £450 million.

These expected cost savings are unaudited numbers based on RB's management estimates and have been calculated based on RB's and Mead Johnson's financial and management information for the year ended 31 December 2016. The cost savings referred to above are expected to be recurring and are expected to arise as a direct result of the Acquisition and could not be achieved independently of the Acquisition. The Board confirms that the annual

cost savings and the anticipated one-off costs stated above reflect both the beneficial elements and the relevant costs of achieving these cost savings.

The Board believes that the integration of Mead Johnson can be achieved without causing undue disruption to the underlying operations of the two businesses. RB's approach to integration will be to draw on the best of both businesses, balancing the opportunity to realise the cost savings described above with the need to retain and invest in key talent at Mead Johnson.

As at the date of this document, integration planning is being undertaken by an integration leadership team comprising members of senior management of both RB and Mead Johnson. The output of that integration planning will be to ensure business continuity in the period following the closing, including appropriate controls and procedures for financial reporting and other matters; a proposed organisational structure for the Enlarged Group; and to further develop the plans for near term synergies and revenue enhancement opportunities. Initially, RB will establish an infant and children's nutrition division, which will comprise the Mead Johnson business. It will be led by Adi Sehgal, an experienced RB executive who has worked in a number of countries including China and the US, who will report directly to the RB CEO, Rakesh Kapoor, and will join RB's Executive Committee. A number of key RB employees will also transfer into this new division.

Financing

The Acquisition will be financed through new fully underwritten debt facilities with Bank of America Merrill Lynch, Deutsche Bank and HSBC. These facilities include $9 billion of term loans with maturities of three to five years and $8 billion of bridge funding to cover the cash consideration plus a further $3 billion to refinance existing Mead Johnson bonds if required. They also include an additional £1 billion revolving credit facility to provide financing headroom from the date of Completion. The facilities have now been syndicated. RB expects to refinance the bridge by the issuance of bonds with a variety of maturity dates which will reflect the expected cash flows of the Enlarged Group. Further details regarding the financing arrangements are set out in paragraph 8.1.2 of Part VII (*Additional Information*).

The Company intends to maintain its current dividend payout policy of about 50 per cent. of its adjusted net income.

Additionally, the Board does not intend to buy back any further Company shares until the level of financial debt is materially lower.

RB is in discussion with the rating agencies and expects to retain a strong investment grade credit rating. Consistent with this, on 15 March 2017, S&P Global Ratings lowered its credit ratings on the Company to 'A-/A-2' from 'A+/A-1'.

Effect on RB

The Acquisition is expected to be accretive to adjusted diluted EPS in the first full year following Completion and double-digit accretive by the third full year following Completion.

The Acquisition is expected to deliver a post-tax return on invested capital in excess of the Company's cost of capital by the fifth full year following Completion.

An unaudited pro forma net assets statement of the Enlarged Group is set out at Part VI (*Unaudited Pro Forma Statement of Net Assets for the Enlarged Group*) of this document.

Treatment of Long Term Incentive Plans

The Acquisition required RB's Remuneration Committee to consider the manner in which the EPS measure for the LTIP is calculated for outstanding awards in order to maintain the

alignment between LTIP participants and Shareholders and how to ensure that there is no benefit to LTIP participants from any gearing benefit of the Acquisition.

If the Acquisition proceeds then the Remuneration Committee intends to make appropriate adjustments to the way in which the EPS growth is calculated in order to ensure that the LTIP's targets remain as stretching as prior to the Acquisition and that management's and Shareholders' interests remain fully aligned.

Full details of any adjustments will be disclosed at the time the awards vest, but a summary of the intended treatment is set out below:

- In calculating EPS growth from 2016 to 2017, 2017 EPS will be adjusted to exclude the contribution of Mead Johnson on a pro forma basis. The Remuneration Committee will also reserve the right to exercise downward discretion in the event that the results of Mead Johnson between Completion and the end of 2017 are materially below the Acquisition plan.
- In calculating EPS growth from 2017 to 2018, the 2017 EPS figure will be adjusted on a pro forma basis to include Mead Johnson results for the full year, including notional interest and tax.
- The Remuneration Committee will also make corresponding adjustments for any other transactions linked to the financing or other aspects of the Acquisition.

The approach outlined above will ensure that any increase in EPS deriving simply from the Acquisition will be excluded from the calculation of the LTIP vesting. i.e. EPS growth in each year will be measured on a like-for-like basis such that management will only be rewarded for delivering growth in EPS in respect of ongoing business performance, either before or after the Acquisition, but not due to it.

5 Current trading and prospects

5.1 RB

On 21 April 2017, RB published its trading update for the first quarter ended 31 March 2017, which included the following commentary:

"[RB's] Q1 results are in line with expectations as macro conditions remain challenging. Against this backdrop [RB's] underlying business remains strong. [RB] delivered continued outperformance in consumer health and good growth in DvM, offset by previously flagged headwinds, which will persist during the first half. [RB] expect[s] [its] growth trajectory to improve as [it] progress[es] through the year and remain[s] on track to achieve [its] full year net revenue target of +3% LFL growth."

There has been no change to the Board's expectations for RB since the publication of the commentary on 21 April 2017.

5.2 Mead Johnson

On 27 April 2017, Mead Johnson published its condensed consolidated financial statements for the first quarter ended 31 March 2017 and issued a press release which included the following commentary on such statements:

"Net sales were 8% below the prior year quarter on a reported basis...

Gross Margin was 62.6% for the first quarter 2017, which was 130 basis points below the prior year quarter on a GAAP basis .... Benefits from lower dairy costs and price increases were more than offset by higher costs for new premium products, increased trade investments and adverse foreign exchange.

...

Earnings before Interest and Income Taxes (EBIT) was 3% higher in the first quarter compared to the prior year quarter. Reduced gross profit from lower sales and adverse foreign exchange in the first quarter of 2017 were less than the impact of the prior year Venezuela charges.

...

Earnings per Share (EPS) for the first quarter of 2017 was $0.65 compared to $0.39 in the prior year quarter.

...

[Mead Johnson's] first quarter of the year results were much as expected. Comparisons to last year were impacted by one-time events in both the base year period and the current period. While [Mead Johnson is] addressing challenges across the business, [it] importantly remain[s] on track in China, where [the] new products continue to deliver strong growth for [Mead Johnson] and the channel transition to an online model in Hong Kong continues to accelerate.

...

[Mead Johnson] expect[s] significant benefits from the proposed merger with Reckitt Benckiser, including benefits from scale, potential geographic expansion, and increased resilience within a diversified group to help strengthen [the Mead Johnson] business. Hence, [the Mead Johnson] 2017 annual earnings guidance is no longer applicable and will not be updated."

Mead Johnson's condensed consolidated financial statements for the period ending 31 March 2017 are set out in Paragraph 2 of Section A of Part IV (*Financial Information on Mead Johnson*) of this document.

5.3 Strategic review of Food business

On 3 April 2017, RB announced that it was beginning a strategic review of its food business, which is considered non-core to RB. This review is ongoing.

6 Terms of the Acquisition

Conditions to Completion

The Acquisition constitutes a Class 1 transaction for RB and therefore under the UK Listing Rules will require approval by a majority of the Company's shareholders.

The Acquisition is also subject to a vote to adopt the Merger Agreement by the holders of a majority of Mead Johnson's outstanding shares of Common Stock (which is scheduled to be held on the same day as the Company's General Meeting), regulatory approvals (including in the U.S., China and other markets), and certain other customary conditions.

RB has received all but one of the required regulatory approvals, and, subject to the shareholder approvals and such outstanding regulatory approval, expects Completion to occur by the end of the third quarter of 2017.

Termination fees

The Merger Agreement contains certain termination rights and associated fees.

Upon termination of the Merger Agreement, in certain circumstances Mead Johnson will be required to pay the Company a fee of $480 million, including where:

- Mead Johnson has terminated the Merger Agreement in order to enter into a definitive agreement for a superior proposal from an alternative bidder;

- the Mead Johnson Board has changed or withdrawn its recommendation in favour of the Acquisition; or
- there has been a wilful and material breach by certain persons of certain prohibitions on Mead Johnson regarding the solicitation of competing proposals from alternative bidders.

Mead Johnson may terminate the Merger Agreement where the Board has changed or withdrawn its recommendation in favour of the Acquisition. In such circumstances, the Company will pay a fee of $480 million.

In addition, the Company will pay a fee of $480 million if the Merger Agreement is terminated because the Company's shareholders do not approve the Acquisition, and Mead Johnson will reimburse the Company's costs up to a cap of $20 million if the Merger Agreement is terminated because Mead Johnson's stockholders do not approve the Acquisition.

Non-solicitation

The Merger Agreement prohibits Mead Johnson from soliciting competing proposals, and, subject to certain exceptions, engaging in discussions or providing confidential information to possible alternative bidders.

If Mead Johnson is considering withdrawing its recommendation in favour of the Acquisition or entering into a definitive agreement with a third party for a superior proposal, Mead Johnson is required to notify the Company and give the Company the opportunity to negotiate amendments to the terms and conditions of the Merger Agreement that would make such withdrawal of recommendation unnecessary.

A summary of the Merger Agreement is set out in Part III (*Summary of the Merger Agreement*) of this document.

7 Risks

The Acquisition of Mead Johnson represents an entry for RB into a new category, infant and children's nutrition, which will increase RB's revenues in consumer health by approximately 90 per cent. While the Board believes that the integration of Mead Johnson can be achieved without causing undue disruption to the underlying operations of the two businesses, Shareholders should consider carefully the risk factors set out in Part II (*Risk Factors*).

8 General Meeting

Completion of the Acquisition is conditional upon, amongst other things, Shareholders' approval being obtained at the General Meeting. Accordingly, you will find set out at the end of this document a notice convening a General Meeting to be held at the Auditorium of Deutsche Bank AG, Ground Floor, Winchester House, 75 London Wall, London EC2N 2DB at 3.00 p.m. on 31 May 2017 at which the Resolution will be proposed to approve the Acquisition.

9 Action to be taken

You will find enclosed a Form of Proxy for the General Meeting. Whether or not you intend to be present at the General Meeting, you are requested to complete the Form of Proxy in accordance with the instructions printed on it and return it as soon as possible and in any case so as to be received by the Company's registrars, Computershare Investor Services PLC of The Pavilions, Bridgwater Road, Bristol BS99 6ZY, no later than 3.00 p.m. on 29 May 2017. Alternatively, you may wish to register your proxy vote online; to do so, visit www.investorcentre.co.uk/eproxy where details of the procedure are shown. The Control Number, PIN and Shareholder Reference Number shown on the Form of Proxy will be required to complete the procedure. Details of the process of registering online are also set out in the Form of Proxy.

If you hold your Shares in CREST, you may appoint a proxy by completing and transmitting a CREST proxy instruction form so that it is received by Computershare Investor Services PLC (under CREST participant ID 3RA50) by no later than 3.00 p.m. on 29 May 2017. The time of receipt will be taken to be the time from which Computershare Investor Services PLC is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

The completion and return of a Form of Proxy, registration of an online proxy appointment or completion and transmission of a CREST proxy instruction will not prevent you from attending the General Meeting and voting in person if you wish to do so.

10 Further information

Your attention is drawn to the further information contained in Parts II (*Risk Factors*) to VII (*Additional Information*) of this document. Shareholders should read the whole of this document and not rely solely on information summarised in this letter.

11 Recommendation

The Board has received financial advice from Robey Warshaw, BofA Merrill Lynch and Deutsche Bank. In providing advice to the Board, Robey Warshaw, BofA Merrill Lynch and Deutsche Bank have relied on the Board's commercial assessment of the Acquisition.

The Board considers the Acquisition to be in the best interests of the Shareholders as a whole and unanimously recommends Shareholders to vote in favour of the Resolution, as the Directors intend to do so in respect of their own beneficial holdings of 673,737 Shares, representing approximately 0.0962 per cent. of the Company's existing issued ordinary share capital (excluding treasury shares) at the Latest Practicable Date.

Yours faithfully

Adrian Bellamy
Chairman

PART II

RISK FACTORS

In addition to the other information contained in, or incorporated by reference into, this document, the following risk factors should be considered carefully prior to making any decision as to whether or not to vote for the proposed Acquisition. The proposed Acquisition may give rise to certain risks which, if they occur, may have a material adverse effect on the business, financial condition, results of operations and prospects of the Enlarged Group. If any of the following risks were to materialise, the business, financial condition, results of operations and prospects of the Enlarged Group could be materially adversely affected and the value of the Shares could decline and Shareholders could lose all or part of their investment in those Shares.

The Directors consider the following to be the material risk factors related to the Acquisition, material new risk factors to RB as a result of the Acquisition, or existing material risk factors to RB which will be affected by the Acquisition. These risks do not purport to be a comprehensive list of all potential risks in relation to the Acquisition and do not include additional risks relating to the Acquisition that are not presently known to the Directors, or which the Directors deem immaterial in the context of the Acquisition. The risks described in this Part II are based on information known at the date of this document but may not be the only risks to which the Enlarged Group is or might be exposed. Additional risks and uncertainties, which are currently unknown to the Company or that the Company does not currently consider to be material, may adversely affect the business of the Enlarged Group and could have material adverse effects on the business, financial condition, results of operations and future prospects of the Enlarged Group.

Shareholders should read this document as a whole and not rely solely on the information set out in this section.

1 Risks Related to the Acquisition

Completion is subject to a number of conditions which may not be satisfied or waived.

Completion is conditional upon the satisfaction or, if applicable, waiver of certain conditions precedent, which include (amongst other customary conditions):

- the approval of the Acquisition by the Company's Shareholders;
- the adoption of the Merger Agreement by Mead Johnson's stockholders; and
- the receipt of various regulatory clearances.

The outcome of the various regulatory clearance applications is not yet known and is not within the control of the Company or Mead Johnson. As a result, there can be no assurance that any of the conditions will be satisfied or, if applicable, waived or that any termination rights will not be exercised, and therefore there can be no assurance that the Acquisition will be completed as contemplated or at all. The Company will pay a fee to Mead Johnson of $480 million if the Merger Agreement is terminated because the Company's shareholders do not approve the Acquisition.

Furthermore, if any of the conditions are not satisfied and Completion does not occur or is delayed, the Company's ability to improve shareholder value and to implement the Board's strategic objectives may be adversely affected and this may, in turn, have an adverse impact on RB's prospects. In addition, during the period to Completion, events or developments may occur which could make the Acquisition less attractive for the Company, which may result in additional transaction costs, further delay of the Acquisition, or, if Mead Johnson experiences an event resulting in a material adverse effect on its business, a termination of the Acquisition.

Costs incurred by RB as a result of such delay or termination may not be recoverable and could adversely affect RB's business, financial condition, results of operations and prospects.

The anticipated benefits of the Acquisition may not be realised and the integration of the businesses of RB and Mead Johnson may create a number of challenges.

Although the Directors believe that the Enlarged Group will be able to generate cost savings as a result of the Acquisition (as set out in more detail in paragraph 4 of Part I (*Letter from the Chairman of Reckitt Benckiser Group plc*) of this document), there can be no assurance that the post-Acquisition integration of the businesses of RB and Mead Johnson will achieve the anticipated cost savings, in either a timely manner or at all.

These potential benefits can only be fully realised through a successful integration of Mead Johnson's businesses with RB's current businesses, which integration may not be successful. RB may encounter challenges in combining its current operations with the operations of Mead Johnson, some of which might not become known until after the Completion. The integration involves certain risks including:

- business units and employees of different corporate heritages and cultural backgrounds may fail to work together effectively;
- key management or other personnel, including senior management and other key employees of Mead Johnson, could leave the Enlarged Group;
- the management of the Enlarged Group could fail to execute key business strategies of Mead Johnson, leading to a decline in sales of Mead Johnson's products;
- key customers, intermediaries or suppliers, particularly those of Mead Johnson, could switch or divert all or part of their business or attempt to renegotiate terms of business with the Enlarged Group, or the Enlarged Group's relationships with such customers, intermediaries, suppliers or regulatory and governmental authorities could be disrupted, including as a result of the departure of certain managers and employees of Mead Johnson or a failure by the management of the Enlarged Group to maintain such relationships;
- the Enlarged Group could experience difficulties in integrating the financial, food safety, quality control, regulatory compliance, technological and management standards and systems; and
- inconsistencies in the business culture, organisation and marketing focus of RB and Mead Johnson could adversely affect the sales of either RB's or Mead Johnson's products.

The Acquisition could also fail to realise the expected benefits or could result in substantial costs being incurred as a result of, for example, inconsistencies in standards, procedures and policies and business cultures between RB and Mead Johnson and the diversion of management's attention from their responsibilities as a result of the need to address integration issues.

The Enlarged Group will be required to devote significant management attention and resources to integrating RB's and Mead Johnson's business practices and operations. This is particularly the case in light of Mead Johnson's size, with net revenue in the year ended 31 December 2016 of $3,742.7 million and its products distributed in over 50 markets worldwide. Furthermore, the Acquisition will expose the Enlarged Group to concentration risks in a product line, consumer segment and certain geographies where RB's current senior management has limited prior commercial and marketing expertise. See "*—The Enlarged Group will be exposed to risks as a result of its expanded product range and exposure to new market segments*". There is a risk that the challenges associated with managing Mead Johnson's business as part of the Enlarged Group will result in management distraction and that consequently the underlying businesses

of Mead Johnson and/or RB will not perform in line with expectations and/or that the Enlarged Group may incur additional costs due to greater reliance on external advisers.

All factors described above may have a significant adverse impact on the business, results of operations, financial condition and prospects of the Enlarged Group.

As a result of the Acquisition, the Enlarged Group may fail to retain key management or other personnel.

The calibre and performance of the Enlarged Group's senior management and other key employees, taken together, is critical to the success of the Enlarged Group. The ability of the Enlarged Group to attract and retain key management and other personnel is dependent on a number of factors, including prevailing market conditions, attractiveness of competitors as potential employers and, in the case of Mead Johnson, any potential disruption caused by the Acquisition on the working conditions and culture. While incentive plans are being put in place for key personnel of Mead Johnson, there can be no assurance that the Acquisition will not result in the departure of personnel from the Enlarged Group. Such attrition may take place either before the Acquisition is completed or during the Enlarged Group's integration process following the Acquisition. The risks of attrition are more acute with respect to Mead Johnson's senior management and other key employees, and the loss of such personnel may adversely affect the ability of RB to successfully integrate and operate Mead Johnson's business following the Acquisition, as RB's senior management has limited experience in the sector in which Mead Johnson operates. As a result, the loss of a significant number of management or key employees could adversely affect both the Enlarged Group's ability to conduct its businesses (through an inability to execute business operations and strategies effectively) and its results of operations, financial condition and prospects.

The Merger Agreement contains limited representations and warranties.

The Merger Agreement contains warranties and representations on the part of Mead Johnson, which, as is usual in such a transaction, are provided by Mead Johnson and cannot be enforced after Completion. Accordingly, the Company would not have a right to recover damages or compensation in the event of an undisclosed liability of Mead Johnson arising after Completion. In addition, RB did not have access to full information about Mead Johnson prior to the signing of the Merger Agreement. Limitations in the ability of RB to enforce the representations and warranties in the Merger Agreement and in the scope of information made available to RB could result in RB assuming undisclosed liabilities as a result of the Acquisition and/or realising a lower value from the Acquisition than anticipated.

Mead Johnson's stockholders may bring legal action in connection with the Acquisition.

As is commonly the case with similar transactions in the U.S., a putative class action complaint has been filed in the state courts of Illinois on behalf of a purported class of Mead Johnson stockholders, against, among others, the Company, Merger Sub, Mead Johnson and Mead Johnson's directors, alleging breaches of fiduciary duty by the Mead Johnson directors and aiding and abetting those breaches by the other defendants, and seeking, among other remedies, injunctive relief to prevent the Acquisition from closing. In addition, putative class action complaints have been filed in the U.S. District Court for the District of Delaware on behalf of purported classes of Mead Johnson stockholders, against, among others, the Company, Merger Sub, Mead Johnson and Mead Johnson's directors, alleging certain violations of U.S. federal securities laws in connection with the Mead Johnson proxy statement and seeking, among other remedies, injunctive relief to prevent the Acquisition from closing. Further such complaints may be filed in Illinois, Delaware or other state and/or federal courts, likewise alleging breaches of fiduciary duties and/or aiding and abetting those breaches by the defendants, and/or breaches of certain U.S. federal securities laws, and seeking among other remedies, injunctive relief to delay or stop the Acquisition. While the Company and Mead Johnson believe the claims asserted by the plaintiffs to be without merit and both the Company

and Mead Johnson intend to defend them vigorously, the results of these legal proceedings are difficult to predict, and could delay or prevent the Acquisition from becoming effective.

2 Risks related to the Enlarged Group

The Enlarged Group will be larger in scale, have a broader geographical spread, and in particular, have a significantly expanded presence in China.

The scale of the Enlarged Group will be increased following Completion. The Enlarged Group will also have greater presence in and exposure to the U.S. and to developing markets (including China, the Philippines, Mexico and Thailand). The greater scale of the Enlarged Group and the increased presence in developing markets may present different challenges to those currently faced by RB, including:

- exposure to markets with differing levels of maturity together with new competitors. Less mature markets may have an increased risk of wage and cost inflation, volatility in currency exchange rates, declines in consumer spending and employment levels, changes in tax rates, potential tariffs, duties and other trade barriers. These developing regions also have less stability in legal systems and financial markets, are potentially more uncertain business environments than the more developed markets, and therefore present greater political, economic and operational risks;
- exposure to legislation, regulations, policies and regulators in the new markets;
- exposure to different customer expectations; and
- RB's management having greater responsibilities due to the size of the Enlarged Group, potentially diverting management's attention from focusing solely on the current business and operations of RB.

In particular, following the Acquisition, the Enlarged Group will have a significantly expanded presence in China, as a significant portion of Mead Johnson's revenue is derived from operations in that country. As a result, the risks highlighted above will be particularly significant for the Enlarged Group in China. The regulatory landscape in China is evolving faster, particularly in the infant and children's nutrition sector, than in developed markets. Therefore, to a greater extent than for RB's current operations, the Chinese business of the Enlarged Group may be adversely affected by the need to comply with China's continuously evolving laws and regulations, including those related to trade restrictions, product quality requirements, product labelling rules and advertising regulations, particularly to the extent changes in such laws affect the infant and children's nutrition products of Mead Johnson.

Risks associated with the Enlarged Group's China operations also include changes in economic conditions (including potential slowdowns in China's economy, wage and cost inflation, currency exchange rates, consumer spending and employment levels), changes in tax rates, potential tariffs, duties and other trade barriers and increased competitive promotional activity. Moreover, the Enlarged Group's success in China depends on its ability to predict, identify, interpret and react to changes in consumer product and sales channel preferences. The shift in consumer demand towards fully imported products and the increased interest in premium-priced products has negatively impacted, and may continue to negatively impact, demand for Mead Johnson's locally manufactured products, as well as sales in Hong Kong.

If the Enlarged Group cannot effectively manage exposure to these challenges, this could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

The Enlarged Group will be exposed to risks as a result of its expanded product range and exposure to new market segments.

The scope and diversity of the Enlarged Group's product offering will increase following Completion. In particular, RB does not currently operate in the infant and children's nutrition sector, and, following the Acquisition, Mead Johnson's products in this sector are expected to comprise a significant proportion of the Enlarged Group's revenue. The Enlarged Group's revenue will also be dependent on the continued success and developments of Mead Johnson's Enfa family of brands.

The infant and children's nutrition sector is exposed to a number of unique risks that present different challenges to those currently experienced by RB. In particular:

- The Acquisition will expose the Enlarged Group to new competitors and different competitive dynamics compared to those that RB is currently exposed to. Certain of Mead Johnson's primary competitors have substantial financial, marketing and other resources, a greater degree of vertical integration in their production chains, and may benefit from greater economies of scale. In most product categories, Mead Johnson competes not only with other widely advertised branded products, but also with private label and store brand products that are generally sold at lower prices.

- Mead Johnson's customers, primarily new mothers, have substantially different demographic profiles, purchasing patterns, and marketing preferences, compared to many consumers of RB's existing products. The success of the Enlarged Group's marketing initiatives in respect of Mead Johnson's product initiatives is subject to risk, including uncertainties about trade and consumer acceptance of the Enlarged Group's marketing efforts and the Enlarged Group's ability to communicate its key brand and corporate messages to a growing number of social media users. The success of these initiatives is also subject to potential restrictions on the marketing of infant formula products. See also "*— Infant and children's nutrition products will expose the Enlarged Group to additional regulatory risks and are subject to anti-infant formula policies and legislation in various jurisdictions*" and "*— Sales of infant and children's nutrition products are exposed to demographic trends, scientific opinion and certain government programmes*".

- Presence in the infant and children's nutrition sector will expose the Enlarged Group to increased product safety risks, commodity price risks, and regulatory risk. See also "*— The Enlarged Group will be exposed to increased product safety and product liability risks*" and "*— Infant and children's nutrition products will expose the Enlarged Group to additional regulatory risks and are subject to anti-infant formula policies and legislation in various jurisdictions*".

A significant reduction in sales of Mead Johnson's infant and children's nutrition products, which could occur if the Enlarged Group is not successful in addressing the foregoing challenges or due to other reasons, including underlying economic conditions in the target markets, shifts in consumer sentiment and underlying product demand, new or more stringent regulatory constraints, and any events that adversely affect the reputation of the Enfa family of brands, could have a material adverse effect on the business, financial condition, results of operations and prospects of the Enlarged Group.

The Enlarged Group will be exposed to increased product safety and product liability risks.

The Enlarged Group's business will be exposed to potential product liability claims. Product liability claims may arise, among other things, from claims that the Enlarged Group's products are defective, contain contaminants, provide inadequate warnings or instructions, or cause personal injury to persons or damage to property. Product liability claims, if resolved unfavourably, or if settled, could result in injunctions and/or may require the Enlarged Group to pay substantial damages, and related costs, including punitive damages, as well as result in the imposition of civil and criminal sanctions. If one of the Enlarged Group's products is found

to be defective, the Enlarged Group could be required to recall it, and/or may be required to alter its trademarks, labels, or packaging, which could result in adverse publicity, significant expenses, potential disruptions in the supply chain and loss of revenue.

These risks will heighten following the Acquisition, as RB currently has no presence in infant and children's nutrition products and may be subject to liability if these products or the related manufacturing operations violate, or are alleged to violate, applicable laws or regulations or in the event these products cause, or are alleged to cause, injury, illness or death. Powdered infant formula and powdered milk products are not sterile. A risk of contamination or adulteration exists at each stage of the production cycle, including the purchase and incorporation of raw food materials/ingredients into the final products, the processing and packaging steps in making the products and upon handling and use by healthcare professionals, hospital personnel and consumers. In the event that the Enlarged Group's infant and children's nutrition products are found, or are alleged, to have suffered contamination or adulteration, whether or not such products were under the Enlarged Group's control, its brand reputation, business, results of operations, financial condition and prospects could be materially adversely affected.

Additionally, complaints, investigations and litigation by consumers or government authorities relating to any of the Enlarged Group's products, its competitors' products or individual ingredients may result in judgments that affect the Enlarged Group, its ability to do business in the affected jurisdictions, and/or the industries in which it operates, including with respect to other products not directly implicated in such complaints, investigations and litigation. Product quality concerns may also require the Enlarged Group to implement a product recall, which could be costly and result in product liability claims. A recall of any of the Enlarged Group's products, or of a third party product that is similar to those of the Enlarged Group, could result in reputational damage and a decline in consumer confidence about the Enlarged Group's products, including those not directly implicated in the recall. Further, whether real or perceived, reports of inadequate quality control (with respect to either the Enlarged Group's products or those of competing manufacturers) could adversely impact its business by contributing to a perceived safety risk throughout the industry. The risk of reputational harm is magnified through rapid, digital dissemination of information through news reports, social media or otherwise. Federal, state and local governments and municipalities could also propose or pass legislation banning the use of the Enlarged Group's products. Any of the foregoing could materially adversely impact its business, financial condition, results of operations and prospects.

Furthermore, the Enlarged Group may not be insured fully, or at all, in respect of such risks, and RB has in the past faced, currently faces, and the Enlarged Group may in the future face, disputes with its insurers in the event that they refuse to cover a particular claim. In such instances, the Enlarged Group may be required to bear substantial losses, which could adversely impact its capital expenditures, results of operations and financial condition.

Infant and children's nutrition products will expose the Enlarged Group to additional regulatory risks and are subject to anti-infant formula policies and legislation in various jurisdictions.

As an infant and children's nutrition company, Mead Johnson's business is subject to extensive government regulation in a number of jurisdictions with respect to product manufacturing and labelling, the environment, employee health and safety, hygiene, quality control, advertising, marketing and privacy laws that RB has not been previously subject to. It may be costly for the Enlarged Group to comply with these regulations. Global regulatory provisions that govern Mead Johnson's ability to bring innovative formulae to market have become increasingly stringent with regard to requirements for scientific substantiation for innovation. Similarly, regulatory criteria with respect to safety and quality requirements have become increasingly stringent. A failure to comply with such laws and regulations could subject the Enlarged Group to sales bans, product recalls, lawsuits, administrative penalties and other remedies. In addition, changes in laws or regulations could further restrict the Enlarged Group's actions and

significantly increase its cost of doing business, adversely affecting its business and results of operations. For example, government regulations impacting how and where the Enlarged Group manufactures or sources products may cause unfavourable cost outlay, pricing pressure, a significant change in its offerings or geographic earnings mix and/or an adverse effect on the related global tax liability.

In addition, certain advocates and governmental and non-governmental organisations (particularly in Hong Kong, Mexico, the Philippines, Thailand, Malaysia, Vietnam, Indonesia, Colombia and Singapore) have advocated for heightened restrictions on the marketing, labelling and even the sale of some infant and children's nutrition products as well as trademark restrictions, restrictions on interactions with healthcare providers and bans on claims for products covering children up to three years of age, including the "Guidance on Ending the Inappropriate Promotion of Foods for Infants and Young Children" that was published by the WHO in 2016. Mead Johnson and other industry participants were unable to persuade the WHO to modify its guidance to recognise the scientifically proven benefits of infant formula products. The WHO guidance is now under consideration for potential legislation in several countries where Mead Johnson markets its products, and, if adopted into legislation, may limit the Enlarged Group's ability to market to infants and children below two years of age and certain other branding and marketing activities. The Enlarged Group's success will depend, in part, on its ability to define the benefits of its infant and children's nutrition products, to effectively communicate its science-based benefits and to connect with its consumers. An inability to do so due to regulatory restrictions on marketing activities could adversely affect the sales of Mead Johnson's products. Furthermore, as some of Mead Johnson's competitors may respond differently to the WHO guidance and any resulting regulatory restrictions, the sales of their products could be affected to a lesser extent than the sales of Mead Johnson's products, which could lead to a loss of market share. As a result, any such restrictions or prohibitions could have a material adverse effect on the Enlarged Group's business, results of operations, financial conditions and prospects. Marketing activities in the infant and children's nutrition sector could also adversely affect the Enlarged Group's reputation, including in light of the WHO guidance.

Fluctuations in exchange rates could negatively impact the Enlarged Group.

The Enlarged Group's reporting currency will be pounds sterling. Most of RB's revenue and costs are denominated in currencies other than pounds sterling, and, following the Acquisition, the exposure of the Enlarged Group to foreign currencies, particularly US dollar and Chinese renminbi will increase. As a result, the results of operations, financial condition and equity of the Enlarged Group will be more sensitive to fluctuations in the exchange rate of a pound sterling against each of these currencies, which recently has experienced heightened volatility. In particular, pounds sterling experienced sharp depreciation following the United Kingdom's referendum on 23 June 2016 (the "**Referendum**"), falling to its lowest levels since the 1980s, with one pound sterling equal to US$1.29 as at 6 July 2016 (as derived from Bloomberg), compared to US$1.48 as at 23 June 2016 (before the result of the Referendum was known). Although the pound sterling exchange rate has stabilised in recent months, its movements continue to be influenced by political as well as economic factors, including, but not limited to, the results of the general election in the United Kingdom on 18 June 2017, and there can be no assurance that pounds sterling will not experience further significant volatility against other major currencies.

The primary impact of fluctuations in exchange rates for the Enlarged Group is expected to be translational (i.e. the translation of foreign earnings and assets and liabilities into pounds sterling for reporting purposes). An appreciation of pounds sterling against other currencies could result in a significant negative translational impact on the Enlarged Group's results of operations, as the contribution of its overseas operations, and the value of overseas earnings and assets, when translated into pounds sterling, would decline. The Enlarged Group will continue to be exposed to transactional currency risk, which arises when commercial

transactions or recognised assets or liabilities are denominated in a currency that is not the functional currency of the relevant Enlarged Group subsidiary.

The Enlarged Group will continue to hedge its exposure to currency transaction risk and to hedge its exposure to foreign currency cash flows through the use of foreign currency debt and forward foreign exchange contracts, thereby exposing it to the risks associated with such hedging activities. Hedging transactions are entered into based on assumptions which may prove to be incorrect and hedging activities involve the risk of an imperfect correlation between the hedging instrument and the item being hedged, which could result in losses both on the hedged transaction and on the hedging instrument. Use of hedging activities may not prevent significant losses and could increase losses.

Furthermore, volatility in currency rates and inflation in certain markets in which the Enlarged Group will have a presence could impact its results, potentially or actually requiring the Enlarged Group to apply hyperinflation accounting in those markets. For example, Mead Johnson currently applies hyperinflation accounting to its business in Venezuela and the Enlarged Group may also be required to apply such accounting in Argentina in the future, the impact of which on the Enlarged Group's consolidated financial statements will depend upon movements in exchange rates, between the local currency and pounds sterling. Operating in markets with hyperinflationary currencies could subject the Enlarged Group to additional government actions, devaluations and restrictions on currency movements, price controls and other business restrictions. These restrictions could affect the Enlarged Group's ability to increase prices to offset the impact of local currency devaluation as well as its ability to manage foreign exchange risk.

As a result, adverse movements in currency exchange rates, if not effectively managed by the Group, could adversely affect its reported results of operations and financial condition.

Increases in commodity prices would increase the Enlarged Group's operating costs and may reduce its profitability.

As a result of the Acquisition of Mead Johnson, the Enlarged Group's business will be vulnerable to commodity price increases in the cost of raw materials used to make its products, particularly with respect to the infant and children's nutrition products. These raw materials include, among others, skim milk powder, whole milk powder, lactose and whey protein concentrate. The Enlarged Group's operating costs will also depend on the cost of other inputs used to manufacture and ship its products (such as crude oil and energy) and the amount it pays to produce or purchase packaging for its products. Commodity price volatility is caused by conditions such as fluctuating commodities markets, fluctuations in currency exchange rates, availability of supply, weather, consumer demand and changes in governmental agricultural programmes. Increases in commodity costs generally will impact the Enlarged Group's gross margins if it is unable to offset such increases by raising prices, changing its product mix or through other efforts. Price increases, in turn, could weaken demand for the Enlarged Group's products. The Enlarged Group intends to monitor its exposure to commodity prices as part of its risk management programme and attempt to mitigate risk with commodity hedging activities or contractual agreements; however, continued commodity price volatility and/or ineffective commodity risk management could adversely affect the Enlarged Group's business, results of operations, financial conditions and prospects.

The business of the Enlarged Group will be subject to increased risks inherent in global sourcing and manufacturing.

RB currently faces risks related to the sourcing and manufacturing of its products, and these risks will increase following the Acquisition. Mead Johnson currently manufactures its infant and children's nutrition products globally, and these manufacturing operations rely to a significant extent on several key manufacturing sites and on the reliable supply of materials necessary for

the commercial production of its products. The Enlarged Group will be subject to increased risks inherent in these sourcing and manufacturing activities, including:

- raw material, product quality or safety issues, and related shortages or recalls by either the Enlarged Group or its third-party suppliers;

- supply chain disruptions due to weather, natural disaster, fire, terrorism, strikes, various contagious diseases, changes in government regulations or other factors over which the Enlarged Group would have no control;

- failure by third-party suppliers to provide the materials necessary for the manufacture of the Enlarged Group's products, or a suspension, termination or expiration without renewal of the supply agreements with such third parties;

- loss or impairment of key global manufacturing sites or a failure to maintain compliant manufacturing practices at either the Enlarged Group's sites or third-party manufacturing sites;

- limits on production and manufacturing capabilities due to physical capacity limitations, regulatory requirements, or export/import restrictions associated with the transport of raw goods or material;

- significant difficulties with the highly exacting and complex processes required to manufacture the Enlarged Group's products, including equipment malfunction, failure to follow specific protocols and the related need to discard product batches; and

- strikes, labour disputes, industrial accidents or other occupational health and safety issues.

Reduced manufacturing capacity without adequate redundancy could result in an inability by the Enlarged Group to meet market demand and lost market share. This is particularly the case with respect to Mead Johnson's products, which, in some countries, are subject to restrictions or consumer preferences based on the country of origin of the products or ingredients, making it difficult or impossible to replace a loss of manufacturing capacity at certain key sites in a timely manner. Particularly in China, new regulations are being introduced with respect to registration and certification of both infant formula products and their manufacturing sites. If manufacturing sites are unable to meet the new requirements, or if there are disruptions in supply from those sites, there may not be alternative sources of supply for the products being manufactured at those sites. As a result, significant disruption in global manufacturing and sourcing activities for any of the above reasons could interrupt the Enlarged Group's business and lead to increased costs, lost sales and reputational damage. If not remedied, these factors could have a material adverse effect on the Enlarged Group's business, results of operations, financial condition and prospects. Moreover, such significant disruptions may limit the Enlarged Group's ability to introduce and distribute products, including Mead Johnson's existing pipeline of new or improved products, or otherwise take advantage of opportunities in new and existing markets.

Sales of infant and children's nutrition products are exposed to demographic trends, scientific opinion and certain government programmes.

Increases in sales of infant and children's nutrition products of the Enlarged Group will rely, in part, on favourable demographic trends in various markets, including birth rates, rising incomes in emerging markets, increasing numbers of working mothers and increasing consumer global awareness of the importance of infant and children's nutrition. If any of these demographic trends change in an adverse way (due to macroeconomic factors, epidemics or other factors beyond the Enlarged Group's control), the Enlarged Group's business could be adversely impacted. In addition, an adverse change in scientific opinion regarding infant and children's nutrition products, such as the health benefits of DHA, could materially adversely affect the Enlarged Group's business.

In the U.S., sales of infant and children's nutrition products are exposed to changes in the Special Supplemental Nutrition Program for Women, Infants and Children ("**WIC**"). The WIC programme is a U.S. Department of Agriculture ("**USDA**") programme created to provide nutritious foods, nutrition education and referrals to healthcare professionals and other social services to those considered to be at nutritional risk, including low-income pregnant, postpartum and breastfeeding women, and infants and children up to age five. It is estimated that approximately 46 per cent. of all infants born in the United States during the 12-month period ended 31 December 2016 benefited from the WIC programme. The USDA programme is administered individually by each state. WIC contracts are generally three years in duration with some contracts providing for extensions; specific contract provisions can vary significantly from state to state. Participation in WIC involves a competitive bidding process and has historically been an important part of Mead Johnson's U.S. business based on the volume of infant formula sold under the programme. Following the Acquisition, the Enlarged Group intends to continue bidding for new WIC contracts and maintaining Mead Johnson's current WIC relationships. A number of state WIC contracts expire and are subject to renewed bids by the end of 2017. A failure to win bids for new contracts pursuant to the WIC programme or the Enlarged Group's inability to maintain current WIC relationships or an exclusion of the Enlarged Group from the WIC programme for any reason would have a material adverse effect on the sales of infant and children's nutrition products in the U.S. Moreover, under recently awarded WIC contracts, trends have been towards higher rebate levels. If these trends continue, the cost of retaining WIC contracts could adversely affect the Enlarged Group's U.S. sales and/or results of operations. The sales of Mead Johnson's products could also be materially adversely affected by any changes to how the WIC programme is administered, any changes to rebate levels and renewal patterns for WIC contracts, any changes to the eligibility requirements and/or overall participation in the WIC programme and any failure to maintain fulfilment or other obligations in connection with current WIC contracts.

A decline in sales of infant and children's nutrition products due to any of the factors described above could have a material adverse effect on the Enlarged Group's business, results of operations, financial condition and prospects.

Resources devoted to research and development may not yield new products that achieve commercial success.

The Enlarged Group's business, financial condition and results of operations will substantially depend on its ability to improve its existing products, and successfully develop and launch new products and technologies. The Enlarged Group's ability to maintain and grow its market share will depend to a large extent on its ability to successfully and cost-effectively introduce and market new products (whether variants of existing, or newly developed, products), and to develop equipment, technology and manufacturing processes for its products. If the Enlarged Group is unable to successfully develop, launch and market new products that obtain consumer acceptance, in a timely manner, or at all, it may be unable to compete and maintain or grow its market share. Any new product or line extension may not generate sufficient consumer interest and sales levels to become a profitable product or to cover the costs of its development or promotion. In addition, if the Enlarged Group decides to pursue growth opportunities in new categories and new category segments or in regions in which it has no prior experience or limited experience, it may become exposed to unexpected or greater risks and potential losses. In particular, following the Acquisition, the Enlarged Group's ability to develop new infant and children's nutrition products depends on, among other factors, its ability to understand the composition and variation of breast milk and its ability to translate these insights into commercially viable new products. This will require significant investment in research and development and testing of new ingredients, formulae and new production processes, and there can be no assurance that the research and development will result in a successful development of marketable products.

If any of the products RB or Mead Johnson are currently developing, or the Enlarged Group may develop in future, fail to become market-ready or to achieve commercial success at expected levels, or at all, the Enlarged Group may incur substantial losses. If the Enlarged Group fails to develop or upgrade its equipment, technology and manufacturing processes at least in line with its competitors, it may be unable to compete effectively and lose market share. This could materially and adversely affect the Enlarged Group's business, results of operations, financial condition and prospects.

Increased IT security threats could pose a risk to the Enlarged Group's systems, networks, products, solutions, services and data integrity.

The Enlarged Group will rely on its information technology, administrative and outsourcing systems (including cloud or partner systems and third-party providers) to effectively manage its business and to protect employee and, at times, customer data, including personally identifiable information. In particular, the volume of customer data maintained by the Enlarged Group will increase significantly following the Acquisition. The Enlarged Group's information technology systems may be susceptible to damage or interruption due to system failures, computer viruses, security breaches, telecommunication failures, user error, catastrophic events or other factors. If the Enlarged Group's information technology, administrative and outsourcing systems suffer severe damage or interruption or intrusion, and its business continuity plans do not effectively resolve the issue in a timely manner, the Enlarged Group's business could suffer, as it could experience business disruption, transaction errors, processing inefficiencies, a loss of customer or employee data and a loss of sales or customers. Moreover, increasing global security threats and more sophisticated and targeted computer crime pose a risk to the security of the Enlarged Group's systems and networks and the confidentiality, availability and integrity of its data. There can be no assurance, however, that the Enlarged Group's security measures and efforts that it takes to maintain the integrity and reliability of its information technology systems will prevent all breakdowns or breaches. Such threats, if they materialise, could compromise confidential information or lead to the improper use of the Enlarged Group's systems and networks, the manipulation and destruction of data, defective products, production downtimes and operational disruptions. If the Enlarged Group is unable to prevent security breaches or disclosure of confidential information, it may suffer financial and reputational damage.

As a result of the Acquisition, the Enlarged Group will face risks related to its increased level of indebtedness.

RB will finance the consideration for the Acquisition with the proceeds of new debt financing, comprising new bank facilities, including bridging facilities maturing 12 months from the date of Completion (subject to two six-month extension options), three- and five-year term loans and a revolving credit facility. See the paragraph 8.1.2 (*Merger-related debt arrangements*) of Part VII (*Additional Information*). In addition, certain of Mead Johnson's existing debt obligations are expected to remain in place following the Acquisition. As a result, the Enlarged Group will have a significantly higher level of indebtedness following the Acquisition than RB currently has.

The Enlarged Group's higher level of indebtedness could cause it to dedicate additional resources from operations to service its debt, in particular, if market conditions deteriorate. In addition, an inability to restructure or refinance all or a substantial amount of these debt obligations when they become due, on commercially reasonable terms or at all, could have a material adverse effect on the Enlarged Group. For example, the Enlarged Group may be required to incur additional costs on its existing debt or incur new debt at higher rates. The Enlarged Group will also be required to comply with any restrictive terms of its debt, including the financial covenant under the financing incurred to finance the Acquisition, any restrictive covenants in Mead Johnson's existing debt facilities that are retained after the Acquisition, and any restrictive covenants in facilities that the Enlarged Group incurs to refinance the foregoing

debt. These restrictions could affect its ability to plan for, or react to, changes in its business and the markets in which it will operate, which could place the Enlarged Group at a competitive disadvantage compared to those competitors that have less debt.

The Enlarged Group will be exposed to risks related to taxation, including with respect to changes in applicable legislation and certain legacy tax obligations of Mead Johnson.

Changes in tax legislation and other circumstances that affect tax calculations could adversely affect the Enlarged Group's financial condition and results of operations. The Enlarged Group will conduct business operations in a number of countries, and will therefore be subject to tax laws in multiple jurisdictions, including those relating to the flow of funds and transactions between the companies in the Enlarged Group. The Enlarged Group's effective tax rate in any given financial year may reflect a variety of factors that may not be present in succeeding financial years, and may be affected by changes in the tax laws of the jurisdictions in which it operates, or the interpretation of such tax laws. Certain tax positions taken by the Enlarged Group will be based on industry practice and tax advice. In particular, international transfer pricing is an area of taxation that depends heavily on the underlying facts and circumstances and generally involves a significant degree of judgement.

Changes in tax laws, regulations and related interpretations (including those arising as a result of the OECD's base erosion and profit shifting project and from the EU's investigations into potential breach of State Aid rules in respect of tax rulings, both in respect of RB's and Mead Johnson's existing operations in Europe) and increased enforcement actions and penalties may alter the environment in which the Enlarged Group will do business, and tax planning arrangements are frequently scrutinised by tax authorities worldwide. In the U.S., where the Enlarged Group will have an enlarged presence (compared to RB's current operations) following the Acquisition, there is currently significant uncertainty as to the likelihood or timing of implementation of a comprehensive corporate tax reform, and any specific elements of such reform. Developments in the tax legislation in the U.S. could adversely affect the Enlarged Group's business, financial condition and results of operations of the Enlarged Group.

RB has in the past faced, and the Enlarged Group may in the future face, audits and challenges brought by tax authorities. RB is also involved in ongoing tax investigations in a number of jurisdictions around the world. If material challenges were to be successful, the Enlarged Group's effective tax rate may increase, it may be required to modify structures at significant costs, be subject to interest and penalty charges and incur costs in defending litigation or reaching a settlement. Furthermore, integration of RB's and Mead Johnson's business, and changes to the Enlarged Group's corporate structure and/or operating model following the Acquisition, could affect the Group's effective tax rate, current or future tax liabilities or the amount of such liabilities as stated on the Enlarged Group's balance sheet. Any of the foregoing could materially and adversely affect the Enlarged Group's business, financial condition and results of operations.

In addition, in connection with Mead Johnson's split-off from BMS on 23 December 2009, BMS and its counsel have relied on certain assumptions and representations as to factual matters from Mead Johnson, as well as certain covenants by Mead Johnson regarding the future conduct of Mead Johnson's business and other matters, the incorrectness or violation of which could affect the qualification for non-recognition of gain and loss of Mead Johnson's split-off from BMS. As a result, Mead Johnson agreed, generally, to indemnify BMS for taxes and certain related expenses resulting from the failure of Mead Johnson's split-off from BMS to qualify for non-recognition of gain and loss to the extent attributable to: (i) the failure of any of Mead Johnson's representations to be true or the breach by Mead Johnson of any of Mead Johnson's covenants; (ii) the application of Section 355(e) or Section 355(f) of the Internal Revenue Code to any acquisition of Mead Johnson stock or assets or any of Mead Johnson's affiliates; or (iii) certain other acts or omissions by Mead Johnson or its affiliates. To the extent Mead Johnson becomes obliged to make an indemnification payment to BMS through the relevant

audit years, such payment could be material and could have a material adverse effect on the Enlarged Group's financial condition and operating results.

An impairment of goodwill or other intangible assets would adversely affect the Enlarged Group's financial condition and results of operations.

In connection with its previous acquisitions, RB has recorded goodwill and identifiable intangible assets. These amounts are expected to increase significantly following the Acquisition. In accordance with IFRS, the Enlarged Group will assess goodwill and indefinite-lived intangible assets for impairment on at least an annual basis or more frequently if indicators of impairment arise. The recoverable amounts of the relevant cash generating units are determined based on value in use calculations, using discounted cash flow projections prepared by management, covering a five-year period, with cash flows beyond five years being extrapolated using estimated long-term growth rates and applying pre-tax discount rates. As a result, future impairments may be influenced by a number of factors, including changes in the expected performance of the relevant cash generating units or changes in assumptions about pre-tax discount rates. The Enlarged Group may experience future events over which it has little or no control that result in impairments. A material impairment of the value of the Enlarged Group's goodwill and intangible assets could have a material adverse effect on the Enlarged Group's reported results of operations and financial condition.

PART III

SUMMARY OF THE MERGER AGREEMENT

On 10 February 2017, the Company, Mead Johnson and Merger Sub, a Delaware corporation, entered into the Merger Agreement pursuant to which the Company will indirectly acquire Mead Johnson by means of a merger of Merger Sub with and into Mead Johnson on the terms and subject to the conditions set out in the Merger Agreement. The Merger Agreement is governed by the laws of Delaware.

The following is a summary of the principal terms of the Merger Agreement. The Merger Agreement is available for inspection as described in Part VII (*Additional Information*) of this document.

1 Consideration

1.1 At the effective time of the Acquisition ("**Completion**"), on the terms and subject to the conditions set out in the Merger Agreement, each share of Common Stock outstanding immediately prior to Completion (other than: (i) each share of Common Stock held by Mead Johnson as treasury stock (other than shares held for the account of clients, customers or other persons); (ii) each share of Common Stock held by the Company or by any subsidiary of either Mead Johnson or the Company; and (iii) each share of Common Stock held by a holder who has not voted in favour of the Acquisition or consented thereto in writing and who has demanded appraisal for such shares in accordance with the laws of Delaware (see paragraph 5 below)) will be converted into the right to receive $90.00 in cash, without interest (the "**Merger Consideration**").

1.2 Outstanding Mead Johnson equity awards immediately prior to the completion of the Acquisition will generally be subject to the following treatment:

1.2.1 each stock option that is outstanding immediately prior to Completion will accelerate, vest and be cancelled at Completion in exchange for a lump-sum cash payment equal to the product of the number of shares of Common Stock subject to the stock option for which such stock option has not been exercised and the excess, if any, of the Merger Consideration over the exercise price per share of such stock option;

1.2.2 each restricted stock unit ("**RSU**") granted prior to 10 February 2017 will vest and be cancelled at Completion in exchange for a lump-sum cash payment equal to the product of the number of shares of Common Stock subject to such RSU immediately prior to Completion and the Merger Consideration;

1.2.3 each performance stock unit ("**PSU**") for which the performance period is complete will vest and be cancelled as at Completion in exchange for a lump-sum cash payment equal to the product of the number of shares of Mead Johnson Common Stock subject to such PSU based on actual performance for the completed performance period and the Merger Consideration. Each PSU for which the performance period is incomplete will vest and be cancelled as at Completion, with the holder entitled to receive a lump-sum cash payment equal to the product of the number of shares of Mead Johnson Common Stock subject to such PSU based on target performance for the incomplete performance period and the Merger Consideration; and

1.2.4 Mead Johnson may grant RSUs after the date of the Merger Agreement but prior to Completion in connection with its annual practice of granting equity awards. Each such RSU will, as at Completion, convert into an RSU award tied to Company Shares

that settles in cash upon satisfaction of the applicable vesting conditions (such converted awards, the "**Converted Company RSUs**"). Each Converted Company RSU will remain subject to the same terms and conditions as the RSU to which it relates (including vesting).

2 Conditions to Completion

2.1 Under the Merger Agreement, completion of the Acquisition is subject to the satisfaction or waiver of certain customary closing conditions, including, among others:

2.1.1 the adoption of the Merger Agreement (the "**Mead Johnson Stockholder Approval**") by holders of a majority of Mead Johnson's outstanding shares of Common Stock;

2.1.2 the approval of the Acquisition (the "**Company Shareholder Approval**") by a simple majority of the Company's shareholders at a meeting of the Company's shareholders (the "**General Meeting**");

2.1.3 the expiration or termination of the waiting period under the U.S. Hart-Scott-Rodino Antitrust Improvements Act of 1976 ("**HSR**");

2.1.4 consent, approval, authorisation or clearance from the following governmental authorities:

(a) Brazil (Administrative Council for Economic Defence);

(b) Canada (Competition Bureau);

(c) China (Ministry of Commerce);

(d) Israel (Israel Antitrust Authority);

(e) Mexico (Federal Economic Competition Commission);

(f) Pakistan (Competition Commission);

(g) Poland (Office of Competition and Consumer Protection);

(h) the Philippines (Competition Commission); and

(i) the United States of America (Federal Trade Commission);

2.1.5 no provision of any applicable law restraining, enjoining, prohibiting or otherwise making consummation of the Acquisition illegal; and

2.1.6 in the case of the Company's obligation to consummate the Acquisition, the absence of a "material adverse effect" on Mead Johnson.

2.2 Each party's obligation to consummate the Acquisition is subject to certain other conditions, including, without limitation: (i) the accuracy of the other party's representations and warranties contained in the Merger Agreement (subject to certain qualifications relating to materiality); and (ii) the other party's compliance with its covenants and agreements contained in the Merger Agreement in all material respects. The Company's and Merger Sub's respective obligations to consummate the Acquisition are not subject to any financing condition or other contingency.

3 Representations, warranties and covenants

3.1 Mead Johnson has made customary representations, warranties and covenants in the Merger Agreement, including covenants regarding the conduct of the business of Mead Johnson prior to the completion of the Acquisition. Under the terms of the Merger Agreement, Mead Johnson is permitted to continue paying its regular quarterly dividend

of up to $0.4125 per share of Mead Johnson Common Stock per quarter with record and payment dates consistent with the quarterly record and payment dates in 2016.

3.2 In addition, each of Mead Johnson and the Company is subject to covenants regarding, among other things: (i) their respective obligations to call and hold a meeting of Mead Johnson's stockholders (the "**Mead Johnson Stockholder Meeting**") for the purpose of obtaining the Mead Johnson Stockholder Approval and the General Meeting for the purpose of obtaining the Company Shareholder Approval; and (ii) using their respective reasonable best efforts to cause the Acquisition to be consummated, including using reasonable best efforts to obtain approval under HSR and other required governmental approvals.

4 Employee matters

4.1 The Company has agreed to provide, from Completion through to 31 December 2018, each active employee of Mead Johnson or its subsidiaries as at the date of the Merger Agreement, including any employee who is out on leave or disability (to the extent that such items are applicable to such inactive employees) (each, a "**Covered Employee**"), with base salary, base wage rate and annual cash incentive opportunities that are no less favourable, in each case, than what was provided to such Mead Johnson employee immediately prior to Completion, as well as other benefits in the aggregate that are no less favourable in the aggregate than the compensation and benefits (other than equity compensation and other long-term incentives, change in control, retention, transition, stay or similar arrangements to the extent such benefits are paid to a Mead Johnson employee) that were provided to such Covered Employee under the Mead Johnson employee plans immediately prior to Completion. Mead Johnson will have various obligations to its employees as of the Completion and will be required to honour these obligations, including obligations and liabilities relating to ordinary course incentive plans and obligations which may be triggered by the Acquisition, such as change in control severance protections and indemnities for golden parachute excise taxes, which Mead Johnson has provided to its senior officers. The Company has also agreed to provide Covered Employees that are terminated, or would be entitled to receive severance payments and benefits under the Company's severance plans or practices in effect at the date of the Merger Agreement ("**Mead Johnson Severance Practice**"), with severance payments and benefits no less favourable than the severance payments and benefits provided under Mead Johnson Severance Practice, based on such Covered Employee's then current compensation and years of service in accordance with the Merger Agreement. These provisions of the Merger Agreement do not impose any obligation on the Company or Mead Johnson to continue to employ any given employee after Completion.

4.2 The Company will generally recognise all prior service of each Covered Employee prior to Completion for vesting and eligibility purposes, use commercially reasonable efforts to waive any pre-existing conditions and exclusions and waiting periods with respect to participation and coverage requirements applicable to a Covered Employee eligible to participate under any Company employee benefit plans providing certain benefits following Completion, and use commercially reasonable efforts to provide Covered Employees eligible to participate under any Company employee benefit plan with credit for any co-payments and deductibles paid prior to such Covered Employee's coverage under any Company employee benefit plan during the calendar year in which such amount was paid, in each case, subject to certain exceptions and conditions. The Company has also acknowledged that the completion of the Acquisition, as contemplated by the Merger Agreement, constitutes a "change in control" or "change of control" of Mead Johnson for the purposes of any Mead Johnson employee plan that contains a definition of such terms, as applicable.

4.3 In addition, the Company has agreed to indemnify the current and former officers of Mead Johnson for not less than six years from Completion. If Mead Johnson is unable, the Company shall purchase a directors' and officers' liability "tail" insurance policy, which will provide coverage for claims asserted prior to, and for six years after, Completion.

5 Mead Johnson Stockholder Approval

Because Mead Johnson is a public, Delaware-incorporated company, the process of obtaining the Mead Johnson Stockholder Approval is governed by the Delaware General Corporation Law ("**DGCL**") and the U.S. securities laws. The DGCL requires that the holders of at least a majority of the outstanding stock of Mead Johnson approve the Merger Agreement at the Mead Johnson Stockholder Meeting. In order for Mead Johnson to call a stockholders' meeting and solicit votes from its stockholders, Mead Johnson will be required to prepare and file a preliminary proxy statement with the SEC (which will contain a notice of the meeting) prior to the distribution of the definitive proxy statement to Mead Johnson's stockholders. Once the SEC has reviewed and cleared (or elected not to review) the preliminary proxy statement, Mead Johnson can mail the definitive proxy statement to its stockholders.

Mead Johnson commenced the mailing of its definitive proxy statement to its stockholders on 27 April 2017 and the Mead Johnson Stockholder Meeting will be held on 31 May 2017.

Under Delaware law, Mead Johnson's stockholders who do not vote in favour of adoption of the Merger Agreement and otherwise properly perfect their rights will be entitled to exercise "appraisal rights" in connection with the Acquisition with respect to the Mead Johnson's stock that they hold. The appraised value would be determined by the Court of Chancery of the State of Delaware. The appraised value could be more than, the same as, or less than the consideration under the Merger Agreement of US$90 per share. Under Delaware law, shareholders are generally entitled to statutory interest on an appraisal award at a rate equal to 5 per cent. above the Federal Reserve discount rate compounded quarterly from the closing date of the Acquisition until the award is actually paid.

6 "No-Shop" provision

The Merger Agreement contains a "No-Shop" provision, pursuant to which Mead Johnson is required to cause its affiliates, investment bankers, attorneys, accountants and other advisers and representatives engaged in connection with the Acquisition and other acquisitions contemplated by the Acquisition, and must use its reasonable best efforts to cause certain other representatives, to: (i) immediately cease all existing discussions or negotiations, if any, with any person previously conducted with respect to any acquisition proposal relating to a proposed acquisition of Mead Johnson; and (ii) not, among other customary restrictions and subject to certain exceptions, solicit alternative acquisition proposals, engage in discussions with any third party, provide access to Mead Johnson's books and records or fail to recommend the Acquisition to its stockholders. If, at any time prior to the date of the Mead Johnson Stockholder Approval, Mead Johnson receives a written acquisition proposal relating to a proposed acquisition of Mead Johnson that did not result from a breach of the Merger Agreement, which the Mead Johnson Board determines in good faith, after considering advice from its financial adviser and outside legal counsel, is, or could reasonably be expected to result in, a Superior Proposal (as described below) and that the failure to take such action could reasonably be expected to be inconsistent with the Mead Johnson Board's fiduciary duties under Delaware law, Mead Johnson and its representatives may engage in negotiations and discussions with any person making such acquisition proposal, and may provide such person (after execution of a confidentiality agreement meeting certain requirements) with non-public information relating to Mead Johnson. In such event, Mead Johnson is required to promptly (but in all events within 24 hours) notify the Company in writing of the receipt of any such acquisition proposal, and certain other events, and identify the party making, and the material terms and conditions of, any such acquisition proposal (including any material changes

thereto). Mead Johnson is permitted to terminate the Merger Agreement to accept a Superior Proposal if the Mead Johnson Board determines, after considering advice from its financial adviser and outside legal counsel, that a failure to take such action would reasonably be expected to be inconsistent with the Mead Johnson Board's fiduciary duties under Delaware law; provided, however, that Mead Johnson must provide the Company with notice, at least four business days before taking such action, of its intention to do so, attaching the most current version of the proposed agreement under which such Superior Proposal is proposed to be consummated and the identity of the party making the acquisition proposal, and negotiate in good faith with the Company and its representatives (if desired by the Company) during such four-day period. "**Superior Proposal**" is generally defined as an unsolicited acquisition proposal for a change of control acquisition that did not result from a breach of the "No-Shop" restrictions and that the Mead Johnson Board determines, after considering advice from its financial adviser and outside legal counsel, taking into account all circumstances deemed reasonably relevant by the Mead Johnson Board, if consummated, would be more favourable to Mead Johnson's stockholders from a financial point of view than the Acquisition, taking into account any proposal made by the Company during the four business day period referred to above.

7 Termination rights

7.1 The Merger Agreement contains provisions giving the Company and/or Mead Johnson the right to terminate the Merger Agreement under certain circumstances, including, among others, if the acquisitions contemplated by the Merger Agreement are not consummated on or before 10 September 2017 (or on or before 10 December 2017, in the event that the only conditions not to have been satisfied or capable of being satisfied as of 10 September 2017 relate to competition laws) (the "**End Date**"), the Company Shareholder Approval has not been obtained, the Mead Johnson Stockholder Approval has not been obtained, or any applicable law makes consummation of the Acquisition illegal or enjoins either the Company or Mead Johnson from consummating the Acquisition. Further, either the Company or Mead Johnson can terminate in certain circumstances if the other party is in breach of certain representations or warranties, or fails to perform, in all material respects, its obligations under the Merger Agreement.

7.2 The Company can terminate the Merger Agreement if the Mead Johnson Board changes its recommendation that the Merger Agreement be adopted by the stockholders of Mead Johnson (the "**Mead Johnson Board Recommendation**"), if the Mead Johnson Board fails to publicly affirm the Mead Johnson Board Recommendation within five business days of the Company's request after a publicly proposed acquisition proposal (provided the Company may make such request only once with respect to each such acquisition proposal or material and publicly proposed or disclosed amendment thereto), or if certain named persons have wilfully and materially breached the "No-Shop" restrictions or caused Mead Johnson, its subsidiary undertakings or their respective other representatives to materially breach the "No-Shop" restrictions, subject to a cure right for Mead Johnson.

7.3 Mead Johnson can terminate the Merger Agreement if the Board of the Company changes its recommendation that the Acquisition be approved by the Shareholders (the "**Company Board Recommendation**") or in order for Mead Johnson to accept a Superior Proposal.

8 Termination fees

8.1 The Company must pay a termination fee equal to $480,000,000 if: (i) the Company's Board changes the Company Board Recommendation and Mead Johnson terminates the Merger Agreement; or (ii) Mead Johnson or the Company terminates the Merger Agreement because the Company Shareholder Approval was not obtained.

8.2 Mead Johnson must pay a termination fee equal to $480,000,000 if:

8.2.1 the Company terminates the Merger Agreement: (a) because the Mead Johnson Board changes the Mead Johnson Board Recommendation or fails to affirm the Mead Johnson Board Recommendation in certain circumstances; or (b) if certain named persons have wilfully and materially breached the "No-Shop" restrictions or caused Mead Johnson, its subsidiary undertakings or their respective other representatives to materially breach the "No-Shop" restrictions, subject to a cure right for Mead Johnson;

8.2.2 Mead Johnson terminates the Merger Agreement to enter into a Superior Proposal; or

8.2.3 Mead Johnson or the Company terminates the Merger Agreement because:

(a) the Mead Johnson Stockholder Approval is not obtained; or

(b) the Acquisition is not consummated on or prior to the End Date and there are no competition law related restrictions preventing the Acquisition from being consummated,

and in the case of each of paragraph 8.2.3(a) or (b): (i) prior to such termination, an acquisition proposal has been publicly disclosed and not withdrawn; and (ii) within 12 months of such termination, Mead Johnson closes a change of control acquisition or enters into a definitive agreement with respect to a change of control acquisition.

8.3 If the Merger Agreement is terminated by Mead Johnson or the Company because Mead Johnson Stockholder Approval was not obtained, Mead Johnson must pay an amount equal to all out-of-pocket costs, fees and expenses (including legal fees and expenses) incurred by the Company or any of its affiliates in connection with the Merger Agreement and the acquisitions contemplated thereby, subject to a cap of $20,000,000.

PART IV

FINANCIAL INFORMATION ON THE MEAD JOHNSON GROUP

SECTION A – CONSOLIDATED FINANCIAL INFORMATION ON MEAD JOHNSON

This Section A of Part IV contains consolidated financial information for Mead Johnson for the three years ended 31 December 2014, 31 December 2015 and 31 December 2016 and the three months ended 31 March 2017.

The information contained in paragraph 1 of this Section A of Part IV has been extracted without material adjustment from the consolidated audited financial statements of Mead Johnson as published in the Form 10-K for the year ended 31 December 2016, save that in the audited Consolidated Balance Sheets and Balance Sheet related notes the financial information for the year ended 31 December 2014 has been extracted without material adjustment from the audited consolidated financial statements of Mead Johnson as published in the Form 10-K for the year ended 31 December 2015.

The information contained in paragraph 2 of this Section A of Part IV has been extracted without material adjustment from the unaudited condensed consolidated financial information of Mead Johnson as published in the Form 10-Q for the three months ended 31 March 2017. This also includes information about the financial results and cash flows of Mead Johnson for the three months ended 31 March 2016.

In Section A of this Part IV, the "**Company**" means Mead Johnson Nutrition Company.

1. CONSOLIDATED FINANCIAL STATEMENTS OF MEAD JOHNSON NUTRITION COMPANY

CONSOLIDATED STATEMENTS OF EARNINGS

(Dollars and shares in millions, except per share data)

	Years Ended December 31		
	2016	**2015**	**2014**
		($m)	
Net Sales	3,742.7	4,071.3	4,409.3
Cost of Products Sold	1,341.0	1,455.3	1,700.6
Gross Profit	2,401.7	2,616.0	2,708.7
Operating Expenses:			
Selling, General and Administrative	766.5	890.6	978.9
Advertising and Promotion	627.0	641.8	638.7
Research and Development	97.4	108.4	115.1
Other (Income)/Expenses – net	92.1	39.0	(12.3)
Earnings before Interest and Income Taxes	818.7	936.2	988.3
Interest Expense – net	105.4	65.0	60.3
Earnings Before Income Taxes	713.3	871.2	928.0
Provision for Income Taxes	164.0	215.9	199.2
Net Earnings	549.3	655.3	728.8
Less: Net Earnings Attributable to Noncontrolling Interests	4.4	1.8	9.0
Net Earnings Attributable To Shareholders	544.9	653.5	719.8
Earnings per Share – Basic			
Net Earnings Attributable to Shareholders	2.93	3.28	3.55
Earnings per Share – Diluted			
Net Earnings Attributable to Shareholders	2.92	3.27	3.54
Weighted-average Shares – Basic	185.5	199.0	202.1
Weighted-average Shares – Diluted	185.8	199.4	202.7
Dividends Declared per Share	1.65	1.65	1.50

The accompanying notes are an integral part of these financial statements.

MEAD JOHNSON NUTRITION COMPANY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in millions)

	Years Ended December 31		
	2016	2015	2014
		($m)	
Net Earnings	549.3	655.3	728.8
Other Comprehensive Loss			
Foreign Currency Translation Adjustments			
Translation Adjustments	(69.6)	(143.4)	(104.8)
Tax Effect on Foreign Currency Translation Adjustments	3.9	1.0	0.8
Deferred Gains/(Losses) on Derivatives Qualifying as Hedges			
Deferred Gains/(Losses) on Derivatives Qualifying as Hedges for the Period	7.7	19.7	(52.9)
Reclassification Adjustment for (Gains)/Losses Included in Net Earnings	(4.6)	(20.6)	(1.2)
Tax Effect on Deferred Gains/(Losses) on Derivatives Qualifying as Hedges	(1.5)	1.5	20.9
Pension and Other Post-Employment Benefits			
Deferred Gains/(Losses) on Pension and Other Post-Employment Benefits	—	(0.2)	—
Reclassification Adjustment for (Gains)/Losses Included in Net Earnings	—	0.1	0.3
Other Comprehensive Loss	(64.1)	(141.9)	(136.9)
Comprehensive Income	485.2	513.4	591.9
Less Comprehensive Income/(Loss) Attributable to Noncontrolling Interests	3.9	9.4	1.8
Comprehensive Income Attributable to Shareholders	481.3	504.0	590.1

The accompanying notes are an integral part of these financial statements.

MEAD JOHNSON NUTRITION COMPANY

CONSOLIDATED BALANCE SHEETS

(Dollars and shares in millions, except per share data)

	December 31		
	2016	2015	2014
		($m)	
Assets			
Current Assets:			
Cash and Cash Equivalents	1,795.4	1,701.4	1,297.7
Receivables – net of allowances of $4.4, $5.4 and $9.6, respectively	369.0	342.5	387.8
Inventories	473.5	484.9	555.5
Income Taxes Receivable	8.3	13.2	7.7
Prepaid Expenses and Other Assets	60.4	60.4	82.6
Total Current Assets	2,706.6	2,602.4	2,331.3
Property, Plant and Equipment – net	948.6	964.0	912.7
Goodwill	108.9	126.0	162.7
Other Intangible Assets – net	46.0	54.9	75.4
Deferred Income Taxes – net of valuation allowance	143.1	118.5	150.4
Other Assets	134.5	132.3	131.3
Total	4,087.7	3,998.1	3,763.8
Liabilities and Equity			
Current Liabilities:			
Short-Term Borrowings	3.9	3.0	4.1
Accounts Payable	515.8	481.5	512.3
Dividends Payable	76.0	77.8	76.6
Accrued Expenses	194.7	213.0	203.7
Accrued Rebates and Returns	417.4	376.8	329.1
Deferred Income	12.4	35.5	34.3
Income Taxes Payable	24.0	65.7	45.2
Total Current Liabilities	1,244.2	1,253.3	1,205.3
Long-Term Debt	2,976.2	2,981.0	1,492.8
Deferred Income Taxes	6.2	8.7	12.0
Pension and Other Post-employment Liabilities	104.2	132.4	211.1
Other Liabilities	229.0	215.2	192.8
Total Liabilities	4,559.8	4,590.6	3,114.0

	December 31		
	2016	2015	2014
		($m)	
Commitments and Contingencies			
Redeemable non-controlling interest			66.0
Equity			
Shareholders' Equity			
Common Stock, $0.01 par value: 3,000 authorized, 188.3, 191.4 and 207.2 issued, respectively	1.9	1.9	2.1
Additional Paid-in/(Distributed) Capital	(514.0)	(564.2)	(641.3)
Retained Earnings	773.4	640.4	1,775.0
Treasury Stock – at cost	(362.6)	(362.6)	(362.6)
Accumulated Other Comprehensive Loss	(411.4)	(347.8)	(198.9)
Total Shareholders' Equity/(Deficit)	(512.7)	(632.3)	574.3
Noncontrolling Interests	40.6	39.8	9.5
Total Equity/(Deficit)	(472.1)	(592.5)	583.8
Total	4,087.7	3,998.1	3,763.8

The accompanying notes are an integral part of these financial statements.

MEAD JOHNSON NUTRITION COMPANY

CONSOLIDATED STATEMENTS OF EQUITY/(DEFICIT) AND REDEEMABLE NONCONTROLLING INTEREST

(Dollars in millions)

	Common Stock	Additional Paid-in (Distributed) Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Non-controlling Interests	Total Equity/ (Deficit)	Redeemable Non-controlling Interest
				($m)				
Balance as of January 1, 2014	2.1	(721.5)	1,432.3	(351.9)	(69.2)	8.7	300.5	49.7
Stock-based Compensation Awards (includes excess tax benefits of $9.0)	—	76.3	—	(7.9)	—	—	68.4	—
Repurchase of Common Stock	—	—	—	(52.9)	—	—	(52.9)	—
Retirement of Treasury Stock	—	—	(50.1)	50.1	—	—	—	—
Distributions to Noncontrolling Interests	—	—	—	—	—	(7.7)	(7.7)	—
Cash Dividends Declared ($1.50 per share)	—	—	(304.0)	—	—	—	(304.0)	—
Net Earnings	—	—	719.8	—	—	8.5	728.3	0.5
Redeemable Noncontrolling Interest Accretion	—	—	(23.0)	—	—	—	(23.0)	23.0
Other Comprehensive Income (Loss)	—	—	—	—	(129.7)	—	(129.7)	(7.2)
Other	—	3.9	—	—	—	—	3.9	—
Balance as of December 31, 2014	2.1	(641.3)	1,775.0	(362.6)	(198.9)	9.5	583.8	66.0
Stock-based Compensation Awards (includes excess tax benefits of $5.5)	—	51.6	(11.4)	—	—	—	40.2	—
Repurchase of Common Stock	—	—	—	(437.0)	—	—	(437.0)	—
Retirement of Repurchased Shares	(0.2)	—	(1,436.8)	437.0	—	—	(1,000.0)	—
Distributions to Noncontrolling Interests	—	—	—	—	—	(7.1)	(7.1)	(0.8)
Cash Dividends Declared ($1.65 per share)	—	—	(327.1)	—	—	—	(327.1)	—
Net Earnings	—	—	653.5	—	—	1.3	654.8	0.5
Redeemable Noncontrolling Interest Accretion	—	—	(12.8)	—	—	—	(12.8)	12.8
Other Comprehensive Income (Loss)	—	—	—	—	(138.1)	(2.5)	(140.6)	(1.3)
Acquisition of Redeemable Noncontrolling Interest	—	25.5	—	—	(10.8)	38.6	53.3	(77.2)
Balance as of December 31, 2015	1.9	(564.2)	640.4	(362.6)	(347.8)	39.8	(592.5)	—
Stock-based Compensation Awards (includes excess tax benefits of $0.1)	—	50.2	(4.4)	—	—	—	45.8	—
Repurchase and Retirement of Common Stock	—	—	(100.4)	—	—	—	(100.4)	—
Distributions to Noncontrolling Interests	—	—	—	—	—	(3.1)	(3.1)	—
Cash Dividends Declared ($1.65 per share)	—	—	(307.1)	—	—	—	(307.1)	—
Net Earnings	—	—	544.9	—	—	4.4	549.3	—
Other Comprehensive Income (Loss)	—	—	—	—	(63.6)	(0.5)	(64.1)	—
Balance as of December 31, 2016	1.9	(514.0)	773.4	(362.6)	(411.4)	40.6	(472.1)	—

The accompanying notes are an integral part of these financial statements.

MEAD JOHNSON NUTRITION COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in millions)

	Years Ended December 31		
	2016	2015	2014
		($m)	
Cash Flows from Operating Activities:			
Net Earnings	549.3	655.3	728.8
Adjustments to Reconcile Net Earnings to Net Cash Provided by Operating Activities:			
Depreciation and Amortization	99.6	99.1	91.6
Stock-Based Compensation Expense	34.6	26.4	30.4
Deferred Income Taxes	(53.3)	43.3	(15.0)
Exchange Loss from Devaluation	31.7	2.3	6.1
Mark-to-market on Trading Security	—	(5.6)	—
Pension and Other Post-employment Benefits Expense	(7.4)	12.8	59.1
Impairment of Long-Lived Assets	45.9	—	—
Other	(3.6)	(1.4)	(3.4)
Change in Assets and Liabilities:			
Receivables	(42.0)	10.4	(36.5)
Inventories	(8.9)	25.8	(47.0)
Accounts Payable	52.5	3.7	2.8
Accrued Expenses, Rebates and Returns	47.0	73.8	12.9
Income Taxes Payable	(40.7)	15.3	5.3
Other Assets and Liabilities	6.2	38.8	8.5
Payments for Settlement of Interest Rate Forward Swaps	—	—	(45.0)
Pension and Other Post-employment Benefits Contributions	(19.3)	(90.1)	(5.2)
Net Cash Provided by Operating Activities	691.6	909.9	793.4
Cash Flows from Investing Activities:			
Payments for Capital Expenditures	(149.0)	(173.7)	(186.6)
Proceeds from Sale of Property, Plant and Equipment	0.3	0.5	0.2
Proceeds from/(Investment in) Other Companies	—	—	4.0
Net Cash Used in Investing Activities	(148.7)	(173.2)	(182.4)

	Years Ended December 31		
	2016	2015	2014
		($m)	
Cash Flows from Financing Activities:			
Proceeds from Short-term Borrowings	1.6	1,003.0	3.2
Repayments of Short-term Borrowings	(0.3)	(1,002.9)	(0.6)
Proceeds from Issuance of Long-term Notes, net of original issue discounts and expenses paid	(0.1)	1,487.7	492.0
Repayments of Notes Payable	—	—	(500.0)
Proceeds from Long-term Revolver Borrowings	—	446.0	—
Repayment of Long-term Revolver Borrowings	—	(446.0)	—
Payments of Dividends	(308.8)	(326.0)	(296.6)
Stock-based Compensation related Proceeds and Excess Tax Benefits	15.9	25.4	46.2
Stock-based Compensation Tax Withholdings	(4.4)	(11.4)	(7.9)
Payments for Repurchase of Common Stock	(100.4)	(1,437.0)	(54.1)
Purchase of Noncontrolling Interest Redeemable Shares	—	(24.2)	—
Purchase of Trading Securities	—	(16.2)	—
Sale of Trading Securities	—	21.7	—
Distributions to Noncontrolling Interests	(3.1)	(6.9)	(7.7)
Net Cash Used in Financing Activities	(399.6)	(286.8)	(325.5)
Effects of Changes in Exchange Rates on Cash and Cash Equivalents	(49.3)	(46.2)	(38.6)
Net Increase in Cash and Cash Equivalents	94.0	403.7	246.9
Cash and Cash Equivalents:			
Beginning of Period	1,701.4	1,297.7	1,050.8
End of Period	1,795.4	1,701.4	1,297.7

The accompanying notes are an integral part of these financial statements.

MEAD JOHNSON NUTRITION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2016 AND 2015 AND FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014

1 Organization

Mead Johnson Nutrition Company ("MJN" or the "Company") manufactures, distributes and sells infant formula, children's nutrition and other nutritional products. MJN has a broad product portfolio, which extends across routine and specialty infant formulas, children's milks and milk modifiers, dietary supplements for pregnant and breastfeeding mothers, pediatric vitamins, and products for pediatric metabolic disorders. These products are generally sold to distributors and retailers and are promoted to healthcare professionals, and, where permitted by regulation and policy, directly to consumers.

2 Accounting Policies

Basis of Presentation—The financial statements present the results of operations, financial position and cash flows of the Company and its majority-owned and controlled subsidiaries. Inter-company balances and transactions have been eliminated. The Company prepared the accompanying consolidated financial statements in accordance with generally accepted accounting principles in the United States ("GAAP"). These financial statements consider subsequent events through the date of filing with the Securities and Exchange Commission.

Use of Estimates—The preparation of financial statements in conformity with GAAP requires the use of estimates and assumptions that affect the reported amounts and accompanying disclosures. These estimates are based on management's best knowledge of current events and actions the Company may undertake in the future. Significant estimates include sales rebates and return accruals, impairment testing of goodwill and indefinite-lived intangible assets, impairment of long-lived assets, deferred tax assets and liabilities and income tax expense, as well as the accounting for stock-based compensation and retirement and post-employment benefits, including the actuarial assumptions. Actual results may or may not differ from estimated results.

Fair Value Measurements—The fair value of financial assets and liabilities are classified in the fair value hierarchy as follows: Level 1— unadjusted quoted prices in active markets for identical assets or liabilities, Level 2—observable prices that are based on inputs not quoted on active markets and Level 3—unobservable inputs that reflect estimates about the assumptions market participants would use in pricing the asset or liability.

Revenue Recognition—MJN recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed or determinable, and collectibility is reasonably assured. Revenue is not recognized until title and risks of loss have transferred to the customer. The shipping terms for the majority of revenue arrangements are FOB destination. Provisions are estimated at the time of revenue recognition for returns and Women, Infants and Children ("WIC") rebates based on historical experience, updated for changes in facts and circumstances, as appropriate. Such provisions are recorded as a reduction of revenue. The Company offers sales incentives to customers and consumers through various programs consisting primarily of sales discounts, trade promotional support and consumer coupons. Provisions are estimated for these sales incentives at the later of the date at which the Company has sold the product or the date at which the program is offered, based on historical experience, updated for changes in facts and circumstances, as appropriate. Such provisions are recorded as a reduction of revenue. Revenue is recorded net of taxes collected from customers that are remitted to

governmental authorities, with the collected taxes recorded as current liabilities until remitted to the relevant government authority.

WIC rebate accruals were $212.5 million, $205.1 million and $214.3 million at December 31, 2016, 2015 and 2014, respectively, and are included in *accrued rebates and returns* on the Company's balance sheet. The Company participates on a competitive bidding basis in nutrition programs sponsored by states, tribal governments, the Commonwealth of Puerto Rico, and U.S. territories for WIC. Under these programs, the Company reimburses these entities for the difference between the list price and the contract price on eligible products. The Company accounts for WIC rebates by establishing an accrual in an amount equal to the Company's estimate of WIC rebate claims attributable to a sale. The Company determines its estimate of the WIC rebate accrual primarily based on historical experience regarding WIC rebates and current contract prices under the WIC programs. The Company considers levels of inventory in the distribution channel, new WIC contracts, terminated WIC contracts, changes in existing WIC contracts and WIC participation, and adjusts the accrual periodically throughout the year to reflect actual expense. Rebates under the WIC program reduced revenues by $751.5 million, $763.0 million and $790.0 million in the years ended December 31, 2016, 2015, and 2014, respectively.

Sales return accruals were $57.1 million, $52.6 million and $47.0 million at December 31, 2016, 2015 and 2014, respectively, and are included in *accrued rebates and returns* on the Company's balance sheet. The Company accounts for sales returns by establishing an accrual in an amount equal to its estimate of sales recorded for which the related products are expected to be returned. The Company determines its estimate of the sales return accrual primarily based on historical experience regarding sales returns, but also considers other factors that could impact sales returns such as discontinuations and new product introductions. Returns reduced sales by $94.2 million, $89.8 million and $86.1 million for the years ended December 31, 2016, 2015 and 2014, respectively.

Income Taxes—The provision for income taxes has been determined using the asset and liability approach of accounting for income taxes. Under this approach, deferred taxes represent the future tax consequences expected to occur when the reported amounts of assets and liabilities are recovered or paid. The provision for income taxes represents income taxes paid or payable for the current year plus the change in deferred taxes during the year. Deferred taxes result from differences between the financial and tax basis of the Company's assets and liabilities. Deferred tax assets and liabilities are measured using the currently enacted tax rates that apply to taxable earnings in effect for the years in which those tax attributes are expected to be recovered or paid, and are adjusted for changes in tax rates and tax laws when changes are enacted. The ultimate liability incurred by the Company may differ from the provision estimates based on a number of factors, including interpretations of tax laws and the resolution of examinations by the taxing authorities. United States federal income taxes are provided on foreign earnings that are not permanently invested offshore.

Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized. The assessment of whether or not a valuation allowance is required often requires significant judgment including the long-range forecast of future taxable earnings and the evaluation of tax planning initiatives. Adjustments to the deferred tax valuation allowances are made to earnings in the period when such assessments are made.

Uncertain tax positions that relate to deferred tax assets are recorded against deferred tax assets; otherwise, uncertain tax positions are recorded as either a current or noncurrent liability.

Cash and Cash Equivalents—Cash and cash equivalents consist of bank deposits, time deposits and money market funds. The Company maintains cash and cash equivalent balances in U.S. dollars and foreign currencies, which are subject to currency rate risk. Cash equivalents are primarily highly liquid investments with original maturities of 3 months or less at the time of purchase and are recorded at cost, which approximates fair value. Money market funds, which

are all incorporated or domiciled outside the U.S., are not subject to the enactment of daily floating net asset value calculation, liquidity fees or redemption gates and continue to meet the classification of cash and cash equivalents. Money market funds totaled $1,022.0 million, $510.1 million and $395.4 million at December 31, 2016, 2015 and 2014, respectively, are classified as Level 2 in the fair value hierarchy.

Inventory Valuation—Inventories are valued at the lower of cost or market. The Company determines cost on the basis of the average cost or first-in, first-out methods.

Property, Plant and Equipment—Expenditures for additions and improvements, including capitalized interest, are recorded at cost. Depreciation is computed on a straight-line method based on the estimated useful lives of the related assets. The estimated useful lives of the major classes of depreciable assets are up to 50 years for buildings and 3 to 40 years for machinery, equipment and fixtures. Maintenance and repair costs are expensed as incurred.

Capitalized Software—Certain costs to obtain internal-use software for significant systems projects are reflected in *Other Intangible Assets* – Net, and are amortized on a straight-line basis over the estimated useful life of the software, which ranges from 3 to 7 years. Costs to obtain software for projects that are not significant are expensed as incurred.

Impairment of Long-Lived Assets—The Company periodically evaluates whether current facts or circumstances indicate that the carrying value of its depreciable assets to be held and used may not be recoverable. If such circumstances are determined to exist, an estimate of undiscounted future cash flows produced by the long-lived asset, or the appropriate grouping of assets, is compared to the carrying value to determine whether impairment exists. If an asset is determined to be impaired, the loss is measured based on the difference between the asset's fair value and its carrying value. An estimate of the asset's fair value is based on quoted market prices in active markets, if available. If quoted market prices are not available, the estimate of fair value is based on various valuation techniques, including a discounted value of estimated future cash flows. The Company reports an asset to be disposed of at the lower of its cost less accumulated depreciation or its estimated net realizable value.

Goodwill and Other Intangible Assets—The Company's policy is to test goodwill for impairment on an annual basis or when current facts or circumstances indicate that a potential impairment may exist. Goodwill is tested for impairment at the reporting unit level. A reporting unit represents an operating segment or a component of an operating segment. Goodwill is tested for impairment by either performing a qualitative evaluation or a two-step quantitative test. The qualitative evaluation is an assessment of factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. The Company may elect not to perform the qualitative assessment for some or all reporting units and perform a two-step quantitative impairment test. The Company compares the carrying value of a reporting unit, including goodwill, to the fair value of the unit. If the carrying amount of a reporting unit exceeds its fair value, the Company revalues all assets and liabilities of the reporting unit, excluding goodwill, to determine if the fair value of the net assets is greater than the net assets including goodwill. If the fair value of the net assets is less than the carrying amount of net assets including *goodwill*, impairment has occurred. The Company's estimates of fair value are primarily determined based on a discounted cash flow model. Growth rates for sales and profits are determined using inputs from the Company's annual long-range planning process. The Company also makes estimates of discount rates, perpetuity growth assumptions, market comparables, and other factors. The Company completed its most recent annual goodwill impairment assessment during the third quarter of 2016. No impairment of goodwill was required in 2016, 2015 or 2014.

The Company evaluates the useful lives of its other intangible assets to determine if they are finite or indefinite-lived. Reaching a determination on useful life requires significant judgments and assumptions regarding the future effects of obsolescence, demand, competition, other economic factors (such as the stability of the industry, known technological advances,

legislative action that results in an uncertain or changing regulatory environment, and expected changes in distribution channels), the level of required maintenance expenditures and the expected lives of other related groups of assets. Intangible assets that are deemed to have definite lives are amortized on a straight-line basis over their useful lives. Indefinite-lived intangible assets are tested for impairment at the reporting unit level. No impairment of indefinite-lived intangible assets was required in 2016, 2015 or 2014.

Contingencies—In the ordinary course of business, the Company is subject to loss contingencies such as lawsuits, investigations, government inquiries and claims including, but not limited to, product liability claims, advertising disputes and inquiries, consumer fraud suits, other commercial disputes, premises claims and employment and environmental, health, and safety matters. The Company records accruals for such loss contingencies when it is probable that a liability will be incurred and the amount of loss can be reasonably estimated. The Company does not recognize gain contingencies until realized. Legal costs are expensed as incurred.

Derivatives—Derivatives are used by the Company principally in the management of its foreign currency, interest rate and commodity pricing exposures. The Company records all derivatives on the balance sheet at fair value. The Company does not hold or issue derivatives for speculative purposes.

The Company designates and assigns derivatives as hedges of forecasted transactions, specific assets or specific liabilities. When the hedged assets or liabilities are sold, extinguished or the forecasted transactions being hedged are no longer expected to occur, the Company immediately recognizes the gain or loss on the designated hedging financial instruments in the consolidated statements of earnings. The Company has elected to classify the cash flows from derivative instruments in the same category as the cash flows from the underlying hedged items.

If derivatives are designated as a cash flow hedge, the effective portion of changes in the fair value is temporarily reported in accumulated other comprehensive loss and is recognized in earnings when the hedged item affects earnings or is deemed ineffective; cash flows are classified consistent with the underlying hedged item. The Company assesses hedge effectiveness at inception and on a quarterly basis. These assessments determine whether derivatives designated as qualifying hedges continue to be highly effective in offsetting changes in the cash flows of hedged items. Any ineffective portion of the change in fair value is included in current period earnings. The Company will discontinue cash flow hedge accounting when the forecasted transaction is no longer probable of occurring on the originally forecasted date, or 60 days thereafter, or when the hedge is no longer effective.

If derivatives are designated as a fair value hedge, both the changes in the fair value of the derivatives and of the hedged item attributable to the hedged risk are recognized in the consolidated statements of earnings; cash flows are classified consistent with the underlying hedged item.

Pension and Other Post-employment Benefits—The funded status of the Company's defined pension and other post-employment benefit plans is measured as the difference between the fair value of the plan assets and the benefit obligation. For the defined benefit plans, the benefit obligation is the projected benefit obligation; for any other defined benefit post-employment plans, the benefit obligation is the accumulated post-employment benefit obligation. The net over- or under-funded status is recognized as an asset or a liability on the balance sheet.

Changes in assets or liabilities are recognized in the consolidated statements of earnings upon plan remeasurement in the fourth quarter of each year, or more frequently if a remeasurement occurs. Certain of the Company's pension plans allow participants the option of settling their vested benefits through the receipt of a lump-sum payment. In the period in which lump-sum payments exceed annual service and interest costs, the Company applies settlement accounting

and remeasures the pension obligation, with the resulting gain or loss being recognized immediately.

During 2015, the Company changed the method used to estimate the interest cost components of net periodic benefit cost for defined benefit pension and other post-retirement benefit plans. Historically, the interest cost components were estimated using a single weighted-average discount rate derived from the yield curve used to measure the projected benefit obligation at the beginning of the period. The Company elected to use a full yield curve approach in the estimation of these components of benefit cost by applying the specific spot rates along the yield curve used in the determination of the projected benefit obligation to the relevant projected cash flows. The Company made this change to improve the correlation between projected benefit cash flows and the corresponding yield curve spot rates and to provide a more precise measurement of interest costs. This change does not affect the measurement of total benefit obligations as the change in interest cost is completely offset in the actuarial loss reported in the period. The Company accounted for this change as a change in estimate and, accordingly, accounted for it prospectively starting in the third quarter of 2015. The reduction in interest cost for the year ended December 31, 2015 associated with this change in estimate was approximately $2.0 million.

Shipping and Handling Costs—The Company typically does not charge customers for shipping and handling costs. Shipping and handling costs, including warehousing expenses, were $99.6 million, $114.1 million, and $118.2 million in the years ended December 31, 2016, 2015, and 2014, respectively, and are included in *selling, general and administrative expenses*.

Advertising Costs—Advertising costs are expensed as incurred and were $223.8 million, $218.7 million, and $206.2 million in the years ended December 31, 2016, 2015, and 2014, respectively.

Research and Development—Research and development costs are expensed as incurred.

Stock-Based Compensation—Stock-based compensation expense for stock options is measured based on the estimated grant date fair value and recognized over the vesting period for options that are expected to vest. The Company estimates forfeitures at the time of grant based on historical experience, updated for changes in facts and circumstances, as appropriate, and in subsequent periods if actual forfeitures differ from those estimates. The Company uses the Black-Scholes option-pricing model to value stock options granted. The expected volatility assumption is calculated based principally on the Company's historical volatility, and to a lesser extent, on implied volatility from publicly-traded options on the Company's stock. The historical volatility is calculated over a period of time commensurate with the expected term of the options being valued. The risk-free interest rate assumption is based upon the U.S. Treasury yield curve in effect at the time of grant. The dividend yield assumption is based on the Company's expectation of dividend payouts. The Company has determined that it has enough historical option exercise information to be able to accurately compute an expected term for use as an assumption in the Black-Scholes option pricing model. As such, its computation of expected term was calculated using the Company's historical data.

The Company also grants shares of restricted stock units and performance awards. Restricted stock units generally vest on the third or fourth anniversary of the grant date, and are entitled to dividend equivalent payments during the vesting period. Performance share awards vest based on varying performance, market and service conditions.

Foreign Currency Translation—The statements of earnings of the Company's foreign subsidiaries whose functional currencies are other than the U.S. dollar are translated into U.S. dollars using average exchange rates for the period. The net assets of the Company's foreign subsidiaries whose functional currencies are other than the U.S. dollar are translated into U.S. dollars using exchange rates as of the balance sheet date. The U.S. dollar effects that arise from translating

the net assets of these subsidiaries at changing rates are recorded in the foreign currency translation adjustment account, which is included in *accumulated other comprehensive loss*.

Recently Adopted Accounting Standards—In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statement-Going Concern (Subtopic 205-40)*. This update requires management to assess the Company's ability to continue as a going concern by incorporating and expanding upon certain principles that are currently in U.S. auditing standards. Specifically, the amendments (1) provide a definition of the term substantial doubt, (2) require an evaluation every reporting period including interim periods, (3) provide principles for considering the mitigating effect of management's plans, (4) require certain disclosures when substantial doubt is alleviated as a result of consideration of management's plans, (5) require an express statement and other disclosures when substantial doubt is not alleviated, and (6) require an assessment for a period of one year after the date that the financial statements are issued (or available to be issued). The updated standard was effective for the Company in the annual period ending December 31, 2016. The adoption of this updated standard did not have an impact on the consolidated financial statements.

Recently Issued Accounting Standards—In January 2017, the FASB issued ASU No. 2017-04, *Intangibles-Goodwill and Other (Topic 350)*. This update simplifies goodwill impairment testing by eliminating step two from the goodwill impairment test. Under the updated standard, the Company still has the option to perform its annual, or interim, goodwill impairment test using the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. The quantitative impairment test is to compare the fair value of a reporting unit with its carrying amount and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The updated standard is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed after January 1, 2017. The Company is currently evaluating the effect that the updated standard will have on its consolidated financial statements and related disclosures.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. This update is intended to reduce diversity in practice in the classification of certain cash receipts and payments in the statement of cash flows. The updated standard is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. The Company is currently evaluating the effect that the updated standard will have on its consolidated financial statements and related disclosures.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. This update simplifies several aspects of the accounting for share-based compensation arrangements, including accounting for income taxes, forfeitures and statutory tax withholding requirements as well as classification of related amounts on the statement of cash flows. The Company has evaluated the effect that the updated standard will have on its consolidated financial statements and related disclosures. The Company will recognize excess tax benefits within the consolidated statements of earnings. As this amount is currently recorded as a reduction to additional paid-in capital, this could potentially cause volatility in the Company's earnings and calculation of effective tax rate going forward when employees exercise options and when stock units become vested. The Company will record the excess tax benefit within the operating activities in the statement of cash flows. These amendments will be adopted prospectively with no adjustment to prior periods required. Additionally, the Company will continue to present cash paid for tax withholdings under financing activities within the statements of cash flows and the Company has elected to continue to estimate for forfeitures and to not withhold more than the minimum statutory tax rate. The updated standard is effective for fiscal years beginning after December 15, 2016, with early adoption permitted.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The updated standard requires most leases to be reflected on the balance sheet. It also aligns many of the underlying principles of the new lessor model with those of ASC No. 606, *Revenue from Contracts with Customers*. The updated standard is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. The Company is currently evaluating the effect that the updated standard will have on its consolidated financial statements and related disclosures.

In July 2015, the FASB issued ASU No. 2015-11, *Simplifying the Measurement of Inventory (Topic 330)*. This update simplifies the guidance on the subsequent measurement of inventory. GAAP currently requires an entity to measure inventory at the lower of cost or market. Previously, market could be replacement cost, net realizable value or net realizable value less an approximate normal profit margin. Under the new standard, inventory should be valued at the lower of cost or net realizable value. The updated standard is effective for fiscal years beginning after December 15, 2016, with early adoption permitted. The Company has evaluated the effect that the updated standard will have on its consolidated financial statements and related disclosures. The updated standard will be adopted prospectively. Given the Company has not experienced markdowns of inventory due to lower of cost or market considerations, the impact of implementing the updated standard is not expected to be material.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. In 2016, the FASB issued ASU 2016-08, ASU 2016-10 and ASU 2016-12 to clarify, among other things, the implementation guidance related to principal versus agent considerations, identifying performance obligations, and accounting for licenses of intellectual property. The updated standard and related clarifications will replace most existing revenue recognition guidance in GAAP when it becomes effective and permits the use of either the retrospective or cumulative effect transition method. The updated standard becomes effective for the Company in the first quarter of 2018. The Company is currently evaluating the effect that the updated standard will have on its consolidated financial statements and related disclosures. From the results of the preliminary review, the Company believes the impact of adopting the updated standard primarily relates to the timing of the recognition of variable consideration. Under current guidance, the Company accounts for sales incentives offered to its customers at the later of the date at which the Company has sold the product or the date at which the program is offered. The new guidance requires earlier recognition if the sales incentive is implied by the Company's customary business practice, even if the Company has not yet explicitly communicated its intent to make the payment to the customer. Analysis of the Company's historical and future trends and use of judgment are required. The Company is in the process of quantifying such impact. The Company anticipates using the modified retrospective adoption method.

3 Earnings per Share

The Company uses the two-class method to calculate earnings per share. The numerator for basic and diluted earnings per share is *net earnings attributable to shareholders* reduced by dividends and undistributed earnings attributable to unvested shares. The denominator for basic earnings per share is the weighted-average number of shares outstanding during the period. The denominator for diluted earnings per share is the weighted-average shares outstanding adjusted for the effect of dilutive stock options and performance share awards.

The following table presents the calculation of basic and diluted earnings per share:

	Years Ended December 31		
	2016	2015	2014
(In millions, except per share data)		($m)	
Basic earnings per share:			
Weighted-average shares outstanding	185.5	199.0	202.1
Net earnings attributable to shareholders	544.9	653.5	719.8
Dividends and undistributed earnings attributable to unvested shares	(2.2)	(1.7)	(1.3)
Net earnings attributable to shareholders used for basic earnings per share calculation	542.7	651.8	718.5
Net earnings attributable to shareholders per share	2.93	3.28	3.55
Diluted earnings per share:			
Weighted-average shares outstanding	185.5	199.0	202.1
Incremental shares outstanding assuming the exercise/vesting of dilutive stock options/performance shares	0.3	0.4	0.6
Weighted-average shares—diluted	185.8	199.4	202.7
Net earnings attributable to shareholders	544.9	653.5	719.8
Dividends and undistributed earnings attributable to unvested shares	(2.2)	(1.7)	(1.3)
Net earnings attributable to shareholders used for diluted earnings per share calculation	542.7	651.8	718.5
Net earnings attributable to shareholders per share	2.92	3.27	3.54

Potential shares outstanding from all stock-based awards were 3.4 million, 2.5 million and 2.5 million as of December 31, 2016, 2015 and 2014, respectively, of which 3.1 million, 2.1 million and 1.9 million were not included in the diluted earnings per share calculation for the years ended December 31, 2016, 2015 and 2014, respectively.

4 Income Taxes

The components of earnings before income taxes were:

	Years Ended December 31		
	2016	2015	2014
		($m)	
U.S.	204.4	183.6	92.6
Non-U.S.	508.9	687.6	835.4
Total	713.3	871.2	928.0

The above amounts are categorized based on the applicable taxing authorities.

The provision/(benefit) for income taxes consisted of:

	Years Ended December 31		
	2016	2015	2014
		($m)	
Current:			
U.S. federal	77.4	39.8	53.7
U.S. states	7.7	2.7	4.2
Non-U.S.	132.2	130.1	156.3
Total current income tax expense	217.3	172.6	214.2
Deferred:			
U.S. federal	(34.2)	44.2	(6.9)
U.S. states	(1.6)	3.3	(1.3)
Non-U.S.	(17.5)	(4.2)	(6.8)
Total deferred income tax expense/(benefit)	(53.3)	43.3	(15.0)
Total	164.0	215.9	199.2

Effective Tax Rate—MJN's *provision for income taxes* in the years ended December 31, 2016, 2015 and 2014 was different from the amount computed by applying the statutory U.S. federal income tax rate to earnings before income taxes as a result of the following:

	2016		2015		2014	
	($m)	%	($m)	%	($m)	%
U.S. statutory rate	249.7	35.0	304.9	35.0	324.8	35.0
U.S. state and local taxes (net of federal benefit)	2.9	0.4	4.5	0.5	0.6	0.1
Foreign income taxed at different rates	(22.3)	(3.1)	(36.6)	(4.2)	(32.0)	(3.4)
Repatriation of foreign income	(34.6)	(4.9)	2.2	0.3	—	—
Tax rulings and agreements	(93.7)	(13.1)	(92.8)	(10.6)	(133.7)	(14.4)
Changes in valuation allowances	31.1	4.4	2.2	0.3	0.4	—
Unrecognized tax benefits and related interest/penalties	35.0	4.9	21.7	2.5	22.9	2.5
Other	(4.1)	(0.6)	9.8	1.0	16.2	1.7
Total provision/effective tax rate	164.0	23.0	215.9	24.8	199.2	21.5

The Company negotiated a tax ruling effective from January 1, 2010, under which certain profits in the Netherlands are exempt from taxation through the year ending December 31, 2019. This ruling was superseded by a subsequent tax agreement effective July 26, 2012, whereby the Company and the Dutch tax authorities agreed to the appropriate remuneration attributable to Dutch manufacturing activities through the year ending December 31, 2019.

In addition, the Company negotiated a tax ruling effective from January 1, 2013, under which certain profits in Singapore are eligible for favorable taxation through the year ending December 31, 2027.

Deferred Taxes and Valuation Allowance—The components of deferred income tax assets/(liabilities) were:

	December 31		
	2016	2015	2014
		($m)	
Deferred tax assets:			
Accrued expenses	30.9	25.2	34.4
Accrued rebates and returns	45.2	43.2	48.1
Pension and other post-employment liabilities	35.0	47.6	70.3
Stock-based compensation	22.1	18.2	19.2
Obsolescence reserves and other inventory items	20.9	11.6	12.6
Net operating loss carryforwards	15.7	16.3	14.7
Settlement loss on interest rate forward swaps	15.1	15.6	16.2
Statutory loss on investment in subsidiaries	10.5	6.6	—
State tax credit carryforwards	9.4	8.8	7.2
Intercompany payable write-off	12.5	—	—
Cumulative foreign currency translation adjustments	4.5	—	—
Other—net	9.7	4.9	—
Valuation allowance	(37.6)	(14.8)	(7.7)
Total deferred tax assets	193.9	183.2	215.0
Deferred tax liabilities:			
Depreciation and amortization	(57.0)	(68.0)	(66.6)
Unremitted earnings and cumulative foreign currency translation adjustments	—	(5.4)	(4.2)
Other net	—	—	(5.8)
Total deferred tax liabilities	(57.0)	(73.4)	(76.6)
Deferred tax assets—net	136.9	109.8	138.4
Recognized as:			
Net deferred income tax assets—noncurrent	143.1	118.5	150.4
Net deferred income tax liabilities—noncurrent	(6.2)	(8.7)	(12.0)
Total	136.9	109.8	138.4

During the year ended December 31, 2016 the Company wrote-off a $52.0 million intercompany payable from its Venezuelan subsidiary to its subsidiaries in Mexico and the U.S. (see "—Note 20. Venezuela Currency Matters" for additional information). As a result of this write-off, Mexico and the U.S. realized losses that are either currently tax deductible or tax deductible in the future. A deferred tax asset of $12.5 million has been recorded to reflect the portion of the losses that are deductible in the future.

As of December 31, 2016, the Company had definite-lived and indefinite-lived gross foreign net operating loss ("NOL") carryforwards of $50.8 million. Indefinite-lived NOL carryforwards totaled $44.2 million with the remainder being definite-lived. An immaterial amount of these definite-lived NOL carryforwards will begin to expire in 2017, with the remainder of the definite-lived NOL carryforwards to expire no later than 2020. The valuation allowance recorded for NOL carryforwards is $14.8 million as of December 31, 2016.

As of December 31, 2016, the Company had various definite-lived U.S. state tax credit carryforwards of $9.4 million, net of the federal tax benefit. An immaterial amount of these state tax credit carryforwards will begin to expire in 2017, with the remainder of the state tax credit carryforwards to expire no later than 2026. The valuation allowance recorded for state tax credit carryforwards is $6.0 million, net of the federal tax benefit, as of December 31, 2016.

As of December 31, 2016, the Company incurred a statutory loss on the investment in its Russian business of $42.1 million. This loss will be tax deductible in the Netherlands when the Russian entity is fully liquidated on a tax basis, and a deferred tax asset of $10.5 million has been recorded as of December 31, 2016. The Company expects to utilize $1.6 million of this deferred tax asset, and a valuation allowance of $8.9 million has been recorded for the remainder.

As of December 31, 2016, the Company incurred charges in the amount of $48.9 million related to long-lived asset impairments and other asset write-offs in its Venezuelan business (see "—Note 20. Venezuela Currency Matters" for additional information) for which the Company held a deferred tax asset of $7.9 million. The Company does not expect to utilize any amount of this deferred tax asset, and a full valuation allowance has been recorded.

Income taxes paid net of refunds were $219.3 million, $134.2 million, and $183.7 million in the years ended December 31, 2016, 2015 and 2014, respectively. The income taxes were paid to or received from federal, state and foreign taxing authorities and Bristol-Myers Squibb Company ("BMS") pursuant to the terms of the Amended and Restated Tax Matters Agreement, described below.

As of December 31, 2016, U.S. taxes have not been provided on approximately $2,500 million of foreign earnings as these undistributed earnings have been indefinitely invested offshore. If, in the future, these earnings were to be repatriated to the U.S. additional tax provisions would be required. It is impracticable to determine a precise estimate of the additional provision required. However, the maximum potential estimated U.S. tax liability would be $868.0 million if these earnings were to be repatriated to the United States in such a manner that the entire amount of foreign earnings would be subject to the U.S. statutory tax rate with no U.S. tax relief for foreign taxes already paid. However, the Company has no plans to repatriate these foreign earnings.

The Company's tax returns are routinely audited by federal, state and foreign tax authorities and these tax audits are at various stages of completion at any given time. The Internal Revenue Service ("IRS") has completed examinations of the Company's U.S. income tax filings through December 31, 2007. At December 31, 2016, the Company's 2011 and 2012 U.S. income tax returns were under IRS examination, and the 2009 through 2014 period is under income tax audit in Hong Kong. The Company was notified in early 2016 that the China tax authorities will commence an audit of tax years 2008 through 2014; however, that audit is now expected to commence in early 2017. The Company was also recently notified that the IRS will commence an audit of the 2013 and 2014 U.S. income tax returns in early 2017. At December 31, 2016, tax years remaining open to examination outside the U.S. include 2006 and forward.

A reconciliation of the Company's changes in gross uncertain tax positions is as follows:

	Year Ended December 31		
	2016	**2015**	**2014**
		($m)	
Balance at January 1:	141.2	127.3	102.6
Increases based on current year tax positions	27.6	19.9	26.6
Decreases based on current year tax positions	—	—	—
Increases based on prior year tax positions	5.9	6.5	10.4
Decreases based on prior year tax positions	(3.2)	(5.2)	(1.6)
Settlements	—	(2.0)	—
Lapse of statute of limitations	(7.0)	(3.7)	(9.9)
Cumulative translation adjustment	(0.3)	(1.6)	(0.8)
Balance at December 31:	164.2	141.2	127.3

Uncertain tax positions have been recorded as part of *other liabilities* with a reversal of up to approximately $53 million reasonably possible in the next 12 months due to the running of statutes of limitations and settlements with various taxing authorities, of which up to approximately $28 million would impact the effective tax rate. The amounts of recorded uncertain tax positions that impacted the effective tax rate were $117.1 million, $88.3 million and $69.8 million as of December 31, 2016, 2015 and 2014, respectively. The Company believes that it has provided adequately for all uncertain tax positions. It is reasonably possible that new issues may be raised by tax authorities and that these issues may require increases in the balance of uncertain tax positions.

Interest and penalties related to uncertain tax positions were $35.1 million, $25.8 million and $19.5 million as of December 31, 2016, 2015 and 2014, respectively, and are included as a component of *other liabilities*. The Company classifies interest and penalties related to uncertain tax positions as a component of *provision for income taxes*. The amount of interest and penalties included as a component of provision for income taxes was $9.5 million, $7.0 million and $4.8 million for the years ended December 31, 2016, 2015 and 2014, respectively.

On December 18, 2009, the Company and BMS entered into an Amended and Restated Tax Matters Agreement in anticipation of the separation from BMS. Under the Amended and Restated Tax Matters Agreement, BMS agreed to indemnify the Company for (i) any tax attributable to a MJN legal entity for any taxable period ending on or before December 31, 2008, (ii) any tax arising solely as a result of MJN's 2009 initial public offering ("IPO") and the restructuring preceding the IPO, and (iii) any transaction tax associated with the separation transaction. The Company agreed to indemnify BMS for (i) any tax payable with respect to any separate return that the Company is required to file or cause to be filed, (ii) any tax incurred as a result of any gain which may be recognized by a member of the BMS affiliated group with respect to a transfer of certain foreign affiliates by the Company in preparation for the IPO, and (iii) any tax arising from the failure or breach of any representation or covenant made by the Company which failure or breach results in the intended tax consequences of the separation transaction not being achieved. Additionally, under the Amended and Restated Tax Matters Agreement, the Company continues to maintain responsibility for any tax positions which may exist for any taxable period ending after December 31, 2008.

5 Segment Information

MJN operates in four geographic operating segments: Asia, Europe, Latin America and North America. Based on this operating segmentation, the chief operating decision maker regularly assesses information for decision making purposes, including allocation of resources. Due to similarities between North America and Europe, the Company aggregated these two operating segments into one reportable segment. As a result, the Company has three reportable segments: Asia, Latin America and North America/Europe.

Corporate and Other consists of unallocated global business support activities, including research and development, marketing, supply chain costs, and general and administrative expenses; net actuarial gains and losses related to defined benefit pension and other post-employment plans; and income or expenses incurred within the operating segments that are not reflective of underlying operations and affect the comparability of the operating segments' results.

The Company's products are sold principally to distributors and retailers. Wal-Mart Stores, Inc. (including Sam's Club) accounted for 12%, 12% and 11% of the Company's consolidated gross sales for the years ended December 31, 2016, 2015, and 2014, respectively, primarily in the North America/Europe segment. DKSH International Ltd., a distributor serving primarily Asia, accounted for 14%, 14%, and 16% of the Company's consolidated gross sales for the years ended December 31, 2016, 2015, and 2014, respectively.

The Company's segment, product and geographic results consisted of:

	Net Sales	Earnings Before Interest and Income Taxes	Year-End Assets	Payments for Capital Expenditures	Depreciation and Amortization
Year Ended December 31, 2016			($m)		
Asia	1,856.9	559.3	1,533.3	50.6	38.5
Latin America	643.7	156.7	449.3	27.1	8.9
North America/Europe	1,242.1	380.3	1,687.5	59.0	32.1
Total reportable segments	3,742.7	1,096.3	3,670.1	136.7	79.5
Corporate and Other	—	(277.6)	417.6	12.3	20.1
Total	3,742.7	818.7	4,087.7	149.0	99.6
Year ended December 31, 2015					
Asia	2,039.0	682.0	1,540.2	81.5	35.7
Latin America	757.1	175.2	573.5	18.9	10.0
North America/Europe	1,275.2	361.8	1,495.5	63.0	30.2
Total reportable segments	4,071.3	1,219.0	3,609.2	163.4	75.9
Corporate and Other	—	(282.8)	388.9	10.3	23.2
Total	4,071.3	936.2	3,998.1	173.7	99.1
Year ended December 31, 2014					
Asia	2,278.4	818.7	1,557.9	119.7	31.0
Latin America	867.5	199.0	678.6	26.9	10.7
North America/Europe	1,263.4	291.0	1,081.2	33.6	29.5
Total reportable segments	4,409.3	1,308.7	3,317.7	180.2	71.2
Corporate and Other	—	(320.4)	446.1	6.4	20.4
Total	4,409.3	988.3	3,763.8	186.6	91.6

	Infant Formula	Children's Nutrition	Other	Total
		($m)		
Net Sales				
Year ended December 31, 2016	2,203.9	1,487.2	51.6	3,742.7
Year ended December 31, 2015	2,407.1	1,593.1	71.1	4,071.3
Year ended December 31, 2014	2,537.0	1,788.4	83.9	4,409.3

	United States	China(1)	Mexico	Singapore	Other	Total
			($m)			
Year Ended December 31, 2016						
Net Sales to External Customers(2)	1,034.0	1,138.1	258.0	24.1	1,288.5	3,742.7
Long-Lived Assets	488.8	56.8	105.3	247.7	339.4	1,238.0
Year ended December 31, 2015						
Net Sales to External Customers(2)	1,082.5	1,238.9	281.2	22.9	1,445.8	4,071.3
Long-Lived Assets	467.4	58.3	105.5	260.4	385.6	1,277.2
Year ended December 31, 2014						
Net Sales to External Customers(2)	1,043.3	1,379.7	345.5	30.5	1,610.3	4,409.3
Long-Lived Assets	429.9	62.2	120.2	271.5	398.3	1,282.1

Note:

(1) For purposes of this disclosure, the term China refers to the Company's businesses in mainland China and Hong Kong.

(2) Sales by country are based on the country that sold the product.

6 Restructuring

During the third quarter of 2015, the Company approved a plan to implement a business productivity program referred to as "Fuel for Growth," which is expected to be implemented over a three-year period. Fuel for Growth is designed to improve operating efficiencies and reduce costs. Fuel for Growth is expected to improve profitability and create additional investments behind brand building and growth initiatives. Fuel for Growth focuses on the optimization of resources within various operating functions and certain third-party costs across the business.

A summary of restructuring charges and related reserves associated with Fuel for Growth is as follows:

	Year ended December 31	
	2016	2015
	($m)	
Restructuring Charges		
Cost of Sales		
Contract Termination	—	10.3
Selling, General and Administrative		
Other Costs	—	0.4
Other (Income)/Expenses		
Severance and Employee Benefits	21.9	13.7
Asset Write-off	2.2	0.7
Other Costs	5.1	—
	29.2	25.1

	Severance and Employee Benefits[1]	Contract Termination[2]	Other Costs[3]
		($m)	
Restructuring Reserves			
Balance as of January 1, 2015	—	—	—
Charges	13.7	10.3	0.4
Cash Payments	(4.2)	—	(0.4)
Balance as of December 31, 2015	9.5	10.3	—
Charges	21.9	—	5.1
Cash Payments	(17.2)	—	(2.1)
Balance as of December 31, 2016	14.2	10.3	3.0

Note:

(1) Included in *accrued expenses* on the balance sheet.

(2) Included in *accrued expenses* and *other liabilities* on the balance sheet.

(3) Included in *accounts payable* on the balance sheet.

Restructuring charges are included in *Corporate and Other*. Reserves related to severance and employee benefits and other costs will be paid out during the next twelve months. The contract termination costs will be paid over a period from 2017 to 2019.

7 Employee Stock Benefit Plans

Long Term Incentive Plan—The Company's Long Term Incentive Plan ("LTIP") provides for the grant of stock options, performance share awards, restricted stock units and other stock-based awards. Executive officers and other key employees of MJN, and non-employee directors and others who provide substantial services to MJN, are eligible to be granted awards under the LTIP. Twenty-five million shares of stock were approved and registered with the Securities and Exchange Commission (the "SEC") for grants to participants under the LTIP. The shares reserved may be used for any type of award under the LTIP. Stock-based compensation expense is based on awards ultimately expected to vest. Forfeitures are estimated based on the historical experience of participants in the LTIP since its inception in February 2009.

MJN may grant options to purchase common stock at no less than 100% of the closing market price on the date the option is granted. Stock options generally become exercisable in installments of either 25% per year on each of the first through the fourth anniversaries of the grant date or 33% per year on each of the first through the third anniversaries of the grant date. Stock options have a maximum term of 10 years. Generally, MJN will issue shares for the stock option exercises from treasury stock, if available, or will issue new shares.

MJN may also grant performance share awards, which are granted in the form of a target number of performance shares to be earned and have a three-year performance cycle consisting of three one-year performance periods. The performance share awards have annual goals set at the beginning of each performance period, at which time the awards are considered granted. The maximum payout is 200%. If a certain threshold is not met for a performance period, no payment is made under the plan for that annual period.

MJN may also grant restricted stock units under the LTIP. Restrictions generally expire over a 1-to 4-year period from the date of grant. Stock-based compensation expense is recognized over the restricted period. A restricted stock unit is a right to receive stock at the end of the specified vesting period. A restricted stock unit has non-forfeitable rights to dividend equivalent payments and has no voting rights.

Stock Options—The fair value of stock options granted in 2016, 2015, and 2014 was estimated on the date of grant using the Black-Scholes option pricing model. No stock options with market conditions were granted in 2016, 2015, or 2014. The following assumptions were used in the valuations:

	2016	2015	2014
Expected volatility	26.0%	24.7%	26.3%
Risk-free interest rate	1.2%	1.5%	1.7%
Dividend yield	2.2%	1.6%	1.8%
Expected life	5.0 years	4.9 years	5.5 years

The expected volatility assumption required in the Black-Scholes model was calculated based principally on the Company's historical volatility, and to a lesser extent, on implied volatility from publicly-traded options on the Company's stock. The historical volatility was calculated over a period of time commensurate with the expected term of the options being valued.

The risk-free interest rate assumption in the Black-Scholes model is based upon the U.S. Treasury yield curve in effect at the time of grant. The dividend yield assumption is based on MJN's expectation of dividend payouts. The Company has determined that it has enough historical option exercise information to be able to accurately compute an expected term for use as an assumption in the Black-Scholes option pricing model. As such, its computation of expected term was calculated using the Company's historical data.

Stock option activities were as follows:

	Shares	Weighted Average Exercise Price of Shares	Average Remaining Contractual Term	Aggregate Intrinsic Value
	('000)	*($)*	*(in years)*	*($m)*
Balance—January 1, 2014	1,959	60.12	7.4	46.3
Granted	463	82.31		
Exercised	(652)	56.79		23.5
Forfeited or expired	(46)	72.55		
Balance—December 31, 2014	1,724	67.01	7.3	57.8
Granted	431	102.47		
Exercised	(272)	59.54		9.5
Forfeited or expired	(100)	84.74		
Balance—December 31, 2015	1,783	75.73	7.0	16.6
Granted	1,157	73.87		
Exercised	(216)	70.31		2.8
Forfeited or expired	(156)	85.89		
Balance—December 31, 2016	2,568	74.73	7.3	10.1
Vested—December 31, 2016	1,137	69.34	5.4	10.1
Vested and expected to vest—December 31, 2016	2,530	74.69	7.3	10.1

The weighted-average grant date fair value of stock options granted is $13.88, $20.21 and $17.71 for 2016, 2015 and 2014 respectively.

Cash proceeds received from options exercised during the years ended December 31, 2016, 2015 and 2014 were $15.0 million, $16.2 million and $37.0 million, respectively. The tax benefit realized from stock options exercised was $0.8 million in 2016, $3.4 million in 2015 and $8.3 million in 2014.

At December 31, 2016, total unrecognized compensation cost related to stock options of $9.9 million is expected to be recognized over a weighted average period of 1.9 years.

Performance Share Awards—The fair value of performance share awards is based on the closing market price of MJN's stock on the date of the grant, discounted using the risk-free interest rate as the awards do not participate in dividends. Information related to performance share awards activity is summarized as follows:

Grant Year	Performance Cycle Measurement Date	Shares Granted and Earned (in thousands)	Weighted-Average Grant-Date Fair Value	Performance Shares Outstanding at December 31, 2016 (in thousands)
2016	Annually on 12/31	151	70.34	109
2015	Annually on 12/31	144	101.03	0
2014	Annually on 12/31	156	78.64	60

Shares granted and earned in the table above assumes 100% plan performance adjusted for forfeitures. Performance shares outstanding at December 31, 2016 is adjusted for actual plan achievement level for each completed performance period. Company performance in 2015 was below the minimum threshold for shares to be earned. At December 31, 2016, total unrecognized compensation cost related to the performance share awards outstanding of $2.3 million is expected to be recognized over a weighted average period of 1.5 years.

Restricted Stock Units—The fair value of restricted stock units is determined based on the closing market price of MJN's common stock on the grant date. A summary of restricted stock unit activity is as follows:

	Shares	Weighted-Average Grant Date Fair Value
	('000)	*($)*
Nonvested restricted stock units—January 1, 2014	423	61.59
Granted	235	83.91
Vested (includes cash settled)	(153)	44.36
Forfeited	(17)	76.11
Nonvested restricted stock units—December 31, 2014	488	77.21
Granted	205	101.11
Vested (includes cash settled)	(149)	69.55
Forfeited	(47)	83.97
Nonvested restricted stock units—December 31, 2015	497	88.81
Granted	384	74.51
Vested (includes cash settled)	(102)	85.49
Forfeited	(80)	83.63
Nonvested restricted stock units—December 31, 2016	699	81.93

At December 31, 2016, total unrecognized compensation cost related to nonvested restricted stock units was $31.3 million and is expected to be recognized over a weighted average period of 2.4 years.

Stock-Based Compensation Expense—The following table summarizes stock-based compensation expense related to stock options, performance share awards and restricted stock units for the years ended December 31, 2016, 2015 and 2014:

	Years Ended December 31,		
	2016	2015	2014
		($m)	
Stock options	11.7	7.6	7.0
Performance share awards	6.8	5.8	12.7
Restricted stock units	16.1	13.0	10.7
Total pre-tax stock-based compensation expense	34.6	26.4	30.4
Net tax benefit related to stock-based compensation expense	(11.6)	(8.8)	(10.5)

Stock-based compensation expense was recognized in the consolidated statements of earnings as follows:

	Years Ended December 31,		
	2016	2015	2014
		($m)	
Cost of products sold	4.3	2.7	3.0
Selling, general and administrative	27.2	21.3	24.4
Research and development	3.1	2.4	3.0
Total stock-based compensation expense	34.6	26.4	30.4

There were no costs related to stock-based compensation that were capitalized.

8 Pension and Other Post-Employment Benefit Plans

The principal pension plan is the Mead Johnson & Company Retirement Plan in the United States ("U.S. Pension Plan") which represents approximately 87% and 71% of the Company's total pension and other post-employment assets and obligations, respectively. The benefits of this plan are frozen as of February 9, 2014. The Company also provides comprehensive medical and group life benefits for substantially all U.S. and Canadian retirees who elect to participate. The retiree medical plan is contributory and participation is limited to those employees who participate in their respective country's pension plan. Contributions are adjusted periodically and vary by date of retirement. The retiree life insurance plan is non-contributory.

Changes in benefit obligations, plan assets, funded status and amounts recognized in the balance sheet were as follows:

	Pension Benefits			Other Benefits		
	2016	2015	2014	2016	2015	2014
		($m)			($m)	
Beginning benefit obligations	366.6	388.9	404.0	48.6	51.6	32.6
Service cost—benefits earned during the year	2.8	2.9	4.8	1.1	1.3	0.9
Interest cost on projected benefit obligations	11.2	13.0	15.8	1.8	2.0	1.5
Actuarial assumptions (gains)/losses	(1.8)	(3.0)	44.9	(0.2)	(5.5)	17.2
Settlements and curtailments	(42.5)	(25.9)	(74.2)	—	—	—
Benefits paid	(3.9)	(4.7)	(2.8)	(0.1)	(0.5)	(0.4)
Exchange rate changes	(2.2)	(4.6)	(3.6)	0.1	(0.3)	(0.2)
Benefit obligations at end of year	330.2	366.6	388.9	51.3	48.6	51.6
Beginning fair value of plan assets	284.5	231.1	276.1	—	—	—
Actual return on plan assets	22.5	(2.1)	20.7	—	—	—
Employer contributions	19.2	89.6	4.8	0.1	0.5	0.4
Settlements	(42.5)	(25.9)	(65.1)	—	—	—
Benefits paid	(3.9)	(4.7)	(2.8)	(0.1)	(0.5)	(0.4)
Exchange rate changes	(0.8)	(3.5)	(2.6)	—	—	—
Fair value of plan assets at end of year	279.0	284.5	231.1	—	—	—
Underfunded status at end of year	(51.2)	(82.1)	(157.8)	(51.3)	(48.6)	(51.6)
Amounts in the consolidated balance sheets include:						
Other assets	3.4	3.3	1.7	—	—	—
Current liabilities	(1.7)	(1.6)	—	—	—	—
Pension and other post-employment liabilities	(52.9)	(83.8)	(159.5)	(51.3)	(48.6)	(51.6)
Balance in the consolidated balance sheet at end of year	(51.2)	(82.1)	(157.8)	(51.3)	(48.6)	(51.6)
Amounts in accumulated other comprehensive loss include:						
Prior service/(benefit) and Transition Obligation	0.9	0.9	0.9	(0.1)	(0.1)	(0.2)
Balance in accumulated other comprehensive loss at end of year	0.9	0.9	0.9	(0.1)	(0.1)	(0.2)
Accumulated benefit obligation	320.2	354.9	353.4	51.3	48.6	51.6

The Company's defined benefit pension and other post-employment benefit plans with an accumulated benefit obligation in excess of plan assets were as follows:

	Years Ended December 31,		
	2016	2015	2014
		($m)	
Projected benefit obligation	352.3	386.8	409.0
Accumulated benefit obligation	349.3	383.2	405.0
Fair value of plan assets	246.5	253.1	197.1

The net periodic benefit cost of the Company's defined benefit pension and other post-employment benefit plans includes:

	Pension Benefits			Other Benefits		
	Years Ended December 31,			Years Ended December 31,		
	2016	2015	2014	2016	2015	2014
	($m)					
Service cost — benefits earned during the period	2.8	2.9	4.8	1.1	1.3	0.9
Interest cost on projected benefit obligations	11.2	13.0	15.8	1.8	2.0	1.5
Expected return on pension plan assets	(16.9)	(14.7)	(15.7)	—	—	—
Amortization of prior service/(benefit)	0.1	—	—	(0.1)	—	0.2
Amortization of transition cost	—	0.1	0.1	—	—	—
Net periodic benefit cost	(2.8)	1.3	5.0	2.8	3.3	2.6
Curtailments	—	—	(5.4)	—	—	—
Net actuarial (gains)/losses	(7.2)	13.7	39.7	(0.2)	(5.5)	17.2
Total net periodic expense/(benefit)	(10.0)	15.0	39.3	2.6	(2.2)	19.8

Actuarial Assumptions

Weighted-average assumptions used to determine benefit obligations are established as of the balance sheet date and were as follows:

	Pension Benefits			Other Benefits		
	Years Ended December 31,			Years Ended December 31,		
	2016	2015	2014	2016	2015	2014
Discount rate	4.11%	4.32%	3.98%	4.19%	4.47%	4.08%
Rate of compensation increase	5.70%	6.09%	3.24%	4.00%	4.00%	3.06%

The discount rate was determined based on the yield to maturity of high-quality corporate bonds and considering the duration of the pension plan obligations. The Aon Hewitt AA Above Median yield curve is used in developing the discount rate for the U.S. Pension Plan. Compensation rate increases represent the weighted average of plans that are not frozen and therefore excludes the U.S. Pension Plan.

Weighted-average assumptions used to determine net periodic benefit cost are established at the beginning of the plan year and were as follows:

	Pension Benefits			Other Benefits		
	Years Ended December 31,			Years Ended December 31,		
	2016	2015	2014	2016	2015	2014
Discount rate	4.32%	3.98%	4.08%	4.44%	4.08%	4.98%
Expected long-term return on plan assets	5.99%	6.25%	6.16%	—%	—%	—%
Rate of compensation increase	5.90%	3.24%	3.22%	4.00%	2.83%	3.08%

The discount rate used to determine periodic service cost and interest costs of the overall benefit costs for the year ending December 31, 2017 will be based on spot rates derived from the same high-quality corporate bond yield curve used to determine the December 31, 2016 benefit obligation matched with separate cash flows for each future year.

The expected long-term return on plan assets was determined based on the target asset allocation, expected rate of return by each asset class and estimated future inflation. For the U.S. Pension Plan, the expected long-term return on plan assets assumption to be used to determine net periodic benefit costs for the year ending December 31, 2017 is 6.20%.

Assumed health care cost trend rates were as follows:

	December 31,		
	2016	2015	2014
Health care cost trend rate assumed for next year	7.5%	7.6%	6.7%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	4.5%	4.5%	4.5%
Year that the rate reaches the ultimate trend rate	2025	2024	2024

Assumed health care cost trend rates affect the amounts reported for the retiree medical plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	1-Percentage-Increase	1-Percentage-Decrease
	($m)	($m)
Effect on total of service and interest cost	—	—
Increase/(decrease) in post-employment benefit obligation	0.6	(0.5)

Plan Assets

The Company's investment strategy for the U.S. Pension Plan assets consists of a mix of equities and fixed income in order to achieve returns over a market cycle which reduces contribution and expense at an acceptable level of risk. The target asset allocation as of December 31, 2016 was 50% public equity and 50% fixed income. Cash flow (i.e., cash contributions, benefit payments) is used to rebalance back to the targets as necessary. Investments are well diversified within each of the two major asset categories. All of the U.S. equity investments are actively managed. Investment strategies for international pension plans are typically similar, although the asset allocations are usually more conservative.

The fair values of the Company's pension plan assets by asset category were as follows:

	December 31, 2016		December 31, 2015		December 31, 2014	
	Total	Level 1	Total	Level 1	Total	Level 1
			($m)			
Cash and cash equivalents	21.0	21.0	11.1	11.1	8.4	8.4
Equity securities:						
U.S. large-cap	45.6	—	38.1	—	37.2	—
U.S. small-cap growth	4.3	—	5.5	—	4.9	—
Emerging markets	15.8	—	14.3	—	12.7	—
Real estate investment trusts	15.0	—	6.8	—	6.1	—
International large-cap value	31.7	—	48.2	—	45.1	7.5
Hedge fund	13.4	—	12.7	—	15.5	—
Fixed income securities:						
Government bonds	42.3	—	48.1	—	40.2	—
Corporate bonds	85.8	—	94.7	—	55.5	—
Emerging markets	4.1	—	5.0	—	5.5	—
Total	279.0	21.0	284.5	11.1	231.1	15.9

Level 1 cash and cash equivalents, which excluded money market funds, are recorded at closing prices in active markets. Money market, equity, and fixed income funds recorded at the net asset values per share, which were determined based on quoted market prices of the underlying assets contained within the funds are excluded from the fair value hierarchy. The hedge fund is recorded at the net asset value per share, which was derived from the underlying funds' net asset values per share; this diversified hedge fund may be redeemed quarterly with 60 days notice.

Contributions

The Company is not required to make contributions to its U.S. Pension Plan in 2017. However, the intention is to fund the plan to avoid potential benefit restrictions and penalties, therefore, an estimated $5.0 million is expected to be contributed in 2017 to the U.S. Pension Plan. Furthermore, the Company plans to fund current service and past service liabilities for other pension plans. There is not expected to be any cash funding for other post-employment benefit plans in 2017, except funding to cover benefit payments. MJN contributed $19.3 million, $90.1 million and $5.2 million to its pension and other post-employment benefit plans in 2016, 2015 and 2014, respectively.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

	Pension Benefits	Other Benefits
	($m)	
2017	32.7	2.5
2018	29.5	2.9
2019	28.9	3.2
2020	29.1	3.4
2021	25.1	3.6
Years 2022 – 2026	111.4	18.5

Lump Sum Settlements

A lump sum settlement window was offered to approximately 300 terminated, vested participants in the U.S. Pension Plan. This window expired on September 30, 2016 and approximately 40% of these participants accepted the offer. Payments to participants who accepted the offer were made in the fourth quarter of 2016 and totaled $15.7 million. This amount is included in the Settlements and curtailments line of the table above which details the changes in benefit obligations, plan assets, funded status and amounts recognized in the balance sheet. There was no impact to the Company's results of operations related to this settlement.

Defined Contribution Benefits

Employees who meet certain eligibility requirements may participate in various defined contribution plans. Total cost recognized for all defined contribution benefit plans was $22.2 million, $23.4 million and $22.5 million for the years ended December 31, 2016, 2015 and 2014, respectively.

9 Redeemable Noncontrolling Interest

On March 15, 2012, the Company acquired 80% of the outstanding capital stock of Nutricion para el Conosur S.A. ("Nutricion") which manufactures, distributes and sells infant formula and children's nutrition products in Argentina under the SanCor Bebé and Bebé Plus brands (the "Argentine Acquisition"). Under the terms of an agreement related to the Argentine Acquisition, the noncontrolling interest owner had the right to require MJN to purchase (the "Put Right") its remaining 20% interest or to sell (the "Call Right") up to an additional 20% of the outstanding capital stock of Nutricion. The Put Right was to be exercisable once from September 15, 2015 to September 15, 2018 and the decision to exercise was not within the control of MJN. The price paid upon exercise was to be determined based on established multiples of sales and earnings of the acquired business. As a result of the Put Right, the noncontrolling interest was presented as *redeemable noncontrolling interest* outside of *equity* on the balance sheet. Accretion to the redemption value of the Put Right was being recognized through equity using an interest method over the period from March 2012 to June 2015.

On June 30, 2015, the Company acquired an additional 10% of the outstanding capital stock of Nutricion, thereby increasing MJN's ownership interest to 90%. The agreed upon purchase price paid to the noncontrolling interest owner was $24.4 million as of June 30, 2015 (based upon the agreed local currency price). In agreeing the purchase price for the incremental 10%, consideration was given to the previously agreed formula included in the Put Right as well as the fair value of the Nutricion business. The purchase price was settled during the second and third quarters of 2015. Following the impact of foreign exchange, the cash outflow associated with the acquisition was $24.2 million.

As a result of the transaction, the noncontrolling interest owner no longer has a Put Right and the Call Right was amended. The amended Call Right gives the noncontrolling interest owner the right to require MJN to sell up to 10% of the outstanding capital stock of Nutricion, exercisable from June 30, 2015 to June 30, 2022. Due to the termination of the Put Right, the remaining noncontrolling interest was recharacterized from *redeemable noncontrolling interest* outside of *equity* to *noncontrolling interests* within *equity* on the balance sheet beginning on June 30, 2015.

10 Noncontrolling Interests

Net earnings attributable to noncontrolling interests consists of approximately 11%, 10% and 10% interests held by third parties in operating entities in China, Argentina and Indonesia, respectively.

See "—Note 19. Equity" for further discussion of Argentinian noncontrolling interest.

11 Other (Income)/Expenses—Net

The components of *other (income)/expenses*—net were:

	Years Ended December 31,		
	2016	2015	2014
		($m)	
Venezuela long-lived asset impairments	45.9	—	—
Foreign exchange (gains)/losses—net	18.8	6.3	0.5
Restructuring, severance and other related costs—net	29.1	18.0	1.3
(Gain)/loss on asset disposals	—	9.0	—
Marketable securities (gain)/loss	—	(5.6)	—
Gain on sale of investment	—	—	(4.0)
Pension curtailment (gain)/loss	—	—	(5.4)
Legal, settlements and other—net	(1.7)	11.3	(4.7)
Other (income)/expenses—net	92.1	39.0	(12.3)

During the first quarter of 2016, the Company recognized impairment charges of $45.9 million on long-lived assets of its Venezuelan subsidiary. See "—Note 20. Venezuela Currency Matters" for additional information.

Foreign exchange (gains)/losses—net includes the re-measurement of U.S. dollar denominated intercompany loans, payables, and royalties as well as foreign currency devaluation and transactional foreign exchange gains recognized in the Company's Venezuelan subsidiary. The re-measurement of the intercompany payable from the Venezuelan subsidiary to subsidiaries in Mexico and the U.S. resulted in a $7.7 million gain during the year ended December 31, 2016. Currency devaluation within Venezuela resulted in losses of $32.9 million, $2.3 million and $6.1 million for the years ended December 31, 2016, 2015 and 2014, respectively. Transactional foreign exchange gains were $3.4 million, $2.4 million and $14.0 million for the years ended December 31, 2016, 2015 and 2014. See "—Note 20. Venezuela Currency Matters" for additional information.

For the years ended December 31, 2016 and 2015, restructuring, severance and other costs—net included $29.2 million and $13.7 million, respectively, of restructuring costs associated with the Fuel for Growth program. See "—Note 6. Restructuring" for additional information.

For the year ended December 31, 2015, (gain)/loss on asset disposals related to fixed asset write-offs as the Company optimized its supply chain network in Asia. The marketable securities (gain)/loss for the year ended December 31, 2015 is described further in "—Note 18. Marketable Securities." Legal, settlements, and other—net included payments made in connection with the SEC settlement disclosed by the Company in July 2015.

Foreign exchange (gains)/losses losses-net for the year ended December 31, 2014 included a gain of $14.0 million, as a result of the Company's exchange of Bolivares Fuertes for U.S. dollars through a Venezuelan government exchange at a rate more favorable than the rate used to remeasure net monetary assets of is Venezuelan subsidiary. In addition, foreign exchange (gains)/losses – net included a $6.1 million loss related to the Company's February 2014 adoption of a new exchange rate for purposes of remeasuring the monetary assets and liabilities of its Venezuelan subsidiary. See "—Note 20. Venezuela Currency Matters" for additional information.

12 Receivables

The major categories of receivables were as follows:

	December 31,		
	2016	2015	2014
		($m)	
Trade receivables	320.6	296.7	340.3
Miscellaneous receivables	52.8	51.2	57.1
Less allowances	(4.4)	(5.4)	(9.6)
Receivables — net	369.0	342.5	387.8

13 Inventories — net

The major categories of inventories were as follows:

	December 31,		
	2016	2015	2014
		($m)	
Finished goods	262.9	251.7	286.9
Work in process	64.1	70.3	88.9
Raw and packaging materials	146.5	162.9	179.7
Inventories — net	473.5	484.9	555.5

14 Long-Lived Assets

Property, Plant and Equipment – net

The major categories of *property, plant and equipment – net* were as follows:

	December 31,		
	2016	2015	2014
		($m)	
Land	8.1	12.3	12.5
Buildings and improvements	739.8	729.6	719.8
Machinery, equipment and fixtures	823.9	786.5	736.6
Construction in progress	110.4	123.6	93.3
Accumulated depreciation	(733.6)	(688.0)	(649.5)
Property, plant and equipment—net	948.6	964.0	912.7

During the year ended December 31, 2016, the Company recognized an impairment charge of $45.9 million on long-lived assets of its Venezuelan subsidiary. See "—Note 20. Venezuela Currency Matters" for additional information.

For the year ended December 31, 2016, both buildings and improvements and machinery, equipment and fixtures increased primarily due to the Company's investments in North America and Asia manufacturing sites. Depreciation expense was $85.3 million, $83.7 million and $75.9 million for the years ended December 31, 2016, 2015 and 2014, respectively, and is primarily included in *costs of products sold*. Interest capitalized during the year was $1.0 million, $0.5 million and $1.5 million for the years ended December 31, 2016, 2015 and 2014, respectively.

The Company's liability for asset retirement obligations was $7.9 million, $7.3 million and $6.5 million at December 31, 2016, 2015 and 2014, respectively.

Other Intangible Assets – net

The gross carrying value and accumulated amortization by class of *other intangible assets-net* were as follows:

	As of December 31, 2016			As of December 31, 2015			As of December 31, 2014		
	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Gross Carrying Amount	Accumulated Amortization	Net Book Value
					($m)				
Indefinite-lived intangible assets									
Trademark[1]	14.4	—	14.4	16.9	—	16.9	26.0	—	26.0
Non-compete agreement[1]	2.8	—	2.8	3.3	—	3.3	5.1	—	5.1
Total	17.2	—	17.2	20.2	—	20.2	31.1	—	31.1
Amortizable intangible assets									
Computer software	145.4	(117.3)	28.1	136.7	(103.0)	33.7	130.3	(87.8)	42.5
Distributor-customer relationship[2] 10 year life	1.4	(0.7)	0.7	1.6	(0.6)	1.0	2.5	(0.7)	1.8
Total	146.8	(118.0)	28.8	138.3	(103.6)	34.7	132.8	(88.5)	44.3
Total other intangible assets	164.0	(118.0)	46.0	158.5	(103.6)	54.9	163.9	(88.5)	75.4

Note:

(1) Changes in balances result from currency translation.

(2) Changes in balances result from currency translation and amortization (10 year life).

Amortization expense for other intangible assets was $14.3 million, $15.4 million and $15.7 million for the years ended December 31, 2016, 2015 and 2014, respectively.

Expected amortization expense related to intangible assets is as follows:

	Years ending December 31,
	($m)
2017	13.1
2018	6.2
2019	3.3
2020	2.8
2021	2.2
Thereafter	1.1

Non-Cash Activity

Capital expenditures and the cash outflow for capital expenditures were as follows:

	Capital expenditures	Cash outflow for capital expenditures	Increase/ (Decrease) in capital expenditures not paid
		($m)	
Year ended December 31, 2016	142.4	149.0	(6.6)
Year ended December 31, 2015	179.0	173.7	5.3
Year ended December 31, 2014	149.0	186.6	(37.6)

15 Goodwill

For the years ended December 31, 2016, 2015 and 2014, the change in the carrying amount of *goodwill* by reportable segment was as follows:

	Asia	Latin America	North America/ Europe	Total
		($m)		
Balance as of January 1, 2014	—	177.8	19.0	196.8
Translation adjustments	—	(34.1)	—	(34.1)
Balance as of December 31, 2014	—	143.7	19.0	162.7
Translation adjustments	—	(36.7)	—	(36.7)
Balance as of December 31, 2015	—	107.0	19.0	126.0
Translation adjustments	—	(17.1)	—	(17.1)
Balance as of December 31, 2016	—	89.9	19.0	108.9

As of December 31, 2016, 2015 and 2014, the Company had no accumulated impairment loss.

16 Debt

Short-Term Borrowings

As of December 31, 2016, 2015 and 2014, the Company had *short-term borrowings* of $3.9 million, $3.0 million and $4.1 million, respectively, which consisted primarily of borrowings made by its subsidiary in Argentina. The short-term borrowings in Argentina had a weighted-average interest rate of 29.3% as of December 31, 2016.

Term Loan Agreement

During the year ended December 31, 2015, the Company entered into a $1,000.0 million short-term loan agreement (the “Term Loan Agreement”) with various financial institutions, including Citibank, N.A., as Syndication Agent, and JPMorgan Chase Bank, N.A. (“JPMCB”), as Administrative

Agent. The Term Loan Agreement was unsecured and all loans thereunder were payable at maturity in April 2016. The amounts borrowed under the Term Loan Agreement were used to fund repurchases of common stock pursuant to an accelerated share repurchase agreement described in "—Note 19. Equity." Following the offering of $750.0 million of 3.0% Senior Notes due November 15, 2020 ("2020 Notes") and $750.0 million of 4.125% Senior Notes due November 15, 2025 ("2025 Notes"), further discussed below, the Company repaid all borrowings under the Term Loan Agreement and terminated the Term Loan Agreement during the year ended December 31, 2015. The payoff amount of $1,000.3 million included principal, accrued and unpaid interest and a facility fee.

Revolving Credit Facility Agreement

The Company has an unsecured, five-year revolving credit facility agreement (the "Revolving Credit Facility") which is repayable at maturity in June 2019, subject to annual extensions if a sufficient number of lenders agree. The maximum amount of outstanding borrowings and letters of credit permitted at any one time under the Revolving Credit Facility is $750.0 million, which may be increased from time to time up to $1,000.0 million at the Company's request, subject to obtaining additional commitments and other customary conditions. The Revolving Credit Facility contains financial covenants, whereby the ratio of consolidated adjusted total debt to consolidated Earnings Before Interest Income Taxes, Depreciation and Amortization ("EBITDA") cannot exceed 3.50 to 1.00, and the ratio of consolidated EBITDA to consolidated interest expense cannot be less than 3.00 to 1.00. The Company was in compliance with these financial covenants as of December 31, 2016.

Borrowings under the Revolving Credit Facility bear interest at a rate that is determined as a base rate plus a margin. The base rate is either (a) LIBOR for a specified interest period or (b) a floating rate based upon JPMorgan Chase Bank's prime rate, the Federal Funds rate or LIBOR. The margin is determined by reference to the Company's credit rating. The margin can range from 0% to 1.375% over the base rate. In addition, the Company incurs an annual 0.125% facility fee on the entire facility commitment of $750.0 million.

There were no borrowings under the Revolving Credit Facility during the year ended December 31, 2016. During the year ended December 31, 2015, the Company had borrowings and repayments of $446.0 million under the Revolving Credit Facility. Such borrowings were used to repurchase shares of the Company's common stock and for general corporate purposes, and were repaid following the issuance of the 2020 Notes and 2025 Notes, described below. As of December 31, 2016, 2015 and 2014, the Company had no borrowings under the Revolving Credit Facility and the Company had $750.0 million available at December 31, 2016.

Long-Term Debt

As of December 31, 2016, 2015 and 2014, respectively, the components of *long-term debt* were as follows:

	December 31,		
	2016	2015	2014
		($m)	
Principal Value:			
4.900% Notes due 2019 ("2019 Notes")	700.0	700.0	700.0
3.000% Notes due 2020 ("2020 Notes")	750.0	750.0	—
4.125% Notes due 2025 ("2025 Notes")	750.0	750.0	—
5.900% Notes due 2039 ("2039 Notes")	300.0	300.0	300.0
4.600% Notes due 2044 ("2044 Notes")	500.0	500.0	500.0
Sub-total	3,000.0	3,000.0	1,500.0

	December 31,		
	2016	2015	2014
		($m)	
Adjustments to Principal Value:			
Unamortized basis adjustment for settled interest rate swaps	5.1	7.0	8.8
Unamortized bond discount	(4.3)	(4.8)	(4.0)
Unamortized debt issuance costs	(19.4)	(21.6)	(11.1)
Fair-value interest rate swaps	(5.2)	0.4	(0.9)
Long-term debt	2,976.2	2,981.0	1,492.8

During the year ended December 31, 2015, the Company issued and sold the 2020 Notes and 2025 Notes at a public offering price of 99.902% and 99.958%, respectively. The Company received net proceeds of $1,487.7 million from the sale of both the 2020 Notes and 2025 Notes, after deducting underwriters' discounts and offering costs. Interest is payable on each of the 2020 Notes and 2025 Notes on May 15 and November 15 of each year. Proceeds from the 2020 Notes and 2025 Notes were used to repay borrowings under the Term Loan Agreement and borrowings under the Revolving Credit Facility.

During the years ended December 31, 2015 and 2014, the Company entered into a series of fair value interest rate swaps that effectively convert the Company's 2019 Notes and 2020 Notes from a fixed rate structure to a floating rate structure. See "—Note 17. Derivatives" for a discussion of the fair value swaps.

During the year ended December 31, 2014, the Company issued and sold $500.0 million of 2044 Notes at a public offering price of 99.465% ("2044 Notes"). Net proceeds from the sale of the 2044 Notes, after deducting underwriters' discounts and offering expenses, were $492.0 million. Interest on the 2044 Notes is payable semi-annually on June 1 and December 1 of each year. Proceeds from the 2044 Notes, together with cash on hand, were used to redeem the $500.0 million of 3.50% Notes due in 2014 ("2014 Notes"), as described below.

During the year ended December 31, 2014, the Company redeemed all of its 2014 Notes. The redemption price, which was calculated in accordance with the terms of the 2014 Notes and included principal plus a make-whole premium, was $503.5 million.

Using quoted prices in markets that are not active, the Company determined that the fair value of its long-term debt was $3,092.5 million (Level 2) as of December 31, 2016.

The Company's long-term debt may be prepaid at any time, in whole or in part, at a redemption price equal to the greater of par value or an amount calculated based upon the sum of the present values of the remaining scheduled payments. Upon a change of control, the Company may be required to repurchase the notes for an amount equal to 101% of the then-outstanding principal amount plus accrued and unpaid interest. Interest on the notes are due semi-annually and the notes are not subject to amortization.

The components of interest expense-net were as follows:

	Years Ended December 31,		
	2016	2015	2014
		($m)	
Interest expense	118.7	74.6	69.9
Interest income	(13.3)	(9.6)	(9.6)
Interest expense-net	105.4	65.0	60.3
Interest payments, net of amounts related to interest rate swaps	120.2	66.6	72.5

The increase in *interest expense-net* during the year ended December 31, 2016 was driven by interest expense on the November 2015 issuance of the 2020 Notes and the 2025 Notes, the proceeds of which were used primarily to fund purchases of common stock pursuant to an accelerated share repurchase agreement. See "—Note 19. Equity" for additional information.

17 Derivatives

The Company is exposed to market risk due to changes in foreign currency exchange rates, commodities pricing and interest rates. To manage that risk, the Company enters into certain derivative financial instruments, when available on a cost-effective basis, to hedge its underlying economic exposure. The Company does not enter into derivatives for speculative purposes. These financial instruments are classified as Level 2 in the fair value hierarchy at December 31, 2016, 2015 and 2014, and there were no transfers between levels in the fair value hierarchy during the periods then ended.

The following table summarizes the fair value of the Company's outstanding derivatives:

	Hedge Designation	Balance Sheet Location	December 31, 2016	December 31, 2015	December 31, 2014
				($m)	
Foreign exchange contracts	Cash Flow	Prepaid expenses and other assets	10.9	6.4	13.0
Interest rate forward swaps	Fair Value	Other assets	1.1	3.9	—
Foreign exchange contracts	Cash Flow	Accrued expenses	(0.2)	(0.9)	(0.2)
Interest rate forward swaps	Fair Value	Other liabilities	(6.3)	(3.5)	(0.9)
Commodity contracts	Cash Flow	Accrued expenses	—	(0.2)	(0.8)
Net asset/(liability) of derivatives designated as hedging items			5.5	5.7	11.1

While certain derivatives are subject to netting arrangements with the Company's counterparties, the Company does not offset derivative assets and liabilities within the consolidated balance sheets presented herein.

The Company's derivative financial instruments present certain market and counterparty risks; however, concentration of counterparty risk is mitigated as the Company deals with a variety of major banks worldwide whose long-term debt at hedge inception is rated A- or higher by Standard & Poor's Rating Service, Fitch Ratings or Moody's Investors Service, Inc. In addition, only conventional derivative financial instruments are used. The Company would not be materially impacted if any of the counterparties to the derivative financial instruments outstanding at December 31, 2016 failed to perform according to the terms of its agreement. Based upon the risk profile of the Company's portfolio, MJN does not require collateral or any other form of securitization to be furnished by the counterparties to its derivative financial instruments.

Cash Flow Hedges

As of December 31, 2016, 2015 and 2014, the Company has cash flow hedges which qualify as hedges of forecasted cash flows, with the effective portion of changes in fair value temporarily reported in *accumulated other comprehensive income (loss)*. During the period that the underlying hedged transaction impacts earnings, the effective portion of the changes in the fair value of the cash flow hedges is recognized within earnings. The Company assesses effectiveness at inception and on a quarterly basis. These assessments determine whether

derivatives designated as qualifying hedges continue to be highly effective in offsetting changes in the cash flows of hedged items. Any ineffective portion of the change in fair value is included in current period earnings. Cash flow hedges are valued using quoted prices in markets that are not active.

The Company will discontinue cash flow hedge accounting when the forecasted transaction is no longer probable of occurring on the originally forecasted date, or 60 days thereafter, or when the hedge is no longer effective. For the year ended December 31, 2016, the Company discontinued cash flow hedge accounting for an insignificant number of hedges with an immaterial net impact to the income statement as the underlying transactions were no longer probable. For the years ended December 31, 2015 and 2014, the Company did not discontinue any cash flow hedges.

Foreign Exchange Contracts

The Company uses foreign exchange contracts to hedge forecasted transactions, primarily foreign currency denominated intercompany purchases anticipated in the next 15 months and designates these derivative instruments as foreign currency cash flow hedges when appropriate. When the underlying intercompany purchases impact the Company's consolidated earnings, the effective portion of the hedge is recognized within *cost of products sold*, and ineffectiveness related to the Company's foreign exchange hedges on earnings is recognized within *other (income)/expenses – net*. The ineffective portion of the hedges was $1.2 million and $0.9 million for the years ended December 31, 2016 and 2015, respectively, and insignificant for year ended December 31, 2014.

The table below summarizes the Company's outstanding foreign exchange forward contracts at December 31, 2016. The fair value of foreign exchange forward contracts should be viewed in relation to the fair value of the underlying hedged transactions and the overall reduction in exposure to fluctuations in foreign currency exchange rates.

	Weighted-average Forward Rate	Notional Amount	Fair Value Asset	Maturity
		($m)	*($m)*	
Foreign exchange contracts:				
Cash flow hedges:				
Canadian dollar	1.31	64.2	1.4	2017
Mexican peso	19.40	61.4	5.2	2017
Malaysian ringgit	4.16	29.5	2.4	2017
Philippine peso	48.52	47.0	1.7	2017
Total foreign exchange contracts		202.1	10.7	

The change in *accumulated other comprehensive income (loss)* and the impact on earnings from foreign exchange contracts that qualified as cash flow hedges were as follows:

	2016	2015	2014
	($m)	*($m)*	*($m)*
Balance—January 1	10.1	10.4	3.2
Derivatives qualifying as cash flow hedges deferred in other comprehensive income	7.6	21.4	12.1
Derivatives qualifying as cash flow hedges reclassified to cost of products sold	(6.9)	(23.8)	(2.0)
Change in deferred taxes	(0.7)	2.1	(2.9)
Balance—December 31	10.1	10.1	10.4

At December 31, 2016, the balance of the effective portion of changes in fair value on foreign exchange forward contracts that qualified for cash flow hedge accounting included in *accumulated other comprehensive income* was $10.1 million, $8.9 million of which is expected to be reclassified into earnings within the next 12 months.

Interest Rate Forward Swaps

During 2013, the Company entered into interest rate forward starting swaps with a combined notional value of $500.0 million. The forward starting rates of the swaps ranged from 3.79% to 3.94% and had an effective date of October 31, 2014. The forward starting swaps effectively mitigated the interest rate exposure associated with the Company's offering of the 2044 Notes, the proceeds of which were used to redeem all of the Company's 2014 Notes. These derivative instruments were designated as cash flow hedges at inception and were highly effective in offsetting fluctuations in the benchmark interest rate. During 2014, and around the time of the issuance of the 2044 Notes, the Company paid $45.0 million to settle the outstanding forward swaps. This payment was recognized in *accumulated other comprehensive loss* and will be amortized over the life of the 2044 Notes. There was $0.5 million of ineffectiveness related to the forward swaps through the date of settlement, which was recognized as a loss within *other (income)/expenses-net* during the year ended December 31, 2014. During the years ended December 31, 2016, 2015 and 2014, $1.4 million, $1.4 million and $0.9 million of amortization of the settlement amount was recognized as incremental interest expense within *interest expense-net*, respectively.

Commodity Hedges

The Company utilizes commodity hedges to minimize the variability in cash flows due to fluctuations in market prices of the Company's non-fat dry milk purchases for North America. The maturities of the commodity contracts are scheduled to match the pricing terms of the Company's existing bulk purchase agreements. When the underlying non-fat dry milk purchases impact the Company's consolidated earnings, the effective portion of the hedge is recognized within *cost of products sold*.

As of December 31, 2016, the Company had no commodity contracts outstanding for forecasted non-fat dry milk purchases. The effective portion of commodity derivatives qualifying as cash flow hedges is deferred in *accumulated other comprehensive income (loss)*, and the ineffective portion is recognized within *other (income)/expenses – net*. The effective portion of the hedges were insignificant for the each of the years ended December 31, 2016, 2015 and 2014, and the ineffective portions of the hedges were insignificant for the each of the years ended December 31, 2016, 2015, and 2014.

Fair Value Hedges

Interest Rate Swaps

During the second quarter of 2014, the Company entered into eight interest rate swaps with multiple counterparties, which have an aggregate notional amount of $700.0 million of outstanding principal. This series of swaps effectively converts the $700.0 million of 2019 Notes from fixed to floating rate debt for the remainder of their term. These interest rate swaps were outstanding as of December 31, 2016, and the conversion of fixed to floating rate resulted in a reduction in interest expense of $7.1 million and $10.0 million for the years ended December 31, 2016 and 2015, respectively. See "—Note 16. Debt" for additional information regarding the 2019 Notes.

In the fourth quarter of 2015, the Company entered into six interest rate swaps with multiple counterparties to mitigate interest rate exposure associated with the 2020 Notes. The swaps have an aggregate notional amount of $750.0 million of outstanding principal. This series of swaps effectively converts the $750.0 million of 2020 Notes from fixed to floating rate debt for

the remainder of their term. These interest rate swaps were outstanding as of December 31, 2016, and the conversion of fixed to floating rate resulted in a reduction in interest expense of $6.8 million and $1.1 million for the years ended December 31, 2016 and 2015, respectively. See "—Note 16. Debt" for additional information regarding the 2020 Notes.

The following table summarizes the interest rate swaps outstanding as of December 31, 2016. The interest rate swaps for the 2019 Notes have a hedge inception date of May 2014, and the interest rate swaps for the 2020 Notes have an inception date of November 2015. The expiration dates of the interest rate swaps are equal to the stated maturity dates of the underlying debt. Interest rate swaps are valued using third party valuation models.

				Fair Value Asset/(Liability)	
				December 31,	
	Notional Amount of Underlying	Fixed Rate Received	Variable Rate Paid (U.S. 3 Month LIBOR +)	2016	2015
	($m)			*($m)*	*($m)*
Swaps associated with the 2019 Notes	700.0	4.9%	3.14%	1.1	3.9
Swaps associated with the 2020 Notes	750.0	3.0%	1.38%	(6.3)	(3.5)

See "—Note 16. Debt" for additional information regarding the Company's debt.

Other Financial Instruments

The Company does not hedge the interest rate risk associated with money market funds, which totaled $1,022.0 million, $510.1 million and $395.4 million as of December 31, 2016, 2015 and 2014, respectively. Money market funds are classified as Level 2 in the fair value hierarchy and are included in *cash and cash equivalents* on the balance sheet. The money market funds have quoted market prices that are generally equivalent to par.

18 Marketable Securities

The Company sold its investments in debt securities during 2015 for $21.7 million. As of December 31, 2016, December 31, 2015 and December 31, 2014, the Company held no investments in debt securities. During the year ended December 31, 2015, the Company recognized a net gain on trading securities of $5.6 million, resulting from fluctuation in fair value and foreign exchange.

Debt securities have been classified as trading securities and are carried at fair value based on quoted market prices and classified as Level 1 in the fair value hierarchy. The cost basis for the Company's debt securities is determined by the specific identification method. Realized and unrealized gains and losses on trading securities are included in *other (income)/expenses – net*.

19 Equity

Changes in common shares and treasury stock were as follows:

	Common Shares Issued	Treasury Stock	Treasury Stock at Cost
	(m)	*(m)*	*($m)*
Balance as of January 1, 2014	206.8	4.8	351.9
Stock-based Compensation	1.0	0.1	7.9
Repurchase of Common Stock	—	0.6	52.9
Retirement of Treasury Stock	(0.6)	(0.6)	(50.1)
Balance as of December 31, 2014	207.2	4.9	362.6
Stock-based Compensation	0.5	—	—
Repurchase of Common Stock	—	5.6	437.0
Retirement of Treasury Stock	(5.6)	(5.6)	(437.0)
Accelerated Share Repurchase	(10.7)	—	—
Balance as of December 31, 2015	191.4	4.9	362.6
Stock-based Compensation	0.4	—	—
Repurchase and Retirement of Common Stock	(1.4)	—	—
Accelerated Share Repurchase	(2.1)	—	—
Balance as of December 31, 2016	188.3	4.9	362.6

The Company may use either authorized and unissued shares or treasury shares to meet share requirements resulting from the exercise of stock options and vesting of performance share awards and restricted stock units. Treasury stock is recognized at the cost to reacquire the shares. Shares issued from treasury are recognized using the first-in first-out method.

For the year ended December 31, 2014, the change in the carrying amount of *treasury stock* and *treasury stock – at cost* was driven by repurchases of the Company's common stock, offset by the impact of a constructive retirement of treasury stock related to stock-based compensation. The constructive share retirement had the impact of decreasing the Company's total value of *treasury stock – at cost* and decreasing *retained earnings*.

Share Repurchase Authorizations and Accelerated Share Repurchase Agreement

In September 2013, the Company's board of directors approved a share repurchase authorization of up to $500.0 million of the Company's common stock (the "2013 Authorization"). During the year ended December 31, 2016, the Company repurchased $0.4 million of its common stock which completed all purchases remaining under the 2013 Authorization. During the year ended December 31, 2015, the Company repurchased $437.0 million of its common stock under the 2013 Authorization.

In October 2015, the Company's board of directors approved a new share repurchase authorization of an additional $1,500.0 million of the Company's common stock (the "2015 Authorization"). The 2015 Authorization does not have an expiration date. On October 22, 2015, the Company entered into an accelerated share repurchase agreement (the "ASR Agreement") with Goldman, Sachs & Co. ("Goldman") to repurchase $1,000.0 million (the "Repurchase Price") of its common stock. Under the terms of the ASR Agreement, the Company paid the Repurchase Price in advance in exchange for 10,725,552 shares of its common stock received by the Company on October 27, 2015 (which shares are equivalent to approximately 85% of the number of shares of its common stock that could have been purchased with an amount of cash equal to the Repurchase Price based on the closing price of its common stock on October 22, 2015). Upon final settlement of the ASR Agreement in June 2016, an additional 2,086,050 shares were delivered to the Company for no additional consideration based generally on the daily volume-weighted average prices of its common stock over the term of the ASR Agreement. The total

shares received and retired under the terms of the ASR Agreement was 12,811,602 shares with an average price paid per share of approximately $78.05. The par value of the retired shares were reflected as a reduction to common stock and the payment made to Goldman was recorded as a reduction to retained earnings within shareholders' equity. In addition to the shares delivered upon final settlement of the ASR Agreement, during the year ended December 31, 2016, the Company repurchased $100.0 million of its common stock pursuant to the 2015 Authorization. As of December 31, 2016 and 2015, the Company had $400.0 million and $500.0 million remaining available under the 2015 Authorization, respectively.

Share repurchases made pursuant to the ASR Agreement were primarily funded by the issuance of the 2020 Notes and 2025 Notes. See "—Note 16. Debt" for additional information regarding the Company's debt.

Redeemable Noncontrolling Interest

On March 15, 2012, the Company acquired 80% of the outstanding capital stock of Nutricion para el Conosur S.A. ("Nutricion") which manufactures, distributes and sells infant formula and children's nutrition products in Argentina under the SanCor Bebé and Bebé Plus brands (the "Argentine Acquisition"). Under the terms of an agreement related to the Argentine Acquisition, the noncontrolling interest owner had the right to require MJN to purchase (the "Put Right") its remaining 20% interest or to sell (the "Call Right") up to an additional 20% of the outstanding capital stock of Nutricion. The Put Right was to be exercisable once from September 15, 2015 to September 15, 2018 and the decision to exercise was not within the control of MJN. The price paid upon exercise was to be determined based on established multiples of sales and earnings of the acquired business. As a result of the Put Right, the noncontrolling interest was presented as *redeemable noncontrolling interest* outside of *equity* on the balance sheet. Accretion to the redemption value of the Put Right was being recognized through equity using an interest method over the period from March 2012 to June 2015.

On June 30, 2015, the noncontrolling partner exercised its single trigger put option and MJN acquired an additional 10% of the outstanding capital stock of the local entity, thereby increasing MJN's ownership interest to 90%. The agreed upon purchase price paid to the noncontrolling interest owner was $24.4 million as of June 30, 2015 (based upon the agreed local currency price). The purchase price was settled during the second and third quarters of 2015. Following the impact of foreign exchange, the cash outflow associated with the acquisition was $24.2 million.

As a result of the transaction, the noncontrolling interest owner no longer has a Put Right and the Call Right was amended. The amended Call Right gives the noncontrolling interest owner the right to require MJN to sell up to 10% of the outstanding capital stock of Nutricion, exercisable from June 30, 2015 to June 30, 2022. Due to the termination of the Put Right, the remaining noncontrolling interest was recharacterized from *redeemable noncontrolling interest* outside of *equity* to *noncontrolling interests* within *equity* on the balance sheet beginning on June 30, 2015.

Accumulated Other Comprehensive Loss

Changes in *accumulated other comprehensive loss* by component were as follows:

	Foreign Currency Translation Adjustments	Deferred Gains/ (Losses) on Derivatives Qualifying as Hedges	Pension and Other Post-Employment Benefits	Total	Non-controlling Interest	Redeemable Non-controlling Interest
			($m)			
Balance as of January 1, 2016	(329.8)	(17.2)	(0.8)	(347.8)	(12.7)	—
Deferred Gains/(Losses)	(68.1)	7.7	—	(60.4)	(1.5)[1]	—
Reclassification Adjustment for (Gains)/Losses Included in Net Earnings	—	(4.6)	—	(4.6)	—	—
Tax Benefit/(Expense)	2.9	(1.5)	—	1.4	1.0	—
Balance as of December 31, 2016	(395.0)	(15.6)	(0.8)	(411.4)	(13.2)	—
Balance as of January 1, 2015	(180.4)	(17.8)	(0.7)	(198.9)	1.9	(21.6)
Deferred Gains/(Losses)	(138.9)	19.7	(0.2)	(119.4)	(3.2)	(1.3)[1]
Reclassification Adjustment for (Gains)/Losses Included in Net Earnings	—	(20.6)	0.1	(20.5)	—	—
Tax Benefit/(Expense)	1.0	1.5	—	2.5	—	—
Acquisition of Noncontrolling Interest	(11.5)	—	—	(11.5)	(11.4)	22.9
Balance as of December 31, 2015	(329.8)	(17.2)	(0.8)	(347.8)	(12.7)	—
Balance as of January 1, 2014	(83.6)	15.4	(1.0)	(69.2)	1.9	(14.4)
Deferred Gains/(Losses)	(97.6)	(52.9)	—	(150.5)	—	(7.2)[1]
Reclassification Adjustment for (Gains)/Losses Included in Net Earnings	—	(1.2)	0.3	(0.9)	—	—
Tax Benefit/(Expense)	0.8	20.9	—	21.7	—	—
Acquisition of Noncontrolling Interest	—	—	—	—	—	—
Balance as of December 31, 2014	(180.4)	(17.8)	(0.7)	(198.9)	1.9	(21.6)

Note:

(1) Represents foreign currency translation adjustments.

Deferred losses on derivatives qualifying as hedges for the year ended December 31, 2014 included $64.4 million related to the change in the underlying position of the Company's interest rate forward swaps intended to mitigate interest rate exposure associated with the 2044 Notes. These interest rate forward swaps were in a gain position with a fair value of $19.4 million at December 31, 2013. From December 31, 2013 through the Company's settlement in May 2014, the fair value of these interest rate forward swaps declined $64.4 million, resulting in a loss position with a fair value of $45.0 million upon settlement.

Reclassification adjustments out of *accumulated other comprehensive loss* were as follows:

	Years Ended December 31,											
	Affected Statement of Earnings Lines											
	Cost of Products Sold			Selling, General and Administrative			Tax Benefit/(Expense)			Net		
	2016	2015	2014	2016	2015	2014	2016	2015	2014	2016	2015	2014
						($m)						
Deferred Gains/(Losses) on Derivatives Qualifying as Hedges:												
Forward Exchange Contracts	6.9	23.8	2.0	—	—	—	(0.3)	(5.4)	(0.6)	6.6	18.4	1.4
Commodity Contracts	(0.9)	(1.8)	0.1	—	—	—	0.4	0.7	—	(0.5)	(1.1)	0.1
Interest Rate Forward Swap	(1.4)	(1.4)	(0.9)	—	—	—	0.5	0.5	—	(0.9)	(0.9)	(0.9)
Pension and Other Post-employment Benefit Plans:												
Prior Service Benefits	—	—	(0.1)	—	0.1	(0.2)	—	—	—		0.1	(0.3)
Total Reclassifications	4.6	20.6	1.1	—	0.1	(0.2)	0.6	(4.2)	(0.6)	5.2	16.5	0.3

20 Leases

Minimum rental commitments under all non-cancellable operating leases, primarily real estate leases for offices, manufacturing-related leases and vehicle leases, in effect at December 31, 2016, were:

	Years Ending December 31,
	($m)
2017	37.3
2018	30.2
2019	23.5
2020	18.9
2021	13.1
Thereafter	55.7
Total Minimum Payments	178.7

Operating lease rental expenses were $36.1 million, $37.4 million and $39.5 million in the years ended December 31, 2016, 2015 and 2014, respectively. At December 31, 2016, 2015 and 2014, the Company had capital lease obligations outstanding in the amount of $3.1 million, $2.0 million and $2.5 million, respectively.

21 Venezuela Currency Matters

Discussion of Venezuela Exchange Rates

In January 2014, the Venezuelan government enacted changes affecting the country's currency exchange and other controls, and established a new foreign currency administration, the National Center for Foreign Commerce ("CENCOEX"). CENCOEX assumed control of the sale and purchase of foreign currency in Venezuela, and established the official exchange rate ("Official Rate") of 6.3 Bolivares Fuertes ("VEF") to 1.0 U.S. dollar ("USD"). Additionally, the government expanded the types of transactions that may be subject to the weekly auction mechanism under the Complimentary Currency Administration System ("SICAD I"). For a period of time, the Venezuelan government announced plans for the Alternative Foreign Exchange System, also known as SICAD II, which was intended to more closely resemble a market-driven exchange.

In February 2015, the Venezuelan government combined the SICAD I and SICAD II ("SICAD") exchange rate mechanisms and created a new market based SIMADI rate, which was based on supply and demand. The changes created a three tiered system. As of December 31, 2015, CENCOEX traded at 6.3 VEF to 1.0 USD, the SICAD auction markets traded at 13.5 VEF to 1.0 USD and the SIMADI traded at 198.7 VEF to 1.0 USD.

In March 2016, the Venezuelan government devalued its currency and reduced its existing three tiered system to a two tiered system by eliminating the intermediary SICAD rate. The CENCOEX Official Rate, which continues to be used for purchases of certain essential goods, was changed to 10.0 VEF to 1.0 USD and is now referred to as DIPRO. Additionally, the SIMADI rate was replaced by a new market based rate known as DICOM, which governs all transactions not covered by DIPRO. The VEF as measured at the DICOM rate has continued to devalue against the USD throughout 2016.

The rates were as follows:

	2016			
	December 31	September 30	June 30	March 31
	(VEF to 1.0 USD)			
DIPRO	10.0	10.0	10.0	10.0
DICOM	673.8	658.9	628.3	272.9

Effect on the Company's Results

Currency Matters

Due to the elimination of the SICAD rate in March 2016, the Company adopted the DICOM rate for purposes of remeasuring the monetary assets and liabilities of its Venezuela subsidiary, effective March 10, 2016, because the Company believes the DICOM rate would now be used to settle future intercompany dividend remittances. The remeasurement impact of this adoption was a loss of $32.3 million, recognized during the first quarter of 2016 as a component of *other (income)/expenses – net*. Additional losses in the amount of $0.6 million were recognized during the year ended December 31, 2016, related to remeasurement of the monetary assets and liabilities due to the continued devaluation of the VEF as measured at the DICOM rate against the USD.

For the years ended December 31, 2015 and 2014, currency devaluation within Venezuela resulted in losses of $2.3 million and $6.1 million, respectively.

During the years ended December 31, 2016, 2015 and 2014, the Company received U.S dollars to make payments for intercompany purchases of inventory at the CENCOEX Official Rate that was more favorable than the SICAD or DICOM rate used to remeasure net monetary assets of its Venezuela subsidiary, which resulted in recognized gains of $3.4 million, $2.4 million and $14.0 million, respectively.

Long-Lived and Other Assets

As a result of the change in the Venezuelan exchange rates, the Company concluded that an impairment indicator existed at March 31, 2016 and evaluated the carrying value of the long-lived assets of its Venezuela subsidiary for impairment, which includes administrative office space, land and a partially completed distribution warehouse facility. Based on this evaluation, the Company concluded that the carrying value of the long-lived assets was no longer recoverable and recorded an impairment charge of $45.9 million to write down the carrying value of the assets to their fair value, which was recognized during the first quarter of 2016 as a component of *other (income)/expenses – net*. The fair value measurements were based on market quotes from local real estate broker service firms as well as internal assessments of the best information available about the local business conditions and the political environment, including the risks associated with the local currency that would be indicative of what the assets could be sold for and are considered to be Level 3 measurements.

In addition, the changes in Venezuelan exchange rates and ongoing deterioration of the business resulted in the Company incurring charges in the amount of $3.0 million during the year ended December 31, 2016 related to prepaid and other assets in Venezuela that can no longer be utilized.

Intercompany Payable

During the year ended December 31, 2016, the Company wrote-off a $52.0 million intercompany payable from its Venezuelan subsidiary to its subsidiaries in Mexico and the U.S. The decision was based on a reduced level of local currency which has resulted in the Venezuelan subsidiary no longer having sufficient cash to satisfy this payable, the continued inability to access the currency exchange and the Company's view that sales in Venezuela are unlikely to return in the near term to a level that would generate adequate liquidity to satisfy this payable. The write-off of the payable had no impact on the Company's results of operations on a pre-tax basis as the payable in Venezuela and the receivables in Mexico and the U.S. were held in U.S. dollars. The tax impact of this write-off was calculated based upon the tax rules in each of the impacted jurisdictions and resulted in a gain of $14.7 million recognized within *Provision for Income Taxes*.

Remaining Exposures

Net sales in the Venezuelan subsidiary were negligible as a percent of total Company net sales for the year ended December 31, 2016. In addition, the Venezuelan subsidiary's earnings were not a material component of MJN's consolidated results during the year ended December 31, 2016.

The Venezuelan subsidiary had net monetary assets and net non-monetary assets that were negligible individually and in aggregate to the Company's total net assets as of December 31, 2016.

22 Contingencies

In the ordinary course of business, the Company is subject to lawsuits, investigations, government inquiries and claims, including, but not limited to, product liability claims, advertising disputes and inquiries, consumer fraud suits, other commercial disputes, premises claims and employment and environmental, health and safety matters.

The Company records accruals for contingencies when it is probable that a liability will be incurred and the loss can be reasonably estimated. Although the Company cannot predict with certainty the final resolution of lawsuits, investigations and claims asserted against the Company, MJN does not believe any currently pending legal proceeding to which the Company is a party will have a material impact on the Company's business or financial condition, results of operations or cash flows.

23 Selected Quarterly Financial Data (Unaudited)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year[(1)]
		($m, except per share data)			
2016					
Net sales	962.1	941.5	937.5	901.6	3,742.7
Gross profit	614.5	608.3	603.8	575.1	2,401.7
Net earnings	76.7	155.8	148.6	168.2	549.3
Net earnings attributable to shareholders	72.7	155.1	149.3	167.8	544.9
Basic earnings per share	0.39	0.83	0.80	0.91	2.93
Diluted earnings per share	0.39	0.83	0.80	0.91	2.92
2015					
Net sales	1,094.4	1,032.4	977.5	967.0	4,071.3
Gross profit	700.9	676.0	630.7	608.4	2,616.0
Net earnings	207.1	162.6	154.6	131.0	655.3
Net earnings attributable to shareholders	207.4	162.9	155.2	128.0	653.5
Basic earnings per share	1.02	0.80	0.77	0.67	3.28
Diluted earnings per share	1.02	0.80	0.77	0.67	3.27
2014					
Net sales	1,113.3	1,111.1	1,090.7	1,094.2	4,409.3
Gross profit	707.6	684.3	652.8	664.0	2,708.7
Net earnings	207.8	176.1	188.3	156.6	728.8
Net earnings attributable to shareholders	202.4	171.4	187.6	158.4	719.8
Basic earnings per shares	1.00	0.85	0.93	0.78	3.55
Diluted earnings per share	1.00	0.84	0.92	0.78	3.54

Note:

(1) When aggregated, earnings per share for the four quarters may not equal the full year earnings per share figure due to the variability of quarterly earnings and the timing of share repurchases.

24 Subsequent Events

Merger Agreement

On February 10, 2017, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") with Reckitt Benckiser Group plc, a company incorporated in England and Wales ("Reckitt Benckiser"), and Marigold Merger Sub, Inc., a Delaware corporation and a wholly owned indirect subsidiary of Reckitt Benckiser ("Merger Sub"), pursuant to which Reckitt Benckiser will indirectly acquire the Company by means of a merger of Merger Sub with and into the Company on the terms and subject to the conditions set forth in the Merger Agreement (the "Merger"). The Merger Agreement and the consummation of the transactions contemplated by the Merger Agreement have been unanimously approved by the Company's board of directors.

At the effective time of the Merger (the "Effective Time"), on the terms and subject to the conditions set forth in the Merger Agreement, each share of the Company's common stock outstanding immediately prior to the Effective Time (other than (i) each share held by the Company as treasury stock (other than shares held for the account of clients, customers or other persons), (ii) each share held by Reckitt Benckiser or by any subsidiary of either the Company or Reckitt Benckiser and (iii) each share held by a holder who has not voted in favor of the Merger or consented thereto in writing and who has demanded appraisal for such shares in accordance with Delaware law) will be converted into the right to receive $90.00 in cash, without interest.

Consummation of the Merger is subject to the satisfaction or waiver of certain customary closing conditions, including, among others: (i) the affirmative vote of the holders of a majority of the Company's outstanding shares of common stock; (ii) the affirmative vote of a simple majority of Reckitt Benckiser's shareholders at a shareholder meeting; (iii) the expiration or termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the receipt of certain other non-United States regulatory approvals required to consummate the Merger; and (iv) in the case of Reckitt Benckiser's obligations to consummate the Merger, the absence of a Company Material Adverse Effect (as defined in the Merger Agreement). Reckitt Benckiser and Merger Sub's respective obligations to consummate the Merger are not subject to any financing condition or other contingency.

Litigation Related to the Merger

On February 14, 2017, a stockholder of the Company filed a purported stockholder class action lawsuit in Cook County, Illinois, captioned *Kirkham v. Altschuler, et al*., 2017-CH-02109. The defendants are the Company, its board of directors, Reckitt Benckiser and Merger Sub. The lawsuit alleges that the Company's board of directors violated their fiduciary duties and that the Company, Reckitt Benckiser and Merger Sub aided and abetted such breaches, in each case in connection with the transactions contemplated by the Merger Agreement. The lawsuit seeks, among other things, to enjoin consummation of the Merger. The Company and its directors intend to vigorously defend against the allegations in the complaint.

Australian Asset Acquisition

On February 27, 2017, the Company announced that it has reached an agreement to acquire assets from Bega Cheese Limited ("Bega"). In connection with this transaction, the Company is acquiring from Bega a spray dryer and a finishing plant in Australia and entering into a service agreement to support the operation of those assets. The aggregate consideration for this asset purchase is approximately AUD $200 million. The Company expects the transaction to close in the second quarter of 2017.

SCHEDULE II

MEAD JOHNSON NUTRITION COMPANY

VALUATION AND QUALIFYING ACCOUNTS

Description	Balance at beginning of period	Provisions for bad debts	Bad debts written off	Other	Balance at end of period
			($m)		
Allowances for Doubtful Accounts					
For the year ended December 31, 2016	5.4	(0.6)	—	(0.4)	4.4
For the year ended December 31, 2015	9.6	(0.2)	(3.1)	(0.9)	5.4
For the year ended December 31, 2014	6.5	4.3	(0.6)	(0.6)	9.6

Description	Balance at beginning of period	Provision for valuation allowance	Release of valuation allowance/ other	Balance at end of period
		($m)		
Valuation Allowance on Deferred Tax Assets				
For the year ended December 31, 2016	14.8	36.0	(13.2)	37.6
For the year ended December 31, 2015	7.7	9.3	(2.2)	14.8
For the year ended December 31, 2014	7.3	1.8	(1.4)	7.7

2. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF MEAD JOHNSON NUTRITION COMPANY FOR THE QUARTER ENDED 31 MARCH 2017

MEAD JOHNSON NUTRITION COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(Dollars and shares in millions, except per share data)
(UNAUDITED)

	Three Months Ended March 31,	
	2017	**2016**
Net Sales	883.5	962.1
Cost of Products Sold	330.2	347.6
Gross Profit	553.3	614.5
Operating Expenses:		
Selling, General and Administrative	193.7	198.9
Advertising and Promotion	160.3	151.8
Research and Development	21.4	25.4
Other (Income)/Expenses—net	22.8	88.3
Earnings Before Interest and Income Taxes	155.1	150.1
Interest Expense—net	27.1	26.2
Earnings Before Income Taxes	128.0	123.9
Provision for Income Taxes	10.4	47.2
Net Earnings	117.6	76.7
Less Net Earnings/(Loss) Attributable to Noncontrolling Interests	(2.3)	4.0
Net Earnings Attributable To Shareholders	119.9	72.7
Earnings per Share—Basic		
Net Earnings Attributable to Shareholders	0.65	0.39
Earnings per Share—Diluted		
Net Earnings Attributable to Shareholders	0.65	0.39
Weighted Average Shares—Basic	183.5	186.6
Weighted Average Shares—Diluted	183.9	186.7
Dividends Declared per Share	0.4125	0.4125

The accompanying notes are an integral part of these condensed consolidated financial statements.

MEAD JOHNSON NUTRITION COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in millions)
(UNAUDITED)

	Three Months Ended March 31,	
	2017	**2016**
	($m)	
Net Earnings	117.6	76.7
Other Comprehensive Income/(Loss)		
Foreign Currency Translation Adjustments		
Translation Adjustments	33.3	5.9
Tax Effect on Foreign Currency Translation Adjustments	(0.5)	0.2
Deferred Gains/(Losses) on Derivatives Qualifying as Hedges		
Deferred Gains/(Losses) on Derivatives Qualifying as Hedges for the Period	(4.4)	(11.6)
Reclassification Adjustment for (Gains)/Losses Included in Net Earnings	(2.4)	(5.5)
Tax Effect on Deferred Gains/(Losses) on Derivatives Qualifying as Hedges	2.1	3.8
Other Comprehensive Income/(Loss)	28.1	(7.2)
Comprehensive Income	145.7	69.5
Less Comprehensive Income/(Loss) Attributable to Noncontrolling Interests	(2.3)	3.2
Comprehensive Income Attributable to Shareholders	148.0	66.3

The accompanying notes are an integral part of these condensed consolidated financial statements.

MEAD JOHNSON NUTRITION COMPANY

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars and shares in millions, except per share data)
(UNAUDITED)

	March 31, 2017	December 31, 2016
	($m)	
Assets		
Current Assets:		
Cash and Cash Equivalents	1,724.4	1,795.4
Restricted Cash	152.5	–
Receivables – net of allowances of $4.4 and $4.4, respectively	355.0	369.0
Inventories	498.5	473.5
Income Taxes Receivable	26.1	8.3
Prepaid Expenses and Other Assets	60.8	60.4
Total Current Assets	2,817.3	2,706.6
Property, Plant and Equipment – net	963.6	948.6
Goodwill	113.1	108.9
Other Intangible Assets – net	43.9	46.0
Deferred Income Taxes – net of valuation allowance	148.4	143.1
Other Assets	140.8	134.5
Total	4,227.1	4,087.7
Liabilities and Equity		
Current Liabilities:		
Short-Term Borrowings	4.5	3.9
Accounts Payable	536.0	515.8
Dividends Payable	76.3	76.0
Accrued Expenses	216.2	194.7
Accrued Rebates and Returns	415.0	417.4
Deferred Income	10.9	12.4
Income Taxes Payable	49.9	24.0
Total Current Liabilities	1,308.8	1,244.2
Long-Term Debt	2,973.3	2,976.2
Deferred Income Taxes	6.0	6.2
Pension and Other Post-employment Liabilities	99.2	104.2
Other Liabilities	232.6	229.0
Total Liabilities	4,619.9	4,559.8

	March 31, 2017	December 31, 2016
	($m)	
Commitments and Contingencies		
Equity		
Shareholders' Equity		
Common Stock, $0.01 par value: 3,000 authorized, 188.6 and 188.3 issued, respectively	1.9	1.9
Additional Paid-in/(Distributed) Capital	(499.5)	(514.0)
Retained Earnings	812.4	773.4
Treasury Stock – at cost	(362.6)	(362.6)
Accumulated Other Comprehensive Loss	(383.3)	(411.4)
Total Shareholders' Equity/(Deficit)	(431.1)	(512.7)
Noncontrolling Interests	38.3	40.6
Total Equity/(Deficit)	(392.8)	(472.1)
Total	4,227.1	4,087.7

The accompanying notes are an integral part of these condensed consolidated financial statements.

MEAD JOHNSON NUTRITION COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY/(DEFICIT)

(Dollars in millions, except per share data)

(UNAUDITED)

	Common Stock	Additional Paid-in (Distributed) Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Non-controlling Interests	Total Equity/ (Deficit)
				($m)			
Balance as of January 1, 2017	1.9	(514.0)	773.4	(362.6)	(411.4)	40.6	(472.1)
Stock-based Compensation Awards[1]	—	14.5	(4.7)	—	—	—	9.8
Cash Dividends Declared ($0.4125 per share)	—	—	(76.2)	—	—	—	(76.2)
Net Earnings	—	—	119.9	—	—	(2.3)	117.6
Other Comprehensive Income/(Loss)	—	—	—	—	28.1	—	28.1
Balance as of March 31, 2017	1.9	(499.5)	812.4	(362.6)	(383.3)	38.3	(392.8)
Balance as of January 1, 2016	1.9	(564.2)	640.4	(362.6)	(347.8)	39.8	(592.5)
Stock-based Compensation Awards (includes excess tax shortfalls of $0.3)	—	11.4	(3.5)	—	—	—	7.9
Cash Dividends Declared ($0.4125 per share)	—	—	(77.3)	—	—	—	(77.3)
Net Earnings	—	—	72.7	—	—	4.0	76.7
Other Comprehensive Income/(Loss)	—	—	—	—	(6.4)	(0.8)	(7.2)
Balance as of March 31, 2016	1.9	(552.8)	632.3	(362.6)	(354.2)	43.0	(592.4)

(1) *Excess Tax Benefits/Shortfalls excluded for 2017. See "—Note 2. Accounting Policies" for additional information on recently adopted accounting standards.*

The accompanying notes are an integral part of these condensed consolidated financial statements.

MEAD JOHNSON NUTRITION COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in millions)
(UNAUDITED)

	Three Months Ended March 31	
	2017	2016
	($m)	
Cash Flows from Operating Activities:		
Net Earnings	117.6	76.7
Adjustments to Reconcile Net Earnings to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	25.8	24.9
Impairment of Long-Lived Assets	—	45.9
Other Non-Cash Items	(12.6)	36.0
Changes in Assets and Liabilities	65.7	(23.4)
Pension and Other Post-employment Benefit Contributions	(0.1)	—
Net Cash Provided by Operating Activities	196.4	160.1
Cash Flows from Investing Activities:		
Payments for Capital Expenditures	(48.5)	(55.6)
Proceeds from Sale of Property, Plant and Equipment	0.1	0.1
Net Cash Used in Investing Activities	(48.4)	(55.5)
Cash Flows from Financing Activities:		
Proceeds from Short-term Borrowings	0.6	0.4
Repayments of Short-term Borrowings	—	(0.1)
Debt Issuance Costs	—	(0.1)
Payments of Dividends	(75.9)	(77.4)
Stock-based Compensation related Proceeds and Excess Tax Benefits[1]	5.4	3.7
Stock-based Compensation Tax Withholdings	(4.7)	(3.5)
Net Cash Used in Financing Activities	(74.6)	(77.0)
Effects of Changes in Exchange Rates on Cash, Cash Equivalents and Restricted Cash	8.1	(26.7)
Net Increase in Cash, Cash Equivalents and Restricted Cash[2]	81.5	0.9
Cash, Cash Equivalents and Restricted Cash[3]**:**		
Beginning of Period	1,795.4	1,701.4
End of Period	1,876.9	1,702.3

(1) *Excess Tax Benefits excluded for 2017. See "—Note 2. Accounting Policies" for additional information on recently adopted accounting standards.*

(2) *See "—Note 19. Mergers and Acquisitions" for additional information on restricted cash.*

(3) *Cash, Cash Equivalents and Restricted Cash is the sum of Cash and Cash Equivalents of $1,724.4 million and $1,795.4 million at March 31, 2017 and December 31, 2016, respectively, and Restricted Cash of $152.5 million at March 31, 2017.*

The accompanying notes are an integral part of these condensed consolidated financial statements.

MEAD JOHNSON NUTRITION COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1 Organization

Mead Johnson Nutrition Company ("MJN" or the "Company") manufactures, distributes and sells infant formula, children's nutrition and other nutritional products. MJN has a broad product portfolio, which extends across routine and specialty infant formulas, children's milks and milk modifiers, dietary supplements for pregnant and breastfeeding mothers, pediatric vitamins, and products for pediatric metabolic disorders. These products are generally sold to distributors and retailers and are promoted to healthcare professionals, and, where permitted by regulation and policy, directly to consumers.

2 Accounting Policies

Basis of Presentation—The Company prepared the accompanying unaudited condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X issued by the Securities and Exchange Commission ("SEC"). Under those rules, certain footnotes and other financial information that are normally required by GAAP for annual financial statements have been condensed or omitted. The Company is responsible for the financial statements and the related notes included in this Form 10-Q.

The condensed consolidated financial statements include all of the normal and recurring adjustments necessary for the fair presentation of the Company's financial position as of March 31, 2017 and December 31, 2016, the results of operations for the three months ended March 31, 2017 and 2016 and the cash flows for the three months ended March 31, 2017 and 2016. Intercompany balances and transactions have been eliminated. Revenues, expenses, assets and liabilities can vary during each quarter of the year. Accordingly, the results and trends in these unaudited condensed consolidated financial statements may not be indicative of full-year operating results or future performance.

The accounting policies used in preparing these condensed consolidated financial statements are the same as those used to prepare the Company's annual report on Form 10-K for the year ended December 31, 2016 ("2016 Form 10-K") other than described within. These unaudited condensed consolidated financial statements and the related notes should be read in conjunction with the audited year-end financial statements and accompanying notes included in the Company's 2016 Form 10-K.

Recently Adopted Accounting Standards—In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The update requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The Company did not have any restricted cash and restricted cash equivalents prior to January 1, 2017, and elected to early adopt the updated standard for new restricted cash and restricted cash equivalents that have arisen in the annual period beginning January 1, 2017.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. This update simplifies several aspects of the accounting for share-based compensation arrangements, including accounting for income taxes, forfeitures and statutory tax withholding requirements as well as

classification of related amounts on the statement of cash flows. The standard was adopted prospectively by the Company on January 1, 2017 with no adjustments to prior periods required. The Company recognized $1.1 million of excess tax benefits within the condensed consolidated statements of earnings during the three months ended March 31, 2017. Prior to the adoption of this standard, such benefits would have been recorded within additional paid-in capital. Additionally, the Company recorded the excess tax benefit within cash flows from operating activities on the condensed consolidated statement of cash flows. Other elements of the standard had no material impact to the Company as the Company previously presented cash paid for tax withholdings under financing activities within the statements of cash flows and the Company has elected to continue to estimate for forfeitures and to not withhold more than the minimum statutory tax rate.

In July 2015, the FASB issued ASU No. 2015-11, *Simplifying the Measurement of Inventory (Topic 330)*. This update simplifies the guidance on the subsequent measurement of inventory. GAAP previously required an entity to measure inventory at the lower of cost or market. Market could be replacement cost, net realizable value or net realizable value less an approximate normal profit margin. Under the new standard, inventory should be valued at the lower of cost or net realizable value. The updated standard was effective for the Company in the annual period beginning January 1, 2017 and was adopted prospectively. Given the Company has not experienced markdowns of inventory due to lower of cost or market considerations, adoption of this updated standard had no material impact on the consolidated financial statements.

Recently Issued Accounting Standards—In March 2017, the FASB issued ASU No. 2017-07, *Compensation-Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. This update requires disaggregating the service cost component from the other components of net benefit cost and provides explicit guidance on the presentation of these costs in the income statement. The updated standard is effective for fiscal years beginning after December 15, 2017. The Company is currently evaluating the effect that the updated standard will have on its consolidated financial statements and related disclosures.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles-Goodwill and Other (Topic 350)*. This update simplifies goodwill impairment testing by eliminating step two from the goodwill impairment test. Under the updated standard, the Company still has the option to perform its annual, or interim, goodwill impairment test using the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. The quantitative impairment test is to compare the fair value of a reporting unit with its carrying amount and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The updated standard is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed after January 1, 2017. The Company is currently evaluating the effect that the updated standard will have on its consolidated financial statements and related disclosures.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. This update is intended to reduce diversity in practice in the classification of certain cash receipts and payments in the statement of cash flows. The updated standard is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. The Company is currently evaluating the effect that the updated standard will have on its consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The updated standard requires most leases to be reflected on the balance sheet. It also aligns many of the underlying principles of the new lessor model with those of ASC No. 606, *Revenue from Contracts with Customers*. The updated standard is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. The adoption of this standard is expected to result in a

significant increase to the Company's consolidated balance sheets for lease assets and liabilities, and the Company is currently evaluating the other effects the updated standard will have on its consolidated financial statements and related disclosures.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Subsequent to that, the FASB issued ASU 2016-08, ASU 2016-10, ASU 2016-12 and ASU 2016-20 to clarify, among other things, the implementation guidance related to principal versus agent considerations, identifying performance obligations, and accounting for licenses of intellectual property. The updated standard and related clarifications will replace most existing revenue recognition guidance in GAAP when it becomes effective and permits the use of either the retrospective or cumulative effect transition method. The updated standard becomes effective for the Company in the first quarter of 2018. The Company is currently evaluating the effect that the updated standard will have on its consolidated financial statements and related disclosures. From the results of the preliminary review, the Company believes the impact of adopting the updated standard primarily relates to the timing of the recognition of variable consideration. Under current guidance, the Company accounts for sales incentives offered to its customers at the later of the date at which the Company has sold the product or the date at which the program is offered. The new guidance requires earlier recognition if the sales incentive is implied by the Company's customary business practice, even if the Company has not yet explicitly communicated its intent to make the payment to the customer. Analysis of the Company's historical and future trends and use of judgment are required. The Company is in the process of quantifying such impact and, based upon the current portfolio of contracts, such financial impact is not expected to be material, however it is expected that disclosure will be enhanced. The Company anticipates using the modified retrospective adoption method.

3 Earnings Per Share

The Company uses the two-class method to calculate earnings per share. The numerator for basic and diluted earnings per share is *net earnings attributable to shareholders* reduced by dividends and undistributed earnings attributable to unvested shares. The denominator for basic earnings per share is the weighted-average shares outstanding during the period. The denominator for diluted earnings per share is the weighted-average number of shares outstanding adjusted for the effect of dilutive stock options and performance share awards.

The following table presents the calculation of basic and diluted earnings per share:

	Three Months Ended March 31,	
	2017	**2016**
(Dollars and shares in millions, except per share data)		
Basic earnings per share:		
Weighted-average shares outstanding	183.5	186.6
Net earnings attributable to shareholders	119.9	72.7
Dividends and undistributed earnings attributable to unvested shares	(0.7)	(0.3)
Net earnings attributable to shareholders used for basic earnings per share calculation	119.2	72.4
Net earnings attributable to shareholders per share	0.65	0.39

	Three Months Ended March 31,	
	2017	2016
Diluted earnings per share:		
Weighted-average shares outstanding	183.5	186.6
Incremental shares outstanding assuming the exercise/vesting of dilutive stock options/performance shares	0.4	0.1
Weighted-average shares — diluted	183.9	186.7
Net earnings attributable to shareholders	119.9	72.7
Dividends and undistributed earnings attributable to unvested shares	(0.7)	(0.3)
Net earnings attributable to shareholders used for diluted earnings per share calculation	119.2	72.4
Net earnings attributable to shareholders per share	0.65	0.39

Potential shares outstanding from all stock-based awards were 3.6 million as of March 31, 2017 and 2016, of which 3.2 million and 3.5 million were not included in the diluted earnings per share calculation for the three months ended March 31, 2017 and 2016, respectively.

4 Income Taxes

The Company's effective tax rate ("ETR") differs from the statutory tax rate predominantly due to the favorable impact of tax rulings and agreements in various foreign jurisdictions. The Company and the Dutch tax authorities previously agreed to the appropriate remuneration attributable to Dutch manufacturing activities through the year ending December 31, 2019. In addition, the Company negotiated a tax ruling under which certain profits in Singapore are eligible for favorable taxation through the year ending December 31, 2027.

For the three months ended March 31, 2017 and 2016, the ETR was 8.1% and 38.1%, respectively. The 30.0% change in the ETR was driven by the following benefits: (i) 23.3% related to the Company's Venezuelan subsidiary which incurred a remeasurement loss on its monetary assets and an impairment charge on its long-lived assets in 2016 (both of which provided no tax benefit in 2016), (ii) 10.8% due to higher tax credit recognition associated with the repatriation of foreign earnings, (iii) 7.6% from changes in reserves for uncertain tax positions, and (iv) 1.7% from a series of additional items which are insignificant both individually and in the aggregate. These benefits were offset by a 13.4% impact from unfavorable changes in the Company's geographic earnings mix.

The Company's gross reserve for uncertain tax positions including penalties and interest, as of March 31, 2017 and December 31, 2016, was $208.3 million and $199.3 million, respectively. The Company believes that it has adequately provided for all uncertain tax positions. The Company is currently under examination by taxing authorities in various jurisdictions in which it operates, including its two largest businesses in the United States and China. It is reasonably possible that new issues may be raised by tax authorities and that these issues may require increases in the balance of the reserve for uncertain tax positions. A reversal of uncertain tax positions up to $50 million, of which approximately $27 million would impact the effective tax rate, is reasonably possible in the next 12 months due to the running of statutes of limitations and settlements with various taxing authorities.

5 Segment Information

MJN operates in four geographic operating segments: Asia, Europe, Latin America and North America. Based on this operating segmentation, the chief operating decision maker regularly assesses information for decision making purposes, including allocation of resources. Due to similarities between North America and Europe, the Company aggregates these two operating

segments into one reportable segment. As a result, the Company has three reportable segments: Asia, Latin America and North America/Europe.

Corporate and Other consists of unallocated global business support activities, including research and development, marketing, supply chain, and general and administrative expenses; net actuarial gains and losses related to defined benefit pension and other post-employment plans; and income or expenses incurred within the operating segments that are not reflective of underlying operations and affect the comparability of the operating segments' results.

The following table summarizes net sales and earnings before interest and income taxes for each of the reportable segments:

	Three Months Ended March 31,			
	Net Sales		Earnings Before Interest and Income Taxes	
	2017	2016	2017	2016
	($m)			
Asia	434.1	500.6	116.8	169.1
Latin America	156.2	160.3	39.8	40.8
North America/Europe	293.2	301.2	69.0	82.0
Total reportable segments	883.5	962.1	225.6	291.9
Corporate and Other	—	—	(70.5)	(141.8)
Total	883.5	962.1	155.1	150.1

6 Restructuring

During the third quarter of 2015, the Company approved a plan to implement a business productivity program referred to as "Fuel for Growth," which is expected to be implemented over a three-year period. Fuel for Growth is designed to improve operating efficiencies and reduce costs. Fuel for Growth is expected to improve profitability and create additional investments behind brand building and growth initiatives. Fuel for Growth focuses on the optimization of resources within various operating functions and certain third party costs across the business.

A summary of restructuring charges recognized within *other (income)/expenses—net* during the three months ended March 31, 2017 and 2016 and related reserves associated with Fuel for Growth as of March 31, 2017 is as follows:

	Three Months Ended March 31,	
	2017	2016
	($m)	
Restructuring Charges		
Severance and Employee Benefits	7.9	8.2
Asset Write-off	—	0.3
Other Costs	2.0	0.6
	9.9	9.1

	Severance and Employee Benefits[1]	Contract Termination[2]	Other Costs[3]	Total
		($m)		
Restructuring Reserves				
Balance as of January 1, 2017	14.2	10.3	3.0	27.5
Charges	7.9	—	2.0	9.9
Cash Payments	(6.3)	(3.5)	(0.3)	(10.1)
Balance as of March 31, 2017	15.8	6.8	4.7	27.3
Balance as of January 1, 2016	9.5	10.3	—	19.8
Charges	8.2	—	0.6	8.8
Cash Payments	(6.9)	—	(0.6)	(7.5)
Balance as of March 31, 2016	10.8	10.3	—	21.1

Note:

(1) Included in *accrued expenses* on the balance sheet.

(2) Included in *accrued expenses* and *other liabilities* on the balance sheet.

(3) Included in *accounts payable* on the balance sheet.

Restructuring charges are included in *Corporate and Other*. Reserves related to severance and employee benefits and other costs will be paid out during the next twelve months. The contract termination costs will be paid over a period from 2017 to 2019.

7 Employee Stock Benefit Plans

The following table summarizes stock-based compensation expense related to stock options, performance share awards and restricted stock units.

	Three Months Ended March 31,	
	2017	2016
	($m)	
Stock options	2.5	2.1
Performance share awards	1.4	2.3
Restricted stock units	5.5	3.4
Total pre-tax stock-based compensation expense	9.4	7.8
Net tax benefit related to stock-based compensation expense	(3.1)	(2.7)

During the three months ended March 31, 2017, the Company granted the following awards:

	Options/Shares Granted	Weighted-Average Grant Date Fair Value
(Shares in millions)		
Performance share awards	0.1	84.87
Restricted stock units	0.5	87.79

As of March 31, 2017, the Company had the following award expense yet to be recognized:

	Unrecognized Compensation Expense	Expected Weighted-Average Period to be Recognized (years)
	($m)	
Stock options	6.7	2.0
Performance share awards	10.0	1.2
Restricted stock units	71.9	2.6
Total	88.6	

8 Pension and Other Post-Employment Benefit Plans

The net periodic benefit cost of the Company's defined benefit pension and post-employment benefit plans includes:

	Three Months Ended March 31,			
	Pension Benefits		Other Benefits	
	2017	2016	2017	2016
	($m)			
Service cost—benefits earned during the period	0.9	0.7	0.3	0.3
Interest cost on projected benefit obligations	2.7	3.0	0.4	0.4
Expected return on plan assets	(4.0)	(4.1)	—	—
Net periodic benefit cost	(0.4)	(0.4)	0.7	0.7
Net actuarial (gains)/losses	—	6.1	—	—
Total net periodic expense/(benefit)	(0.4)	5.7	0.7	0.7

The Company remeasures its U.S. pension plan when year-to-date aggregate lump sum settlements exceed anticipated interest costs for the year, and in each subsequent quarter of that fiscal year. Because aggregate lump sum settlements did not exceed anticipated 2017 annual interest costs during the first quarter of 2017, there was no remeasurement, and therefore no actuarial gain or loss was recognized during the three months ended March 31, 2017. Because aggregate lump sum settlements exceeded anticipated 2016 annual interest costs during the first quarter of 2016, the Company remeasured its U.S. pension plan during the first quarter of 2016 and recognized a net actuarial loss of $6.1 million during the three months ended March 31, 2016.

During the three months ended March 31, 2017, the Company contributed $0.1 million to foreign pension plans. During the three months ended March 31, 2016, the Company made no contributions to pension plans.

9 Other (Income)/Expenses—Net

The components of *other (income)/expenses—net* were:

	Three Months Ended March 31,	
	2017	2016
	($m)	
Restructuring, severance and other related costs—net	9.9	9.3
Merger related costs	6.8	—
Administrative office relocation	4.8	—
Foreign exchange (gains)/losses—net	1.9	33.7
Venezuela long-lived asset impairments	—	45.9
Legal, settlements and other—net	(0.6)	(0.6)
Other (income)/expenses—net	22.8	88.3

During the three months ended March 31, 2017 and 2016, restructuring, severance and other related costs—net included $9.9 million and $9.1 million, respectively, of restructuring costs associated with the Fuel for Growth program. See "—Note 6. Restructuring" for additional information.

Merger related costs for the three months ended March 31, 2017 included costs incurred by the Company associated with the proposed merger with Reckitt Benckiser. See "—Note 19. Mergers and Acquisitions" for additional information.

During the three months ended March 31, 2017, administrative office relocation included costs associated with moving the Company's administrative offices in the U.S., including contract termination fees.

Foreign exchange (gains)/losses—net includes the re-measurement of U.S. dollar denominated intercompany loans, payables, and royalties for the three months ended March 31, 2017 and 2016, as well as foreign currency devaluation recognized in the Company's Venezuelan subsidiary of $32.3 million for the three months ended March 31, 2016. See "—Note 17. Venezuela Matters" for additional information.

During the three months ended March 31, 2016, the Company recognized impairment charges of $45.9 million on long-lived assets of its Venezuelan subsidiary. See "—Note 17. Venezuela Matters" for additional information.

10 Net Earnings Attributable to Noncontrolling Interests

Net earnings attributable to noncontrolling interests consists of a 11%, 10% and 10% interest held by third parties in operating entities in China, Argentina and Indonesia, respectively.

11 Inventories—net

The major categories of *inventories—net* were as follows:

	March 31, 2017	December 31, 2016
	($m)	
Finished goods	289.2	262.9
Work in process	61.8	64.1
Raw and packaging materials	147.5	146.5
Inventories—net	498.5	473.5

12 Long-Lived Assets

Property, Plant and Equipment—net

The major categories of *property, plant and equipment* were as follows:

	March 31, 2017	December 31, 2016
	($m)	
Land	8.2	8.1
Buildings and improvements	775.4	739.8
Machinery, equipment and fixtures	868.3	823.9
Construction in progress	73.0	110.4
Accumulated depreciation	(761.3)	(733.6)
Property, plant and equipment—net	963.6	948.6

Other Intangible Assets—net

The Company tests intangible assets not subject to amortization for impairment in the third quarter of each year and whenever an event occurs or circumstances change that indicate that it is more likely than not that the asset is impaired. No events have occurred through March 31, 2017 that would require the Company to review intangible assets not subject to amortization for impairment subsequent to the review performed during the third quarter of 2016.

The gross carrying value and accumulated amortization by class of *intangible assets* as of March 31, 2017 and December 31, 2016 were as follows:

	March 31, 2017			December 31, 2016		
	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Gross Carrying Amount	Accumulated Amortization	Net Book Value
			($m)			
Indefinite-lived intangible assets:						
Trademark[1]	14.2	—	14.2	14.4	—	14.4
Non-compete agreement[1]	2.8	—	2.8	2.8	—	2.8
Sub-total	17.0	—	17.0	17.2	—	17.2
Amortizable intangible assets:						
Computer software	146.8	(120.6)	26.2	145.4	(117.3)	28.1
Distributor-customer relationship[2]	1.4	(0.7)	0.7	1.4	(0.7)	0.7
Sub-total	148.2	(121.3)	26.9	146.8	(118.0)	28.8
Total other intangible assets	165.2	(121.3)	43.9	164.0	(118.0)	46.0

Note:

(1) Changes in balances result from currency translation.

(2) Changes in balances result from currency translation and amortization (10 year life).

Non-Cash Activity

Capital expenditures and the cash outflow for capital expenditures were as follows:

	Capital expenditures	Cash outflow for capital expenditures	Increase/ (Decrease) in capital expenditures not paid
		($m)	
Three Months Ended March 31, 2017	29.8	48.5	(18.7)
Three Months Ended March 31, 2016	17.2	55.6	(38.4)

13 Goodwill

The Company tests *goodwill* for impairment in the third quarter of each year and whenever an event occurs or circumstances change that would, more likely than not, reduce the fair value of a reporting unit below its carrying amount. No events have occurred through March 31, 2017 that would require the Company to review goodwill for impairment subsequent to the review performed in the third quarter of 2016.

For the three months ended March 31, 2017 and 2016, the change in the carrying amount of *goodwill* by reportable segment was as follows:

	Asia	Latin America	North America/ Europe	Total
		($m)		
Balance as of January 1, 2017	—	89.9	19.0	108.9
Translation adjustments	—	4.2	—	4.2
Balance as of March 31, 2017	—	94.1	19.0	113.1
Balance as of January 1, 2016	—	107.0	19.0	126.0
Translation adjustments	—	(6.0)	—	(6.0)
Balance as of March 31, 2016	—	101.0	19.0	120.0

As of March 31, 2017, the Company had no accumulated impairment loss.

14 Debt

Short-Term Borrowings

As of March 31, 2017 and December 31, 2016, the Company's *short-term borrowings* were $4.5 million and $3.9 million, respectively, and consisted of borrowings made by the Company's subsidiary in Argentina. The *short-term borrowings* in Argentina had a weighted-average interest rate of 27.5% as of March 31, 2017.

Revolving Credit Facility

As of March 31, 2017 and December 31, 2016, the Company had no borrowings against its $750.0 million revolving credit facility, and the Company had $750.0 million available at March 31, 2017. The revolving credit facility contains financial covenants and the Company was in compliance with these financial covenants as of March 31, 2017. Any borrowings under the facility are repayable at maturity in June 2019.

Long-Term Debt

The components of *long-term debt* were as follows:

	March 31, 2017	December 31, 2016
	($m)	
Principal Value:		
4.900% Notes due 2019 ("2019 Notes")	700.0	700.0
3.000% Notes due 2020 ("2020 Notes")	750.0	750.0
4.125% Notes due 2025 ("2025 Notes")	750.0	750.0
5.900% Notes due 2039 ("2039 Notes")	300.0	300.0
4.600% Notes due 2044 ("2044 Notes")	500.0	500.0
Sub-total	3,000.0	3,000.0
Adjustments to Principal Value:		
Unamortized basis adjustment for settled interest rate swaps	4.7	5.1
Unamortized bond discount	(4.2)	(4.3)
Unamortized debt issuance costs	(18.8)	(19.4)
Fair-value interest rate swaps	(8.4)	(5.2)
Long-term debt	2,973.3	2,976.2

Using quoted prices in markets that are not active, long-term debt is classified as Level 2 in the fair value hierarchy. The Company determined that the fair value of its long-term debt was $3,165.2 million as of March 31, 2017.

The components of *interest expense-net* were as follows:

	Three Months Ended March 31,	
	2017	2016
	($m)	
Interest expense	30.8	29.0
Interest income	(3.7)	(2.8)
Interest expense-net	27.1	26.2

15 Derivatives and other Financial Instruments

The Company is exposed to market risk due to changes in foreign currency exchange rates, commodities pricing and interest rates. To manage that risk, the Company enters into certain derivative financial instruments, when available on a cost-effective basis, to hedge its underlying economic exposure. The Company does not enter into derivatives for speculative purposes. These financial instruments are classified as Level 2 in the fair value hierarchy at March 31, 2017 and December 31, 2016, and there were no transfers between levels in the fair value hierarchy during the periods then ended.

The following table summarizes the fair value of the Company's outstanding derivatives:

	Hedge Designation	Balance Sheet Location	March 31, 2017	December 31, 2016
			($m)	
Foreign exchange contracts	Cash Flow	Prepaid expenses and other assets	3.6	10.9
Interest rate swaps	Fair Value	Other assets	—	1.1
Foreign exchange contracts	Cash Flow	Accrued expenses	(1.8)	(0.2)
Interest rate swaps	Fair Value	Other liabilities	(8.4)	(6.3)
Commodity contracts	Cash Flow	Accrued expenses	(0.2)	—
Net asset/(liability) of derivatives designated as hedging items			(6.8)	5.5

While certain derivatives are subject to netting arrangements with the Company's counterparties, the Company does not offset derivative assets and liabilities within the consolidated balance sheets presented herein.

The Company's derivative financial instruments present certain market and counterparty risks; however, concentration of counterparty risk is mitigated as the Company deals with a variety of major banks worldwide whose long-term debt at hedge inception is rated A- or higher by Standard & Poor's Rating Service, Fitch Ratings or Moody's Investors Service, Inc. In addition, only conventional derivative financial instruments are used. The Company would not be materially impacted if any of the counterparties to the derivative financial instruments outstanding at March 31, 2017 failed to perform according to the terms of its agreement. Based upon the risk profile of the Company's portfolio, MJN does not require collateral or any other form of securitization to be furnished by the counterparties to its derivative financial instruments.

Cash Flow Hedges

As of March 31, 2017 and December 31, 2016, the Company has cash flow hedges which qualify as hedges of forecasted cash flows, with the effective portion of changes in fair value temporarily reported in *accumulated other comprehensive income (loss)*. During the period that the underlying hedged transaction impacts earnings, the effective portion of the changes in the fair value of the cash flow hedges is recognized within earnings. The Company assesses effectiveness at inception and on a quarterly basis. These assessments determine whether derivatives designated as qualifying hedges continue to be highly effective in offsetting changes in the cash flows of hedged items. Any ineffective portion of the change in fair value is included in current period earnings. Cash flow hedges are valued using quoted prices in markets that are not active.

The Company will discontinue cash flow hedge accounting when the forecasted transaction is no longer probable of occurring on the originally forecasted date, or 60 days thereafter, or when the hedge is no longer effective. For the three months ended March 31, 2017, the Company discontinued cash flow hedge accounting for an insignificant number of hedges with a negligible net impact to the income statement as the underlying transaction was no longer probable. For the three months ended March 31, 2016, the Company did not discontinue any cash flow hedges.

Foreign Exchange Contracts

The Company uses foreign exchange contracts to hedge forecasted transactions, primarily foreign currency denominated intercompany purchases anticipated in the next 15 months and designates these derivative instruments as foreign currency cash flow hedges when appropriate. When the underlying intercompany purchases impact the Company's consolidated earnings, the effective portion of the hedge is recognized within *cost of products sold*, and

ineffectiveness related to the Company's foreign exchange hedges on earnings is recognized within *other (income)/expenses—net*. The ineffective portion of the hedges was $1.3 million for the three months ended March 31, 2017 and 2016.

The table below summarizes the Company's outstanding foreign exchange forward contracts at March 31, 2017. The fair value of all foreign exchange forward contracts is based on quarter-end forward currency rates. The fair value of foreign exchange forward contracts should be viewed in relation to the fair value of the underlying hedged transactions and the overall reduction in exposure to fluctuations in foreign currency exchange rates.

	Weighted-average Forward	Notional Amount	Fair Value Asset
		($m)	
Foreign exchange contracts:			
Cash flow hedges:			
Canadian dollar	1.32	72.5	0.6
Mexican peso	19.84	43.4	(1.4)
Malaysian ringgit	4.30	37.6	1.4
Philippine peso	49.34	43.0	1.2
Total foreign exchange contracts		196.5	1.8

The change in *accumulated other comprehensive income (loss)* and the impact on earnings from foreign exchange contracts that qualified as cash flow hedges were as follows:

	2017	2016
	($m)	
Balance—January 1	10.1	10.1
Derivatives qualifying as cash flow hedges deferred in other comprehensive income	(4.2)	(11.9)
Derivatives qualifying as cash flow hedges reclassified to cost of products sold (effective portion)	(3.0)	(6.3)
Change in deferred taxes	2.2	4.2
Balance—March 31	5.1	(3.9)

At March 31, 2017, the balance of the effective portion of changes in fair value on foreign exchange forward contracts that qualified for cash flow hedge accounting included in *accumulated other comprehensive income* was $5.1 million, $4.6 million of which is expected to be reclassified into earnings within the next 12 months.

Commodity Hedges

The Company utilizes commodity hedges to minimize the variability in cash flows due to fluctuations in market prices of the Company's non-fat dry milk purchases for North America. The maturities of the commodity contracts are scheduled to match the pricing terms of the Company's existing bulk purchase agreements. When the underlying non-fat dry milk purchases impact the Company's consolidated earnings, the effective portion of the hedge is recognized within *cost of products sold.*

As of March 31, 2017, the Company had commodity contracts outstanding which committed the Company to approximately $6.3 million of forecasted non-fat dry milk purchases. The effective portion of commodity derivatives qualifying as cash flow hedges is deferred in *accumulated other comprehensive income (loss)*, and the ineffective portion is recognized within *other (income)/expenses—net.* Commodity derivatives qualifying as cash flow hedges deferred in *accumulated other comprehensive loss* at March 31, 2017 was $0.2 million and insignificant at

December 31, 2016. During the three months ended March 31, 2017, the Company had no ineffectiveness on commodities. For the three months ended March 31, 2016, the ineffective portion recognized within *other (income)/expenses – net* was $0.5 million.

Fair Value Hedges

Interest Rate Swaps

During the second quarter of 2014, the Company entered into eight interest rate swaps with multiple counterparties, which have an aggregate notional amount of $700.0 million of outstanding principal. This series of swaps effectively converts the $700.0 million of 2019 Notes from fixed to floating rate debt for the remainder of their term. These interest rate swaps were outstanding as of March 31, 2017, and the conversion of fixed to floating rate resulted in a reduction in interest expense of $1.3 million and $2.0 million for the three months ended March 31, 2017 and 2016, respectively.

In the fourth quarter of 2015, the Company entered into six interest rate swaps with multiple counterparties to mitigate interest rate exposure associated with the 2020 Notes. The swaps have an aggregate notional amount of $750.0 million of outstanding principal. This series of swaps effectively converts the $750.0 million of 2020 Notes from fixed to floating rate debt for the remainder of their term. These interest rate swaps were outstanding as of March 31, 2017, and the conversion of fixed to floating rate resulted in a reduction in interest expense of $1.2 million and $2.1 million for the three months ended March 31, 2017, and 2016, respectively.

The following table summarizes the interest rate swaps outstanding as of March 31, 2017. The interest rate swaps for the 2019 Notes have a hedge inception date of May 2014, and the interest rate swaps for the 2020 Notes have an inception date of November 2015. The expiration dates of the interest rate swaps are equal to the stated maturity dates of the underlying debt. Interest rate swaps are valued using third party valuation models.

				Fair Value Asset/(Liability)	
	Notional Amount of Underlying	Fixed Rate Received	Variable Rate Paid (U.S. 3 Month LIBOR +)	March 31, 2017	December 31, 2016
	($m)			*($m)*	*($m)*
Swaps associated with the 2019 Notes	700.0	4.9%	3.14%	(0.5)	1.1
Swaps associated with the 2020 Notes	750.0	3.0%	1.38%	(7.9)	(6.3)

See "—Note 14. Debt" for additional information regarding the Company's debt.

Other Financial Instruments

The Company does not hedge the interest rate risk associated with money market funds, which totaled $251.6 million and $1,022.0 million as of March 31, 2017 and December 31, 2016, respectively. Money market funds are classified as Level 2 in the fair value hierarchy and are included in *cash and cash equivalents* on the balance sheet. The money market funds have quoted market prices that are equivalent to par.

16 Equity

Changes in common shares and treasury stock were as follows:

	Common Shares Issued	Treasury Stock	Cost of Treasury Stock
	(m)	*(m)*	*($m)*
Balance as of January 1, 2017	188.3	4.9	362.6
Stock-based Compensation	0.3	—	—
Balance as of March 31, 2017	188.6	4.9	362.6
Balance as of January 1, 2016	191.4	4.9	362.6
Stock-based Compensation	0.2	—	—
Balance as of March 31, 2016	191.6	4.9	362.6

The Company may use either authorized and unissued shares or treasury shares to meet share requirements resulting from the exercise of stock options and vesting of performance share awards and restricted stock units. Treasury stock is recognized at the cost to reacquire the shares. Shares issued from treasury are recognized using the first-in first-out method.

Share Repurchase Authorizations

In September 2013, the Company's board of directors approved a share repurchase authorization of up to $500.0 million of the Company's common stock (the "2013 Authorization"). The 2013 Authorization did not have an expiration date. During the first quarter of 2016, the Company did not repurchase any shares pursuant to the 2013 Authorization. As of March 31, 2016, the Company had $0.4 million remaining available under the 2013 Authorization. In the third quarter of 2016, the Company repurchased $0.4 million of its common stock which completed all purchases remaining under the 2013 Authorization.

In October 2015, the Company's board of directors approved a share repurchase authorization of an additional $1,500.0 million of the Company's common stock (the "2015 Authorization"). The 2015 Authorization does not have an expiration date. During the first quarters of 2017 and 2016, the Company did not repurchase any shares pursuant to the 2015 Authorization. As of March 31, 2017 the Company had $400.0 million remaining available under the 2015 Authorization.

Under the Merger Agreement, the Company is prohibited from redeeming, repurchasing or otherwise acquiring or offering to redeem, repurchase or otherwise acquire its common stock or other securities, other than shares surrendered to the Company to pay the exercise price in connection with the exercise of employee stock options and shares surrendered to the Company to satisfy tax withholding obligations in connection with the exercise of employee stock options or the vesting of restricted stock units and performance share awards.

Accumulated Other Comprehensive Loss

Changes in *accumulated other comprehensive loss* by component were as follows:

	Foreign Currency Translation Adjustments	Deferred Gains/(Losses) on Derivatives Qualifying as Hedges	Pension and Other Post-Employment Benefits	Total	Non-controlling Interest
			($m)		
Balance as of January 1, 2017	(395.0)	(15.6)	(0.8)	(411.4)	(13.2)
Deferred Gains/(Losses)	33.3	(4.4)	—	28.9	—(1)
Reclassification Adjustment for (Gains)/ Losses Included in Net Earnings	—	(2.4)	—	(2.4)	—
Tax Benefit/(Expense)	(0.5)	2.1	—	1.6	—
Balance as of March 31, 2017	(362.2)	(20.3)	(0.8)	(383.3)	(13.2)
Balance as of January 1, 2016	(329.8)	(17.2)	(0.8)	(347.8)	(12.7)
Deferred Gains/(Losses)	6.7	(11.6)	—	(4.9)	(0.8)(1)
Reclassification Adjustment for (Gains)/ Losses Included in Net Earnings	—	(5.5)	—	(5.5)	—
Tax Benefit/(Expense)	0.2	3.8	—	4.0	—
Balance as of March 31, 2016	(322.9)	(30.5)	(0.8)	(354.2)	(13.5)

Note:

(1) Represents foreign currency translation adjustments.

Reclassification adjustments out of *accumulated other comprehensive loss* were as follows:

	Three Months Ended March 31,					
	Affected Statement of Earnings Lines					
	Cost of Products Sold		Tax Benefit/(Expense)		Net	
	2017	2016	2017	2016	2017	2016
			($m)			
Deferred Gains/(Losses) on Derivatives Qualifying as Hedges:						
Forward Exchange Contracts	3.0	6.3	(0.1)	(0.6)	2.9	5.7
Commodity Contracts	(0.2)	(0.4)	0.1	0.2	(0.1)	(0.2)
Interest Rate Forward Swap	(0.4)	(0.4)	0.1	0.1	(0.3)	(0.3)
Total Reclassifications	2.4	5.5	0.1	(0.3)	2.5	5.2

17 Venezuela Matters

Discussion of Venezuela Exchange Rates

In January 2014, the Venezuelan government enacted changes affecting the country's currency exchange and other controls, and established a new foreign currency administration, the National Center for Foreign Commerce ("CENCOEX"). CENCOEX assumed control of the sale and purchase of foreign currency in Venezuela, and established the official exchange rate ("Official Rate") of 6.3 Bolivares Fuertes ("VEF") to 1.0 U.S. dollar ("USD"). Additionally, the government expanded the types of transactions that may be subject to the weekly auction mechanism under the Complimentary Currency Administration System ("SICAD I"). For a period of time, the Venezuelan government announced plans for the Alternative Foreign Exchange System, also known as SICAD II, which was intended to more closely resemble a market-driven exchange.

In February 2015, the Venezuelan government combined the SICAD I and SICAD II ("SICAD") exchange rate mechanisms and created a new market based SIMADI rate, which was based on

supply and demand. The changes created a three tiered system. As of December 31, 2015, CENCOEX traded at 6.3 VEF to 1.0 USD, the SICAD auction markets traded at 13.5 VEF to 1.0 USD and the SIMADI traded at 198.7 VEF to 1.0 USD.

In March 2016, the Venezuelan government devalued its currency and reduced its existing three tiered system to a two tiered system by eliminating the intermediary SICAD rate. The CENCOEX Official Rate, which continues to be used for purchases of certain essential goods, was changed to 10.0 VEF to 1.0 USD and is now referred to as DIPRO. Additionally, the SIMADI rate was replaced by a new market based rate known as DICOM, which governs all transactions not covered by DIPRO. The VEF as measured at the DICOM rate has continued to devalue against the USD throughout 2016 and 2017.

The rates were as follows:

	March 31, 2017	December 31, 2016	March 31, 2016
		(VEF to 1.0 USD)	
DIPRO	10.0	10.0	10.0
DICOM	709.7	673.8	272.9

Effect on the Company's Results

Due to the elimination of the SICAD rate in March 2016, the Company adopted the DICOM rate for purposes of remeasuring the monetary assets and liabilities of its Venezuela subsidiary effective March 10, 2016 because the Company believes the DICOM rate would now be used to settle future intercompany dividend remittances. The remeasurement impact of this adoption was a loss of $32.3 million, recognized during the first quarter of 2016 as a component of *other (income)/expenses – net*. For the three months ended March 31, 2017, the impact of foreign currency was negligible.

As a result of the change in the Venezuelan exchange rates, the Company concluded that an impairment indicator existed at March 31, 2016 and evaluated the carrying value of the long-lived assets of its Venezuelan subsidiary for impairment, which includes administrative office space, land and a partially completed distribution warehouse facility. Based on this evaluation, the Company concluded that the carrying value of the long-lived assets was no longer recoverable and recorded an impairment charge of $45.9 million to write down the carrying value of the assets to their fair value, which was recognized during the three months ended March 31, 2016 as a component of *other (income)/expenses – net*. The fair value measurements were based on market quotes from local real estate broker service firms as well as internal assessments of the best information available about the local business conditions and the political environment, including the risks associated with the local currency that would be indicative of what the assets could be sold for and are considered to be Level 3 measurements.

Net sales in the Venezuelan subsidiary were negligible as a percent of total Company net sales for the three months ended March 31, 2017. In addition, the Venezuelan subsidiary's earnings were not a material component of MJN's consolidated results during the three months ended March 31, 2017.

Remaining Asset Exposures

The Venezuelan subsidiary had net monetary assets and net non-monetary assets that were negligible individually and in aggregate to the Company's total net assets as of March 31, 2017.

18 Commitments and Contingencies

Commitments and Contingencies

In the ordinary course of business, the Company is subject to lawsuits, investigations, government inquiries and claims, including, but not limited to, product liability claims, advertising disputes and inquiries, consumer fraud suits, other commercial disputes, premises claims and employment and environmental, health, and safety matters.

The Company records accruals for contingencies when it is probable that a liability will be incurred and the loss can be reasonably estimated. Although the Company cannot predict with certainty the final resolution of lawsuits, investigations and claims asserted against the Company, MJN does not believe any currently pending legal proceeding to which the Company is a party will have a material impact on the Company's business or financial condition, results of operations or cash flows.

Litigation Related to the Merger

See "—Note 19. Mergers and Acquisitions" for information and definitions regarding the Company's pending transaction with Reckitt Benckiser Group plc ("Reckitt Benckiser").

On February 14, 2017, a stockholder of the Company filed a purported stockholder class action lawsuit in Cook County, Illinois, captioned Kirkham v. Altschuler, et al., 2017-CH-02109. The defendants are the Company, the individual members of the board of directors, Reckitt Benckiser and Marigold Merger Sub, Inc., a wholly owned indirect subsidiary of Reckitt Benckiser ("Merger Sub"). The lawsuit alleges that the Company's board of directors violated their fiduciary duties and that the Company, Reckitt Benckiser and Merger Sub aided and abetted such breaches, in each case in connection with the transactions contemplated by the Merger Agreement (as defined below). The lawsuit seeks, among other things, to enjoin consummation of the Merger (as defined below). On March 28, 2017, the plaintiff stockholder filed an amended complaint. In addition to the allegations of the original complaint, the amended complaint further alleges that the defendants failed to disclose certain information in the preliminary proxy statement, filed with the SEC on March 13, 2017. The plaintiff alleges that this omitted information is material for stockholders to vote on the Merger. The amended complaint alleges the same causes of actions against the same defendants and seeks the same relief as did the original complaint. The Company and its directors intend to vigorously defend against the allegations in the complaint.

On March 21, 2017, a stockholder of the Company filed a purported stockholder class action lawsuit in the United States District Court for the District of Delaware, captioned Steinberg v. Mead Johnson Nutrition Company, et al., 1:17-cv-00304. The defendants are the Company, the individual members of the board of directors, Reckitt Benckiser and Merger Sub. The lawsuit alleges that the Company's preliminary proxy statement, filed with the SEC on March 13, 2017, is false and misleading with respect to the Merger and thus the Company and the individual defendants violated Section 14(a) of the Securities Exchange Act of 1934 as well as SEC Rule 14a-9 and Reckitt Benckiser and the individual defendants violated Section 20(a) of the Securities Exchange Act of 1934. The lawsuit seeks, among other things, to enjoin consummation of the Merger. The Company and its directors intend to vigorously defend against the allegations in the complaint.

On March 27, 2017, a stockholder of the Company filed a purported stockholder class action lawsuit in the United States District Court for the District of Delaware, captioned Rubin v. Mead Johnson Nutrition Company, et al., 1:17-cv-00325. The defendants are the Company, the individual members of the board of directors, Reckitt Benckiser and Merger Sub. The lawsuit alleges that the Company's preliminary proxy statement, filed with the SEC on March 13, 2017, is false and misleading with respect to the Merger and thus all defendants violated Section 14(a)

of the Securities Exchange Act of 1934 as well as SEC Rule 14a-9 and the individual defendants violated Section 20(a) of the Securities Exchange Act of 1934. The lawsuit seeks, among other things, to enjoin consummation of the Merger. The Company and its directors intend to vigorously defend against the allegations in the complaint.

On March 27, 2017, a stockholder of the Company filed a purported stockholder class action lawsuit in the United States District Court for the District of Delaware, captioned Solak v. Mead Johnson Nutrition Company, et al., 1:17-cv-00325. The defendants are the Company, the individual members of the board of directors, Reckitt Benckiser and Merger Sub. The lawsuit alleges that the Company's preliminary proxy statement, filed with the SEC on March 13, 2017, is false and misleading with respect to the Merger and thus the Company and the individual defendants violated Section 14(a) of the Securities Exchange Act of 1934 as well as SEC Rule 14a-9 and all defendants violated Section 20(a) of the Securities Exchange Act of 1934. The lawsuit seeks, among other things, to enjoin consummation of the Merger. The Company and its directors intend to vigorously defend against the allegations in the complaint.

On March 30, 2017, a stockholder of the Company filed a purported stockholder class action lawsuit in the United States District Court for the District of Delaware, captioned Walters v. Mead Johnson Nutrition Company, et al., 1:17-cv-00344. The defendants are the Company and the individual members of the board of directors. The lawsuit alleges that the Company's preliminary proxy statement, filed with the SEC on March 13, 2017, is false and misleading with respect to the Merger and thus all defendants violated Section 14(a) of the Securities Exchange Act of 1934 and the individual defendants violated Section 20(a) of the Securities Exchange Act of 1934. The lawsuit seeks, among other things, to enjoin consummation of the Merger. The Company and its directors intend to vigorously defend against the allegations in the complaint.

19 Mergers and Acquisitions

Merger Agreement

On February 10, 2017, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") with Reckitt Benckiser and Merger Sub, pursuant to which Reckitt Benckiser will indirectly acquire the Company by means of a merger of Merger Sub with and into the Company on the terms and subject to the conditions set forth in the Merger Agreement (the "Merger"). The Merger Agreement and the consummation of the transactions contemplated by the Merger Agreement have been unanimously approved by the Company's board of directors.

At the effective time of the Merger (the "Effective Time"), on the terms and subject to the conditions set forth in the Merger Agreement, each share of the Company's common stock outstanding immediately prior to the Effective Time (other than (i) each share held by the Company as treasury stock (other than shares held for the account of clients, customers or other persons), (ii) each share held by Reckitt Benckiser or by any subsidiary of either the Company or Reckitt Benckiser and (iii) each share held by a holder who has not voted in favor of the Merger or consented thereto in writing and who has demanded appraisal for such shares in accordance with Delaware law) will be converted into the right to receive $90.00 in cash, without interest.

Consummation of the Merger is subject to the satisfaction or waiver of certain customary closing conditions, including, among others: (i) the affirmative vote of the holders of a majority of the Company's outstanding shares of common stock; (ii) the affirmative vote of a simple majority of Reckitt Benckiser's shareholders at a shareholder meeting; (iii) the expiration or termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended ("HSR"), and the receipt of certain other non-United States regulatory approvals required to consummate the Merger; and (iv) in the case of Reckitt Benckiser's obligations to consummate the Merger, the absence of a Company Material Adverse Effect (as defined in the Merger Agreement). Reckitt Benckiser and Merger Sub's respective obligations to consummate the Merger are not subject to any financing condition or other contingency. With

regard to subsection (iii) of the foregoing sentence, the Company received early termination of the HSR waiting period effective as of March 24, 2017.

Australian Asset Acquisition

On February 27, 2017, the Company announced that it has reached an agreement to acquire assets from Bega Cheese Limited (“Bega”). In connection with this transaction, the Company is acquiring from Bega a spray dryer and a finishing plant in Australia and will enter into service agreements to support the operation of those assets. The aggregate consideration for the asset purchase was approximately AUD $200 million for which the Company deposited $153.8 million into an escrow account held by a third-party in anticipation of funding this transaction. At March 31, 2017 that escrow account translated to $152.5 million and was included in restricted cash as the funds were to be disbursed to Bega when certain conditions have been satisfied by both parties. The asset purchase was completed on April 24, 2017. In accordance with the relevant transaction documents, Bega received AUD $180 million ($136.1 million) on completion and will receive the remaining AUD $20 million balance of the purchase price on or before December 31, 2017.

SECTION B – UNAUDITED RECONCILIATION OF FINANCIAL INFORMATION OF THE MEAD JOHNSON GROUP ON THE BASIS OF THE ACCOUNTING POLICIES OF THE COMPANY

The consolidated financial statements for the years ended 31 December 2016, 31 December 2015 and 31 December 2014, as previously published by Mead Johnson and set out in paragraph 1 of Section A of this Part IV, and the unaudited quarterly financial information for the three months ended 31 March 2017, as previously published by Mead Johnson and set out in paragraph 2 of Section A of this Part IV, have been prepared in accordance with U.S. Generally Accepted Accounting Principles (U.S. GAAP), which differ in certain respects from IFRS as applied by the Company in its audited consolidated financial statements for the year ended 31 December 2016.

These differences relate to methods for recognition and measurement of the amounts shown in the consolidated financial statements. The reconciliation does not seek to reflect any changes to accounting estimates made by the directors of Mead Johnson in preparing the underlying Mead Johnson Group financial information and does not reflect any fair value adjustments which the directors of the Company may make as a result of the Acquisition or may have made had the Acquisition happened at any other date during the historical period shown.

The following unaudited reconciliations present the effect of the material differences between Mead Johnson Group's U.S. GAAP accounting policies and the IFRS accounting policies applied by the Company on the consolidated net earnings and the total equity/(deficit) of the Mead Johnson Group.

The adjustments to the Mead Johnson Group's total equity/(deficit) at each period end are cumulative adjustments to reflect the Company's IFRS accounting policies. In contrast, the adjustments to net earnings in each period represent the effect for that reporting period only.

1 Unaudited reconciliation of the Mead Johnson Group's Net Earnings for the three months ended 31 March 2017 and the years ended 31 December 2016, 2015 and 2014

	Note	Three months ended 31 March 2017	Year ended 31 December 2016	Year ended 31 December 2015	Year ended 31 December 2014
			(in US$ m)		
Net earnings of the Mead Johnson Group as reported under U.S. GAAP	a	117.6	549.3	655.3	728.8
Accounting policy adjustments:					
Pensions and other post-retirement benefits	b	(1.9)	(18.1)	(14.8)	49.7
Share-based payments	c	(2.1)	(0.5)	1.3	(1.5)
Venezuela adjustments	d	–	22.3	(44.3)	1.9
Put option over non-controlling interest	e	–	–	12.9	(3.1)
Tax impact of accounting adjustments	f	0.7	6.3	5.2	(17.4)
Other tax accounting adjustments	g	(16.3)	(22.3)	16.9	12.6
Net income of the Mead Johnson Group under the Company's IFRS accounting policies		98.0	537.0	632.5	771.0

2 Unaudited reconciliation of the Mead Johnson Group's Total equity/(deficit) as at 31 March 2017 and as at 31 December 2016, 2015 and 2014

	Note	31 March 2017	31 December 2016	31 December 2015	31 December 2014
			(in US$ m)		
Total (deficit)/equity of the Mead Johnson Group as reported under U.S. GAAP	a	(392.8)	(472.1)	(592.5)	583.8
Accounting policy adjustments:					
Pensions and other post-retirement benefits	b	(1.9)	–	–	–
Share-based payments	c	(6.7)	(8.4)	(6.5)	(11.1)
Venezuela adjustments	d	–	(0.3)	(77.3)	6.9
Put option over non-controlling interest	e	–	–	–	(9.4)
Tax impact of accounting adjustments	f	0.7	–	–	–
Other tax accounting adjustments	g	21.6	33.9	53.6	47.5
(Net liabilities)/net assets of the Mead Johnson Group under the Company's IFRS accounting policies		(379.1)	(446.9)	(622.7)	617.7

Notes:

a. The total equity/(deficit) and net earnings of the Mead Johnson Group as at and for the years ended 31 December 2016, 2015 and 2014 have been extracted without material adjustment from the Mead Johnson consolidated financial statements set out in Paragraph 1 of Section A of this Part IV. The total equity/(deficit) and net earnings of Mead Johnson as at and for the three months ended 31 March 2017 have been extracted without material adjustment from the Mead Johnson consolidated financial statements set out in Paragraph 2 of Section A of this Part IV.

b. Under U.S. GAAP, Mead Johnson has elected to record all actuarial gains/(losses) immediately in the income statement. Prior service costs are recognised initially in other comprehensive income and subsequently recognised in the income statement through amortisation. Current service costs were recognised in 2015, 2016 and 2017 based on the spot rate derived from a high-quality corporate bond yield curve matched with separate cash flows for each future period. A single weighted-average discount rate approach was used in 2014.

Under IFRS, actuarial gains/(losses) are recognised in other comprehensive income. Past service costs are recognised immediately in the income statement. In addition, a single weighted-average discount rate is used to determine the current service costs and net interest cost components of expense in the three months ended 31 March 2017 and each of the three years presented.

Adjustments have been made to reflect the effect of the reclassification between the income statement and other comprehensive income for the three months ended 31 March 2017 and each of the years ended 31 December 2016, 2015 and 2014, and to net assets/(net liabilities) as at 31 March 2017. There is no impact on the net assets/(net liabilities) as at 31 December 2016, 2015, and 2014.

c. Under U.S. GAAP, the Mead Johnson Group has valued its graded vesting awards with service-only conditions as a single award and has recorded the share-based compensation expense using a straight-line method over the related vesting period for the entire award. Under IFRS, each tranche of the graded vesting awards with service-only conditions is valued as a separate award and the associated share-based compensation expense is recorded using a straight-line basis over the related vesting period for each separately vesting portion of the award.

In addition, under IFRS, as the Mead Johnson Group net settles certain awards and pays the corresponding minimum statutory tax withholding liability in cash to the tax authorities, this portion of the award is accounted for as a cash-settled award and classified as a liability, measured at fair value at each reporting date and expensed over the period until the vesting date. Changes in the fair value of the liability are recognised in the income statement. Under U.S. GAAP, these awards are treated as equity-settled awards.

Adjustments have been made to reflect the impact of graded vesting awards with service only conditions and the fair value measurement of cash settled awards on net earnings for the three months ended 31 March 2017 and each of the years ended 31 December 2016, 2015 and 2014 and to net assets/(net liabilities) as at 31 March 2017 and 31 December 2016, 2015 and 2014.

d. The Mead Johnson Group has operations in Venezuela which, from 2009, has been a hyperinflationary economy. Under U.S. GAAP, any subsidiary in a hyperinflationary economy is required to adopt the functional currency of its parent entity as its own functional currency. For the Mead Johnson Group, this is US dollar.

Under IFRS, IAS 21 *The Effects of Changes in Foreign Exchange Rates* requires that an entity's functional currency is determined based on the primary economic environment in which the entity operates, regardless of whether or not that currency is hyperinflationary. As a result, adjustments have been made to reflect the change in functional currency of Mead Johnson's Venezuelan subsidiary from US dollars to Venezuelan bolivars, as well as the related impact of transactional foreign currency gains and losses.

In addition to the change in functional currency, IAS 29 *Financial Reporting in Hyperinflationary Economies* requires the restatement of the financial information to express amounts in the measuring unit at the end of the reporting period, by applying the change in a general price index.

Adjustments have been made to reflect the effect of restatement on net assets/(net liabilities) at 31 December 2016, 2015 and 2014 and to net earnings for each of the years then ended. There is no such adjustment in the three month period ended 31 March 2017 because of the insignificance of the carrying values of assets following impairments recognised in 2016 and because of the significant reduction in the Mead Johnson Group's Venezuela operations.

Under U.S. GAAP, no translation adjustments were recognised as both the functional currency and the reporting currency of the Mead Johnson Group's Venezuela operations were US dollars. Under IAS 21, the operating results and financial position of a foreign entity whose functional currency is that of a hyperinflationary economy are translated into the presentation currency of the group at the closing rate at the date of each reporting period. Adjustments have also been made to reflect the effect of translation to the presentation currency under IFRS.

e. As part of a historical acquisition in Argentina, the Mead Johnson Group granted the holder of non-controlling interest a written put option that allowed it to put its equity interest back to the Mead Johnson Group at certain future dates. The option was exercised in June 2015. Under U.S. GAAP, puttable non-controlling interest is presented as redeemable non-controlling interest outside of equity. Accretion to redemption value of the instrument was recorded in equity, using an interest method up to the exercise date in June 2015.

Under IFRS, a written put option is recognised as a financial liability at the present value of the expected redemption amount, initially reclassified from equity. Subsequent changes to the value of financial liability are recorded in the income statement.

Adjustments have been made to reflect the reclassification of redeemable non-controlling interest to non-controlling interest and to separately recognise a financial liability with subsequent changes to its value being recorded in the income statement. All accretion to redemption value under U.S. GAAP has been reversed.

Adjustments have also been made to reflect the effect of the exercise of the written put option on net earnings and total equity.

As the instrument was exercised in June 2015, there is no effect on net assets/(net liabilities) at 31 December 2015 and on both total equity/(deficit) and net earnings as at and for the periods ended 31 December 2016 and 31 March 2017, respectively.

f. Item (f) reflects the tax impact of the accounting adjustments set out above, except for the impact of the Share-based payments adjustment, which is presented within other tax accounting adjustments, as explained in note g(1) below.

g. The other tax accounting adjustments are set out below:

Other tax accounting adjustments:		**Three months ended 31 March 2017**	**Year ended 31 December 2016**	**Year ended 31 December 2015**	**Year ended 31 December 2014**
			(in US$ m)		
Share based payments	Note g(1)	6.5	(4.3)	(8.2)	2.6
Intra-group dividends	Note g(2)	(22.3)	(19.3)	41.6	–
Subsequent reversal of deferred tax	Note g(3)	–	(3.8)	–	–
Inter-company transfers	Note g(4)	(0.5)	5.1	(16.5)	10.0
		(16.3)	(22.3)	16.9	12.6

The other tax accounting adjustments for the unaudited reconciliation of the Mead Johnson Group's Total equity/(deficit) as at 31 March 2017 and as at 31 December 2016, 2015 and 2014 are set out below:

Other tax accounting adjustments:		**Three months ended 31 March 2017**	**Year ended 31 December 2016**	**Year ended 31 December 2015**	**Year ended 31 December 2014**
			(in US$ m)		
Share based payments	Note g(1)	3.1	(7.4)	(1.9)	17.1
Intra-group dividends	Note g(2)	–	22.3	41.6	–
Inter-company transfers	Note g(4)	18.5	19.0	13.9	30.4
		21.6	33.9	53.6	47.5

1. Share-based payments

Under U.S. GAAP, a deferred tax asset is recognised for the amount of expected future tax benefit, by applying the tax rate to the share based payment expense recorded in the income statement in each period. Subsequently, when the share awards are exercised or vest, any difference between the deferred tax asset and the amount of current tax deduction is recorded as an adjustment to additional paid in capital.

Under IFRS, deferred tax assets are recognised based on the intrinsic value of the unexercised and unvested awards at each balance sheet date. Deferred tax is recorded in the income statement up to the tax effect of the cumulative share based payment expense and any excess is recorded directly in equity.

These changes have resulted in an increase in deferred tax assets in 2014 and in the quarter ended 31 March 2017 and lower deferred tax assets in 2015 and 2016, reflecting changes in the intrinsic value of unexercised and unvested share awards.

2. Intra-group dividends

During early 2016 and 2017, the Mead Johnson Group repatriated earnings from certain of its subsidiaries to the U.S, which, upon repatriation, gave rise to U.S. foreign tax credits. Under U.S. GAAP, the benefit of such excess foreign tax credits was recorded at the date of repatriation and not at either 31 December 2015 or 2016.

Under IFRS, the recognition criteria are informed by events after the balance sheet date, including the finalisation or payment of dividends, provided that sufficiently advanced plans about the amount and timing of dividends existed at the balance sheet date. For each of the years ended 31 December 2015 and 2016, such dividends were paid soon after the year end, which, in conjunction with plans for dividend repatriation at each balance sheet date meant that the recognition criteria were met and, accordingly, an adjustment is included in the reconciliation for the recognition of additional deferred tax assets at 31 December 2015 and 2016. The tax benefit recognised under IFRS in 2016 was recognised by the Mead Johnson Group in the quarter ended 31 March 2017 under U.S. GAAP.

3. Subsequent reversal of deferred tax

Under U.S. GAAP, the reversal of previously recognised deferred tax is recorded in net earnings. Under IFRS, such reversal follows the initial recognition of the deferred tax asset or liability. The Mead Johnson Group reversed certain previously recognised deferred tax items that were originally recognised in other comprehensive income and as such, a reclassification adjustment is made between net earnings and other comprehensive income.

4. Inter-company transfers

Under U.S. GAAP, income tax charges recorded by the Mead Johnson Group subsidiaries on inter-company profits earned from selling assets to fellow group subsidiaries are eliminated on consolidation, such that the tax charge is not recognised on consolidation until the profit is realised by the group through a sale to an external party. As a result, any such taxes paid are recorded as prepaid tax balances.

Under IFRS, these taxes are recognised as an expense as they are incurred and not eliminated on consolidation. Instead, a deferred tax asset is recognised for the deductible temporary difference between the carrying value of the transferred asset on consolidation (which excludes any inter-company profit) and the tax base of the asset held by the group subsidiary, which represents the amount of tax deduction that will available when the asset is subsequently sold (which includes any inter-company profit).

This adjustment results in an increase to the reported deferred tax assets and a reduction in prepaid tax balances. The increase in deferred tax assets is higher than the reduction in prepaid tax balances because of differences in tax rates between buying and selling companies.

SECTION C – ACCOUNTANT'S REPORT ON THE UNAUDITED RECONCILIATION OF THE CONSOLIDATED FINANCIAL INFORMATION OF THE MEAD JOHNSON GROUP

The Directors
Reckitt Benckiser Group plc
103 – 105 Bath Road
Slough, Berkshire,
SL1 3UH
United Kingdom

Deutsche Bank AG, London Branch
1 Great Winchester Street
London
EC2N 2DB

5 May 2017

Dear Sirs

Proposed acquisition by Reckitt Benckiser Group plc (the "Company") of Mead Johnson Nutrition Company ("Mead Johnson")

We report on the unaudited reconciliations (the "**Reconciliations**") set out in Section B of Part IV of the Company's circular dated 5 May 2017 (the "**Circular**") of the consolidated net earnings for each of the years in the three-year period ended 31 December 2016, and of the consolidated total equity/(deficit) as at 31 December 2014, 2015 and 2016, together the "**Financial Information**", as previously reported in the financial statements of Mead Johnson and its subsidiaries (the "**Mead Johnson Group**") prepared under United States Generally Accepted Accounting Principles, showing the adjustments necessary to restate it on the basis of the Company's accounting policies used in preparing the Company's last set of annual consolidated financial statements, which are incorporated by reference in Part VIII of the Circular. This report is required by Listing Rule 13.5.27R(2)(a) of the United Kingdom Listing Authority and is given for the purpose of complying with that Listing Rule and for no other purpose.

We express no opinion on the unaudited reconciliations of the consolidated net earnings for the three months ended 31 March 2017 and of the consolidated total deficit as at 31 March 2017 of the Mead Johnson Group to the Company's accounting policies.

Responsibilities

It is the responsibility of the directors of the Company (the "**Directors**") to prepare the Reconciliations in accordance with Listing Rule 13.5.27R(2)(a).

PricewaterhouseCoopers LLP, 1 Embankment Place, London, WC2N 6RH
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It is our responsibility to form an opinion, as required by Listing Rule 13.5.27R(2)(a), as to whether:

a) the Reconciliations have been properly compiled on the basis stated; and

b) the adjustments are appropriate for the purpose of presenting the Financial Information (as adjusted) on a basis consistent in all material respects with the Company's accounting policies, and to report that opinion to you.

The Reconciliations are based on the audited consolidated balance sheets as at 31 December 2014, 2015 and 2016 and consolidated statements of earnings for each of the years then ended of Mead Johnson which were the responsibility of the directors of Mead Johnson. The consolidated balance sheets and consolidated statements of earnings were audited by Deloitte & Touche LLP. We do not accept any responsibility for any of the historical financial statements of the Mead Johnson Group, nor do we express any opinion on those financial statements.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to shareholders of the Company as a result of the inclusion of this report in the Circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 13.4.1R(6) of the Listing Rules, consenting to its inclusion in the Circular.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of checking whether the unadjusted Financial Information of the Mead Johnson Group has been accurately extracted from an appropriate source, assessing whether all adjustments necessary for the purpose of presenting the Financial Information on a basis consistent in all material respects with the Company's accounting policies have been made, examination of evidence supporting the adjustments in the Reconciliations and checking the arithmetical accuracy of the calculations within the Reconciliations.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Reconciliations have been properly compiled on the basis stated and that the adjustments are appropriate for the purpose of presenting the Financial Information (as adjusted) on a basis consistent in all material respects with the Company's accounting policies.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

a) the Reconciliations have been properly compiled on the basis stated; and

b) the adjustments are appropriate for the purpose of presenting the Financial Information (as adjusted) on a basis consistent in all material respects with the Company's accounting policies.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

PART V

MEAD JOHNSON FINANCIAL PROJECTIONS

1 Mead Johnson 2017 Guidance

1.1 As is market practice for US public companies, Mead Johnson has historically provided full year earnings guidance as a standalone entity in its unaudited quarterly earnings press releases. The following statement was made by Mead Johnson in its unaudited press release dated 26 January 2017 announcing results for the financial year ending 31 December 2016:

> "*The company expects 2017 GAAP EPS to be in the range of $3.05 to $3.20. GAAP EPS guidance includes estimated adverse foreign exchange impacts of approximately $0.20, based on recent spot rates. GAAP EPS will be impacted by future foreign exchange changes and potentially significant future specified mark-to-market pension adjustments which cannot be estimated. Specified Items such as charges related to Fuel for Growth and other items are estimated to be $0.10 in 2017.*
>
> *The company expects non-GAAP EPS of $3.35 to $3.50 on a constant dollar basis.*"

1.2 The statements that 2017 GAAP EPS is expected to be in the range of $3.05 to $3.20 and that non-GAAP EPS is expected to be $3.35 to $3.50 on a constant dollar basis (the "**2017 Guidance**") represent Mead Johnson's most recent guidance with respect to EPS for the financial year ending 31 December 2017. The 2017 Guidance constitutes a profit forecast for the purposes of the Listing Rules.

1.3 Although the 2017 Guidance was prepared based on the U.S. GAAP accounting policies used by Mead Johnson in its consolidated financial statements for the year ended 31 December 2016, neither Mead Johnson's independent registered public accounting firm, nor any other independent accountants, have compiled, examined or performed any procedures with respect to the 2017 Guidance as provided by Mead Johnson, nor have they expressed any opinion or any other form of assurance on such information or its achievability.

2017 Guidance no longer valid

1.4 For the reasons set out in paragraph 1.7 below, the Directors consider the 2017 Guidance no longer valid. The Directors also consider that reassessment of the 2017 Guidance for the purposes of the Listing Rules is not necessary to allow Shareholders to make a properly informed decision as to how to vote at the General Meeting. The 2017 Guidance was provided by Mead Johnson as a standalone entity and does not represent the Company's or the Directors' views of the expected financial performance of Mead Johnson under the Company's ownership.

1.5 The 2017 guidance was provided by Mead Johnson as part of its regular guidance to the US markets, such guidance representing the best estimate, assumptions and existing strategy of Mead Johnson as a standalone entity for the full financial year. The Directors have reviewed the 2017 Guidance in the context of this document which is made in accordance with a different legal and regulatory regime.

1.6 The Directors have not relied on the 2017 Guidance in entering into, and deciding to recommend, the Acquisition and Shareholders should not rely upon the 2017 Guidance in deciding whether or not to approve the Acquisition. Shareholders should have regard to the other statements made in this document, including the statements regarding the medium and long term prospects of the Enlarged Group in paragraphs 2 and 4 of the

Chairman's letter in Part I of this document, in deciding whether or not to approve the Acquisition.

1.7 *Reasons 2017 Guidance is no longer valid*

1.7.1 *Impact of changes to revenues and/or costs*

The 2017 Guidance is stated in terms of EPS and Adjusted EPS for the year to 31 December 2017. The difference between the top and bottom of each range on a constant dollar basis equates to a variation in earnings for the year of around $30 million. As such, relatively small movements in Mead Johnson's revenues and/or costs will impact on the relevant EPS guidance figure.

1.7.2 *Effect of initiatives*

Irrespective of when Completion occurs, Mead Johnson is a company in transition and the 2017 Guidance was prepared by Mead Johnson on a standalone basis using its assumptions about the effectiveness of a series of important strategic and productivity initiatives in the business and certain recent transitions and changes made by Mead Johnson in its approach to the markets it serves.

The Directors have assessed these ongoing initiatives, which are not expected to be finished prior to Completion. Mead Johnson made a number of assumptions related to both the timing and impact of these initiatives that were embedded in the 2017 Guidance when it was issued, including the following significant assumptions, ordered by reporting segment:

(i) *Asia*

Background: Full year net sales for Mead Johnson in Asia were $1,857 million in 2016, which represented 50% of total net sales and a 9% reduction on the prior year on a reported basis. China and Hong Kong represent a significant part of the Mead Johnson business in Asia and the Philippines is the largest market in Asia for Mead Johnson after Hong Kong and China.

(a) *Enfinitas in China*: Mead Johnson announced in March 2016 the launch of its new Enfinitas premium product line, which is now one of Mead Johnson's key product lines in China. Mead Johnson projected this product line to continue to strengthen its competitiveness in the fastest-growing segment of the category in China and to grow gross sales of this product significantly in 2017.

(b) *Fully imported Enfamil in China*: Enfamil is one of Mead Johnson's key product lines in China. Recognising consumer preference in the Chinese market, Mead Johnson projected strong growth in sales of the imported Enfamil product in China in 2017.

(c) *e-commerce in Hong Kong*: Mead Johnson projected the growth in the important but new e-commerce business of Mead Johnson to drive significantly increased cross border online sales to China, helping to offset reduction in other cross border sales and driving very strong year on year growth from this channel in 2017.

(d) *Philippines sales recovery*: following continued adverse market dynamics and the correction of operational missteps in the Philippines and some other parts of South East Asia that drove a significant sales decline in 2016, Mead Johnson forecast a recovery in sales and market share in this market and a much less pronounced sales decline in 2017

over 2016 based on a number of actions, some taken and some to be taken.

(ii) *North America*

Background: Full year net sales for Mead Johnson in North America/Europe were $1,242 million in 2016, representing 33% of total net sales and a 3% reduction on the prior year on a reported basis. The US is Mead Johnson's largest market worldwide.

(a) *Addressing execution in US market*: Sales in the US in 2016 were negatively affected by market share weakness. Mead Johnson projected an increase in sales in this market through focussed investment in key influence products to drive increased market share in these products by the end of 2017. Areas of particular investment for Mead Johnson include Enfagrow products, liquid offering products and Nutramigen products which were expected to contribute incremental net sales in 2017.

The Directors have considered these initiatives and noted the commentary in Mead Johnson's financial statements for the quarter ended 31 March 2017, as contained on pages 13 and 14 of this document. The Directors consider that these ongoing initiatives will have a positive impact on the revenues of the Mead Johnson business over time. However, the Mead Johnson business is in transition and the timing and impact of each initiative is key to its financial performance in the 2017 financial year. The Directors have a different view of the expected timing of the impact of each of these initiatives and as a result consider that the assumed growth rates should be lower in the 2017 financial year.

Shareholders should not rely on the 2017 Guidance when deciding how to vote

1.8 The reasons stated in paragraph 1.7 above are expected to affect the financial results of Mead Johnson's operations in 2017 and, accordingly, the 2017 Guidance. As a result, the Directors consider that the 2017 Guidance is no longer valid. The Directors also consider that reassessment of the 2017 Guidance for the purposes of the Listing Rules is not necessary to allow Shareholders to make a properly informed decision as to how to vote at the General Meeting.

1.9 In addition, the Directors note that in its financial results for the quarter ended 31 March 2017, released on 27 April 2017, Mead Johnson made the following statement in respect of the 2017 Guidance:

"*In view of the proposed merger agreement with Reckitt Benckiser Group plc (RB) announced on February 10, 2017, we will not be hosting an investor conference call to discuss this quarter's or subsequent financial results. In addition, given the proposed merger, we believe the previously-issued guidance for Mead Johnson as a standalone entity is no longer applicable. The transaction, which is subject to customary closing conditions including regulatory approvals in several jurisdictions and approval by both Mead Johnson's and RB's shareholders, is expected to close during the third quarter of 2017.*"

1.10 As stated above, the Directors have not relied on the 2017 Guidance in entering into, and deciding to recommend, the Acquisition (for the above reasons and including because they believe the value of Mead Johnson to the Company is in its medium and long term prospects) and Shareholders should not rely upon the 2017 Guidance in deciding whether or not to approve the Acquisition.

1.11 None of the Company, the Directors or their respective advisers accept responsibility for the accuracy, reasonableness, validity or completeness of the 2017 Guidance or the estimates and assumptions that underlie it.

2 Mead Johnson 2018-2021 Projections

2.1 Mead Johnson management prepares projections of Mead Johnson's expected financial performance as part of its ongoing management of the business. Other than guidance in connection with its regularly-scheduled earnings releases, these projections are not disclosed as a matter of course due to the inherent unpredictability of the underlying assumptions and estimates. Mead Johnson was, however, required to include in the Proxy Statement certain unaudited prospective financial information that was prepared by Mead Johnson management and used by the Mead Johnson Board in its evaluation of the proposed merger, and by the financial advisers to Mead Johnson, in providing financial advice to the Mead Johnson Board. Such unaudited prospective financial information was therefore prepared for the purpose of privately informing the analysis of Mead Johnson's financial advisers and was not prepared with a view to public disclosure, nor with any intention of guiding shareholders as to future performance of either Mead Johnson or the Enlarged Group. Mead Johnson has stated that the inclusion of such information in its Proxy Statement should not be regarded as an indication that Mead Johnson considered, or now considers, it necessarily to be predictive of actual future results, or that it should be construed as financial guidance, and it should not be relied on as such.

2.2 Mead Johnson made the following statement in the Proxy Statement, which is consistent with the view of the Directors:

> "*Given the proposed merger under the merger agreement with Reckitt Benckiser and assuming that such merger is completed, the unaudited prospective financial information for the Company as a standalone entity for the years 2018 to 2021... will no longer be applicable.*"

2.3 The unaudited prospective financial information for the financial years ending 31 December 2018, 2019, 2020 and 2021, to the extent that such projections may be considered to be profit forecasts for the purposes of the Listing Rules, has been extracted from the Proxy Statement and is set out in the table below (together with the relevant notes, to the extent that such notes relate to such projections) (the "**2018-2021 Projections**"):

(for the year ended December 31 of each year, dollars in millions other than per share amounts)[(1)]:		2018	2019	2020	2021
Net Earnings	$	660	741	816	883
Adjusted EBIT[(2)]	$	980	1,085	1,183	1,272
Adjusted EBITDA[(3)]	$	1,081	1,193	1,297	1,392
Adjusted EPS[(4)]	$	3.58	4.02	4.43	4.80

(1) Amounts in this section were prepared based on exchange rates used by Mead Johnson for the purpose of its 2017 budget process.

(2) Adjusted EBIT represents earnings before net interest expenses and income taxes. The most comparable U.S. GAAP measure is Earnings before Interest and Income Taxes.

(3) Adjusted EBITDA represents earnings before net interest expenses, income taxes, depreciation and amortization. The most comparable U.S. GAAP measure is Earnings before Interest and Income Taxes.

(4) Adjusted EPS represents net earnings attributable to shareholders reduced by dividends and undistributed earnings attributable to unvested shares divided by the weighted average shares outstanding adjusted for the effect of dilutive stock options and performance share awards. The most comparable U.S. GAAP measure is diluted earnings per share.

2018-2021 Projections no longer valid and Shareholders should not rely on the 2018-2021 Projections when deciding how to vote

2.4 Although the 2018-2021 Projections were provided to the Company prior to signing the Merger Agreement, the 2018-2021 Projections do not reflect the Directors' view of the expected financial performance of Mead Johnson under the Company's ownership. RB expects the actual results of Mead Johnson for each of the financial years ending 31 December 2018, 2019, 2020 and 2021 to differ from the respective year within the 2018-2021 Projections and believes that the 2018-2021 Projections will cease to be valid under the Company's ownership.

2.5 As referred to in paragraph 2.1, Mead Johnson management prepares internal non-public standalone financial projections of Mead Johnson's expected financial performance as part of its ongoing management of the business. Other than guidance in connection with its regularly-scheduled earnings releases, these projections were not externally disclosed as a matter of course due to the inherent unpredictability of the underlying assumptions and estimates.

2.6 The unaudited prospective financial information was not prepared with a view toward public disclosure, nor was it prepared with a view toward compliance with U.S. GAAP, published guidelines of the SEC or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information. Neither Mead Johnson's independent registered public accounting firm, nor any other independent accountants, have compiled, examined or performed any procedures with respect to the unaudited prospective financial information contained in the Proxy Statement, nor have they expressed any opinion or any other form of assurance on such information or its achievability.

2.7 Although the Directors received some of the 2018-2021 Projections during their due diligence of Mead Johnson, they have relied on their own investigations and views of Mead Johnson's results of operations, financial and operating condition and future prospects in considering and evaluating the Acquisition and determining the price of the Acquisition.

2.8 Furthermore, the Directors do not consider the 2018-2021 Projections to represent information necessary for Shareholders to make an informed decision as to how to vote at the General Meeting as, given the reasons set out above, it would not be possible to accurately predict future performance of the Mead Johnson business within the Enlarged Group. The Directors therefore consider that the 2018-2021 Projections are no longer valid in the context of the Acquisition. Consequently, the Company believes that the reassessment of these projections for the purposes of the Listing Rules is not necessary. Shareholders should not rely upon the 2018-2021 Projections in deciding whether or not to approve the Acquisition.

2.9 None of the Company, the Directors or their respective advisers accept responsibility for the accuracy, reasonableness, validity or completeness of the 2018-2021 Projections or the estimates and assumptions that underlie them.

2.10 The principal changes expected to affect the financial results of Mead Johnson for each of the financial years ended 31 December 2018, 2019, 2020 and 2021, whether or not such results would be consistent with the 2018-2021 Projections (which the Company and the Directors do not accept any responsibility for), are summarised below:

2.10.1 *Cost savings, costs to achieve cost savings, and other costs*

As described in Part I (*Letter from the Chairman of Reckitt Benckiser Group plc*) of this document, RB expects the integration of RB's and Mead Johnson's businesses to deliver cost savings of approximately £200 million per annum for the Enlarged

Group by the end of the third full year following Completion, and the one-off costs to achieve the savings are expected to be approximately £450 million.

Assuming Completion occurs as expected, a proportion of these cost savings is expected to have an impact on the business and financial results of Mead Johnson in 2017, increasing year-on-year through 2018, 2019 and 2020. The full annual cost saving is expected to be delivered in 2021 and at a similar level each year thereafter.

The cost synergies referred to above are expected to arise in relation to: (i) savings on procurement of raw and packaging materials (which will affect Mead Johnson's gross margin in each of 2018, 2019, 2020 and 2021); and (ii) operational costs and expenses, including removing duplicate back office functions and achieving savings on advertising and promotional expenditure (which will affect Mead Johnson's operating margin and EBITDA margin in each of 2018, 2019, 2020 and 2021), with the consequential effect that the 2018-2021 Projections relating to the Net Earnings, Adjusted EBIT, Adjusted EBITDA and Adjusted EPS of Mead Johnson are likely to differ from those set out above in paragraph 2.3.

In addition to certain costs expected to be incurred in 2017, a significant proportion of the expected £450 million one-off costs to achieve the synergies will be incurred in 2018 and 2019 and the remainder in 2020. The amount and timing of cost synergies and the one-off costs to achieve them are interdependent. The consequential effect is that the predictions contained within the 2018-2021 Projections for each of 2018, 2019 and 2020, relating to the Net Earnings, Adjusted EBIT, Adjusted EBITDA and Adjusted EPS of Mead Johnson are likely to differ from those set out above in paragraph 2.3.

The integration of the back office functions of both RB and Mead Johnson, referred to above, will also result in certain costs being incurred by the Enlarged Group rather than Mead Johnson as a stand alone entity. These costs will include, *inter alia*, central corporate costs, share option charges, certain interest and financing costs and insurance costs. Such costs will be allocated across the Enlarged Group's operating segments based upon the costs borne by the Enlarged Group and will therefore have an impact on the Net Earnings, Adjusted EBIT, Adjusted EBITDA and Adjusted EPS of Mead Johnson in each of 2018, 2019, 2020 and 2021.

2.10.2 *Operational initiatives*

RB also expects to implement a number of initiatives that it has used to deliver its own revenue growth, including in respect of previous acquisitions. These include the delivery of, and investment in, R&D-led innovation, leveraging RB's e-commerce platforms and distribution networks and incorporating Mead Johnson into its existing global branding capabilities. In combination, these initiatives and investments are expected to enhance Mead Johnson's position in its key markets and other territories.

These operational initiatives, implemented following Completion would have an impact on the revenue for Mead Johnson on a standalone basis from 2018 to 2021, which would not be possible as a standalone company. As a result of this impact on revenue, the Net Earnings, Adjusted EBIT, Adjusted EBITDA and Adjusted EPS of Mead Johnson for 2018, 2019, 2020 and 2021 are likely to differ from those set out above in paragraph 2.3.

PART VI

UNAUDITED PRO FORMA STATEMENT OF NET ASSETS FOR THE ENLARGED GROUP

SECTION A – UNAUDITED PRO FORMA FINANCIAL INFORMATION

The unaudited pro forma statement of net assets and the related notes set out in this Section A of Part VI (the "**Unaudited Pro Forma Financial Information**") have been prepared to illustrate the effect of the Acquisition on the consolidated net assets of the Group as if the Acquisition had taken place on 31 December 2016.

The Unaudited Pro Forma Financial Information has been prepared in accordance with item 13.3.3R of the Listing Rules and on a basis consistent with the accounting policies adopted by the Company in relation to its consolidated financial statements for the year ended 31 December 2016.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation. It does not purport to represent what the Enlarged Group's financial position actually would have been if the Acquisition had been completed on the dates indicated, nor does it purport to represent the results of operations for any future period or financial position at any future date. It does not reflect the results of any purchase price allocation exercise, as this will be conducted following the Acquisition.

The Unaudited Pro Forma Financial Information does not constitute financial statements within the meaning of Section 434 of the Companies Act. Shareholders should read the whole of this document and not rely solely on the summarised financial information contained in this Part VI.

In addition to the matters noted above, the Unaudited Pro Forma Financial Information does not reflect the effect of anticipated synergies and efficiencies or the related costs of achieving these synergies that may result from the Acquisition.

Unaudited pro forma statement of net assets

	Group as at 31 December 2016 (Note 1)	Adjustments: Debt raising (Note 2)	Adjustments: Mead Johnson Group as at 31 December 2016 (Note 3)	Adjustments: Acquisition Adjustment (Note 4)	Pro forma Enlarged Group
			£ in millions		
Non-current assets					
Goodwill and other intangible assets	13,454		127	13,618	27,199
Property, plant and equipment	878		791		1,669
Available for sale financial assets	39		–		39
Deferred tax assets	81		141		222
Retirement benefit surplus	36		3		39
Other non-current receivables	81		84		165
	14,569	–	1,146	13,618	29,333
Current assets					
Inventories	770		384		1,154
Trade and other receivables	1,623		331		1,954
Derivative financial instruments	158		9		167
Current tax recoverable	14		7		21
Short term investments	3		–		3
Cash and cash equivalents	882	13,587	1,454	(13,506)	2,417
	3,450	13,587	2,184	(13,506)	5,716
Total assets	18,019	13,587	3,330	112	35,049
Current liabilities					
Short-term borrowings	(1,585)	(6,397)	(3)		(7,985)
Provisions for liabilities and charges	(251)		(4)		(255)
Trade and other payables	(3,495)		(985)		(4,480)
Derivative financial instruments	(58)		(5)		(63)
Current tax liabilities	(12)		(81)		(93)
	(5,401)	(6,397)	(1,078)	–	(12,876)
Non-current liabilities					
Long-term borrowings	(804)	(7,190)	(2,411)		(10,405)
Deferred tax liabilities	(1,983)		(7)		(1,990)
Retirement benefit obligations	(361)		(101)		(462)
Other provisions	(174)		–		(174)
Non-current tax liabilities	(740)		(90)		(830)
Other non-current liabilities	(130)		(6)		(136)
	(4,192)	(7,190)	(2,614)	–	(13,997)
Total liabilities	(9,593)	(13,587)	(3,692)	–	(26,873)
Net Assets/(Liabilities)	8,426	–	(362)	112	8,176

Notes:

1) The Group's financial information as at 31 December 2016 has been extracted, without material adjustment, from the Group published financial information for the year ended 31 December 2016, which is incorporated by reference in Part VIII (*Documentation Incorporated by Reference*) of this document.

2) On the Signing Date, the Company and RB Treasury Services entered into an agreement for syndicated bank facilities, in order to finance the Acquisition (the "**Facilities Agreement**"). Further details about the Facilities Agreement can be found in paragraph 8.1.2 of Part VII (*Additional Information*). The adjustment reflects a £13,610

million ($17,000 million) drawdown of the syndicated bank facilities, of which £6,405 million ($8,000 million) is short-term, payable within 12 months after Completion and £7,205 million ($9,000 million) is long-term. In presenting their respective carrying values, fees incurred up to 10 February 2017 in raising debt finance have been deducted from these amounts. Further, fees will be incurred depending on the timing of completion of the Acquisition. The amounts in this note have been calculated using an exchange rate of £1:$1.2491 at 10 February 2017, being the date of announcement of the Acquisition.

3) The Mead Johnson Group's net liabilities are based on the consolidated balance sheet of Mead Johnson at 31 December 2016 extracted from Part IV (*Financial Information on the Mead Johnson Group*), as adjusted to the Company's accounting policies and presentation. A reconciliation of Mead Johnson's consolidated balance sheet to the Company's accounting policies and presentation is presented below:

Mead Johnson balance sheet line items	**Mead Johnson balance sheet line items as at 31 December 2016 (note a)**	**Company balance sheet line items**	**Mead Johnson balance sheet as at 31 December 2016 under the Company's balance sheet presentation (note b)**	**IFRS adjustments and reclassifications (note c)**	**Mead Johnson balance sheet as at 31 December 2016 under the Company's balance sheet presentation and after IFRS adjustments**	**Translated into the Company's reporting currency (note d)**
	US$m		*US$m*	*US$m*	*US$m*	*£m*
		ASSETS				
		Non-current assets				
Goodwill	*108.9*					
Other intangible assets – net	*46.0*					
	154.9	Goodwill and other intangible assets	154.9	2.1	157.0	127.2
Property, plant and equipment – net	*948.6*	Property, plant and equipment	976.6	–	976.6	791.1
		Available for sale financial assets	–	–	–	–
Deferred income taxes – net of valuation allowance	*143.1*	Deferred tax assets	143.1	31.5	174.6	141.4
		Retirement benefit surplus	3.4	–	3.4	2.8
Other assets (note b(i))	*134.5*	Other non-current receivables	103.1	–	103.1	83.5
	1,381.1		1,381.1	33.6	1,414.7	1,146.0

Mead Johnson balance sheet line items	Mead Johnson balance sheet line items as at 31 December 2016 (note a)	Company balance sheet line items	Mead Johnson balance sheet as at 31 December 2016 under the Company's balance sheet presentation (note b)	IFRS adjustments and reclassifications (note c)	Mead Johnson balance sheet as at 31 December 2016 under the Company's balance sheet presentation and after IFRS adjustments	Translated into the Company's reporting currency (note d)
	US$m		*US$m*	*US$m*	*US$m*	*£m*
		Current assets				
Inventories	*473.5*	Inventories	473.5	–	473.5	383.6
Receivables	*369.0*					
Prepaid expenses and other assets (note b(ii))	*60.4*					
	429.4	Trade and other receivables	418.5	(10.2)	408.3	330.7
		Derivative financial instruments	10.9	–	10.9	8.8
Income taxes receivable	*8.3*	Current tax recoverable	8.3	–	8.3	6.7
		Short term investments	–	–	–	–
Cash and cash equivalents	*1,795.4*	Cash and cash equivalents	1,795.4	–	1,795.4	1,454.4
	2,706.6		2,706.6	(10.2)	2,696.4	2,184.2
	4,087.7	**Total assets**	4,087.7	23.4	4,111.1	3,330.2
		LIABILITIES				
		Current liabilities				
Short-term borrowings	*(3.9)*	Short-term borrowings	(3.9)	–	(3.9)	(3.2)
		Short-term provisions for liabilities and charges	–	(4.4)	(4.4)	(3.6)
Accounts payable	*(515.8)*					
Accrued expenses (note b(ii))	*(194.7)*					
Accrued rebates and returns	*(417.4)*					
Deferred Income	*(12.4)*					
Dividends payable	*(76.0)*					
	(1,216.3)	Trade and other payables	(1,216.1)	–	(1,216.1)	(985.1)
		Derivative financial instruments	(6.5)	–	(6.5)	(5.3)
Income taxes payable	*(24.0)*	Current tax liabilities	(112.1)	12.3	(99.8)	(80.8)
	(1,244.2)		(1,338.6)	7.9	(1,330.7)	(1,077.9)

Mead Johnson balance sheet line items	Mead Johnson balance sheet line items as at 31 December 2016 (note a)	Company balance sheet line items	Mead Johnson balance sheet as at 31 December 2016 under the Company's balance sheet presentation (note b)	IFRS adjustments and reclassifications (note c)	Mead Johnson balance sheet as at 31 December 2016 under the Company's balance sheet presentation and after IFRS adjustments	Translated into the Company's reporting currency (note d)
	US$m		*US$m*	*US$m*	*US$m*	*£m*
		Non-current liabilities				
Long-term debt	*(2,976.2)*	Long-term borrowings	(2,976.2)	–	(2,976.2)	(2,410.9)
Deferred income taxes	*(6.2)*	Deferred tax liabilities	(6.2)	(2.1)	(8.3)	(6.7)
Pension and other post-employment liabilities	*(104.2)*	Retirement benefit obligations	(124.5)	–	(124.5)	(100.9)
		Other provisions	–	–	–	–
		Non-current tax liabilities	(111.2)	–	(111.2)	(90.1)
Other liabilities (note b(iii))	*(229.0)*	Other non-current liabilities	(3.1)	(4.0)	(7.1)	(5.8)
	(3,315.6)		(3,221.2)	(6.1)	(3,227.3)	(2,614.3)
	(4,559.8)	**Total liabilities**	(4,559.8)	1.8	(4,558.0)	(3,692.2)
Total Equity/(Deficit)	*(472.1)*	**Net liabilities**	(472.1)	25.2	(446.9)	(362.0)

Notes:

a) The Mead Johnson Group's balance sheet line items are directly extracted without adjustment from the Mead Johnson Group's consolidated balance sheet at 31 December 2016, included in this document in Part IV (*Financial Information on the Mead Johnson Group*).

b) This reflects the Mead Johnson Group's consolidated balance sheet as at 31 December 2016 re-presented to conform to the Group's line item presentation format.

(i) Under U.S. GAAP, Mead Johnson's "Other assets" includes $28.0m of property, plant and equipment and $3.4m of retirement benefit surplus, each of which has been reclassified to the respective line items in accordance with the Company's IFRS balance sheet presentation.

(ii) Under U.S. GAAP, Mead Johnson's "Prepaid expenses and other assets" and "Accrued expenses" include $10.9m and $0.2m of derivative financial instruments, respectively, each of which has been included in a separate line item in accordance with the Company's IFRS balance sheet presentation.

(iii) "Other liabilities" includes $6.3m of derivative financial instruments and $20.3m retirement benefit obligations, each of which have been reclassified to the respective separate line items in accordance with the Company's IFRS balance sheet presentation. "Other liabilities" also includes $164.2m tax liabilities, of which $53.0m are current tax liabilities and $111.2m are non-current tax liabilities, which were also reclassified to the respective separate line items in accordance with the Company's IFRS balance sheet presentation. A further $35.1m relates to current tax liabilities, which has been included in the respective line in accordance with the Company's IFRS balance sheet presentation. The remaining balance of "Other liabilities" includes a non-current portion of tax liabilities and other non-current liabilities, which have been presented separately in accordance with the Company's IFRS balance sheet presentation.

c) Certain IFRS adjustments and reclassifications were made to reflect the difference in accounting policy and presentation under the Company's IFRS accounting policies, as opposed to U.S. GAAP. These adjustments have been disclosed in Section B of Part IV (*Financial Information on the Mead Johnson Group*).

d) The Mead Johnson Group financial information has been converted from $ to £ using the closing exchange rate of £1:$1.234 at 31 December 2016.

4) The adjustments arising as a result of the Acquisition are set out below:

a) The Unaudited Pro Forma Financial Information has been prepared on the basis that the Group will apply acquisition accounting. The unaudited pro forma statement of net assets does not reflect the fair value adjustments to the acquired assets and liabilities as the purchase price allocation exercise will not be finalised until after Completion. Upon completion of the purchase price allocation exercise, the Group expects that fair value adjustments will be recognised in respect of certain assets and liabilities. For the purposes of the unaudited pro forma statement of net assets, the excess purchase consideration over the carrying amount of the net liabilities acquired has been attributed to the line item goodwill and other intangible assets. The fair value adjustments, when finalised following Completion, may be material. The pro forma goodwill arising has been calculated as follows:

	£m
Consideration for shares (183,384,495 shares at $90 each)	13,213
Other payments included within consideration	43
Add: Mead Johnson Group net liabilities acquired	362
Pro forma goodwill	13,618

Cash consideration is calculated as $90 per share on the 183,384,495 shares of common stock of Mead Johnson outstanding at the latest practicable date prior to the announcement of the merger on 10 February 2017. The final number of shares to be used for calculating the consideration will be determined at Completion and will reflect the additional number of shares, which will be issued as a result of share awards vesting in the period up to Completion.

Other payments included in the calculation of consideration represent the expected aggregate amount payable for these share awards, which will have vested ahead of completion of the Acquisition, where the payment made meets the definition of acquisition consideration. These amounts have been translated using an exchange rate of £1:$1.2491 as at 10 February 2017.

b) The adjustment to cash and cash equivalents of £13,506 million comprises:

	£m
Consideration for shares (183,384,495 shares at $90 each)	13,213
Other cash outflow[1]	293
Cash outflow	13,506

1 Other cash outflow comprises total change in control payments of £144m (primarily comprising share options and awards vesting on the change in control of Mead Johnson) and estimated transaction costs of £149m incurred by the Enlarged Group.

5) In preparing the unaudited pro forma statement of net assets, no account has been taken of the trading or transactions of the Group or of the Mead Johnson Group since 31 December 2016.

SECTION B — ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The Directors
Reckitt Benckiser Group plc
103 – 105 Bath Road
Slough, Berkshire,
SL1 3UH
United Kingdom

Deutsche Bank AG, London Branch
1 Great Winchester Street
London
EC2N 2DB

5 May 2017

Dear Sirs

Reckitt Benckiser Group plc (the "Company")

We report on the unaudited pro forma financial information (the "**Unaudited Pro Forma Financial Information**") set out in Section A of Part VI of the Company's circular dated 5 May 2017 (the "**Circular**") which has been prepared on the basis described in the notes to the Unaudited Pro Forma Financial Information, for illustrative purposes only, to provide information about how the acquisition of Mead Johnson Nutrition Company might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the year ended 31 December 2016. This report is required by item 13.3.3R of the Listing Rules of the UK Listing Authority (the "**Listing Rules**") and is given for the purpose of complying with that Listing Rule and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with item 13.3.3R of the Listing Rules.

It is our responsibility to form an opinion, as required by item 13.3.3R of the Listing Rules, as to the proper compilation of the Unaudited Pro Forma Financial Information and to report our opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

PricewaterhouseCoopers LLP, 1 Embankment Place, London, WC2N 6RH
T: +44 (0) 2075 835 000, F: +44 (0) 2072 124 652, www.pwc.co.uk

PricewaterhouseCoopers LLP is a limited liability partnership registered in England with registered number OC303525. The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP is authorised and regulated by the Financial Conduct Authority for designated investment business.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to shareholders of the Company as a result of the inclusion of this report in the Circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 13.4.1R(6) of the Listing Rules, consenting to its inclusion in the Circular.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated; and

b) such basis is consistent with the accounting policies of the Company.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

PART VII

ADDITIONAL INFORMATION

1 Responsibility

The Company and the Directors, whose names appear below, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2 Reckitt Benckiser Group plc

The Company was incorporated and registered in England and Wales on 6 June 2007 under the Companies Act 1985 as a private company limited by shares with registered number 6270876 with the name of trushelfco (no.3293).

On 24 July 2007, the Company changed its name to Reckitt Benckiser Group Limited, and on 30 August 2007 the Company was re-registered as a public company limited by shares, and changed its name to Reckitt Benckiser Group plc.

The registered office of the Company is 103-105 Bath Road, Slough, Berkshire SL1 3UH and its telephone number is +44 (0) 1753 217800.

3 Directors and registered office

The Directors and their principal functions are as follows:

Adrian Bellamy	*Non-executive Chairman*
Rakesh Kapoor	*Chief Executive Officer*
Nicandro Durante	*Non-executive Director*
Mary Harris	*Non-executive Director*
Adrian Hennah	*Chief Financial Officer*
Kenneth Hydon	*Non-executive Director*
Pamela Kirby	*Non-executive Director*
André Lacroix	*Non-executive Director*
Christopher Sinclair	*Non-executive Director*
Judith Sprieser	*Non-executive Director*
Warren Tucker	*Non-executive Director*

4 Directors' shareholdings and stock options

4.1 Shares

As at 1 May 2017 (the Latest Practicable Date), the interests of the Directors in the share capital of the Company were as follows:

Director	Interest	Number of Shares
Adrian Bellamy	Beneficial	24,915
Rakesh Kapoor	Beneficial	562,762
Nicandro Durante	Beneficial	323
Mary Harris	Beneficial	1,744
Adrian Hennah	Beneficial	65,397
Kenneth Hydon	Beneficial	5,946
Pamela Kirby	Beneficial	3,190
André Lacroix	Beneficial	2,672
Christopher Sinclair	Beneficial	324
Judith Sprieser	Beneficial	4,264
Warren Tucker	Beneficial	2,200

4.2 Share options

As at 1 May 2017 (the Latest Practicable Date), the following options to acquire Shares had been granted and remained outstanding under the Company's Share Plans:

Director	Date of Grant	Number of Shares over which options granted	Option Price (£)	Exercise Period
Adrian Hennah				
Options	13/02/2013[1]	704	42.61	May 2016 – February 2023
	13/02/2013[1]	73,312	41.44	May 2016 – February 2023
	11/12/2013[2]	92,540	46.51	May 2017 – December 2023
	01/12/2014[2]	90,000	50.57	May 2018 – December 2024
	02/12/2015[2]	90,000	63.25	May 2019 – December 2025
	01/12/2016[2]	76,500	67.68	May 2020 - December 2026
Performance-based restricted shares	11/12/2013[2]	46,270	46.69[3]	May 2017
	01/12/2014[2]	45,000	52.40[3]	May 2018
	02/12/2015[2]	45,000	64.15[3]	May 2019
	01/12/2016[2]	38,250	66.28[3]	May 2020
Sharesave Scheme	04/09/2013	403	37.20	February 2019 – July 2019
	01/09/2015	307	48.71	February 2021 – July 2021

Director	Date of Grant	Number of Shares over which options granted	Option Price (£)	Exercise Period
Rakesh Kapoor				
Options	05/12/2011	164,514	31.20	May 2015 – December 2021
	03/12/2012[(1)]	329,028	38.06	May 2016 – December 2022
	11/12/2013[(2)]	627	47.83	May 2017 – December 2023
	11/12/2013[(2)]	410,642	46.51	May 2017 – December 2023
	01/12/2014[(2)]	400,000	50.57	May 2018 – December 2024
	02/12/2015[(2)]	400,000	63.25	May 2019 – December 2025
	01/12/2016[(2)]	300,000	67.68	May 2020 – December 2026
Performance-based restricted shares..........	11/12/2013[(2)]	246,772	46.69[(3)]	May 2017
	1/12/2014[(2)]	240,000	52.40[(3)]	May 2018
	02/12/2015[(2)]	240,000	64.15[(3)]	May 2019
	01/12/2016[(2)]	150,000	66.28[(3)]	May 2020
Sharesave Scheme	02/09/2016	509	58.86	February 2022 – July 2022

Note:

(1) 80% of the LTIP awarded in December 2012/February 2013 vested following the AGM in May 2016. The remainder of the award lapsed.

(2) Vesting of the LTIP is subject to the achievement of the following compound average annual growth ("CAAG") in adjusted EPS over a three-year period:

EPS CAAG for awards granted in December 2013-2016	<6%	6%	Between 6% and 10%	>10%
Proportion of awards vesting (%)	Nil	20%	Straight-line vesting between 20% and 100%	100%

(3) Price given is market price at date of award.

5 Directors' service contracts

Save for the service contracts described below, there are no existing or proposed service contracts between any Director or proposed director of the Company and the Company and its subsidiary undertakings.

5.1 Executive Directors: service contracts

Rakesh Kapoor entered into an employment agreement with the Company on 14 April 2011 (amended on 15 April 2011, 3 March 2012 and 24 October 2012), with an effective date of 1 September 2011, under which Mr. Kapoor is entitled to a base salary of £800,000 or such higher amount as may be determined from time to time by the Company, such review to be carried out at least once every 12 months. He may also receive a target bonus of up to 100 per cent. of his annual salary, subject to certain performance targets.

The agreement may be terminated by either party on 12 months' written notice, or a shorter period of time by mutual agreement between Mr. Kapoor and the Company. The agreement automatically terminates when Mr. Kapoor reaches the age of 65, or such earlier normal retirement age as the Company notifies. If any existing contract of employment is breached by the Company in the event of termination, the Company would

be liable to pay, as damages, an amount approximating to the net loss of salary and contractual benefits for the unexpired notice period.

Adrian Hennah entered into an employment agreement with Reckitt Benckiser Corporate Services Ltd on 20 September 2012 (amended on 6 December 2012), with a commencement date of 1 January 2013, under which Mr. Hennah is entitled to a base salary of £550,000 or such higher amount as may be determined from time to time by the Company, such review to be carried out at least once every 12 months. He may also receive a target bonus of up to 90 per cent. of his annual salary, subject to certain performance targets.

The agreement may be terminated by either party on 12 months' written notice, or a shorter period of time by mutual agreement between Mr. Hennah and the Company. If any existing contract of employment is breached by the Company in the event of termination, the Company would be liable to pay, as damages, an amount approximating to the net loss of salary and contractual benefits for the unexpired notice period.

5.2 **Non-executive Directors: service contracts**

Non-executive Directors are appointed by the full Board following recommendations from the Nomination Committee. The non-executive Directors, including the Chairman, are appointed by letter of appointment, subject to election and annual re-election by Shareholders. Non-executive Directors are initially appointed for a three-year term and are typically expected to serve more than one three-year term, subject to review by the Board every two years.

The Chairman is subject to a notice period of six months, whilst all other non-executive Directors are subject to a notice period of one month.

Name	**Date of appointment**
Adrian Bellamy	3 December 1999 (appointed Chairman on 7 May 2003)[(1)]
Nicandro Durante	1 December 2013
Mary Harris	10 February 2015
Kenneth Hydon	1 December 2003[(1)]
Pamela Kirby	10 February 2015
André Lacroix	1 October 2008
Christopher Sinclair	10 February 2015
Judith Sprieser	21 August 2003[(1)]
Warren Tucker	24 February 2010

Note:

(1) Adrian Bellamy, Kenneth Hydon and Judith Sprieser were appointed to the board of directors of Reckitt Benckiser plc (the former parent company of the Group) on 3 December 1999, 1 December 2003 and 21 August 2003 respectively. On 30 August 2007, the Company was re-registered as a public company limited by shares, became the parent company of the Group and appointed the directors of Reckitt Benckiser plc to the board of directors of the Company.

6 Major Shareholders

As at 1 May 2017 (the Latest Practicable Date), the Company had been notified of the following holdings in the Company's issued ordinary share capital exclusive of treasury shares pursuant to DTR 5 (each, a "**Notifiable Interest**"):

Shareholder	Number of shares	Number of voting rights	Percentage of voting rights attached to the issued ordinary share capital (exclusive of treasury shares)
JAB Holdings BV	56,659,342	56,659,342	8.09
Massachusetts Financial Services Co and/or its subsidiaries	35,974,048	35,974,048	5.13

Save as set out above, the Company is not aware of any other Notifiable Interests.

7 Related party transactions

Save as disclosed in note 25 of the financial statements of the Company for the financial year ended 31 December 2014 and note 26 to each of the financial statements of the Company for the financial years ended 31 December 2016 and 31 December 2015, which are incorporated by reference into this document, the Company has not entered into any related party transaction during the period covered by the historical financial information contained in Part IV (*Financial Information on the Mead Johnson Group*) and up to the date of this document.

8 Material contracts

8.1 The Group

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group (i) within the two years immediately preceding the date of this document which are or may be material or (ii) which contain any provision under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this document:

8.1.1 *Merger Agreement*

Details of the Merger Agreement are set out in Part III (*Summary of the Merger Agreement*) of this document.

8.1.2 *Merger-related debt arrangements*

On the Signing Date, the Company and RB Treasury Services entered into a term and revolving facilities agreement with Bank of America Merrill Lynch, Deutsche Bank and HSBC (the "**Facilities Agreement**"). The facilities provided by the Facilities Agreement include:

(a) $9 billion of term loans, made up of a $4.5 billion term facility with a maturity of three years (the "**B Term Facility**") and a $4.5 billion term facility with a maturity of five years (the "**C Term Facility**");

(b) $8 billion of bridge funding (the "**A1 Term Facility**");

(c) $3 billion to refinance existing bonds issued by members of the Mead Johnson Group (the "**A2 Term Facility**"),

(together, the "**Term Facilities**"); and

(d) a £1,000,000,000 revolving credit facility (the "**RCF**") to provide financing headroom from the date of Completion. The RCF is also available for drawing as a swingline facility.

The Facilities Agreement is guaranteed by the Company and is provided on an unsecured basis. These facilities have now been syndicated.

RB expects to refinance the bridge by the issuance of bonds with a variety of maturity dates which will reflect the expected cash flows of the Enlarged Group.

Purpose

The Term Facilities (other than the A2 Term Facility) are available to: (i) finance payments in connection with the Acquisition; (ii) refinance existing indebtedness of the Mead Johnson Group and/or hedging arrangements of the Mead Johnson Group acquired as part of the Acquisition and payment of any termination or make-whole payments, breakage costs, prepayment fees or similar; and (iii) pay the Acquisition costs.

The A2 Term Facility may only be applied towards refinancing existing indebtedness of the Mead Johnson Group and/or hedging arrangements of the Mead Johnson Group acquired as part of the Acquisition and payment of any termination or make-whole payments, breakage costs, prepayment fees or similar.

The RCF is available for general corporate purposes including, without limitation, as a backstop to commercial paper issued by members of the Group.

Availability and maturity

The Term Facilities (other than the A2 Term Facility) cease to be available for drawing on the date falling 10 months after the Signing Date, provided that the Acquisition has not completed prior to that time. The A2 Term Facility is available for a six-month period commencing from the date of Completion. The RCF is available for drawing from Completion until the date on which the RCF matures. The RCF can only be drawn if a utilisation has been made under one of the A1 Term Facility, the B Term Facility or the C Term Facility.

Subject to an extension option, the aggregate outstanding amounts under the A1 and A2 Term Facilities are required to be repaid on the date falling on the first anniversary of the date on which the Acquisition is completed. The extension option allows for the final repayment date of the A1 and A2 Term Facilities to be extended by six or 12 months, at the option of the Company.

The aggregate outstanding amounts under the B Term Facility are required to be repaid on the date falling on the third anniversary of Completion. The aggregate outstanding amounts under the C Term Facility are required to be repaid on the date that is 12 weeks after the fifth anniversary of the Signing Date.

The RCF is required to be repaid on the last day of the interest period relating to the relevant advance but, subject to certain conditions, can be immediately redrawn. No amount may be drawn under the RCF on or after the date falling 12 weeks after the fifth anniversary of the Signing Date (the "**RCF Termination Date**"), and all outstanding amounts under the RCF are required to be repaid on the RCF Termination Date.

Interest

Interest accrues on loans made under the Facilities Agreement at the prevailing LIBOR rate for the relevant interest period, plus a margin. Interest is payable at the end of the relevant interest period.

Other terms

The Facilities Agreement contains representations and warranties, financial covenants, certain funds provisions, undertakings and events of default customary for a facilities agreement of this nature.

The Facilities Agreement includes provisions allowing certain wholly-owned subsidiaries of Reckitt Benckiser to accede to the Facilities Agreement as an additional borrower.

The Facilities Agreement permits, subject to the payment of any applicable break costs, voluntary prepayments and voluntary cancellation of undrawn amounts.

8.1.3 ***Existing debt arrangements***

(a) *Facility agreements*

The Group has bilateral facility agreements with a number of relationship finance providers. The committed amount available to RB under the facility agreements is £3,500,000,000 in aggregate, and the facility agreements each have a maturity date of 30 September 2021. The bilateral facility agreements are otherwise on market terms.

As at 31 December 2016, these facilities were undrawn.

(b) *Bond issues*

On 23 September 2013 (the "**Issue Date**"), RB Treasury Services, an indirectly wholly-owned subsidiary of the Company, issued $500,000,000 2.125% Senior Notes due 2018 (the "**2018 Notes**") and $500,000,000 3.625% Senior Notes due 2023 (the "**2023 Notes**", and together with the 2018 Notes, the "**Notes**"). The 2018 Notes are constituted by an indenture (the "**2018 Indenture**") dated the Issue Date among, *inter alia*, RB Treasury Services, the Company as guarantor and Deutsche Bank Trust Company Americas as trustee (the "**Trustee**"), principal paying agent (the "**Principal Paying Agent**") and registrar (the "**Registrar**"). The 2023 Notes are constituted by an indenture (together with the 2018 Indenture, the "**Indentures**") dated the Issue Date among, *inter alia*, RB Treasury Services, the Company, the Trustee, the Principal Paying Agent and the Registrar.

The balance in respect of the Notes as at 31 December 2016 was £804 million.

The Notes are unsecured and unsubordinated obligations of RB Treasury Services and are unconditionally guaranteed on a senior, unsecured basis by the Company.

Interest on the Notes is payable semi-annually in arrears on 21 March and 21 September of each year, at the rate of 2.125% per annum in the case of the 2018 Notes and 3.625% per annum in the case of the 2023 Notes.

RB Treasury Services may redeem each series of the Notes, in whole or in part, at its option, at any time and from time to time prior to 21 September 2018, in the case of the 2018 Notes, and prior to 21 June 2023, in the case of the 2023 Notes (being the day that is three months prior to the maturity date of the

2023 Notes) at a make-whole redemption price equal to the greater of (i) 100 per cent. of the principal amount of the Notes to be redeemed; and (ii) the sum of the present values of the applicable remaining scheduled payments discounted to the date of redemption on a semi-annual basis at (a) with respect to the 2018 Notes, the applicable treasury rate plus 10 basis points; and (b) with respect to the 2023 Notes, the applicable treasury rate plus 15 basis points, in each case together with accrued and unpaid interest (including any additional amounts).

In addition, RB Treasury Services may redeem the 2023 Notes in whole or in part, at its option, at any time on and after 21 June 2023 and from time to time, at a redemption price equal to 100 per cent. of the principal amount of the 2023 Notes to be redeemed, together with accrued and unpaid interest (including any additional amounts).

Each series of the Notes is subject to redemption prior to maturity, at the option of RB Treasury Services, in whole but not in part, at their principal amount, plus accrued and unpaid interest and any additional amounts, in the event of certain changes in tax laws.

RB Treasury Services and the Company have agreed to certain covenants with respect to the Notes, including a negative pledge (excluding certain permitted security interests), a limitation on mergers and consolidations (subject to certain exceptions) and an obligation to deliver certain financial and other information. The Indentures also contain customary provisions for events of default (including a cross-acceleration provision).

(c) *Short-term borrowings*

The Group obtains short-term financing from the commercial paper market. RB Treasury Services has a commercial paper programme with a programme limit of US$8 billion. The Group also has a multi-currency commercial paper programme with a programme limit of €1 billion. As at 31 December 2016, commercial paper with a principal amount of £1,559 million had been issued under both programmes.

8.1.4 ***Indivior demerger***

On 23 December 2014, RB Pharmaceuticals was demerged from the Group and listed on the London Stock Exchange as Indivior PLC ("**Indivior**"). The Company has entered into the following key contracts in respect of the demerger:

(a) *Indivior Demerger Agreement*

The Company entered into a demerger agreement with Indivior (the "**Indivior Demerger Agreement**") to effect the demerger of Indivior from the Group (the "**Indivior Demerger**") and to govern the relationship between the Company and Indivior following the Indivior Demerger. The Indivior Demerger was effected on 23 December 2014. Most of the Company's rights and obligations under the Indivior Demerger Agreement have either been satisfied or have expired. However, there are mutual indemnities which remain in effect, under which Indivior has indemnified the Group against certain liabilities arising in respect of the Indivior business and the Company has indemnified Indivior against certain liabilities arising in respect of the business carried on by the Group other than the Indivior business. These mutual indemnities are unlimited in terms of amount and duration and are customary for an agreement of this type.

(b) *Indivior Demerger Tax Deed*

The Company entered into a demerger tax deed with Indivior on 23 December 2014 (the "**Indivior Demerger Tax Deed**") in connection with the Indivior Demerger. Subject to certain exceptions, the Company has indemnified Indivior against certain tax liabilities arising as a result of the Indivior Demerger or certain pre-Demerger reorganisation steps. The Company has also indemnified Indivior against certain tax liabilities which are properly liabilities of the Group being imposed on a member of the Indivior group, and against certain tax liabilities arising as a result of a member of the Group making a chargeable payment within the meaning of section 1088 of the Corporation Tax Act 2010, and against certain tax liabilities arising as a result of the Indivior group carrying on a non-pharma business at any time before the Indivior Demerger, and against certain tax liabilities arising as a result of any non-US controlled foreign company rules applying in relation to the Group. Subject to certain exceptions, Indivior has also indemnified the Company against certain tax liabilities which are properly liabilities of the Indivior group being imposed on a member of the Group and against certain tax liabilities arising as a result of a member of the Indivior group making a chargeable payment within the meaning of section 1088 of the Corporation Tax Act 2010 or taking any other action after the Indivior Demerger which prevents the transfer of the shares in RBP Global Holdings Limited and the issue of Indivior ordinary shares by Indivior pursuant to the Indivior Demerger Agreement from being an exempt distribution for the purposes of section 1075 of the Corporation Tax Act 2010, and against certain tax liabilities arising as a result of the Group carrying on pharma business at any time before the Indivior Demerger, and against certain tax liabilities arising as a result of any non-US controlled foreign company rules applying in relation to the Indivior group. All these indemnities are unlimited in terms of amount. They do not cover liabilities which have not been notified by the indemnified party to the indemnifying party within three months after the expiry of the period specified by statute during which an assessment of the relevant tax liability may be issued by the relevant tax authority or, if there is no such period, prior to 30 January 2020.

(c) *Indivior Demerger US Tax Agreement*

The Company entered into an agreement relating to US tax matters with Indivior on 23 December 2014 (the "**Indivior Demerger US Tax Agreement**") in connection with the Indivior Demerger. The Indivior Demerger US Tax Agreement governs both Indivior's and the Company's rights and obligations after the Indivior Demerger with respect to US federal, state and local taxes for both pre-and post-demerger periods. Under the Indivior Demerger US Tax Agreement, the Indivior group and the Group generally will be responsible for any taxes attributable to their respective operations for all taxable periods, except for transfer taxes imposed in connection with an internal restructuring and the Indivior Demerger, which are the Group's responsibility, and income taxes resulting from the failure of the internal restructuring or the Indivior Demerger to qualify as a tax free transaction, which are generally shared by Indivior and the Group according to relative fault.

Under the Indivior Demerger US Tax Agreement, Indivior is generally required to indemnify RB against any tax resulting from the failure of the internal restructuring or the Indivior Demerger to qualify as a tax-free transaction (including such taxes of any third party for which any member of the Group is or becomes liable) if that tax results from (i) an issuance of a significant

amount of equity securities of Indivior, a redemption of a significant amount of the equity securities of the Indivior group or the involvement by the Indivior group in other significant acquisitions of equity securities of Indivior (excluding the Indivior Demerger), (ii) other actions or failures to act by the Indivior group, or (iii) any of the representations or undertakings of Indivior referred to in the Indivior Demerger US Tax Agreement being incorrect or violated. The Company is generally required to indemnify Indivior for any tax resulting from the failure of the internal restructuring or the Indivior Demerger to qualify as a tax-free transaction (including such taxes of any third party for which any member of the Indivior group is or becomes liable) if that tax results from (a) the Company's issuance of its equity securities, redemption of its equity securities or involvement in other acquisitions of its equity securities, (b) other actions or failures to act by the Company, or (c) any of the Company's representations or undertakings referred to in the Indivior Demerger US Tax Agreement being incorrect or violated.

8.2 **Mead Johnson**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Mead Johnson Group (i) within the two years immediately preceding the date of this document, which are or may be material; or (ii) which contain any provision under which any member of the Mead Johnson Group has any obligation or entitlement which is material to the Mead Johnson Group as at the date of this document:

8.2.1 ***China joint venture***

Mead Johnson has an approximately 89 per cent. interest in Mead Johnson Nutritionals (China) Limited, a joint venture in relation to the manufacture and sale of certain Mead Johnson products in China. The minority shareholders are Guangzhou Light Industry and Trade Group Ltd. and the Guangzhou Development District Commercial Development Group Co., Ltd. The joint venture was originally entered into in 1993. The joint venture agreement contains certain minority shareholder protection rights and customary rights in relation to the transfer of shares. The joint venture agreement is governed by Chinese law.

8.2.2 ***BMS split-off***

In February 2009, Mead Johnson completed its initial public offering ("**IPO**") of common stock, following which BMS retained a significant ownership interest in Mead Johnson. BMS then completed a split-off of its remaining interest in Mead Johnson in December 2009, making Mead Johnson an independent public company.

On 18 December 2009, Mead Johnson and BMS entered into an Amended and Restated Tax Matters Agreement in anticipation of the separation from BMS. Under the Amended and Restated Tax Matters Agreement, BMS agreed to indemnify Mead Johnson for (i) any tax attributable to a Mead Johnson subsidiary for any taxable period ending on or before 31 December 2008; (ii) any tax arising solely as a result of Mead Johnson's IPO and the restructuring preceding the IPO; and (iii) any transaction tax associated with the separation transaction. Mead Johnson agreed to indemnify BMS for (a) any tax payable with respect to any separate return that Mead Johnson is required to file or cause to be filed; (b) any tax incurred as a result of any gain which may be recognised by a member of the BMS affiliated group with respect to a transfer of certain foreign affiliates by Mead Johnson in preparation for the IPO; and (c) any tax arising from the failure or breach of any representation or covenant made by Mead Johnson which failure or breach results in the intended tax consequences of the separation transaction not being achieved. Additionally, under

the Amended and Restated Tax Matters Agreement, Mead Johnson continues to maintain responsibility for any tax positions which may exist for any taxable period ending after 31 December 2008.

8.2.3 ***Revolving Credit Facility Agreement***

Mead Johnson has an unsecured, five-year revolving credit facility agreement (the "**MJ Revolving Credit Facility**") which is repayable at maturity in June 2019, subject to annual extensions if a sufficient number of lenders agree. The maximum amount of outstanding borrowings and letters of credit permitted at any one time under the MJ Revolving Credit Facility is $750.0 million, which may be increased from time to time up to $1,000.0 million at Mead Johnson's request, subject to obtaining additional commitments and other customary conditions. The MJ Revolving Credit Facility contains financial covenants customary for a facility agreement of this nature.

Borrowings from the MJ Revolving Credit Facility are used for working capital and other general corporate purposes. As of 31 December 2016, Mead Johnson had no borrowings outstanding under the MJ Revolving Credit Facility and had $750.0 million available.

Borrowings under the MJ Revolving Credit Facility bear interest at a rate that is determined as a base rate plus a margin. The base rate is either (i) LIBOR for a specified interest period; or (ii) a floating rate based upon the prime rate of JPMorgan Chase Bank N.A., the Federal Funds rate or LIBOR. The margin is determined by reference to Mead Johnson's credit rating.

Mead Johnson has guaranteed the obligations of all of its subsidiaries that may from time to time become borrowers under the MJ Revolving Credit Facility. If Mead Johnson's corporate credit rating falls below (a) Baa3 by Moody's Investors Service, Inc. ("**Moody's**"); or (b) BBB- by Standard & Poor's Ratings Service ("**S&P**"), Mead Johnson & Company, LLC shall automatically be deemed to guarantee the obligations under the MJ Revolving Credit Facility in addition to the guarantee provided by Mead Johnson. Moody's credit rating for Mead Johnson is currently Baa1. S&P's credit rating for Mead Johnson is currently BBB.

8.2.4 ***Long-Term Debt***

The components of the long-term debt issued by Mead Johnson as at 31 December 2016 are detailed in the table below:

	Principal Amount (in $ millions)
4.900% Notes due 2019 ("2019 Notes")	700.0
3.000% Notes due 2020 ("2020 Notes")	750.0
4.125% Notes due 2025 ("2025 Notes")	750.0
5.900% Notes due 2039 ("2039 Notes")	300.0
4.600% Notes due 2044 ("2044 Notes")	500.0
Total	3,000.0

Mead Johnson's long-term debt may be prepaid at any time, in whole or in part, at a redemption price equal to the greater of par value or an amount calculated based upon the sum of the present values of the remaining scheduled payments. Upon a change of control, Mead Johnson may be required to repurchase the notes for an amount equal to 101 per cent. of the then-outstanding principal amount plus accrued and unpaid interest. Interest on the notes is due semi-annually, and the notes are not subject to amortisation.

During 2013, Mead Johnson entered into interest rate forward starting swaps with a combined notional value of $500.0 million. The forward starting rates of the swaps ranged from 3.79 per cent. to 3.94 per cent. and had an effective date of 31 October 2014. The forward starting swaps effectively mitigated the interest rate exposure associated with Mead Johnson's offering of the 2044 Notes.

8.2.5 ***Merger Agreement***

Details of the Merger Agreement are set out in Part III (*Summary of the Merger Agreement*) of this document.

9 Litigation

9.1 The Group

No member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware), during the 12 months preceding the date of this document which may have, or have had in the recent past, significant effects on the Company's or the Group's financial position or profitability, save for the following:

9.1.1 ***South Korea HS issue***

In 2001, RB acquired Oxy, a South Korean company. Oxy RB manufactured and sold household products, including Humidifier Sanitiser ("**HS**") products which accounted for less than 0.5 per cent. of their sales. By 2011, Oxy RB was one of about 13 suppliers of HS products in the South Korean market. RB did not sell HS products in any other market. Oxy RB continued to sell the HS products in South Korea for the next 10 years. In 2011 the Korean Centre for Disease Control ("**KCDC**") determined that HS products might be responsible for serious respiratory diseases, including fatalities. Oxy RB immediately began to withdraw its HS products.

Oxy RB was the subject of a legal action from the government and sought to defend itself in the courts. It took the same approach in defending against civil claims which began to arise from individual victims. Over the period to March 2016, 63 of the 79 cases (80 per cent.) brought by Category I & II Oxy HS victims in Rounds 1 and 2 against the company (see below) were settled through a court mediated or private settlement process.

RB recognised in April 2016 that this court-led process was taking too long and was not fair on victims. In July 2016, a compensation package was established by Oxy RB to provide fair compensation to Oxy HS product users categorised by the South Korean government in Rounds 1 and 2 of the South Korean government's categorisation process as suffering, or having suffered, lung damage which was "almost certainly" ("**Category I**") or had a "high possibility" ("**Category II**") of being a result of their use of Oxy RB's HS product (the "**Compensation Plan**"). It was designed in consultation with these victims and their families, informed by four overarching values of Fairness, Transparency, Respect and Speed and is aimed at addressing each person according to their own individual circumstances, including those who have previously entered into settlement agreements with Oxy RB. As of 31 January 2017, 97 per cent. of eligible victims are participating in the Compensation Plan.

Compensation for Category I and II Oxy HS victims categorised in Rounds 1 and 2 comprises two elements:

1. A payment to reflect mental distress/pain and suffering, lost income (past and future), past medical, certain legal and other expenses plus interest. This

payment for a victim could be up to approximately KRW 1 billion (c.£700k) for death or severe disability.

2. Compensation proposals for victims living with the ongoing effects of the Oxy HS product include a commitment to cover their future medical costs and care needs which are incurred as a reasonably foreseeable consequence of their HS-related lung condition.

In 2014, Oxy RB announced the creation of a humanitarian fund of KRW 5 billion (£3m) for HS-affected individuals, to be administered in co-operation with two governmental organisations in South Korea (the "**Humanitarian Fund**"). In April 2016, Oxy RB announced its intention to add another KRW 5 billion (£3m) to the Humanitarian Fund.

RB expects to incur a number of other non-recurring costs in relation to the HS issue. These include advisers' fees, costs in administering the Compensation Plan and costs associated with operation of the local business.

In the accounts for the year ended 31 December 2016, the Group charged £300m to exceptional costs in relation to this issue, comprising both cash and non-cash items. These include:

- Expected compensation payments, including the value of expected future medical costs, to be paid on an "as incurred" basis where borne by the Group, to Oxy HS Round 1 and 2 victims categorised as Category I or II (a total of 183 victims, four of whom have already received settlements from another manufacturer). 97 per cent. of these victims have registered for the Compensation Plan.

- An estimate of compensation payments and future medical costs for victims who could be categorised as Category I and II Round 3 applicants. As of 31 March 2017, 452 (60 per cent. of the total 752 applicants) Round 3 cases have been reviewed. Of them, 57 (13 per cent.) have been recognised as Category I or II HS victims, 52 of whom indicated that they used the Oxy HS product either on its own or in conjunction with another HS product and who may be eligible for compensation under a compensation plan. The South Korean government has stated its intention to complete categorisation of the remaining Round 3 applicants by the end of 2017.

- Legal and other associated costs directly linked to the HS issue, including civil and criminal proceedings – including both legal fees and potential fines. On 6 January 2017, the South Korean criminal court found Oxy RB guilty of false labelling under South Korea's Fair Labelling & Advertising Act, a charge which the company did not contest, and fined Oxy RB KRW 150 million (£0.1m). Two current Oxy RB employees were sentenced to five and seven years' imprisonment respectively for occupational negligence and false labelling. Oxy RB's former General Manager and former Head of R&D were each sentenced to seven years' imprisonment for the same offences. All four individuals were employees of Oxy RB at the time it was acquired by the Group in 2001. Some of the conduct that was the object of the criminal prosecution took place prior to the acquisition by RB of Oxy RB. A former General Manager was acquitted of all charges. These sentences were generally less than the prosecutor had requested. The current and former employees who were convicted have appealed. The Prosecutor's Office has appealed against: (i) the acquittal of four of the current and former employees on charges of criminal fraud; (ii) the acquittal of a former General

Manager on all charges; and (iii) the sentences of all those convicted (except Oxy RB because the maximum fine was imposed).

- Costs associated with the set-up and operation of the Compensation Plan infrastructure.
- A provision for the additional amount committed to the Humanitarian Fund in April 2016.
- An impairment charge against the carrying value of a number of Oxy RB local brands (c.£44m).
- Other directly connected costs of the local business.

The provision in the accounts for the year ended 31 December 2016 did not include a number of further costs/income relating to the HS issue that were either not able to be estimated or quantified or were considered not probable at the relevant time, as set out below:

- Round 4 applicants: The South Korean government opened Round 4 to new applicants on 22 April 2016 and it remains open. As of 31 March 2017, the Ministry of Environment ("**MoE**") reported it had received 4,259 applications to participate in Round 4. Because no categorisation has been published and it remains open, we are currently unable to determine how many applicants may be eligible for compensation through a compensation plan. The MoE has stated its intention to complete and announce the results of the review by the end of 2017. The recognition of HS victims as Category I or II has steadily declined, from 48 per cent. in Round 1 to 30 per cent. for Round 2 and, to date, 13 per cent. for the three tranches of categorisations released in respect of Round 3.
- Costs associated with the wider HS issue: Oxy RB is considering how best to contribute to addressing the wider HS issue, including contributions to a Special Relief Account contemplated by the HS Damage Relief Act (the "**Act**") passed on 20 January 2017. The Act requires, among other things, that South Korean government agencies establish and operate a Special Relief Account for the benefit of certain HS victims, funded through contributions by HS manufacturers and ingredient suppliers (the "**Account**"). The size of the contributions will be determined through the application of a formula. The Act contemplates an initial Account of KRW 125 billion (£84m) towards which Oxy RB expects to be required to contribute slightly over half. The Act provides that the maximum size of the Account will be KRW 200 billion (£134m).
- Potential recoveries from other HS manufacturers: Oxy RB has committed to compensating Category I and II Oxy HS victims from Rounds 1 and 2 in full under the terms of the Compensation Plan, even if they used other manufacturers' HS products in conjunction with that of Oxy, taking into account the delay that had occurred. Of the 183 Oxy RB Round 1 and 2, Category I and II victims, approximately 50 used both Oxy and at least one other PHMG HS manufacturer's product. For these "multi-user" cases, Oxy RB is seeking to recover an element of compensation costs from the relevant other PHMG HS manufacturer. Oxy RB has yet to agree a fair recovery mechanism with the other HS manufacturers and has therefore not recognised any potential receivable.
- RB continues to assess and, where appropriate, pursue rights which Oxy RB may have to recover sums from other involved parties.

- Given the high profile and complex nature of this issue, rules and regulations to be determined under the Act and other legal or governmental proposals or developments in South Korea may give rise to further financial liability for RB.

Reports by the United Nations ("Report of the Special Rapporteur on the implications for human rights of the environmentally sound management and disposal of hazardous substances and waste" and "Report of the Special Rapporteur on the implications for human rights of the environmentally sound management and disposal of hazardous substances and wastes on its mission to the Republic of Korea") and by a special committee of the South Korean National Assembly ("Report on the Results of the National Assembly Investigation for Fact Finding, Injury Relief and Reoccurrence Prevention Regarding the Humidifier Sanitizer Incident") have identified multiple causes of this tragedy. These reports identify the role of government, ingredient manufacturers, and private label suppliers as contributing to the tragedy.

In addition, given the elapse of time since relevant HS products were used by consumers (from 17 to six years ago), it is difficult to demonstrate which products contributed to harm caused to victims.

The Group also believes that victims should be provided with a single, consistent and readily accessible source of compensation which also covers uncertain long-term medical needs, regardless of which products they used and whether they can demonstrate this.

The Group believes that this requires a single, industry-wide approach to compensation, funded fairly by all the contributors to this tragedy. The Group is working hard to try to find such an approach to compensating Category I and II victims for Round 4 with the South Korean government, other manufacturers and other relevant stakeholders.

9.1.2 ***Indivior investigations***

The Group is involved in ongoing investigations by the US Department of Justice and the US Federal Trade Commission and related litigation proceedings arising from certain matters relating to the RB pharmaceuticals business prior to its demerger in December 2014 to form Indivior, and may incur liabilities in relation to such matters. These investigations and related proceedings are continuing and the Company is in active discussions with the US Department of Justice. The Group is co-operating with the relevant agencies and remains committed to ensuring that these investigations and related proceedings are concluded or resolved satisfactorily. The outcome for the Group in relation to ultimate resolution and/or cost at this stage remains uncertain.

9.2 **Mead Johnson**

No member of the Mead Johnson Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware), during the 12 months preceding the date of this document which may have, or have had in the recent past, significant effects on Mead Johnson's or the Mead Johnson Group's financial position or profitability, save for the following:

9.2.1 ***Mead Johnson stockholder litigation***

On 14 February 2017, Mead Johnson, the members of the board of directors of Mead Johnson, the Company and Merger Sub were named as defendants in a purported stockholder class action filed in the Circuit Court of Cook County, Illinois by a Mead

Johnson stockholder. The case is captioned *Christopher Kirkham v. Steven M. Altschüler, et al.*, Case No. 2017-CH-02109. The suit alleges that members of the board of Mead Johnson breached their fiduciary duties by (i) failing to ensure that stockholders received maximum value for their shares; (ii) utilising deal protection mechanisms to preclude an alternative transaction; and (iii) failing to conduct an appropriate sales process. The suit also alleges that Mead Johnson, the Company and Merger Sub aided and abetted the members of the board of Mead Johnson in the breach of their fiduciary duties.

On 21 March 2017, 27 March 2017 and 30 March 2017, stockholders of Mead Johnson filed purported stockholder class action lawsuits against Mead Johnson, the members of the board of directors of Mead Johnson, and in some cases the Company and Merger Sub in the United States District Court for the District of Delaware. These cases are captioned *Steinberg v. Mead Johnson Nutrition Company, et al.*, 1:17-cv-00304; *Rubin v. Mead Johnson Nutrition Company, et al.*, 1:17-cv-00325; *Solak v. Mead Johnson Nutrition Company, et al.*, 1:17-cv-00325 and *Walters v. Mead Johnson Nutrition Company, et al.*, 1:17-cv-00344. Each suit alleges that Mead Johnson's preliminary proxy statement (filed with the SEC on 13 March 2017) is false and misleading with respect to the Acquisition and thus some or all of the defendants violated Sections 14(a) and 20(a) of the Securities Exchange Act of 1934 and/or SEC Rule 14a-9. Each lawsuit seeks among other remedies, injunctive relief to prevent the Acquisition from closing.

10 Working capital

The Company is of the opinion that, taking into account the facilities available to the Enlarged Group, the Enlarged Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of publication of this document.

11 Significant changes

11.1 The Group

There has been no significant change in the financial or trading position of the Group since 31 December 2016, the date to which the last published audited financial statements were prepared.

11.2 Mead Johnson

There has been no significant change in the financial or trading position of the Mead Johnson Group since 31 March 2017, the date to which the last published interim financial statements were prepared.

12 Incorporation by reference

The following documents (or parts of documents) are incorporated by reference in, and form part of, this document:

(a) the Company's Annual Report and Financial Statement for the year ended 31 December 2014;

(b) the Company's Annual Report and Financial Statement for the year ended 31 December 2015; and

(c) the Company's Annual Report and Financial Statement for the year ended 31 December 2016.

Part VIII (*Documentation Incorporated by Reference*) sets out the location of references to the above documents within this document.

13 Consents

(a) Robey Warshaw has given and not withdrawn its written consent to the inclusion of its name in this document in the form and context in which it is included.

(b) BofA Merrill Lynch has given and not withdrawn its written consent to the inclusion of its name in this document in the form and context in which it is included.

(c) Deutsche Bank has given and not withdrawn its written consent to the inclusion of its name in this document in the form and context in which it is included.

(d) PricewaterhouseCoopers LLP has given and has not withdrawn its written consent to the inclusion of its accountant's report on the Unaudited Reconciliation of the Consolidated Financial Information of the Mead Johnson Group in Section C of Part IV (*Financial Information on the Mead Johnson Group*) and its accountant's report on the Unaudited Pro Forma Financial Information in Section B of Part VI (*Unaudited Pro Forma Statement of Net Assets for the Enlarged Group*) of this document in the form and context in which they are included.

14 Documents available for inspection

Copies of the following documents may be inspected during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of the Company at 103-105 Bath Road, Slough, Berkshire SL1 3UH, up to and including the date of the General Meeting:

(a) the Articles of Association of the Company;

(b) the consent letters referred to in paragraph 13 above;

(c) the report of PricewaterhouseCoopers LLP set out in Section C of Part IV (*Financial Information on the Mead Johnson Group*) of this document;

(d) the report of PricewaterhouseCoopers LLP set out in Section B of Part VI (*Unaudited Pro Forma Statement of Net Assets for the Enlarged Group*) of this document;

(e) the Merger Agreement;

(f) the consolidated audited accounts of the Group for each of the three financial years ending 31 December 2014, 31 December 2015 and 31 December 2016; and

(g) this document.

15 Date

This document is dated 5 May 2017.

PART VIII

DOCUMENTATION INCORPORATED BY REFERENCE

Information incorporated by reference	Document reference	Page number(s) in this document
Related party transactions	Note 25 on page 113 of the Company's Annual Report and Financial Statements for the year ended 31 December 2014	135
	Note 26 on page 135 of the Company's Annual Report and Financial Statements for the year ended 31 December 2015	
	Note 26 on page 149 of the Company's Annual Report and Financial Statements for the year ended 31 December 2016	
Group's financial information as at 31 December 2016	The Group Balance Sheet on page 107 of the Company's Annual Report and Financial Statements for the year ended 31 December 2016	124

PART IX

DEFINITIONS AND GLOSSARY

The following definitions apply throughout this document, unless stated otherwise:

Acquisition	the proposed acquisition of Mead Johnson pursuant to the Merger Agreement
adjusted diluted EPS	net income of the Company attributable to the owners of the Company adjusted for any exceptional items divided by the weighted average number of shares outstanding assuming conversion of all potentially dilutive ordinary shares options or performance share awards
Board	the board comprising the Directors
BMS	Bristol-Myers Squibb Company
BofA Merrill Lynch	Merrill Lynch International
China	the People's Republic of China including Hong Kong
Common Stock	the shares of Mead Johnson with par value of $0.01 per share
Companies Act	the Companies Act 2006
Company	(a) other than in Section A of Part IV (*Financial Information on the Mead Johnson Group*), Reckitt Benckiser Group plc; and (b) in Section A of Part IV (*Financial Information on the Mead Johnson Group*), Mead Johnson
Company Shareholder Approval	the approval of a simple majority of the Shareholders at the General Meeting
Company's Share Plans	the LTIP, the Reckitt Benckiser Group 2007 Senior Executive Share Ownership Policy Plan, the Reckitt Benckiser Group 2016 Senior Executive Share Ownership Policy Plan, the Reckitt Benckiser Group 2015 Savings Related Share Option Plan, the Reckitt Benckiser Group 2007 Savings Related Share Option Plan, the Reckitt Benckiser Group 2015 US Savings-Related Share Option Plan, the Reckitt Benckiser Group 2007 US Savings-Related Share Option Plan, the Reckitt Benckiser Group 2015 Global Stock Profit Plan and the Reckitt Benckiser Group 2007 Global Stock Profit Plan
Completion	completion of the Acquisition in accordance with the Merger Agreement
consumer health	over-the-counter medicines, sexual wellbeing products, footcare products, vitamins and infant and children's nutrition

CREST	the relevant system (as defined in the Uncertificated Securities Regulations 2001 (SI 2001/3755)) in respect of which Euroclear UK & Ireland Limited is the Operator (as defined in such Regulations) in accordance with which securities may be held and transferred in uncertificated form
Deutsche Bank	Deutsche Bank AG, acting through its London Branch at Winchester House, 1 Great Winchester Street, London EC2N 2BD
developing markets	DvM and the geographic regions that Mead Johnson reports as Asia and Latin America
DHA	docosahexaenoic acid
Directors	the directors of the Company, whose names are set out on page 131 of this document
DTR	the Disclosure Guidance and Transparency Rules made by the FCA pursuant to Part 6 of FSMA
DvM	means developing markets, including North Africa, Middle East (excluding Israel), North Africa and Turkey, Africa, South Asia, North Asia, Latin America and ASEAN
EBIT	earnings before interest and income taxes
EBITDA	earnings before interest, taxes, depreciation and amortisation
Enlarged Group	the Group, including after Completion the Mead Johnson Group
EPS	earnings per share
FCA	the Financial Conduct Authority
Form of Proxy	the form of proxy accompanying this document for use by Shareholders in relation to the General Meeting
FSMA	Financial Services and Markets Act 2000
General Meeting	the general meeting of the Company to be held at the Auditorium of Deutsche Bank AG, Ground Floor, Winchester House, 75 London Wall, London EC2N 2DB on 31 May 2017 at 3.00 p.m. (or any adjournment thereof), notice of which is set out at the end of this document
Group or RB	the Company and its subsidiary undertakings
IFRS	International Financial Reporting Standards
Indivior	Indivior PLC
infant and children's nutrition	milk formula and related products
KRW	South Korean Won
Latest Practicable Date	1 May 2017, being the latest practicable date before publication of this document

LFL growth	means like-for-like growth, which excludes the impact of changes in exchange rates, acquisitions, disposals and discontinued operations
Listing Rules	the rules and regulations made by the FCA in its capacity as the UK Listing Authority under the FSMA, and contained in the UK Listing Authority's publication of the same name
LTIP	the Reckitt Benckiser Group plc 2007 Long-Term Incentive Plan and the Reckitt Benckiser Group 2015 Long Term Incentive Plan
Mead Johnson	Mead Johnson Nutrition Company, a Delaware corporation
Mead Johnson Board	the board of Mead Johnson
Mead Johnson Group	Mead Johnson and its subsidiary undertakings
Mead Johnson Stockholder Meeting	the meeting of the Mead Johnson stockholders called to adopt the Merger Agreement, to be held at the offices of Kirkland & Ellis LLP, 300 North La Salle, Chicago, Illinois 60654 on 31 May 2017
Merger Agreement	the merger agreement between the Company, Mead Johnson and Merger Sub dated 10 February 2017, which sets out the terms for the Acquisition of Mead Johnson by the Company
Merger Sub	Marigold Merger Sub, Inc., a wholly-owned subsidiary of the Company incorporated in Delaware
Non-GAAP	financial measures which are not within the scope of IFRS or U.S. GAAP
Notice of General Meeting	the notice of general meeting of the Company set out at the end of this document
operating margin	EBIT divided by net sales
Oxy RB	Oxy Reckitt Benckiser LLC
Proxy Statement	the Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934 filed by Mead Johnson with the SEC on 27 April 2017 in relation to the Acquisition
RB Treasury Services	Reckitt Benckiser Treasury Services plc
Regulatory Information Service	any of the services authorised by the FCA from time to time for the purpose of disseminating regulatory announcements
Resolution	the ordinary resolution to approve the Acquisition as set out in the Notice of General Meeting at the end of this document
Robey Warshaw	Robey Warshaw LLP
R&D	research and development
SEC	US Securities and Exchange Commission

Shares	the 736,535,179 ordinary shares of 10 pence each in the capital of the Company
Shareholders	the holders of the Shares
Signing Date	10 February 2017
subsidiary undertaking	has the meaning given to that term in the Companies Act
UK or United Kingdom	the United Kingdom of Great Britain and Northern Ireland
UK Listing Authority	the FCA acting in its capacity as the competent authority for the purposes of Part 6 of the FSMA
U.S. or United States or United States of America	the United States of America (including the states of the United States and the District of Columbia), its possessions and territories and all areas subject to its jurisdiction
U.S. GAAP	generally accepted accounting principles in the United States
WHO	World Health Organization

All times referred to are London times unless otherwise stated.

All references to legislation in this document are to the legislation of England and Wales unless otherwise stated. Any reference to any provision of any legislation shall include any amendment, modification, re-enactment or extension thereof.

Words importing the singular shall include the plural and vice versa, and words importing the masculine gender shall include the feminine or neutral gender.

Reckitt Benckiser Group plc

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a GENERAL MEETING of Reckitt Benckiser Group plc (the "**Company**") will be held at the Auditorium of Deutsche Bank AG, Ground Floor, Winchester House, 75 London Wall, London EC2N 2DB on 31 May 2017 at 3:00 p.m. to consider and, if thought fit, pass the following resolution, which will be proposed as an ordinary resolution.

Ordinary resolution

THAT the Acquisition, on the terms set out in the Merger Agreement (both as defined in the circular to shareholders dated 5 May 2017 (the "**Circular**")), be and is hereby approved and the Directors (or a committee of the Directors) be and are hereby authorised to waive, amend, vary or extend any of the terms of the Merger Agreement and to do all such things as they may consider to be necessary or desirable to implement and give effect to, or otherwise in connection with, the Acquisition and any matters incidental to the Acquisition.

By order of the Board,

Rupert Bondy
Secretary
5 May 2017

Registered office:

103-105 Bath Road
Slough, Berkshire
SL1 3UH
Registered in England and Wales No. 6270876

Important Information

VOTING

1 Voting on the resolution will be conducted by way of a poll rather than on a show of hands. This is a more transparent method of voting as Shareholders' votes are counted according to the number of shares registered in their names.

2 As soon as practicable following the meeting, the results of the voting will be announced via a Regulatory Information Service and also placed on the Company's website.

Entitlement to appoint proxies

3 Shareholders are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A Shareholder may appoint more than one proxy in relation to the General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that Shareholder. A proxy need not be a Shareholder of the Company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this Notice. If you do not have a proxy form and believe that you should have one, or if you require additional forms, please contact the Reckitt Benckiser Shareholder helpline on 0370 703 0118 or www.investorcentre.co.uk/contactus. In accordance with section 333A of the Companies Act, the completed proxy form can be delivered to the following electronic address: www.investorcentre.co.uk/eproxy.

4 To be valid any proxy form or other instrument appointing a proxy must be received by post or (during normal business hours only) by hand at the Company's Registrar in each case no later than 3:00 p.m. on 29 May 2017. CREST and internet voting are the only acceptable electronic forms of receiving proxy information.

5 No proxy may be authorised to exercise votes which any other proxy has been authorised to exercise.

6 The proxy form must be signed and dated by the Shareholder or his/her attorney duly authorised in writing. If the Shareholder is a company, it may execute by the signature(s) of a duly authorised officer or attorney. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

7 In the case of joint holdings, any one holder may sign the proxy form. The vote of the senior joint holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority will be determined by the order in which the names stand in the Register of Members in respect of the joint holding (the first-named being the most senior).

8 The return of a completed proxy form, other such instrument or any CREST Proxy Instruction (as described in paragraphs 13 and 14 below) will not prevent a Shareholder attending the General Meeting and voting in person if he/she wishes to do so. If you have appointed a proxy and attend the meeting and vote in person, your proxy appointment will automatically be terminated.

Nominated Persons

9 Any person to whom this Notice is sent who is a person nominated under section 146 of the Act to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the Shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the General Meeting. If

a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the Shareholder as to the exercise of voting rights.

10 The statement of the rights of Shareholders in relation to the appointment of proxies in paragraphs 3 and 4 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by Shareholders of the Company.

Voting Record Date

11 To be entitled to attend and vote at the General meeting (and for the purpose of the determination by the Company of the votes they may cast), Shareholders must be registered in the Register of Members of the Company by 8:00 p.m. on 26 May 2017 (or, in the event of any adjournment, on the date which is two business days before the time of the adjourned meeting). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

Total Voting Rights

12 As at 1 May 2017 (being the latest practicable day prior to the publication of this Notice) the Company's issued share capital consisted of 736,535,179 ordinary shares, 35,910,186 of which were held as treasury shares. Therefore, the total voting rights in the Company as at 1 May 2017 are 700,624,993.

Appointment of proxies through CREST

13 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual (available via www.euroclear.com/CREST). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

14 In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("EUI") specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 3RA50) by the latest time for receipt of proxy appointments specified in this Notice. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

15 CREST members and, where applicable, their CREST sponsors, or voting service providers should note that EUI does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting

system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

16 The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Corporate Representatives

17 Any corporation which is a Shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that, if more than one, they do not do so in relation to the same shares.

PUBLISHED INFORMATION

18 If you would like to receive this Notice in an appropriate alternative format, such as large print, Braille or an audio version on CD, please contact the Company Secretariat, Reckitt Benckiser Group plc, 103-105 Bath Road, Slough, Berkshire SL1 3UH.

19 The Circular, and a copy of this Notice and other information required by section 311A of the Act are available from the Company's website at www.rb.com.

DATA PROTECTION STATEMENT

20 Your personal data includes all data provided by you, or on your behalf, which relates to you as a Shareholder, including your name and contact details, the votes you cast and your Shareholder Reference Number (attributed to you by the Company). The Company determines the purposes for which and the manner in which your personal data is to be processed. The Company and any third party to which it discloses the data (including the Company's registrar) may process your personal data for the purposes of compiling and updating the Company's records, fulfilling its legal obligations and processing the Shareholder rights you exercise.

GENERAL QUERIES

21 Except as provided above, Shareholders who have general queries about the General Meeting should use the following means of communication (no other methods of communication will be accepted):

a) calling RB's Shareholder helpline on 0370 703 0118; or

b) writing to:

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS99 6ZY

22 You may not use any electronic address provided either in this Notice or any related documents (including the Chairman's Letter and proxy form) to communicate with the Company for any purposes other than those expressly stated.

23 The General Meeting will start promptly at 3:00 p.m. Registration will be open from 2:00 p.m.

Attending the General Meeting

24 If you are attending the General Meeting, please bring your attendance card with you. It authenticates your right to attend, speak and vote at the General Meeting and will speed up your admission. You may also be asked to provide proof of identity.

25 If you have been appointed as proxy for a Shareholder, please let the admission staff know. You should bring proof of identity with you and you will be asked to confirm the details of the Shareholder you are representing.

26 At the discretion of the Company, a Shareholder may bring one guest, provided that the Shareholder and their guest register to enter the General Meeting at the same time. Admittance of a guest will be subject to there being sufficient seating capacity.

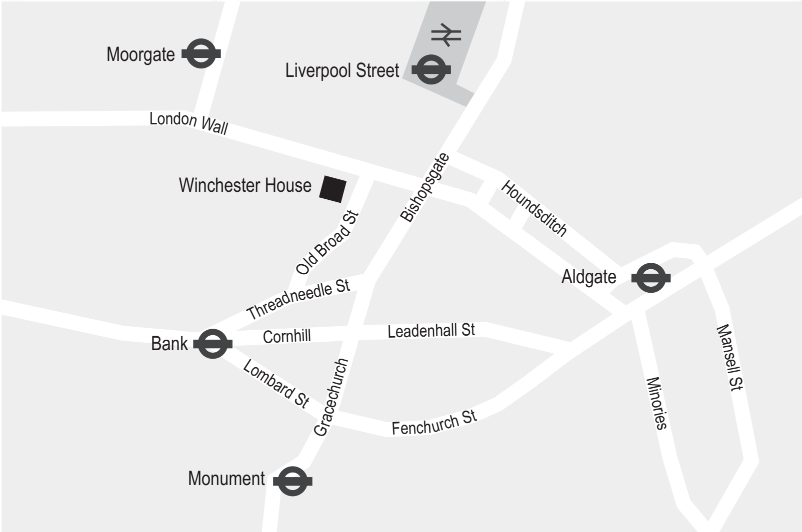
Questions

27 Shareholders or their proxies will have an opportunity to ask questions at the General Meeting relating to the business being dealt with at the meeting. A question may not be answered if answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; the answer has already been given on a website in the form of an answer to a question; or it is undesirable in the interests of the Company or the good order of the meeting that the question be answered. When invited by the Chairman, if you wish to ask a question, please wait for a Company representative to bring you a microphone. It would be helpful if you could state your name before you ask your question.

Venue arrangements

28 There will be a limited amount of space for coats to be stored at the venue. No responsibility will be taken for personal items and all items are left at your own risk.

Location



Venue:	The Auditorium Ground Floor Deutsche Bank AG Winchester House 75 London Wall London EC2N 2DB
By underground:	Approximately 10 minutes' walk from Liverpool Street Station, and Moorgate underground station
Car parking:	Available at NCP car parks in Finsbury Square and Aldersgate Street