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# A World Leader In Pediatric Nutrition



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# A World Leader In Pediatric Nutrition



# Disclaimer

This presentation is designed to offer a perspective of managing volatility in general terms. The information contained or expressed does not reflect Mead Johnson's commodity risk management program or sourcing intentions. Rather, it is intended to be an overview of general practices that many organizations take into consideration in the decision making process.



# Mead Johnson Nutrition

## Vision

To be the world's leading nutrition company for babies and children

## Mission

To nourish the world's children for the best start in life



# Mead Johnson Nutrition

## Our VALUES include:

- Passionate pursuit of continuous improvement in all we do
- Uncompromising commitment to scientific rigor and product quality
- Unwavering integrity in every relationship we have and action we take
- An environment of openness, respect and high performance

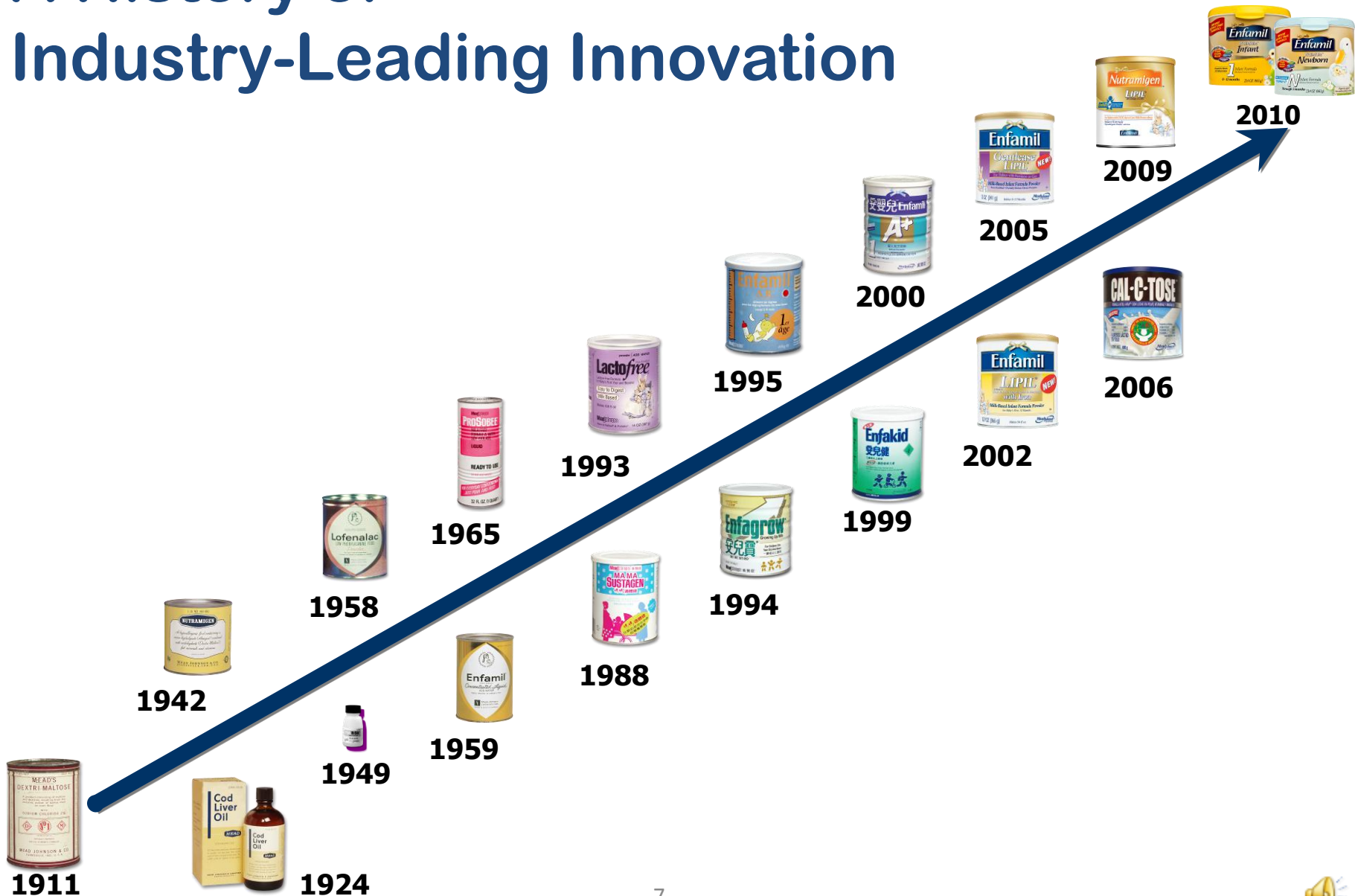


# Only Global Company Solely Focused on Pediatric Nutrition

- Founded: 1905
- Key Products: Enfamil<sup>®</sup> and Enfalac<sup>®</sup> families of infant formulas; Nutramigen<sup>®</sup> and other specialty formulations; children's nutritional products including Enfagrow<sup>®</sup>, Enfapro<sup>®</sup>, Enfakid<sup>®</sup>, EnfaSchool<sup>®</sup>, Sustagen<sup>®</sup>, Choco Milk<sup>®</sup> and Cal-C-Tose<sup>®</sup>; and Vi-Sol vitamins
- Employees: Approximately 6,600 worldwide
- Listed on NYSE as MJN and part of S&P 500
- Web Address: [MeadJohnson.com](http://MeadJohnson.com)




# A History of Industry-Leading Innovation



# Global Leadership\*

## INFANT NUTRITION

Rank	Company
1	
2	Abbott
3	
4	Danone
5	Pfizer

## CHILDREN'S NUTRITION

Rank	Company
1	
2	
3	Danone
4	Abbott
5	Pfizer

\* Global leadership based on top measured markets, representing about 95% of Mead Johnson global sales.  
Source: Nielsen/IMS Value Share (USD), MAT June 2011.

# Comprehensive Brand and Product Portfolio

## Infant

For routine feeding

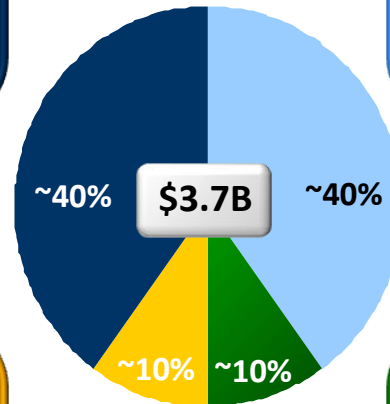


## Children's

For children's nutritional supplementation



Percent of  
2011  
Revenue\*



## Solutions

For mild intolerance / allergies



## Specialty

For prematurity, severe intolerance, allergies and metabolic disorders



\* Represents MJN sales and approximate revenue contribution.



# Key Research Platforms for Growth

## BENEFIT PLATFORMS



Brain Development



Allergy Management



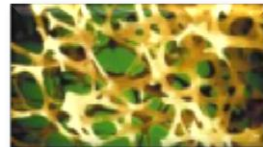
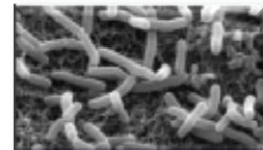
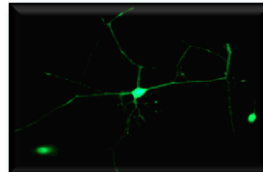
Natural Defense



Healthy Growth



Taste & Form



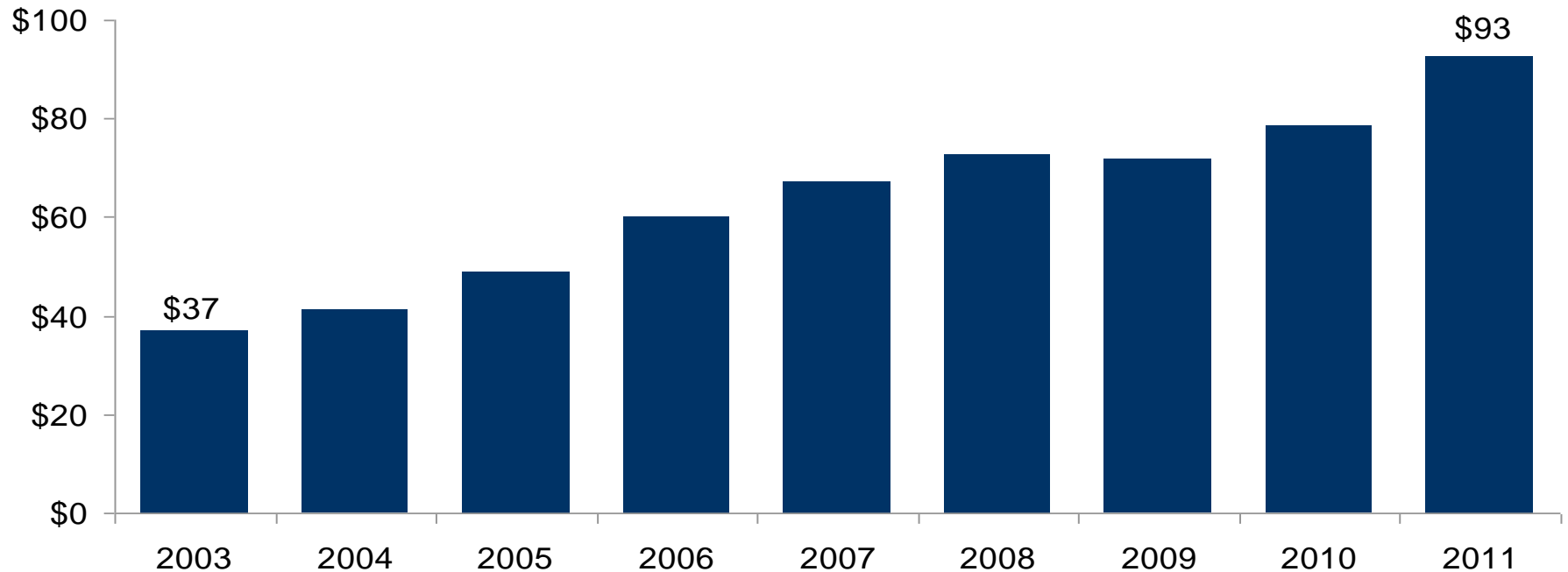
## MJN AREAS OF EXPERTISE

- LCPUFA biochemistry
- Cognitive neuroscience
- Protein biochemistry
- Pediatric gastroenterology
- Immunology
- Food technology
- Pediatric nutrition
- Neonatology
- Sensory science
- Product development



# R&D Investments Fuel Innovation

R&D Investments  
(\$ in Millions)



~ 2% of Sales

~2.5% of Sales



# Results of Increasing Investments in Science

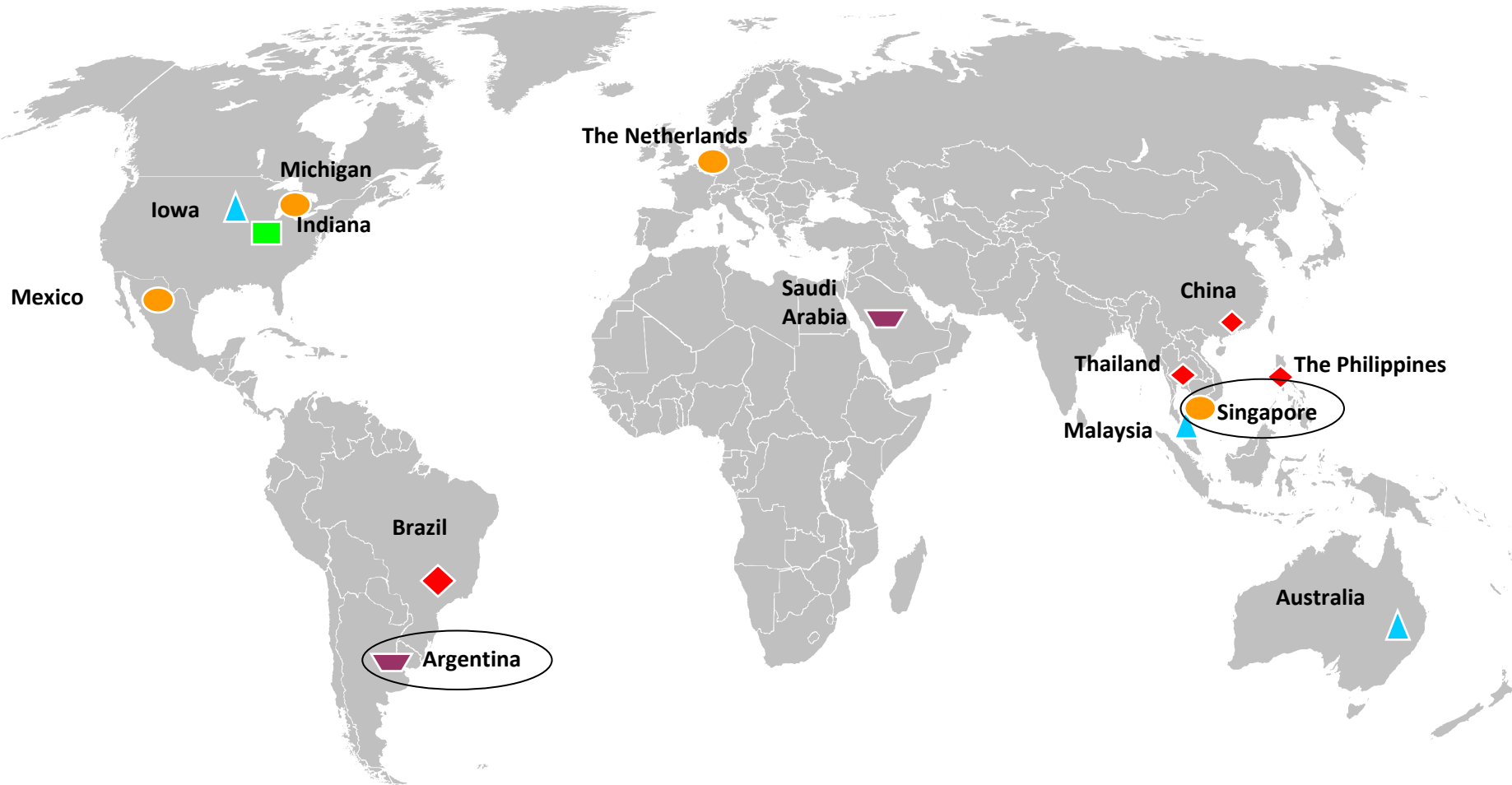
## Products Launched in 2010



## Products Launched in 2011



# Enhancing Our Global Network



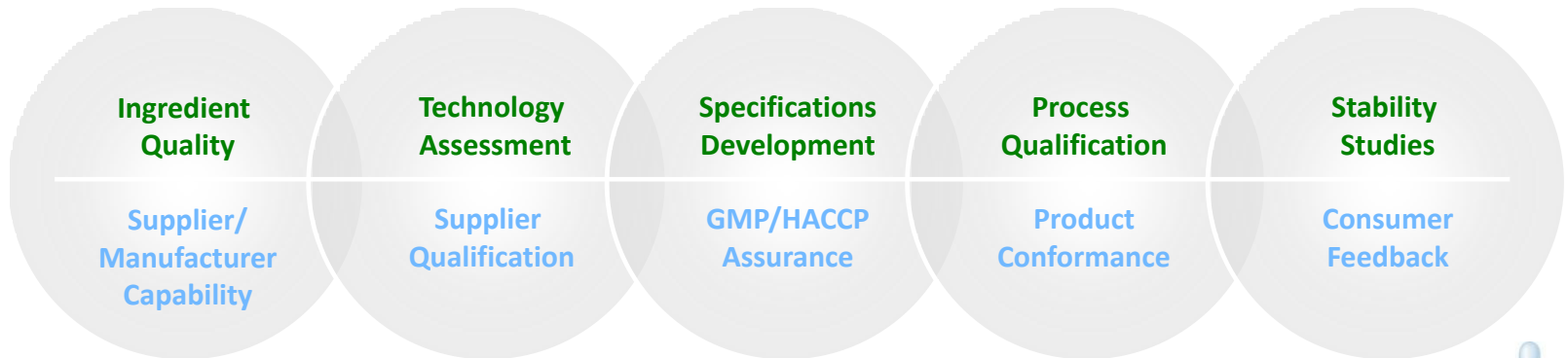
- MJN Global Liquids / Powder Packaging
- MJN Spray Dryer & Packaging
- ◆ MJN Packaging
- ▲ Contract Spray Dryer
- ▼ Joint Venture

# Unwavering Commitment to Quality

Mead Johnson Embeds Quality throughout Product Lifecycle



## RESEARCH AND DEVELOPMENT



## SUPPLY CHAIN



# Managing Volatility

David Zaslavsky

Global Category Leader Commodities and Risk Management  
Mead Johnson


# Introduction

- Received B.S. in business from North Park University in 2003
- In 2004 accepted a position with Downes O'Neill LLC
  - Small boutique firm that specialized in dairy risk management
  - Bought by FC Stone
    - Over the Counter
    - Grain Expertise
    - Energy Expertise
    - Merged with International Assets Corporation
    - Capital
    - Global resources
    - Banking and metal industry expertise
- 1. Trade Desk Assistant
- 2. Trade Desk Manager
- 3. Clerk at the Chicago Mercantile Exchange
- 4. Trader at the Chicago Mercantile Exchange
- 5. Manager of dairy trading floor operations
  - Risk Management Consultant
  - Analyst
  - Technical Analyst
- 6. Global Category Leader Commodities and Risk Management for Mead Johnson



# Key Messages

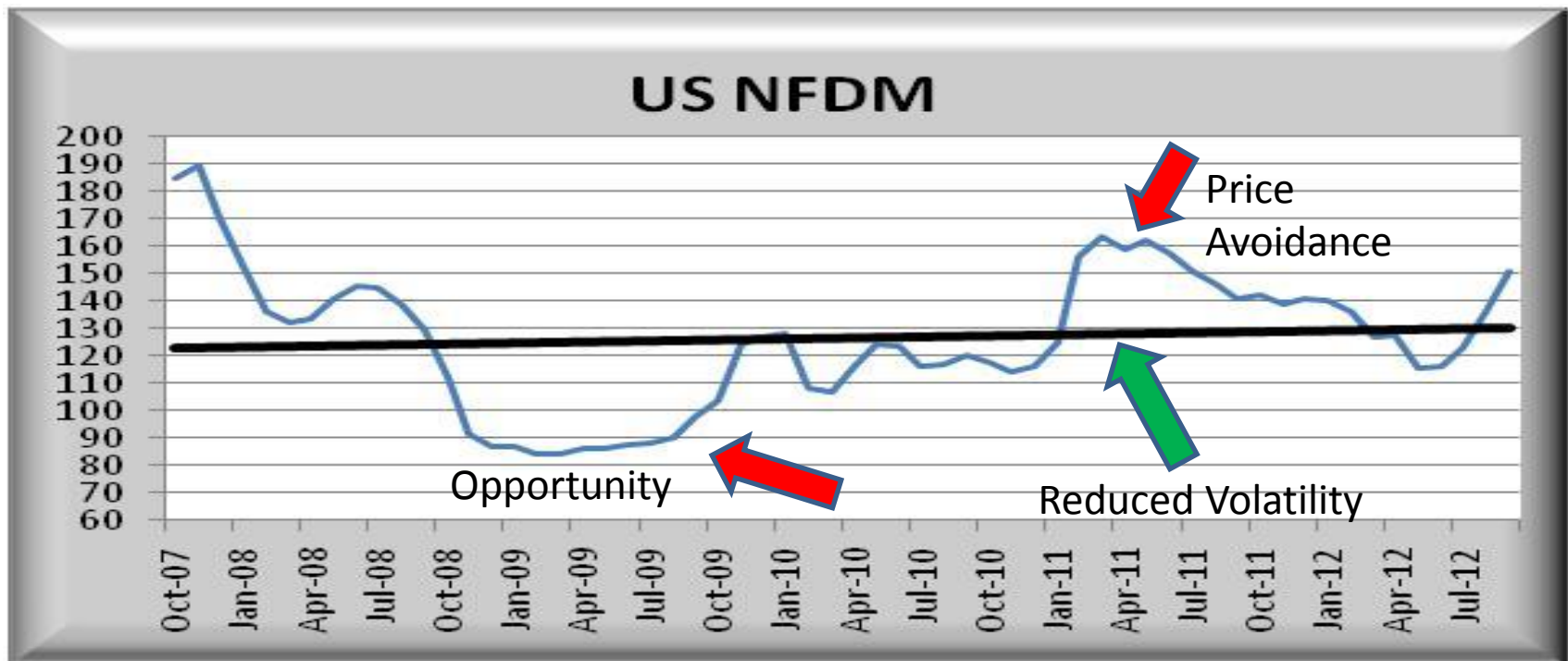
**There are commodity grade suppliers and strategic partners. A company like Mead Johnson strives to have strategic partnerships where both parties embrace quality and innovation.**

- Commodity risk management is not simply concerned with achieving the lowest price possible
- Information is the most valuable resource in the Commodity Risk Management process
- Risk management tools are an integral part of the commodity risk management process
- Strong supplier relationships are necessary in order to be successful in the ever changing risk management landscape 

# It is not about getting the lowest price

➤ While procurement typically strives to achieve the lowest possible price risk management attempts to

- Reduce the exposure and the impact of price volatility
- Provide price certainty
- Ability to take advantage of pricing opportunities



# Information-Information-Information

- Information is the most valuable resource in the commodity risk management process
- Without credible and timely data and information we are all speculating
  - Supply and Demand information is in valuable
    - Production (Farm level as well as manufacturing level)
    - Inventory levels (approved government facilities)
    - Import and Export volumes and values
    - Traders positions
- Government involvement in data collection and dissemination is important for reliability and credibility



# Over The Counter (off exchange) not regulated

## ➤ OTC platforms provide

- Vehicles to manage price risk that mirror exchange traded tools as well as non-exchange traded tools
- Can link directly to purchasing index for greater probability in achieving hedge accounting treatment
- Provide ability to achieve a consistent price average rather than variable price average
- Advanced risk management tools
  - Accumulators
  - No cost options
- Often requires lower margin



# Supplier Relationships

- The supplier relationship is extremely important to end users
  - A supplier offered risk management program creates
    - Strong relationships
    - Focus can be on quality and innovation rather than price
    - Decreases the potential of customers defaulting on financial obligations
    - Can align purchases with risk management to better align with accounting procedures
    - As they grow so does your business



# Conclusion

- The volatility in the commodity markets is not going away. If you want companies to seriously consider sourcing from Ireland they have to have the ability to manage their risk.
- Mead Johnson's ideal partner, supplier, region or government should have the same commitment to quality, innovation and risk management that MJN holds sacred.

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THANK YOU

