



## Welcome to the 9 Month Sales Press Conference

## Disclaimer

**This presentation contains forward looking statements which reflect Management's current views and estimates. The forward looking statements involve certain risks and uncertainties that could cause actual results to differ materially from those contained in the forward looking statements. Potential risks and uncertainties include such factors as general economic conditions, foreign exchange fluctuations, competitive product and pricing pressures and regulatory developments.**

# 9 Month Sales Press Conference

**Paul Bulcke**  
Nestlé CEO





## 9 Month Sales Press Conference

**Paul Bulcke**  
Nestlé CEO



**Wan Ling Martello**



**Nandu Nandkishore**



**Roland Decorvet**



**Jonathan Dong**





Good Food, Good Life

Our promise  
as world  
leader in  
Nutrition,  
Health &  
Wellness

We enhance lives by offering  
tastier and healthier food  
and beverage choices  
at all stages of life and  
at any time of the day,  
helping consumers care for  
themselves and their families.



# Nestlé

## Facts and figures

- Founded in Switzerland over 145 years ago
- CHF 83.6 billion turnover in 2011
- 330,000 employees in over 150 countries
- 461 factories in 83 countries
- Over 4,000 brands
- Over 1 billion Nestlé products sold per day

## Present in 7 different product categories

- Nutrition
- Milk products and Ice Cream
- Powdered and Liquid Beverages
- Prepared dishes and cooking aids
- Confectionery
- Water
- PetCare

# Nestlé

## Facts and figures







## 9 Month Sales Press Conference

**Wan Ling Martello**  
Chief Financial Officer

## 9 Months highlights

- Sales up 11% to CHF 67.6 billion
- Organic growth: +6.1%
- Pricing +3.2%; +2.9% RIG
- Continued growth in developed as well as emerging markets
- Outlook confirmed: 5% to 6% organic growth, together with an improvement in margins and earnings per share in constant currencies

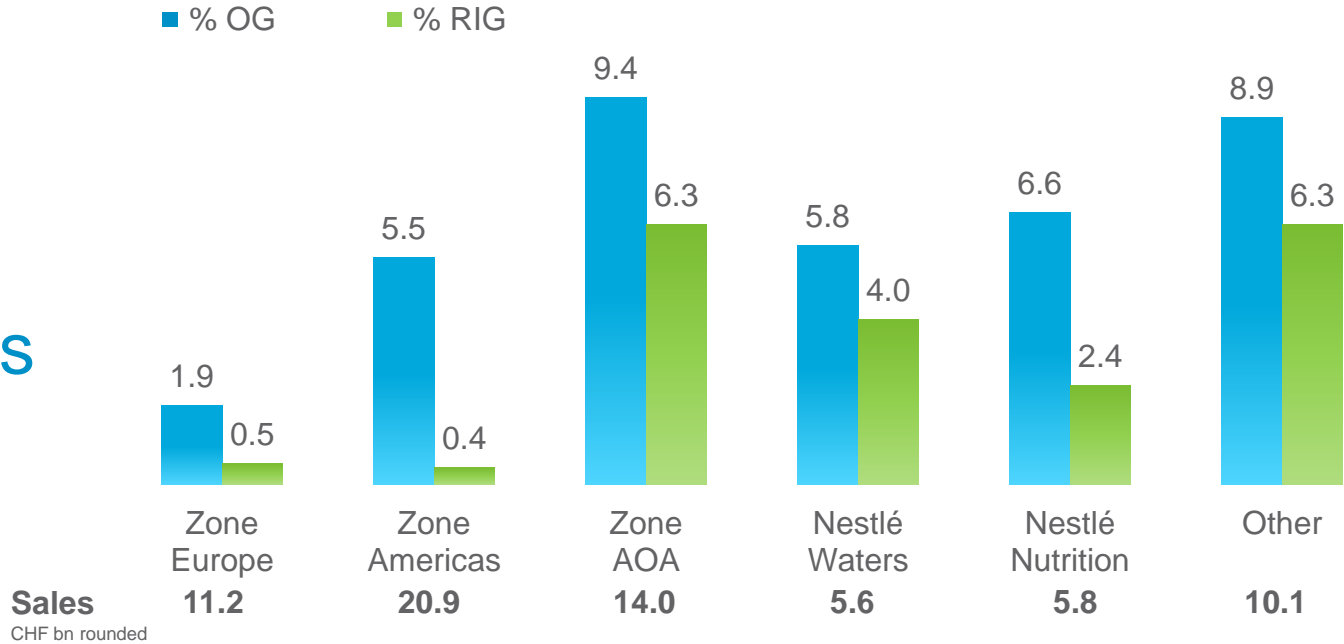
## Regional performance

- Growth in Europe & Americas: notable in view of economic environment - RIG accelerated in both
- AOA double digit in volatile environment

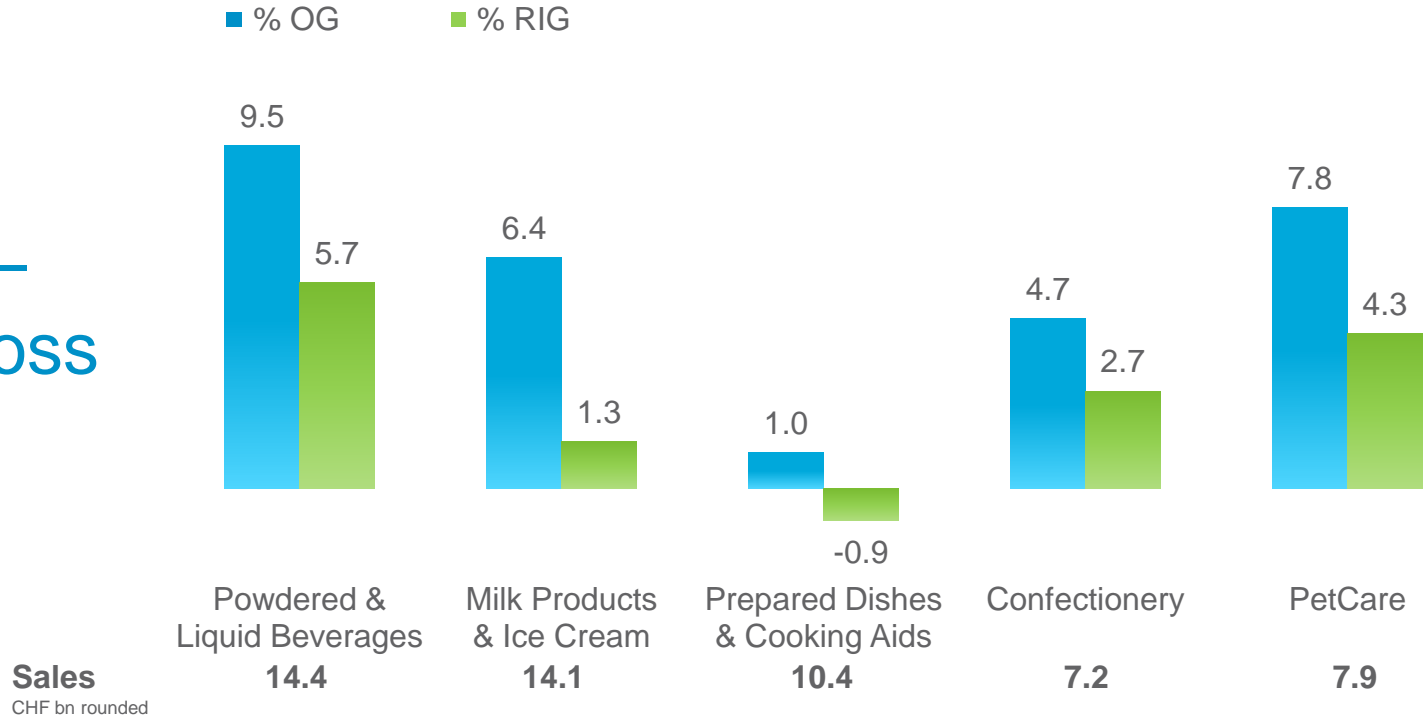


\* Each region includes Zones, Nestlé Waters, Nestlé Nutrition, Nestlé Professional, Nespresso, NHSc, and JVs

# Operating segments – Growth across the board



# Product categories – Growth across the board



# Brands: building enduring franchises







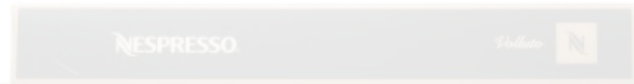
## Purina

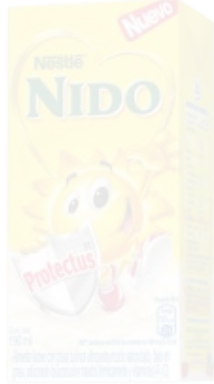
- High single-digit growth
- Deepening penetration in emerging markets



# Maggi

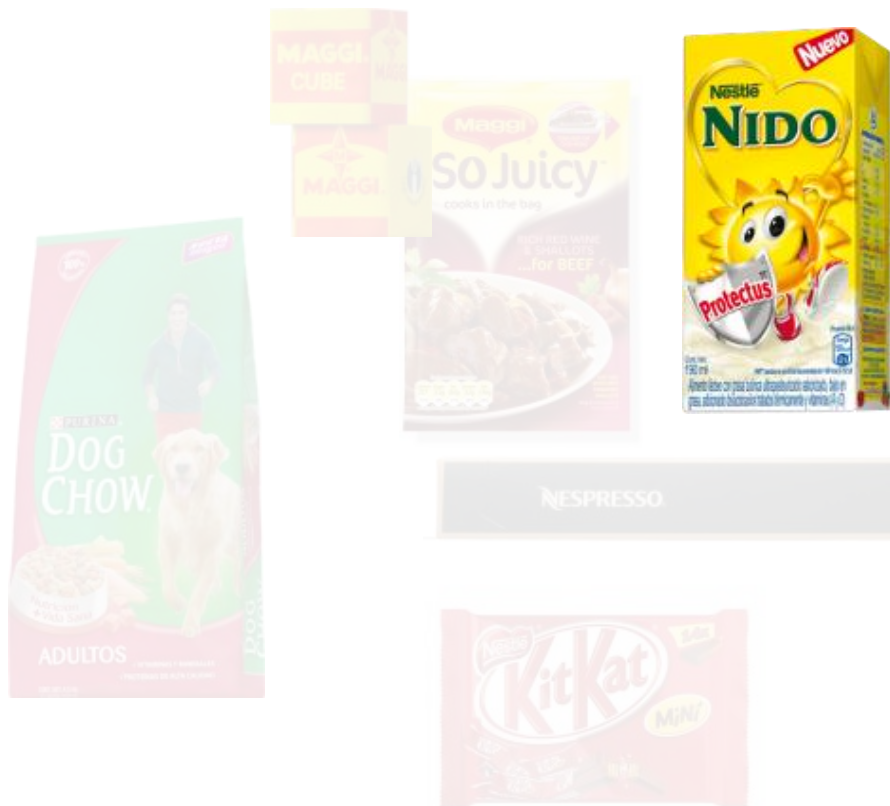
- Over 100 million servings sold per day in Central & West Africa alone
- Innovations driving growth in Europe





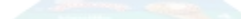
## Kit Kat

- Over 75 years since launch
- Growing at high single-digit



# Nido

- Launched successfully into liquid in Brazil
- The brand growing at high single-digit internationally



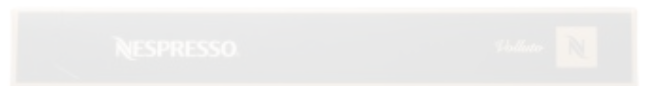
# Nespresso

- Double-digit growth
- Two new machine designs and three special edition coffees launched



# Drumstick

- Including all brands, 50 Nestlé cones per second consumed worldwide







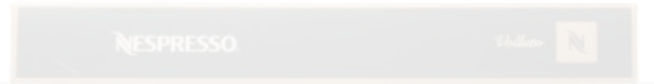
## NAN

- Double-digit growth
- Broadening the portfolio with innovative anti-colic and hypo-allergenic formulas



# S. Pellegrino & Perrier

- Strong growth in N. America and Europe
- Worldwide growth accelerating

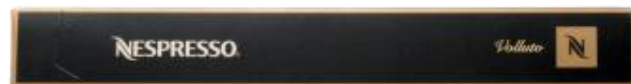




# NESCAFÉ

- Established in 1938
- Present in over 150 markets
- Growing in the high single-digits





2012  
outlook  
confirmed

**We are well positioned  
to deliver the Nestlé Model  
of organic growth of 5% to 6%,  
improved margin and  
underlying earnings per share  
in constant currencies**

# 9 Month Sales Press Conference

**Paul Bulcke**  
Nestlé CEO





# The New Reality

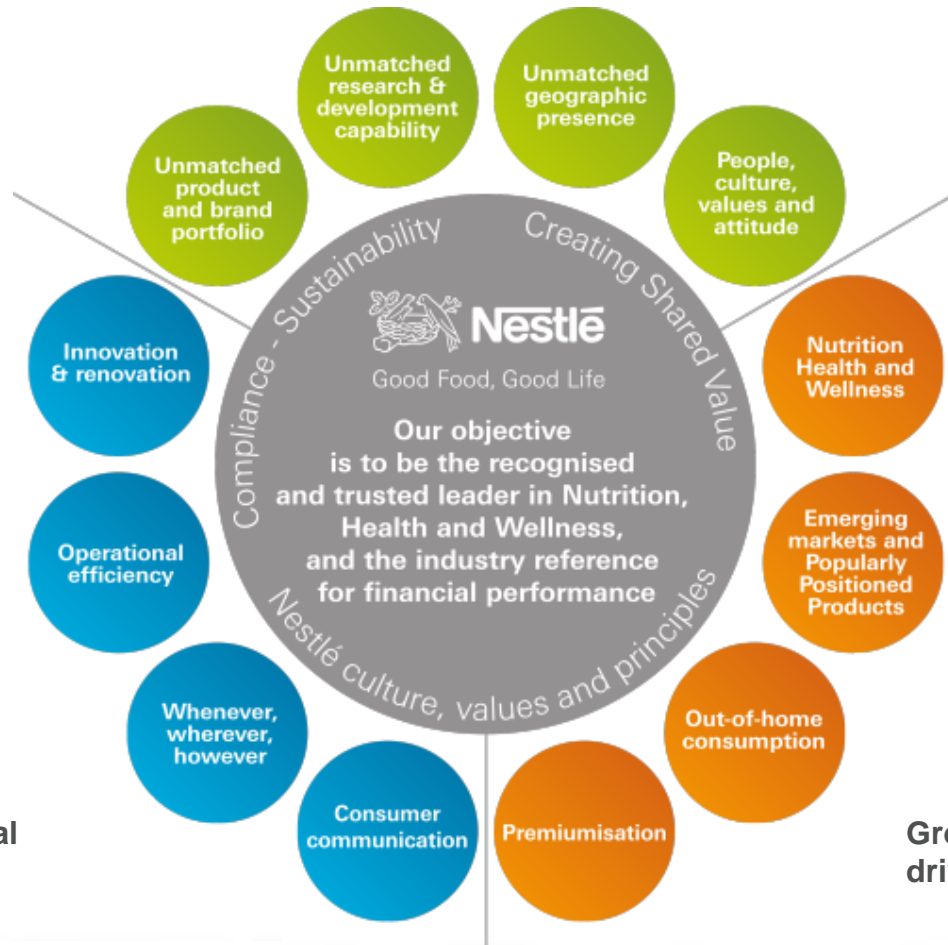


# The Nestlé Roadmap

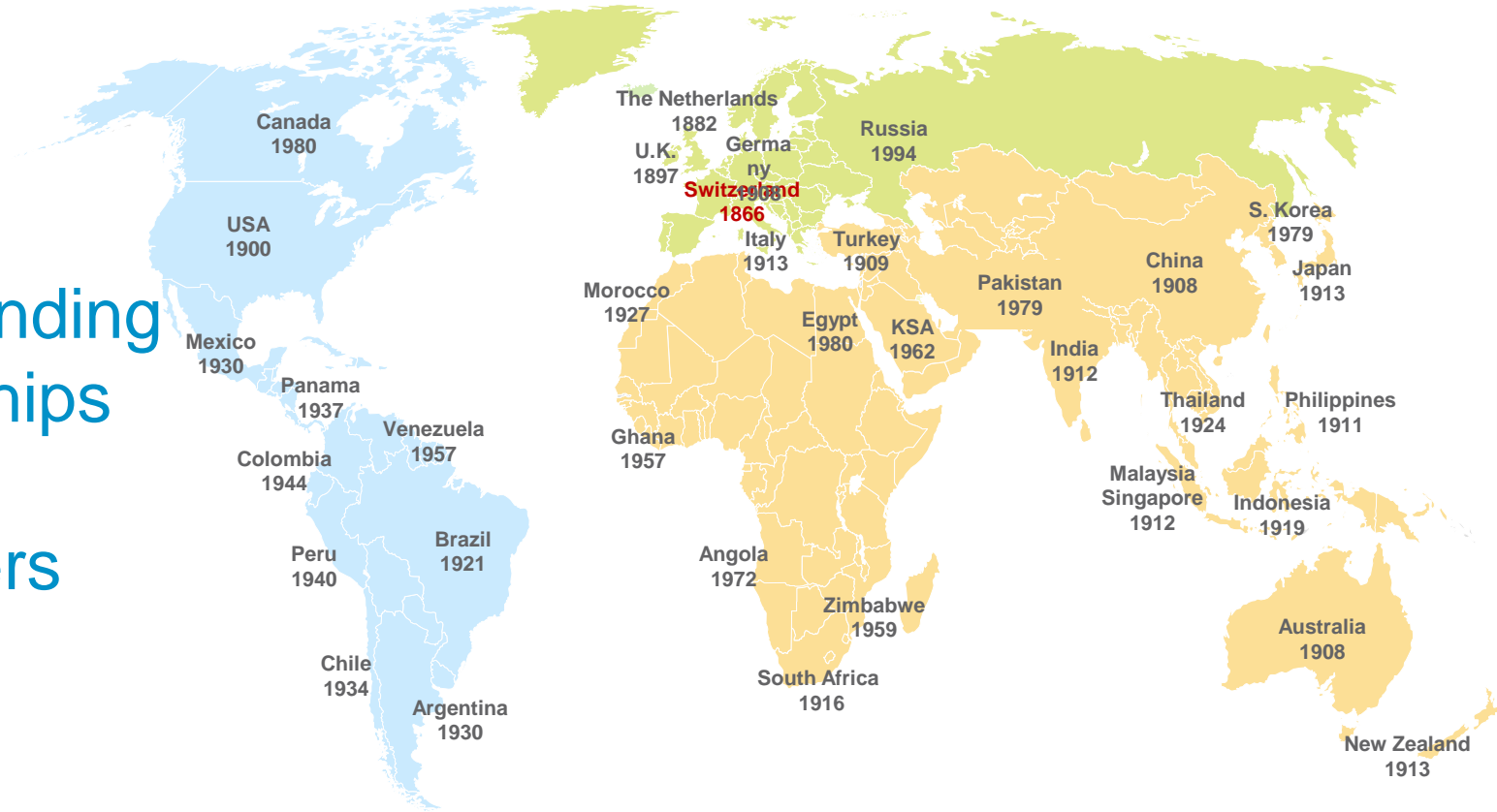
Competitive advantages

Operational pillars

Growth drivers



# Long-standing relationships with consumers





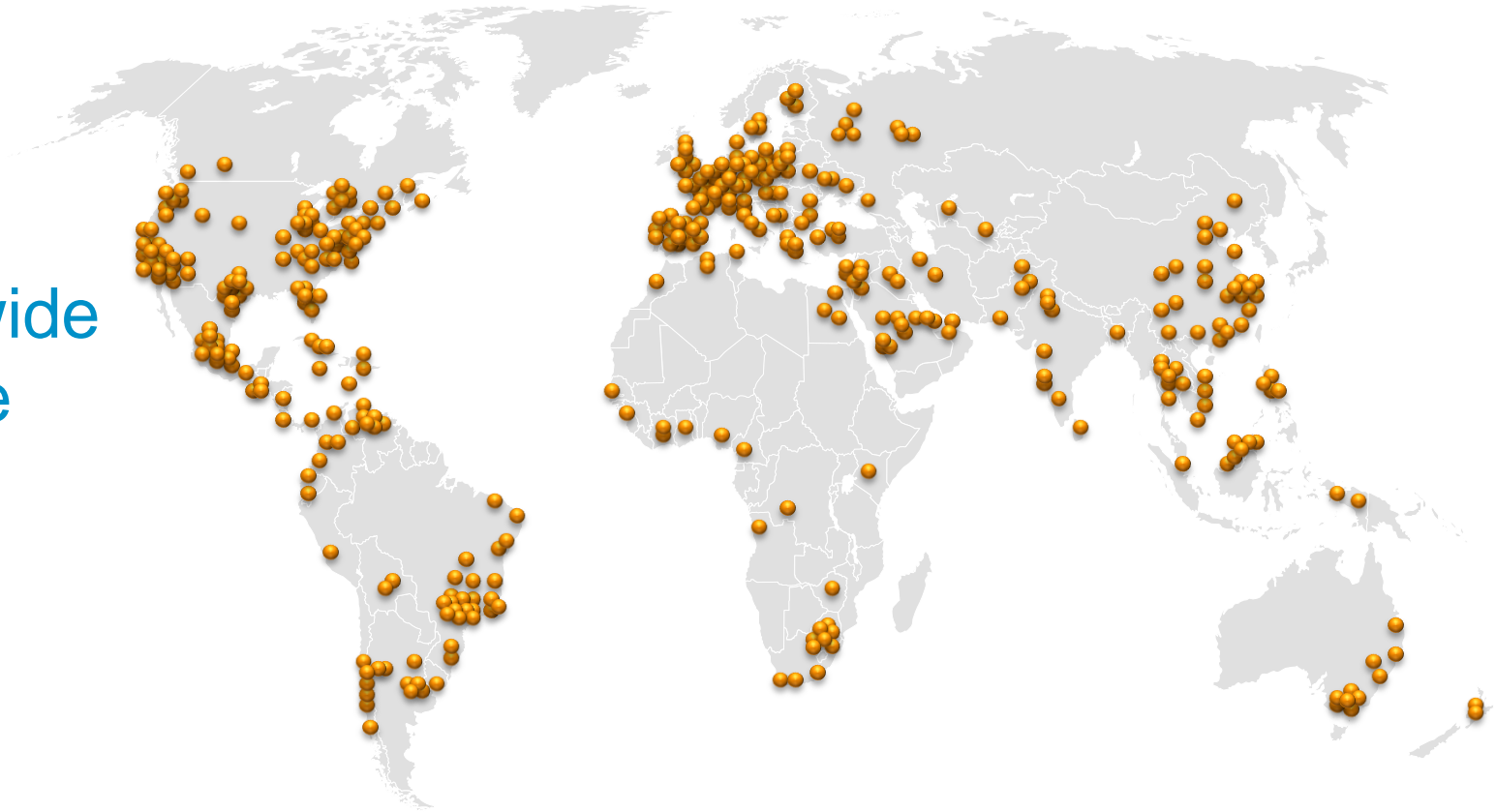




A wide choice  
of products  
with trusted  
brands



A worldwide  
presence



Illustrative



# A manufacturing network close to the consumer



Supported by  
a strong  
R&D network  
in growth  
markets



Mexico



Chile



Côte d'Ivoire



China (Beijing)



China (Shanghai)

China (Xiamen)

India

China (Dongguan)

Singapore



Bringing  
the best of  
Nestlé...  
whenever,  
wherever,  
however



Open markets



Small stores



Modern trade



Urban areas

# Creating Shared Value for the communities where we operate





# Building a successful future



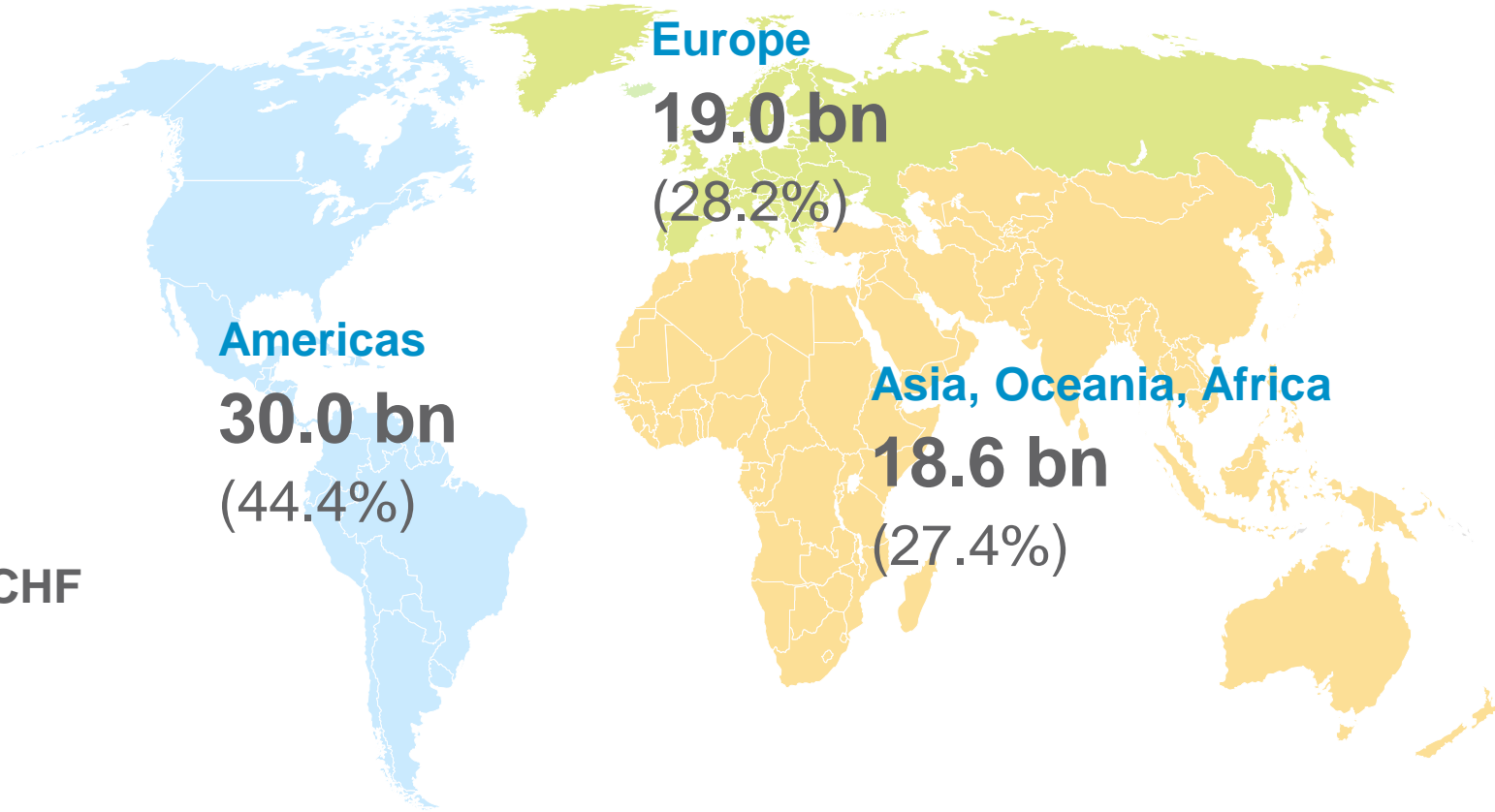


## 9 Month Sales Press Conference

**Nandu Nandkishore**  
Executive Vice President  
Zone AOA

# Nestlé around the world

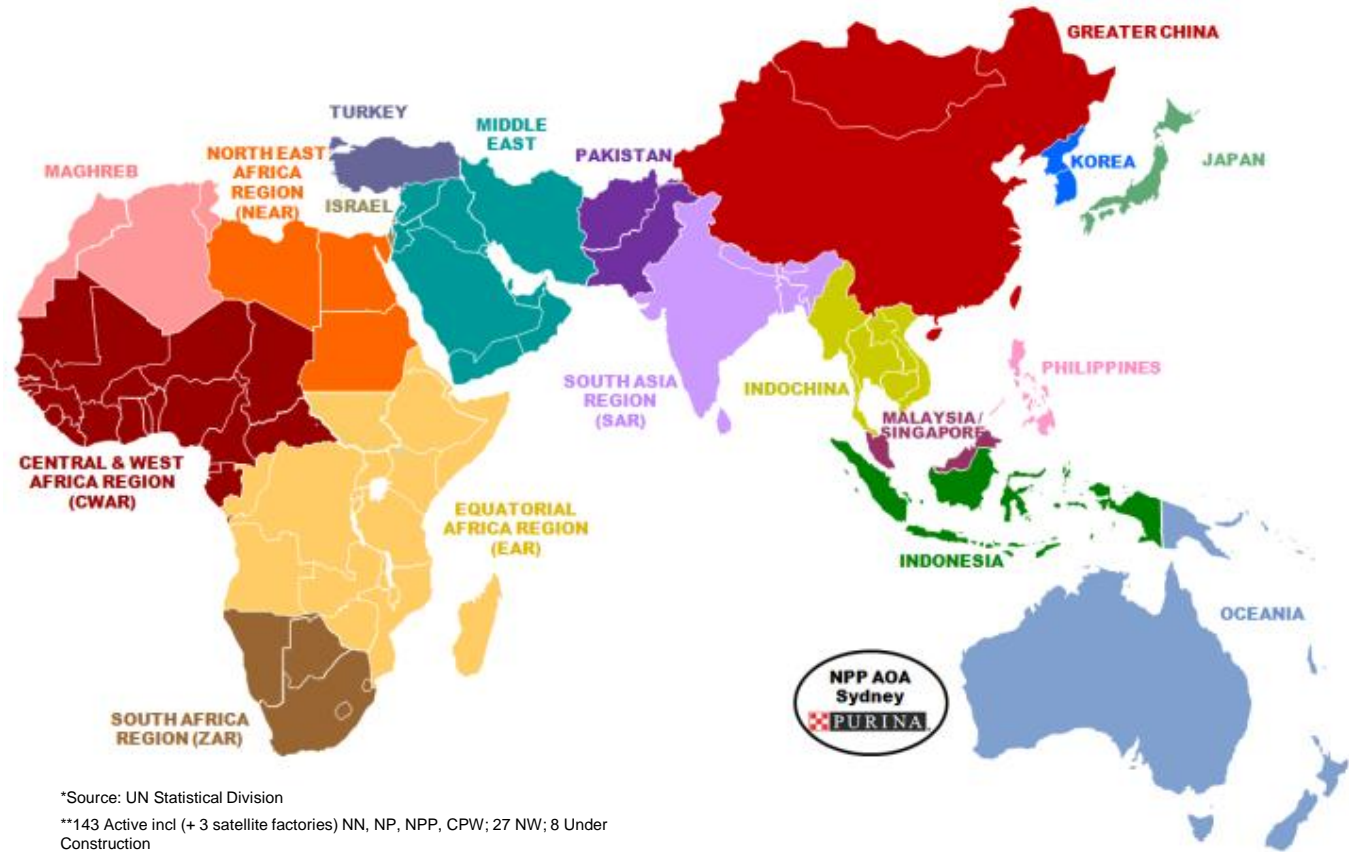
Turnover in CHF  
Jan – Sept 2012





# Size and diversity of AOA

3 continents  
18 markets / 116 countries\*  
143 factories\*\*  
15 time zones  
Innumerable languages  
76% of world's population  
All major religions  
Variety of cuisines / tastes  
About 45% of world GDP\*\*\*



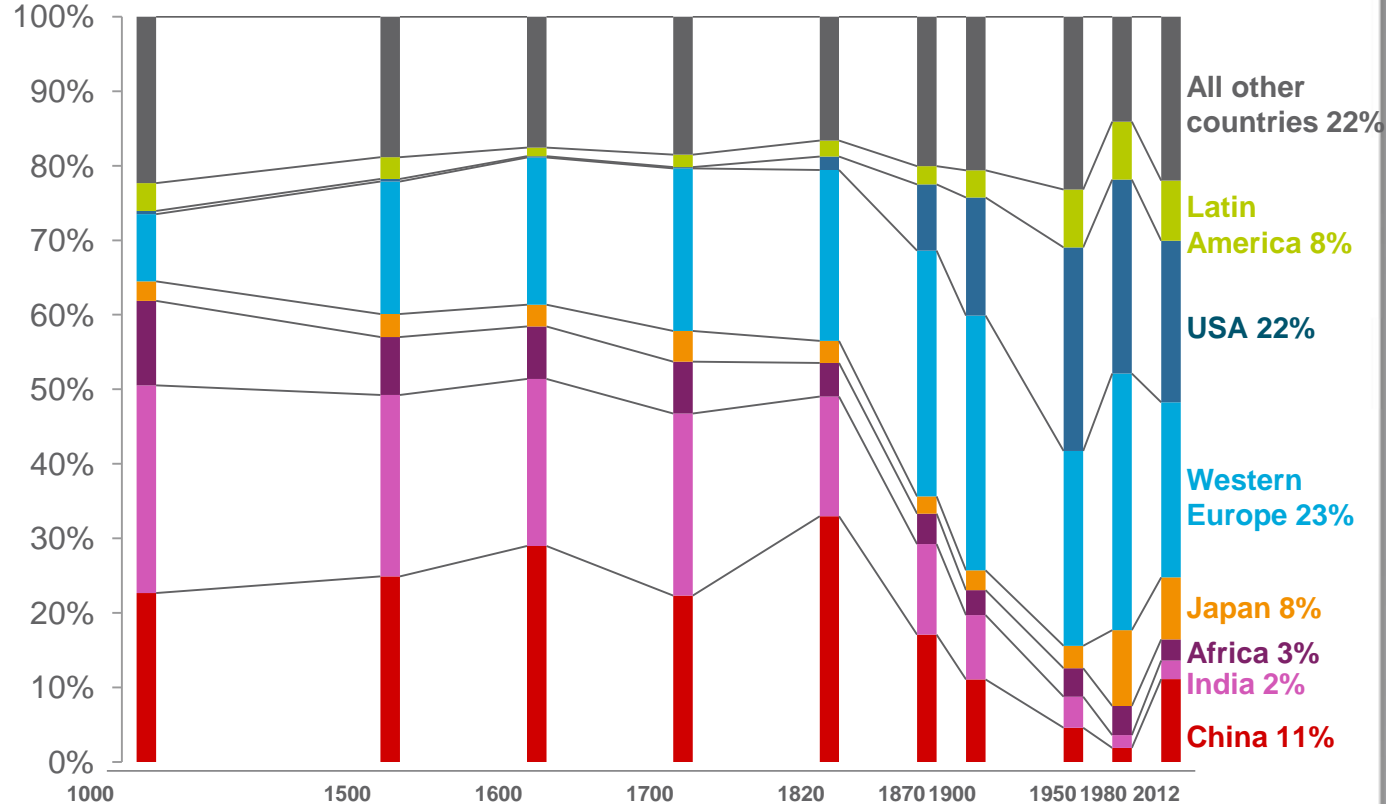
\*Source: UN Statistical Division

\*\*143 Active incl (+ 3 satellite factories) NN, NP, NPP, CPW; 27 NW; 8 Under Construction

\*\*\*Source: IMF

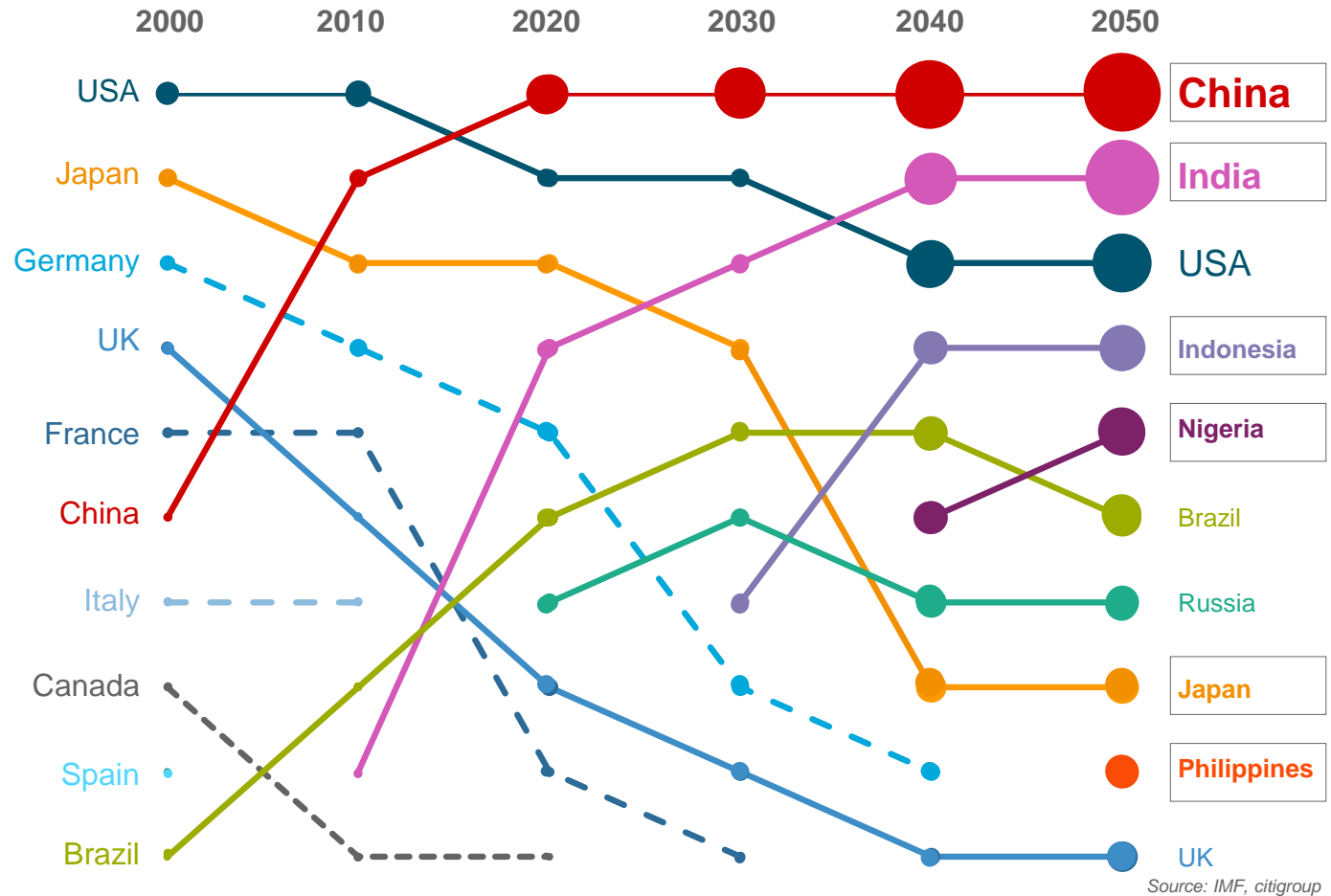
China and India were the world's largest economies...

## Percentage of world GDP (last 1000 years)



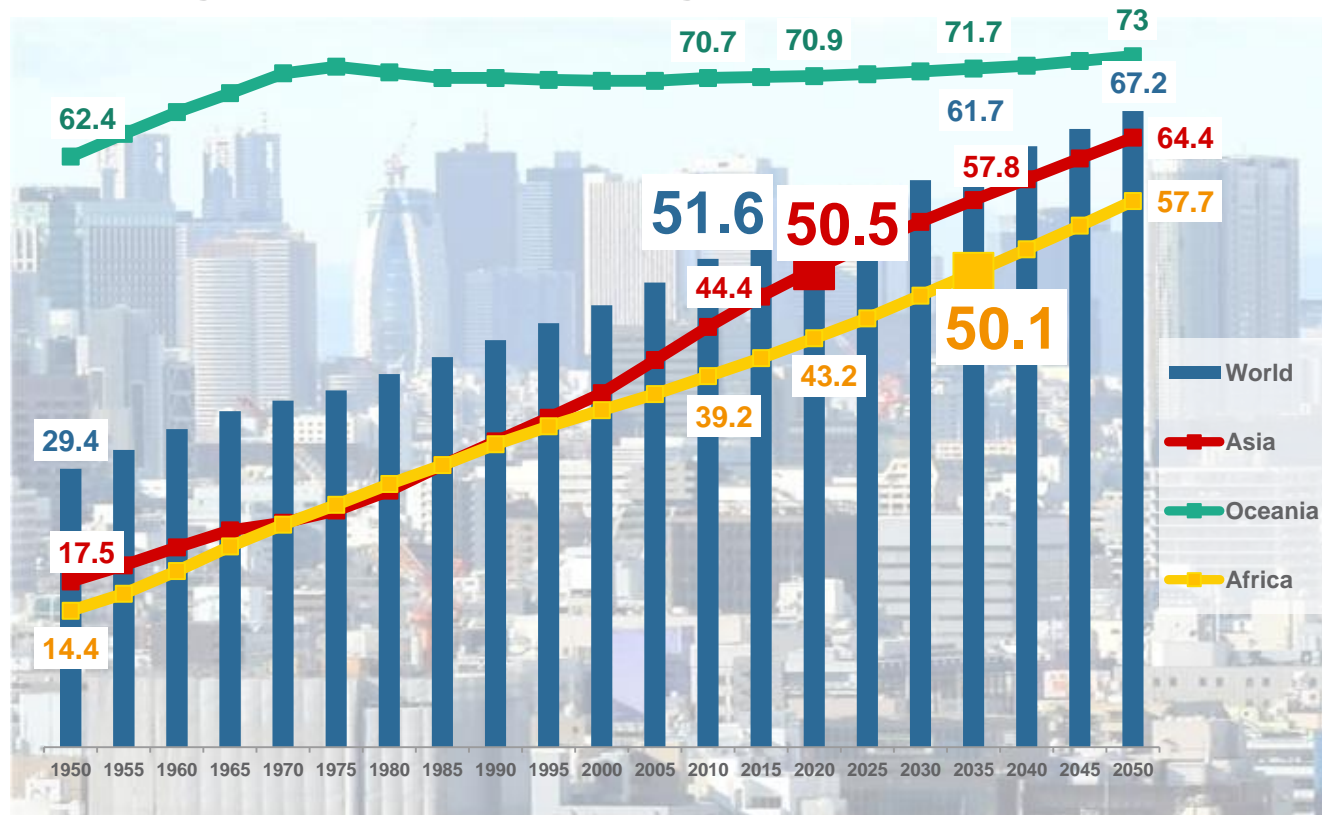
Sources: Angus Maddison (1000-1950), IMF (1980-2012)

# Top 10 economies by 2050: 6 countries from AOA



Over half of population in Asia will be urbanised by 2020 and in Africa by 2035

## Percentage of population residing in urban areas



Sources: United Nations, Department of Economic and Social Affairs, Population Division

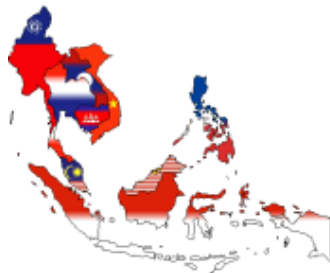
# The “Big 5” in the Hot Zone: Investing & leading the trends



**China**



**South Asia**



**ASEAN**



**Africa**



**Middle East**

- Local players
- Food safety focus
- Invest in people & capacity
- Innovation / Renovation

- Aggressive competition
- Local sourcing
- Build distribution
- Innovation / Renovation

- Aggressive competition
- Competition for talent
- PPP opportunity
- AFTA trade opportunity

- People
- Resources
- Local raw / Packaging

- Political instability
- Securing supplies
- Multi-tier offer

**Accelerate PPP & CSV**

**OOH**

**Defend and build brands**

**Price point management**

**Invest ahead of demand**

**Premiumisation**

**People**

**Build distribution**

**NHW**

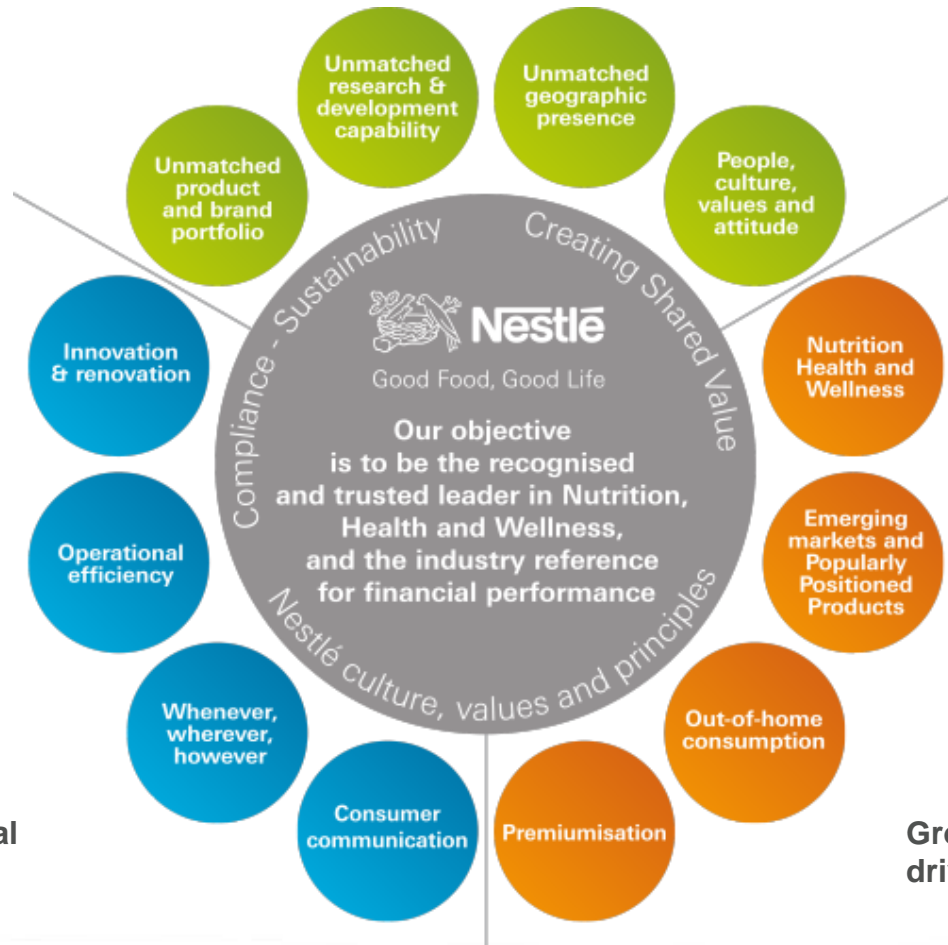
**External growth**

# The Nestlé Roadmap

Competitive advantages

Operational pillars

Growth drivers

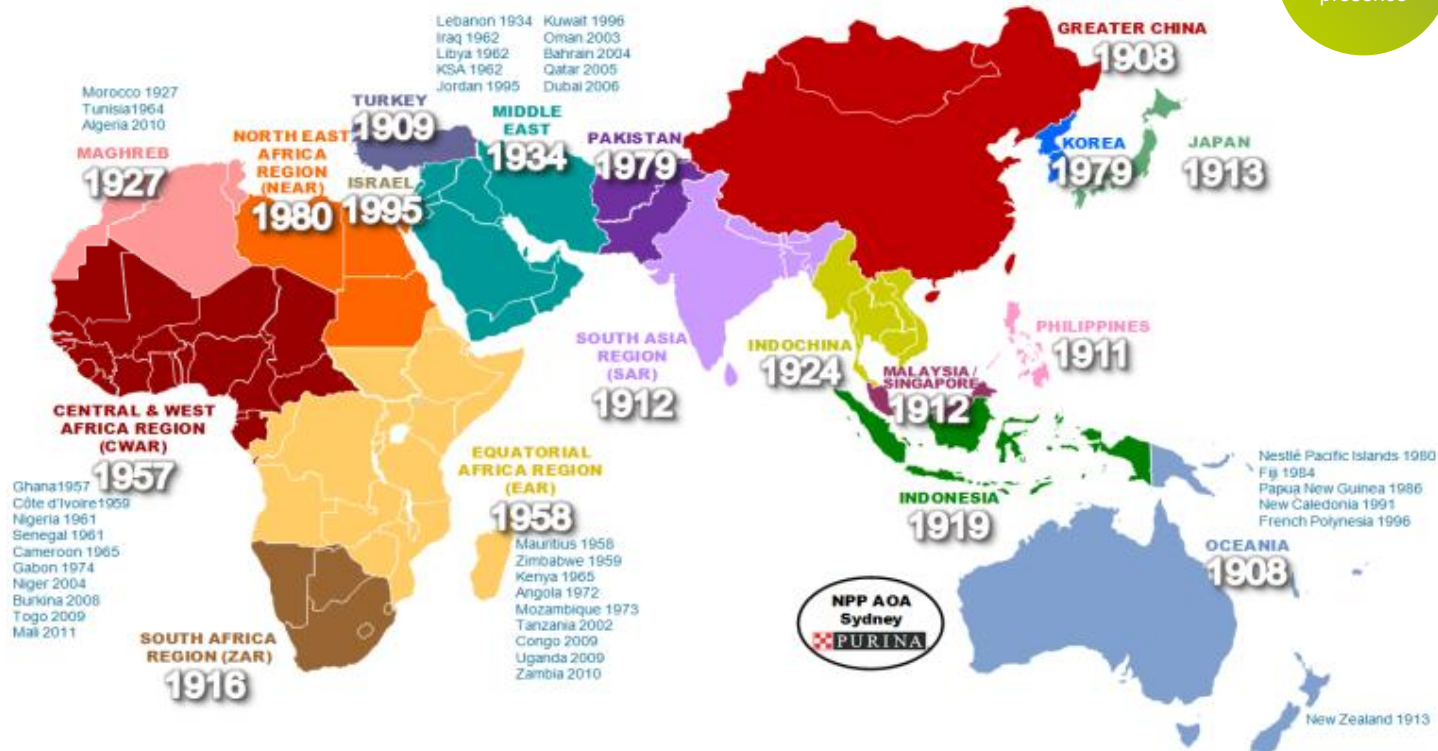




Unmatched  
geographic  
presence

# Nestlé in AOA

Established  
presence and  
rich in history



Note : Dates based on **Registration of Local Nestlé Office** and not registration of Nestlé Brand trademark/ Distributor partnerships.



# Popularly Positioned Products

Affordable nutrition  
and pleasure for  
emerging consumers



Nutrition,  
Health and  
Wellness

Emerging  
markets and  
Popularly  
Positioned  
Products



Fortified:

- **Iron**
- **Zinc**
- **Iodine**
- **Vitamin A, C**

Price:

- **PHP 23\***  
(80g/3 glasses)  
*\*Approx CHF 0.5*

# Maggi Fortified

Number 1 brand  
in CWAR



Nutrition,  
Health and  
Wellness

Emerging  
markets and  
Popularly  
Positioned  
Products

- 100 million units sold everyday

- Fortified:  
Iron, Iodine



- In Nigeria :  
3 cubes = 10 NAIRA (CHF 0.06)



# Nutrition in AOA



## Product Innovation and Renovation

Nutrition,  
Health and  
Wellness

Emerging  
markets and  
Popularly  
Positioned  
Products

- 91 billion servings fortified with key micronutrients
- Affordable **fortified milks** now available in more than 60 countries
- 1,460 Popularly Positioned Products
- Products continuously renovated for nutrition or health considerations, reducing salt, fat and sugar levels
- Start Healthy Stay Healthy promotes the early establishment of healthy eating habits
- Nestlé Healthy Kids programmes run in partnership with governments, academia, and NGOs in over 20 countries reaching approx. 800,000 children

# Global Innovation Roll-out

## Premiumisation with Nescafé Dolce Gusto

### Launched in 10 markets:

	National	City Focus	E-Commerce
Japan	⊙		⊙
S. Korea	⊙		⊙
Taiwan	⊙		⊙
Singapore	⊙		⊙
Hong Kong	⊙		
Malaysia		⊙	⊙
Philippines		⊙	
UAE		⊙	
Qatar		⊙	
Kuwait		⊙	

Premiumisation

Innovation & renovation



*Espresso*



*Mocha*



*Cappuccino*



*Chai Tea Latte*



*Cappuccino Ice*



*Macha Latte*



# Out-of-home consumption

Whenever,  
wherever,  
however

Out-of-home  
consumption

Whenever,  
wherever,  
however



- Taking NESCAFÉ to the **doorsteps** of consumers
- Making ~ 10 USD a day
- >1000 salesmen



- Selling hot NESCAFÉ cups in the **streets**
- a minimum of 200 USD per month
- > 2000 jobs created



- Empowering unemployed youth to set up small scale business selling NESCAFÉ in **choked areas**
- >500 saleswomen

“For a company to be successful over time and create value for shareholders, it must also create value for society.”

## Creating Shared Value

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“... beyond sustainability, to create value for shareholders & society - integrally linked to our core business”

---

“...meet the needs of the present without compromising future generations ...”

---

Comply with the highest standards

### **Creating Share Value**

Nutrition, Water, Rural Development

### **Sustainability**

Protect the future

### **Compliance**

Laws, Business principles, codes of conduct

# Responsible Farming



**Dairy District Model**



**NESCAFÉ Plan**



**Nestlé Cocoa Plan**



# Competitive Intensity

## The way we work

1. We promote SAFE working behaviour
2. We put the Consumer and Customer at the Heart of all we do
3. We believe our People and Brands are our Greatest Assets
4. We focus and keep things simple, with an emphasis on Speed in Execution
5. We strive to be Brilliant at the Basics
6. We Create Shared Value in the communities we operate
7. We are transparent, disciplined and aligned
8. We are flexible and anticipate the unexpected
9. We believe in seizing opportunities in moments of crisis
10. We promise what we can deliver and deliver what we promise

危机 = 危 + 机

Wei Ji                      Wei                      Ji  
(Crisis)                      (Danger)                      (Opportunity)



## 9 Month Sales Press Conference

**Roland Decorvet**  
Chairman & CEO  
Nestlé Greater China

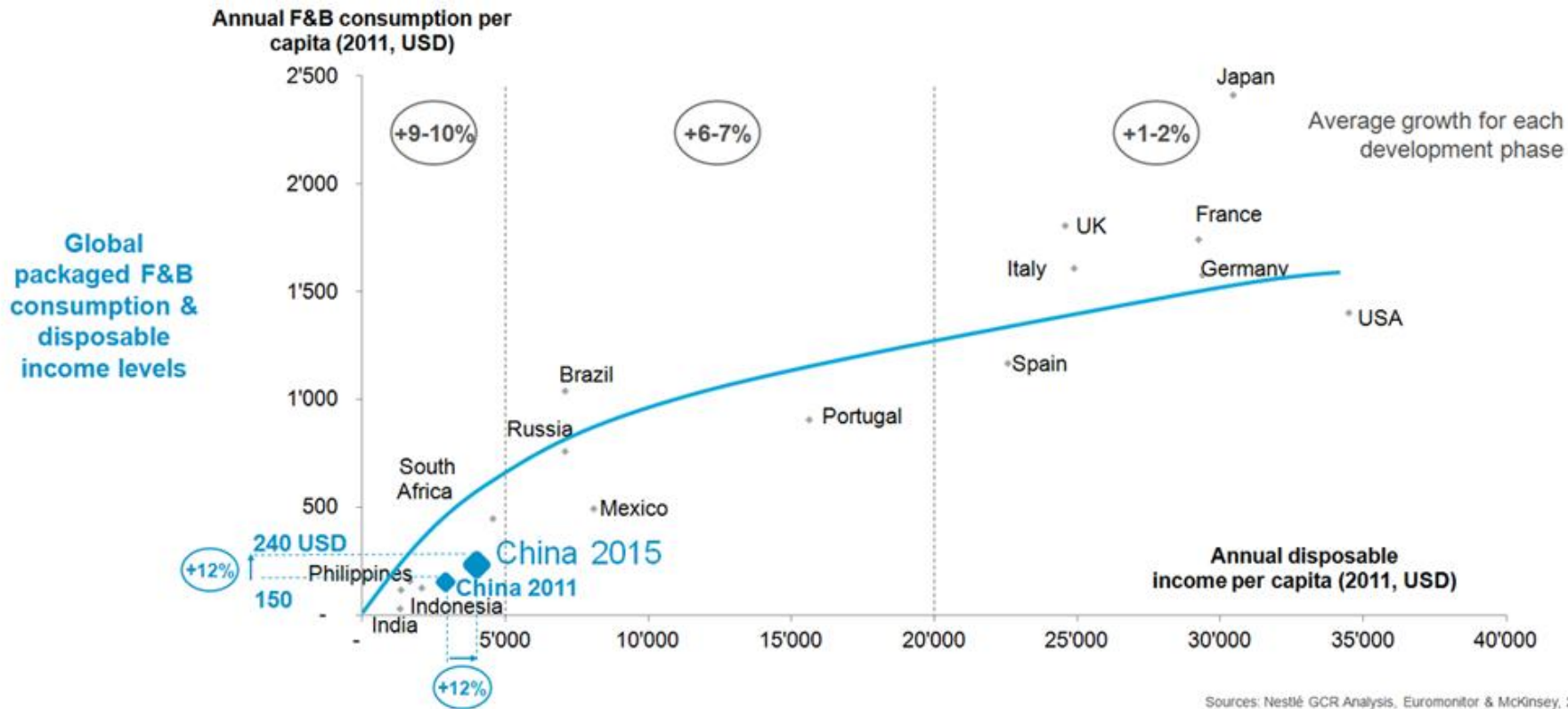
# China: the size of a continent, with provincial GDPs at the level of emerging or developed countries



Source: The Economist Feb 24 ,2011

# China: still at an early stage in food consumption

## Per capita by 2015 ... only half of Mexico today



Sources: Nestlé GCR Analysis, Euromonitor & McKinsey, 2011

# Our Nestlé Greater China vision



***Be the recognised leading NHW  
F&B Company by helping to build  
healthier and happier generations  
at every stage of life***

- Delivering innovative, safe, tasty, trusted and good value-for-money products
- Building partnerships with all stakeholders *from farm to chopsticks*
- Creating shared value and sustained development

# 31 factories all across China



- 35 million products sold every day
- ~95% of Nestlé products sold in China are locally manufactured

- Regional & local headquarters
- Factories (▲ under construction)



# Greater China has become one of Nestlé's key markets

2011 Rank	Market	2011 Sales (CHF bn)
1	USA	21.5
2	France	5.6
3	Brazil	5.4
4	Germany	3.4
5	Mexico	3.0
6	UK	2.7
7	China	2.5

Greater China 2012  
Sales est.: CHF 5 bn.  
Rank: ?

16% CAGR

Nestlé Greater China  
Region's sales  
(excluding Yinlu & Hsu Fu Chi)



# Yinlu is an ideal platform to become a major player in healthy dairy-based beverages and nutritious congees



60/40 partnership with  
founding families  
Headquartered in Xiamen

## Traditional trade & Deep penetration



- 8'000 sales people
- >1'000'000 outlets covered

## Chinese relevant products



- Leader in ready-to-eat congee and ready-to-drink peanut milk

## High operational efficiency & Aseptic experience



- 3 large-scale standardized factories

# Hsu Fu Chi is the leader in sweet confectionery in China with a very unique sales model



**Hsu Fu Chi**

60/40 partnership with  
founding families  
Headquartered in Dongguan

Invented and developed the  
Pick&Mix format in China



- 3500 displays in Hyper and Supermarkets

Leading position with ~900 products



- Candies, chocolates, cakes, wafers, jellies, cookies, snacks, sachima

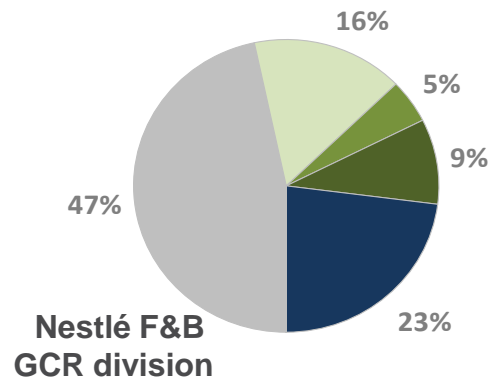
2 production bases in  
Guangdong (South) and Henan (Center)



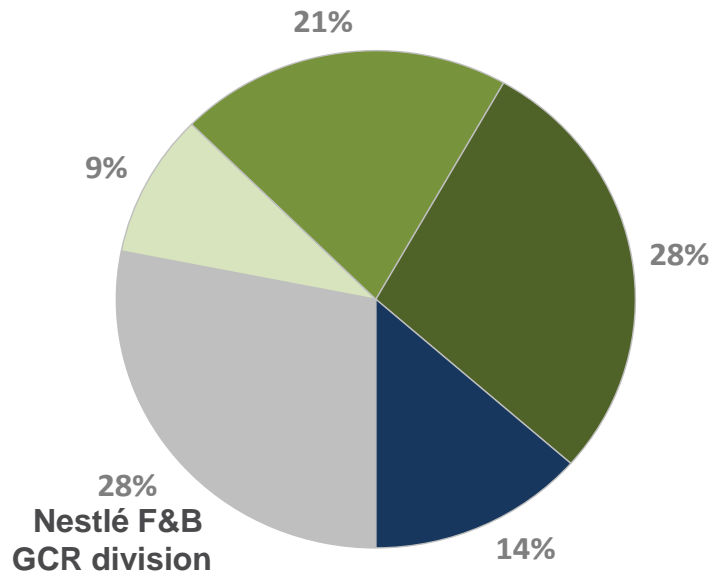
- 45 workshops
- 187 production lines
- 420 high speed packing lines
- 80% imported equipment

# Joining forces with our new partners

## Actual 2011 Sales CHF 2.5 bn



## 2012E Sales CHF 5 bn



### Nestlé F&B

Dairy, Ice-Cream, Coffee & beverages, Infant nutrition, Hong Kong, Taiwan

### Partnerships

Yinlu + RTD Coffee  
HFC + Nestlé Confect.  
Food  
(Totole, Haoji, Maggi)

### Globally/Regionally Managed Businesses

Nestlé Professional, Nestlé Waters, CPW, Nestlé Purina Petcare, Nespresso, Nestlé Health Science

Note: Yinlu sales only 1 month in Actual 2011, Hsu Fu Chi sales in 2012E figures, not in Actual 2011; Nestlé F&B GCR includes Infant nutrition

# Our partnerships: bringing together complementary strengths

- **Large portfolio:**  
6 China famous brands,  
1 strong regional brand,  
leadership in 11 categories
- **3 focused platforms with clear strengths and expertise**
- **2 different “cultures”**
- **Same values**
- **Need to respect what makes our partners unique**



Hsu Fu Chi



Da Shan Water



- Nestlé Dry Grocery → Key accounts, few key distributors
  - Yinlu / Ready-to-drink coffee → Ready-to-drink beverage distributors, high point of sales coverage, lower-tier cities
  - Hsu Fu Chi → Direct distribution, pick & mix, impulse model
- Multinational company vs. Chinese entrepreneurs
  - Structured approach vs. speed / planning vs. hyperactivity
  - Team-minded vs. great leader
  - Different focus and KPIs – percentages vs. absolute amounts
- Support & develop
  - Listen and change only if all partners:  
1. understand why 2. agree 3. see clear benefits



# Comprehensive product offer matching all income levels

Chinese Urban Household  
Annual Income ('000 RMB)

## Global Affluent

>250

(6% of population)

## Mass Affluent

125-250

(12% of pop.)

## Upper Middle Class

50-125

(39% of pop.)

## Lower Middle Class

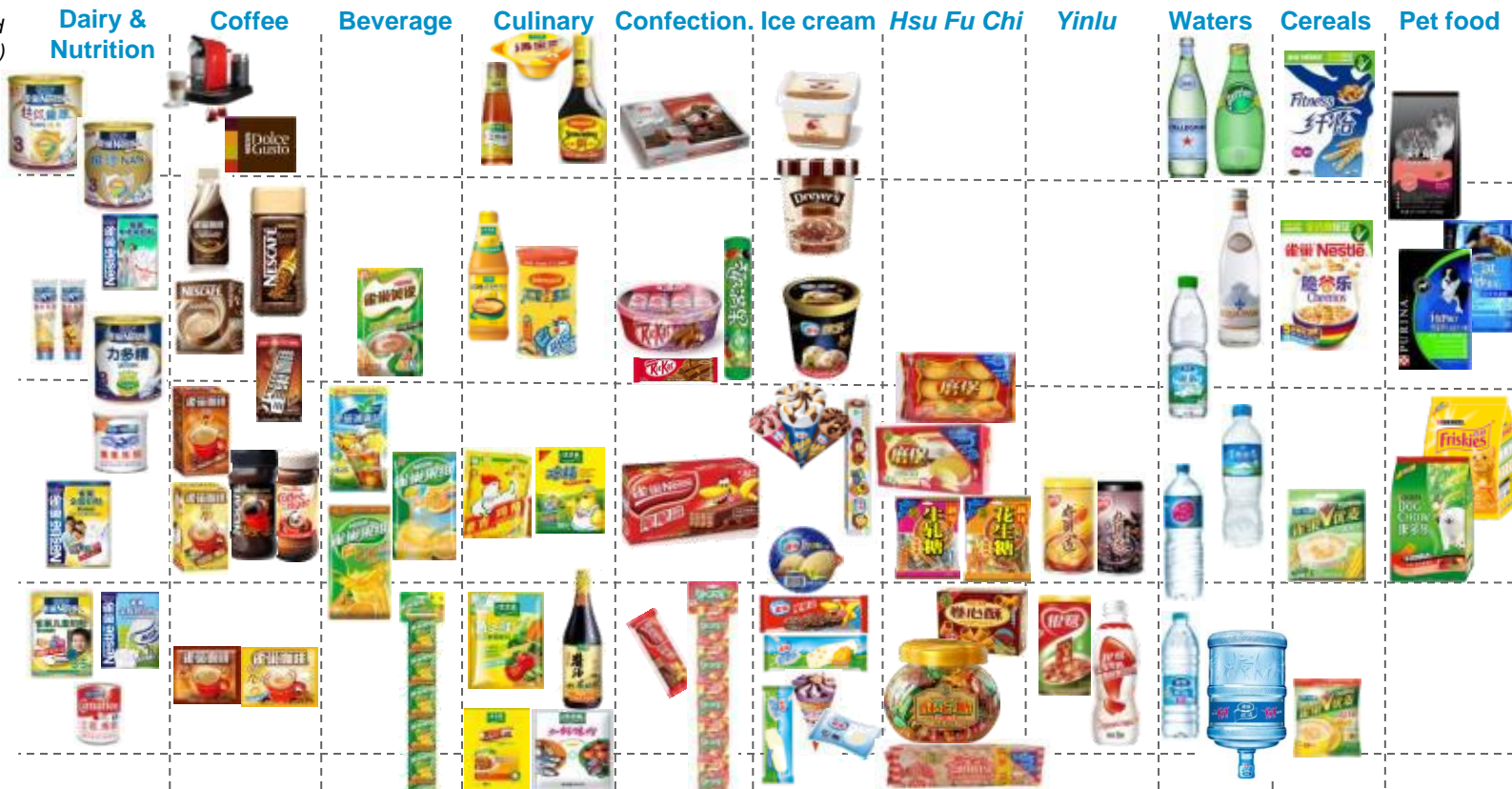
30-50

(22% of pop.)

## Lower income

<30

(21% of pop.)



Source: Nestlé GCR analysis, selected units from Nestlé Greater China portfolio, sizes non representative

# Adapting product tastes & formats to local preferences



# Totole: A proven track record of Sino-foreign partnerships



After 13 years of successful partnership, Mr. Rong Yaozhong, founder of Totole, is still General Manager of the company



JV established

~ 1.8 x in 4 years



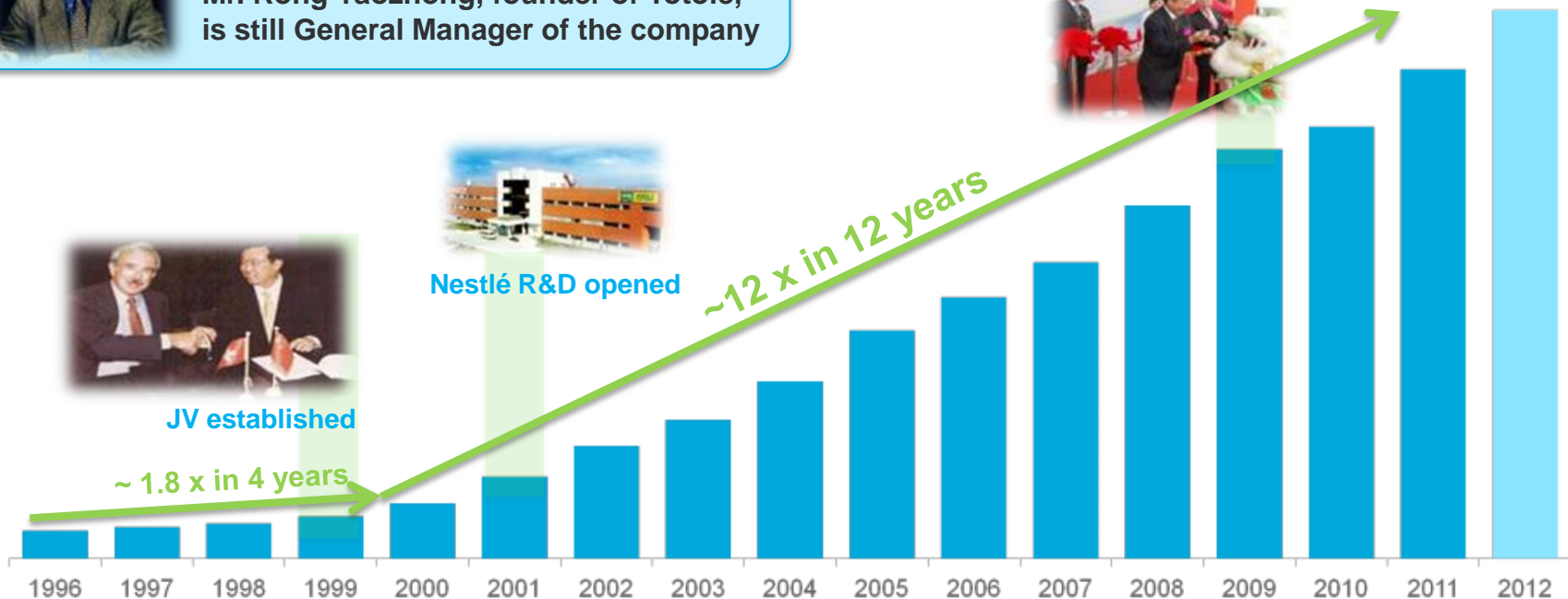
Nestlé R&D opened

2<sup>nd</sup> factory opened



*Nestlé-Totole*  
way to success:  
Common values,  
Mutual learning,  
Respect of  
differences

~12 x in 12 years

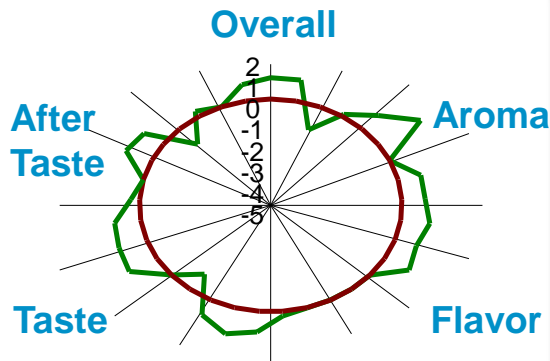


# Totole local insights + Nestlé technology = Winning recipes

## Totole local insights



## Nestlé technology



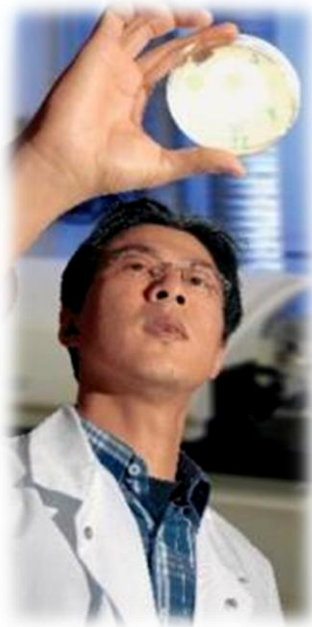
Nestlé  
Proprietary  
technology  
MHT STB

## Winning recipes





# Strong R&D structure in China, part of Nestlé's global network



- Development of nutritious and affordable food products for Chinese consumers
- Engaged in food safety, applied science and nutrition research
- Collaborations with leading Chinese Universities and Research Institutes
- Knowledge and experience sharing with other Nestlé's R&D centers worldwide

**2 existing  
R&D sites...**



**...and 2 more to  
come in 2013**



# Nestlé in China: building on local strength

~50,000  
employees

99.8%  
local people

~25,000  
people trained  
in 2012



>90% local plant managers

100% local sales managers

International career opportunities  
for local employees

~700 training programs

People exchange between  
Nestlé and partners

Collaboration with top  
Chinese universities

# Quality, food safety and compliance all along the value chain are our non-negotiable priorities



Continuous **consultation and cooperation** with authorities, academics and trade associations

Long-term partnerships with farmers and very stringent **selection and control of raw and packing materials**



Comprehensive **quality controls** at each manufacturing step and full compliance with regulation

Investment in **state-of-the-art equipment** and **best-in-class analytical capabilities**



# Fresh milk collection & coffee growing: Creating Shared Value

- Trusted, reliable buyer at stable and competitive price
- World class support: training, best practice sharing
- Benefiting directly & indirectly more than 280,000 people

**680,000 t of fresh milk**

in 2011 (17x in 17 years)

## **World-Class Dairy Farming Institute**

under construction in Shuangcheng,  
to support the sustainable development and  
the modernization of the dairy industry in China



**10,400 t of coffee**

in 2011-2012 season (13x in 13 years)

## **World Business and Development Award**

received on June 2012 in Rio, Brazil, for  
*"Innovative & productive business practices  
that benefited Chinese society"*





**Thank You !**

**谢谢 !**

# 9 Month Sales Press Conference

**Paul Bulcke**  
Nestlé CEO







**Nestlé** Good Food, Good Life



## Questions and Answers