ACQUISITION OF PFIZER NUTRITION BY NESTLÉ SA
CONFERENCE CALL TRANSCRIPT

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Speakers:
Paul Bulcke, Chief Executive Officer, Nestlé S.A.
Wan Ling Martello, Chief Financial Officer, Nestlé S.A.
Kurt T. Schmidt, Global Head of Nestlé Nutrition, Nestlé S.A.
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Good morning, everyone. And thanks for attending our conference call at such short notice. And particularly, thank you, as following last Friday's Q1 sales conference call, we have been rather more demanding of your time than normal.

As always, there'll be a presentation to start and your phones will be on mute during this. The call is being webcast and recorded to be available on replay later.

This morning you will hear from Paul Bulcke on the strategic perspective, Kurt Schmidt, the Head of Nestlé Nutrition on the business fit and Wan Ling Martello on the financials with Paul then wrapping up and opening for questions. I will now pass the call to Paul Bulcke. Thanks, Paul.

Now, thank you, Roddy. Good morning, everybody, and thanks for listening in so early on Monday morning, for important news for Nestlé. Important, because with this acquisition of Pfizer Nutrition, we really announce our position in the Global Infant Nutrition world.

I'm really excited to be here today to introduce this strategic move that will bring our origins as Nestlé together with exciting new opportunities around the world.

I would like to briefly describe how this transaction is building on more than 140 years of tradition of commitment to Nutrition as a company. Commitment to Nutrition, Health & Wellness and, within that, to one specific category. I want to remind you that our strategic direction has been expressed in the last years always as Nutrition, Health & Wellness, and we have been shaping that and also giving that more and more content.

Actually, in that agenda of Nutrition, Health & Wellness, we give special -- have always given, special attention to the first 1,000 days of life.

But let me go to our history, our origins as a company. As you know, our business was created with Henri Nestlé when he invented here in Vevey, where our headquarters are still are in Switzerland, the cereal milk drink. It was an Infant Nutrition product that saves the life of a child. Ever since, we have been all about Nutrition. It has been at the center of what this
company stands for, of what this company is all about. And specifically, in Nutrition, Infant Nutrition, that is definitely part of our DNA.

**Slide – On our Nutrition, Health and Wellness strategy…**

Nutrition, Health & Wellness has been ever since, our strategic direction, guiding all the actions we have. Our Nutrition, Health & Wellness strategy is founded on the belief that to be a leader in Nutrition, Health & Wellness, you need to play meaningfully in people's lives in an extended way. Meaningfully part of people's life from birth to even from conception, to later stage in his life. Meaningful also by touching people at different eating occasions during the whole day. By being relevant, by being meaningful in people's lives we can touch consumers deeply, through R&D, through products, through brands, through communication and thereby enhance their lives with good food and beverages everywhere.

That's why Nestlé is present in different categories, that are complementary in this journey of allowing the consumer healthier and nutritional choices. And Infant Nutrition has a very, very special place in this whole agenda. And it is actually what we say -- Nestlé is all about.

**Slide – Aligned with the Nestlé Roadmap**

Let me go to our strategic roadmap and show to you how this totally is aligned with our global strategic roadmap. You know this roadmap. We have been sharing that with you in several occasions. It says what we want to be as a company, it says what we want to leverage as competitive advantage to be successful over time. It says where we look for growth, the growth drivers, and also how we have to organize that efficiently and effectively.

And Pfizer Nutrition's alignment with this roadmap goes beyond the specific aspect of Nutrition. It is aligned with our growth drivers - emerging markets, emerging consumers and premiumisation are definitely part of Pfizer Nutrition. It has a very strong brand portfolio. It has very good R&D capabilities, it has a very good geographical presence, and it helps to enhance our competitive advantages.

We have also been very much impressed by the people, by their culture, by their operations, by their factories, their marketing capabilities. These are areas where we want to build gaps, where we want to excel. And as such I would say Pfizer Nutrition has a very natural fit. So it has strategic fit, but also a very natural fit and that is very important for us always when we do acquisitions.

**Slide – Aligned with the Nestlé Roadmap**

As I said today's news goes back to Nestlé origins, while at the same time enhancing our objective to be the recognized trusted leader in Nutrition, Health & Wellness. Our vision and strategy is clear and we have been executing and bringing it to life permanently in various complementary initiatives, actions, building blocks that converged to that agenda. And you see a few of them here and a very important one is 60/40+ where we drive nutritional arguments to our whole portfolio.
It is linked with our increased investment in R&D capabilities and how we leverage the R&D platform over all these different categories, that touches all aspects of our business and do have scale effects.

We are doing a special focus on special needs stages of consumers, special areas and segments by establishing Nestlé Nutrition, which we are going to talk a little bit later in more detail. We have gone about that agenda with the creation of Nestlé Health Science and the Institute of Nestlé Health Sciences to go for personalized, nutritional solutions of specific medical conditions. We have and we are touching, exploring new boundaries of nutrition and new applied sciences linked to Venture Funds.

And of course, what we are talking about today which is the announcements [of acquisitions] where we need to see a good strategic fit. We see that. It's very important and it has very cultural, very good cultural fit. And also it is answering very well and very clearly differential criteria that we set forward for all these kinds of fields and it creates definitely value for the shareholders.

**Slide – Building on our special commitment to the first 1,000 days**

And then the third aspect I mentioned before is the special bond, the special commitment that we have for the early stages of life, for Infant Nutrition, call it the first 1,000 days.

We know that the first 1,000 days, before birth, from conception and onwards really set the foundation, set the base for healthy life and later stage and later life. And this is why Infant Nutrition as a category and as a product is so important for us all here at Nestlé. And that is why we see that as a core of the Nestlé business. And that's why we have this agenda of Start Healthy Stay Healthy that moves then into Good Food Good Life as an overall overarching theme. I will now hand over to Kurt Schmidt to go into the strategic and cultural aspect of the news of today and then later, Wan Ling will walk you through some financials.

**Kurt Schmidt, Global Head of Nutrition, Nestlé S.A.**

**Slide - Title**

Thank you, Paul. Hello, everybody and good morning. My name is Kurt Schmidt. Just to give you a bit of background on me. I'm the Global Head of Nutrition. Previously, I was the President and CEO of Gerber. I think, I therefore have a unique perspective having been part of a successful Gerber acquisition by Nestlé in 2007. I have experienced firsthand the success that comes from bringing two great companies together. That's why I'm convinced that this is another successful, important step on our journey to the world's leading Nutrition, Health & Wellness company.

**Slide – Nestlé Start Healthy Stay Healthy**

The mission of the Nestlé Maternal and Infant Nutrition is to be the recognized leader in Maternal and Infant Nutrition by being the parents' trusted partner, helping build a happy,
healthier generation literally one baby at a time. As the leader for over 140 years in scientific research and development, Nestlé knows that the nutrition a baby gets in the first thousand days, from conception, sets the foundation for better health in later in life. This is the cornerstone of the Nestlé Start Healthy Stay Healthy program, offering science-based education, services and support for carers to make the right nutritional choices for the best start to the first thousand days of life, for better health throughout life.

We strongly advocate breastfeeding as the best form of nutrition a baby can receive in the first six months of life. Start Healthy Stay Healthy is the right start of the consumer journey with Nestlé.

**Slide – Pfizer Nutrition.....Strong fit with Nestlé**

So why Pfizer Nutrition? It was a unique opportunity to strengthen our leadership position. It is a great fit with Nestlé and Nestlé Nutrition; strategically, with high degrees of complementary geography, and from an R&D and benefit platform perspective.

Culturally, we found our core values, leadership and management principles and the approach to the category well aligned during due diligence. And financially, this is a very attractive and accretive acquisition in Nestlé. But ultimately and most importantly, it best positions us for future growth in this attractive category, by gaining and enhancing leadership where the births are.

**Slide – Infant Nutrition: Our roots & the core of Nutrition, Health & Wellness**

This acquisition is a start of a new journey, Nestlé Nutrition and Pfizer Nutrition together, nurturing a healthier generation. And building a strong future based on our core passion and roots, Infant Nutrition. It is another milestone in our Nutrition, Health & Wellness journey. And together with Pfizer Nutrition, we can further develop our Start Healthy Stay Healthy promise through very complementary expertise and capabilities.

Infant nutrition is very attractive because it is a high-value, high-growth category. And we at Nestlé are proud to be the pioneers of this category starting with Henri Nestlé developing the first infant cereal.

With Pfizer Nutrition, we’re adding a dynamic and valuable business, which is particularly attractive for three reasons. First, Pfizer Nutrition is focused on growth markets and has a strong market position in China and other Asian markets, which is where the births are and therefore the future growth. Second, Pfizer Nutrition is strong in premium products. Third, Pfizer Nutrition has strong equity with healthcare providers who advise consumers, offering them a wider choice of nutritious food to ensure their children make a healthy start to a healthy life.

Nestlé and Pfizer is a strong fit strategically, culturally, and financially. Overall, Nestlé and Pfizer Nutrition is a winning combination and strengthens our leadership.
As mentioned, Infant Nutrition is a very attractive category, particularly infant formula. Infant formula is nearly a $30 billion market growing at 10%. What makes this even more attractive is that 73% of the infant formula market is in emerging markets and it’s growing at 13%. This is driven by increasing births, increasing affluence and access, and increasing awareness of the importance to the right infant nutrition, to let a clear move towards significant functional benefits enhancing health and wellness especially in the earlier stages of life. And lastly, a premiumisation and broad product ranges as a result of the above.

If we look at the geographic spread, I'd like to emphasize that Infant Nutrition is a highly-dynamic market. As you can see here, China and Asia are the largest components of the global market and the highest growth rates. In addition, the other emerging markets in Latin America, Middle East and Africa show high growth rates. This is consistent with where the births are.

Pfizer's nutrition strength in China and Asia complement nicely with Nestlé's strong positions in Latin America, Middle East and Africa, all high-growth regions and given the combined businesses, a strong position where the future growth is.

Pfizer Nutrition is a dynamic player, very well positioned for future growth. 85% of its sales are in emerging markets, particularly China, Philippines, Thailand, Indonesia, Middle East and Mexico. Pfizer Nutrition has a strong reputation equity with healthcare providers. It has a high quality brand portfolio with brands such as S-26, S-26 Gold, Illuma and SMA.

It has a strong leadership team with a proven track record, a good and consistent financial performance and a scaled motivated workforce and attractive assets in production and R&D. So overall, I believe strong and dynamic business that has a lot to offer.

Let me also emphasize that with the addition of the Pfizer Nutrition business, we're building on a very strong base. With Nestlé Infant Nutrition today, we have global leadership with broad geographic reach. We have the world's leading R&D network in Nutrition and Food, leveraging for example the world's largest nutrition and research center close by in Lausanne.

We also benefit from many strong medical and scientific partnerships. We are very focused on science-based innovation and have driven many of the category innovations over the last decade, offering consumers meaningful benefits. For example, we have the only qualified health claim ever issued by the U.S. FDA for U.S. infant formula. And that was related to the reduction of allergy risks using our unique hypoallergenic formulation.
Last and not least, Nestlé Infant Nutrition is a focused standalone organization, but one that benefits from Nestlé’s scale and strength in the markets. This combination of focus with global scale and local strength is a unique among infant nutrition companies.

**Slide – Nestlé Nutrition & Pfizer Nutrition: Enhanced presence in dynamic regions**

As I have mentioned, strategically, this is a great fit, especially from a geographic perspective. The acquisition gives us a pole position for future growth by being well placed to benefit from demographic and market trends.

In our combined top 10 markets by sales, we are in a leading position in 7 of the 10 markets. And nine of them are in the world's top 10 markets for population growth. Importantly, we estimate that more than 45% of the next five years' category growth will come from China. Our sales in infant formula increases from over $5 billion to over $7 billion in the combined group.

Our overall exposure to emerging markets increases to 85% with leading positions in three quarters of all markets where we are present. Our presence in AOA, the region with the highest population growth, is enhanced from 45% presently to 55% of our combined sales.

**Slide – Complementary benefits & platforms**

I've also mentioned what a strategic fit Pfizer Nutrition is from a benefit and platform perspective. The combination gives us strength from entry level to super premium products and all benefit platforms.

Pfizer Nutrition fills the gap -- a couple of gaps we had, and the enlarged combined business will have a leading presence in all key benefit platforms, with a strong presence in premium and super premium products globally. And of course, in line with our commitment to the first 1,000 days in Start Healthy Stay Healthy, these benefit platforms will complement our increased focus on maternal nutrition.

**Slide - Nestlé Nutrition & Pfizer Nutrition: Strong cultural fit**

During due diligence, it became very clear that this is a strong cultural fit between the teams. But also the way Nestlé Nutrition and Pfizer Nutrition approach this category has a very high level of affinity. Both management teams have a sustained, successful track record on the category. We are both very focused on meaningful science-based innovation that provides real benefits to consumers and meets their needs. We both understand that safety and compliance are non-negotiable and have a strong commitment to quality. Both companies are fully committed to supporting breastfeeding being best start in life for a child.

Moreover, we found a strong affinity with our approach in ethical marketing in infant formula. Compliance is of utmost importance to Nestlé and in that sense, we highly value our inclusion in the FTSE4Good Index.
Let me sum up. We believe we will create significant value from a high quality business. We will enhance a strong Nestlé business with the successful Pfizer Nutrition growth model. It will best position us to benefit from population growth. It will expand our portfolio of higher value products. It will allow us to leverage R&D both ways. It will combine strong management teams. It will allow us to benefit from Nestlé in the Market scale, capabilities and systems and at the same time, allow us to contribute to it.

Overall it is a great fit and it gives us the capabilities and presence to win. And finally it's consistent with accretive to the Nestlé model.

With that I would like to turn it over to Wan Ling Martello, our Chief Financial Officer who will take you through some of the financials.

Wan Ling Martello, Chief Financial Officer, Nestlé S.A.

Thank you, Kurt. Good morning, everyone. By now I'm sure you have sensed the level of excitement we have for this opportunity. Now, let me talk to you on why this will create shareholder value over time.

Pfizer Nutrition is a high quality business. It is accretive to the Nestlé model and this transaction is fully in line with our acquisition strategy.

It's a high quality business with a track record of growth. As you can see on this slide, revenue grew at CAGR of about 13% from 2009 to 2012. In Asia over the same period of time, CAGR was over 16%, China in particular 20%, Middle East and Africa 26%.

Equally important to us the last three years, new product launches and product improvements, equivalent of our innovation and renovation, represents a third of the revenue in 2011. Some examples of these would be the upgrade of flagship Gold product line, their launch of super premium Illuma brand in China and the introduction and expansion of the Picky Eater line.

Equally it’s a high quality business, with a very healthy level of profitability. A recurring level of profitability over the last four years, margin has been maintained despite a very strong top line growth. Clearly higher margins in emerging markets than in mature markets, so the profitability of the Pfizer Nutrition business enhances the profitability of our own Nutrition business.
Chief transaction terms, the acquisition price is $11.85 billion, on a cash-free, debt-free basis. This represents 19.8 multiples on our estimated 2012 EBITDA. Full year cost synergies are estimated at $160 million, we expect synergies to reach the run rate level in three to four years after completing the transaction.

Implementation costs are estimated at roughly two times full year synergies, spread over four years. And financing will be a combination of cash and additional debt, maintaining strong balance sheet. The transaction, as always, is subject to regulatory approvals.

No surprise, this acquisition is accretive to the Nestlé model. Pfizer Nutrition contributes organic growth significantly higher than the Nestlé model at double digit. The margin levels are accretive to our Nestlé model from day one, and the acquisition is also earnings accretive to our shareholders the first full year of consolidation. And this is both before and after synergies and implementation costs. Last but not least, return on invested capital should exceed our cost of capital in year two to four.

So let me reiterate the three criteria every M&A transaction has to fulfill. First, there has to be a strong compelling strategic rationale, and Kurt touched on this, its strong growth in value-added category, high quality brands and strong market position.

A very good cultural fit from a people perspective, which is critical for a successful integration and it makes sense, good financial sense, accretive to the Nestlé model, top line, bottom line and cash flow accretive, and of course, still maintain strong credit ratings and financial flexibility. This transaction meets not one, not two, but all three of the criteria.

Okay, thank you, Wan Ling. I think we have positioned this acquisition into global strategy of our company and how it is a logical extension, shown the strategic interest and made a compelling case of this acquisition from a strategic perspective, specifically on the Infant Nutrition business we have and how it complements ideally and builds on Nestlé’s strong business. It enhances by being an exciting, fast growing high value business.

Wan Ling, walked you through financials and Pfizer Nutrition has strong financials. It has great exposure to fast growing markets, particularly in Asia. And as such, it is enhancing what we called the Nestlé model. And it meets also these acquisition criteria that we have shared with you in several occasions.
In conclusion, I would say, Pfizer Nutrition is an exciting, winning combination for Nestlé. Whether measured on the strategy, whether measured on culture, that's important to us that we have a natural fit, too, because that's where the value stays then. And also it is a winning combination when measured on the financials.

Now, with that I would line out to invite for -- open up for discussion. Roddy, could you walk us through that?

**Roddy Child-Villiers:**

Yes, thanks, Paul. When we get to the questions please introduce yourselves and please, as usual, restrict yourselves to two questions only so hopefully, everybody will get a chance to ask a question. Thanks very much.

**Q&A Session**

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**David Hayes, Nomura:**

Thank you very much. These are my two questions. Just in terms of the cost of capital on the transaction you talked about return on invested capital passing cost of capital, I just wonder whether you can tell us what you've used as the cost of capital on the transaction?

And then secondly, obviously, you made a point about regulatory approvals. Just wonder whether there's any markets in particular which you're acquiring which you know or maybe aware or issues in terms of market share, and whether there are any disposal potentials, whether you've already got a partner on a back-to-back agreement to take those or whether that's something you look to address at a separate phase through the process the next few months?

**Wan Ling Martello:**

Our cost of capital is around 7%. And do you want to answer the regulatory Paul

**Paul Bulcke:**

Yes. Like all deals, it's subject to regulatory approval. But I don't think it's the right time now to start talking in detail about these antitrust or regulatory issues. We will work through them with the various regulatory authorities at the time and space in the countries where that may occur. So I feel it's actually premature to comment further in much more details on this. But that's now what we're going to have to do in the next months to come.

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Jon Cox, Kepler Capital Markets:

Yes, good morning, guys. Congratulations to you. A couple of questions on my side. Sorry Wan Ling, can you just repeat what you said about the synergies? Did you say year four is basically what I heard from that 160 million and then was it two times that [indiscernible]? That's just a sort of clarification. Just wondering when you'd actually expect the deal to be cleared and then I'm just wondering on the management of the business. Typically Nestlé tends to acquire businesses and then let the acquired management team run their own existing business. Just wondering, this is obviously slightly different from what you've done in the past. Would it be a case of looking at different management in different regions and then decide which ones will be running the show?

Wan Ling Martello:

Yes, let me answer the question in terms of synergy. As I said, run rate synergy level would be about 160 million a year and cost of implementation total is about 300 million spread over four years. In terms of closing the transaction at best, it would be six months and maximum we're anticipating is probably mid next year, so about 12 months.

Paul Bulcke:

Jon on the management, there's a need – and actually Kurt Schmidt who is sitting beside me is a good example of that, when you buy a business, you buy it for its value. The value is given and driven by the people. So, we give a lot of value of the people behind the business we acquire and people are essential to us.

So we have to have a very, very strong team over there, very professional. We have the same here, but the first intention is not to start integrating these businesses straight away. They have their own strengths. Now, they're going to have to be aligned on the same things. So we're going to go through these thinkings now and really embrace the good talent they have and build them into our business. You have to remember, this is not a synergy acquisition. This is basically a growth acquisition. So, we're going to need people. But I would leave it now -- give it to Kurt. Kurt can comment on a few of your ideas.

Kurt Schmidt:

Yes, I think Paul summed that up very well. This is a growth-driven acquisition. It's a little too early to talk about what or when that will happen through the integration process. But as coming from Gerber, the great strength of Nestlé, I think on all these acquisitions, is it takes the best of what we acquire and brings the best of Nestlé and makes something even greater of the parts. And that is our view on this one. It's fundamentally a growth-driven acquisition and that's going to be our approach. We've had time to spend with the management team and we have been impressed with them.

Questions on; Infant Nutrition business in China

Growth rate goal for Nutrition
Simon Marshall-Lockyer, Jefferies International:

Yes, good morning, everybody and congratulations on this transaction. I just wanted to ask Wan Ling in terms of the China position and the recent acquisitions that you made there, could you give us a little bit more in terms of the way you see this development in China, which is very critical, in terms of recovering some of the position in Infant that you'd lost or where you'd be challenged over the last few years, maybe you could add a little bit at this stage.

Then secondly, maybe for Kurt, in terms of the experience of the integration of Gerber for Nestlé, I seem to remember just two or three years ago, the goal for Nutrition was to reach, if my memory is correct, over 18% EBIT margin, and your goal was a double-digit growth rate overall for Nutrition. The first goal you've achieved, the second goal has been more challenging for you. This deal will get you closer there but would Paul Bulcke be happy to reiterate the goal of achieving this double-digit growth rate for Nutrition overall in time?

Paul Bulcke:

I'm not Wan Ling. But let me answer the China part of your question. Thank you first for the congratulations. But let me walk you through China. We don't go in too many details though. But we speak about deals which are not linked so I would not mix it and link it all up.

Also, China is a fascinating place with a lot of growth and it's a huge country. So, I wouldn't link all these deals up into one bucket. So we're going to work a day at a time and that is going to be our work for the next months to come.

On the acquisitions and we have commented on them when we spoke about our first quarter results, the two partnerships we have because these are partnerships are working well and up to expectations, so these are very, very interesting compelling businesses. And so, now I want to give it now to Kurt with the Gerber and the objectives we had on that. You have to see also the last three, four years have not been easy years in general as a global scene of economical development. But anyhow, Kurt has his objective and he has his ambition. So Kurt, can you share that with us?

Kurt Schmidt:

Yes. I think, let me say first of all, that when we've talked about infant formula, the growth is higher than the rest. Clearly, we're made of different pieces of the business in there, including Nestlé Nutrition, with other types of businesses. So that is growing at double-digit growth. And we seek to grow above the market.

Infant formula is growing double digit and infant formula margins is in the high teens. So, this is accretive and this is the approach. This is the right portfolio for us to have and we're confident that we're going to achieve those kinds of goals.

Roddy Child-Villiers:

He also had a question about integration from Gerber, your experience?
Kurt Schmidt:

From my Gerber integration, well, I think if I got asked this, what stands out for me for the Gerber integration. And that was Nestlé's capabilities, as I said earlier, to take the both of best worlds. And I'll give just two examples. We at Gerber long, long wanted to build a dairy component. It's an important part of nutrition for toddlers. And didn't have the capability and within the first six months, we launched a line of toddler yogurts, nutritionally-enhanced toddler yogurts, which has turned out to be one of the biggest new product launches they've had in the U.S.

Secondly, I talked a lot about Start Healthy Stay Healthy and that was originated in Gerber. So it shows Nestlé's propensity to steal the best idea and to leverage it across the vast scale that Nestlé has and to me that's what makes Nestlé such a good acquirer.

Paul Bulcke:

And I would say thirdly it is Kurt Schmidt managing the Nestlé Nutrition business worldwide. So, that's another good example of how we go about integration.

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Alex Molloy, Credit Suisse:

Good morning. Two questions, please. The first one on the synergies, could you highlight what sort of areas you are targeting for those synergies? And the second question is given the antitrust, potential antitrust issues, are these likely to impact either the acquisition multiples or the synergies in your opinion.

Paul Bulcke:

Well, the synergies, I think it's going to be basically in the back office because, again the whole setting, this is a growth business that we are buying. So, we definitely want to outgrow our sectors, but...

Wan Ling Martello:

Yes, it is broad-base and so it's -- and even in our model calculation we still have some headroom from a synergies opportunity, like from a regulatory, do you want to comment on that.

Paul Bulcke:

Yes, but also on the synergies, you combine things. So, you have R&D, you have back office. We have to see these things, but we're going see that when we work through it in more detail. But again, the whole thing is that when you buy such a growth business, just by
containing or staying on your structural dimensions, you build in synergies, because you can build upon growth, on the synergies. So that's where it goes. On the antitrust issues, I would say again what I said before, is that we're going to see that. We're going to have to give it time. I don't want to go into more specifics because we don't have, now, the position to really go into more details. I really want to give some time and yet without losing time. So we're going to work intensively with the various regulatory authorities and I would say this is still premature.

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Xavier Croquez, CA Cheuvreux:

Good morning to you all. I have two questions, one on a little bit of accounting things. The EBITDA margin is 25%. Could you help us on the operating margin as well as on the tax you used when you say that you will be meeting ROIC at the deadline you give us and a small add-on on the type of growth you give us by regions, could you give us a little bit of flavor on the growth in LatAm? That's the first bit.

The second bit is a general comment if it comes to disposal of some countries, without making specific calls on where and when? How do you see the ownership of the brand that you just acquired, because there are some brands which are in countries that you will probably retain without any problems and areas where you might?

Do you enter the disposal discussions on the basis that you will, over time, retain global ownership of the brands and that it means that the acquired will have to make a brand migration or would you be more flexible and leave some countries branded with a competitor owning a brand in one country that you normally own globally? Thank you.

Roddy Child Villiers:

Thanks, Xavier. Just to try and close down one aspect of these questions. We are not willing to discuss operational nitty-gritty that may or may not be influenced by regulatory process. We have an obligation to respect regulatory process. We'll be very happy to talk to you about those sorts of issues once we've been through that process. To do it today is premature and disrespectful of those authorities. So, we're not going to do it. I now pass the floor to Paul.

Paul Bulcke:

Well, on EBITDA. Wan Ling, maybe.

Wan Ling Martello:

Yes. Let me -- the question on underlying tax, it's about 27%. And if you -- without going into the details of the operating margins, I think give you a sense that the CapEx intensity of the Pfizer Nutrition business is lower than the Nestlé level, so that would give you some sense.

Paul Bulcke:
You asked also about regional, I'm going to give the word to Kurt, but I wouldn't like to go in all the details again in line with what Roddy just told you. But Kurt, anyhow, comments on...

Kurt Schmidt:

Yes, when it comes to Latin America, Pfizer Nutrition is in single-digit growth, and of course, Nestlé, that is one of our strongest areas as I said before, where we're at double-digit growth, consistent double-digit grower in LatAm.

Paul Bulcke:

So in other words, the single digit is because of double digit we have basically. And that's just the thing again, we combine very well together.

Roddy Child-Villiers:

Okay. And I think you can assume that there's around 3% difference between EBITDA and the EBIT.

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Patrik Schwendimann, Zurcher Kantonalbank:

Good morning, everybody. I have a question for the slide 18. You gave us some numbers for the Infant formula businesses and growing-up milk, could you also give us a number for the - just for the infant formula business? How big this is currently for Nestlé itself, and if it's really more or less 100% of the Pfizer Nutrition? That's my first question.

Secondly, you were mentioning in the first year positive EPS effect. What financial costs do we have on the line for this? I guess you will finance it in U.S. so what financial costs do you have there? And thirdly, regarding the acquisition price of $11.85 billion, could you give us an idea of the rough split of how much is tangible assets, how much is goodwill, and how much is other intangibles?

Paul Bulcke:

Could you repeat the first question because I actually didn't grasp the specific part of your question?

Patrik Schwendimann, Zurcher Kantonalbank:

Right. On slide 18, okay. That's the number for the Nestlé Infant formula and Growing up milks which is at $5 billion. And my question is how much of this $5 billion is just Infant formula? And also the same question for the Pfizer Nutrition business. Is all – or most of the businesses just infant formula?
Paul Bulcke:

No. It's just a combination of -- Kurt, that's -- you can answer that.

Kurt Schmidt:

Yes. I will give you the short answer, we don't use the split because we just look at the Infant formula as one category and includes the age appropriate level, so that extends in the grow-up milk. So, the $5 billion is the way to look at this thing. The Infant formula side, growing to $7 billion post the combined organization.

Paul Bulcke:

All right. Then your other question. Sorry.

Patrik Schwendimann, Zurcher Kantonalbank:

But for the market information you gave us, this was just for Infant formula, is that correct or is that also included to the growing-up milk?

Kurt Schmidt:

Yes.

Patrik Schwendimann, Zurcher Kantonalbank:

That is included also?

Kurt Schmidt:

Yes.

Paul Bulcke:

Actually for both.

Kurt Schmidt:

Yes, but we look at it as one segment.

Paul Bulcke:

But in general, I can say the Infant formula business is higher value than growing-up. That is also value but it's a different, at least we seen that infant formula is slightly higher than growing-up. Growing-up is growing very well too.

Patrik Schwendimann, Zurcher Kantonalbank:
That's why I ask this question.

Paul Bulcke:

Yes, but there's different growth dynamics. So, on EPS do we have, Wan Ling.

Wan Ling Martello:

There was a question on purchase price allocation. Yes, we'll be doing that within the first 12 months after we close the transaction. So, we don't have all the details at this point.

Roddy Child-Villiers:

So the third question was on the financial costs. Basically, it's...

Wan Ling Martello:

It's low single-digit. Yes, it's a low single-digit. It's what we have.

Patrik Schwendimann, Zurcher Kantonalbank:

So, 3% to 4%?

Roddy Child-Villiers:

Low single-digit.

Wan Ling Martello:

Yes, low single-digit.

Question on: Funding of acquisition

Jeff Stent, Exane BNP Paribas:

Good morning, just one quick question. Regarding the funding, are you intending to use the 7.2 billion of non-current financial assets you've got on the balance sheet to fund the acquisition? Thank you.

Wan Ling Martello:

Yes. It will be a combination of our cash resources that we have, a combination of that plus debt.

Questions on: Premium market in China
Revenue synergies
Jeremy Fialko, Redburn:

A couple of questions for you. First one is just a bit of perspective on the Chinese market. We heard from some of the other players in the market that the kind of the premium tier, which has been kind of sustaining a lot of the growth in that market is now slowing. So, can you just what's your perspective on that might be?
And the second question is on revenue synergies, that's not something that you mentioned in the presentation, but can you tell us what potential for those there might following the deal?

Kurt Schmidt:

Yes. On the Chinese one, we still see the premium market, it's still growing at double-digit. And we continue to see high rates of growth rate in China.

Paul Bulcke:

And also in general, China definitely is a market that's just starting to develop this market. So they do have a very good growth potential over time. We have to also say that -- we always speak in growth, on growth, on growth, so you have to see what the absolute growth is and the relative growth.

So, we definitely are very upbeat on the growth in China and actually in whole Asia. We are focusing on China. China is important, but whole Asia has the same dynamics.

Wan Ling Martello:

In terms of revenue synergies, we've -- it's not significant that it's been built into the model. Although we are clearly expecting to deliver that, mainly driven from both cross selling and improved sales force impact at a country level. It is not a significant -- our synergies that I have alluded to, the 160 is mostly cost -- all of it is cost synergies actually.

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Jane Gelfand, Barclays Capital:

Hi. Good morning, everyone. First question for you about the sort of brand positioning within the Pfizer portfolio, you mentioned several different brands and I imagine different price tiers. But when we think of the Nestlé approach, we sort of think of more global, more ubiquitous brands. So can you please talk about how the portfolio positioning of your existing Infant Nutrition business alongside Pfizer's work alongside one another? Is there an umbrella brand for Pfizer that you can leverage or is there an opportunity to combine brands under one or perhaps for you, Nestlé brand is to be the umbrella?

And then more of a question around -- just the accounting of it. Wan Ling, you mentioned the cost of implementation. And so I just want to confirm, is the 160 million synergies net of those costs? And will you absorb them within the
ongoing P&L? And are the 160 also net of potential reinvestment that you have to do back in the portfolio? Thank you very much.

Paul Bulcke:

Jane, let me start. I give it over to Kurt afterwards. But we do have global brands. We do have local brands. So we don't have global positions on these things. At the end of the day, the consumer owns the brand. And we have said that there is complementarity. There's not overlaps. There are some gray areas. And we're going to see that -- but we have that sensitivity as a company to combine localness with globalness in a meaningful way. So -- and also we have the wisdom, I hope, to get perspective to that with time. So we have to go into business, see sense. We can rationalize this one thing. But I want my people then also to know and feel and see at the end of the day, the consumer owns the brand. But, Kurt, can you give more.

Kurt Schmidt:

Yes, I think Paul, you said some key things, and one of them, this distinct consumer segments that they've built. So we want to continue that. But also, a lot of the development of the brand portfolios as I've said in the chart number 19, it's around benefits and platforms.

This is where we get this mutuality between the two brands. We have worked out and we feel very comfortable with the way we're setting up our pre-thinking on the portfolio. So again, this is back to a growth story. And that includes the brands.

Wan Ling Martello:

Yes, on the question of synergies and costs, the 160 cost synergy, that's an annual number that we -- like I said earlier, should get there in three to four years. The 300 million implementation cost, that's total cost spread over four years and obviously front-end loaded. And that's one-off, obviously.

Jane Gelfand, Barclays Capital:

So just to confirm 160 is not net of those total -- the implementation cost, it's growth?

Wan Ling Martello:

Correct.

Question on; Geographic breakdown of Pfizer Nutrition

Charlie Mills, Credit Suisse:

Yes, morning. I wonder if you could give us a bit more -- some detail on the geographic breakdown of the Pfizer business. I wonder if you could maybe expand a bit on that.

Kurt Schmidt:
Yes, I think I can tell you generally, 60% of the business is in Asia. Of that, about 47% is China. They have a roughly another 25, I believe, in the Middle East, and 13% in -- 15% in Middle East, 12% in Europe and about 10% in LatAm.

End of Q&A Session

Paul Bulcke:

Well, thank you, for again to be part of this and share with us or enthusiasm for a very inviting growth future. We are excited about this -- today's news and look forward to coming back to you in due course, once the deal is closed to talk to you about more details and there were some details that we didn't want to answer yet because we have get timing right but we're going to give definitely that openness when the time is there.

So, thank you for your interest in Nestlé. Thank you for sharing this good news with us and good-bye to next time, so thank you very much.

END OF TRANSCRIPT