Nestlé in Eastern Europe and Russia & Eurasia Region

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Russia & Eurasia Region

September, 2008
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.
Nestlé in Europe

Population: 820 M. | Western Europe: 395 M. | Eastern Europe: 425 M.

Turnover: 40 Bio. CHF | Western Europe: 34.4 Bio. CHF | Eastern Europe: 5.6 Bio. CHF

Factories: 184 | Western Europe: 148 | Eastern Europe: 36

- France; 21%
- Germany; 16%
- UK; 12%
- Italy; 11%
- Spain; 7%
- Russian Region; 5%
- Other -CEE; 9%
- Other W-EUR; 18%

- Pet Food; 23%
- Dairy & Ice Cream; 10%
- Waters; 9%
- Nutrition; 7%
- Others; 15%
- Coffee & Beverages; 14%
- Culinary; 4%
- Alcon; 4%
- Nespresso; 4%
- CPW; 2%

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CEE the growth engine

- Double digit Organic Growth for the past several years and will continue
- Above average profitability vs. W-EUR
- Strong positions established across the region
  - Presence in all countries with key categories

**Z-EUR in CEE**

**4 Bio CHF (*)**

- **Confectionery**: 35%
- **Coffee & Bev.**: 36%
- **Dairy**: 2%
- **Culinary**: 18%
- **Ice cream**: 5%
- **Nestle Prof.**: 5%
- **Russian Region**: 40%
- **Poland**: 17%
- **Czech & Slovak Rep.**: 15%
- **Ukraine**: 12%
- **Hungary**: 5%
- **Bulgaria**: 3%
- **Romania**: 4%
- **Adriatic’s**: 3%

(*) exclude Waters, Nutrition, Pet Food, Alcon, CPW
CAPEX over the last 5 year in CEE: 750 Mio. CHF

38 factories

Bulgaria: 2
CZ & SL Republics: 3
Hungary: 4
Poland: 9
Republic of Serbia: 1
Russia & Eurasia: 15
Ukraine: 2
Romania: 2
**Well balanced portfolio of local heartland and international brands**

<table>
<thead>
<tr>
<th>Confectionery:</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image1" alt="Nestle" /> <img src="image2" alt="Lion" /> <img src="image3" alt="KitKat" /> <img src="image4" alt="Nuts" /> <img src="image5" alt="Orion" /> <img src="image6" alt="Ситор" /> <img src="image7" alt="БОCI" /> <img src="image8" alt="Россия" /> <img src="image9" alt="Рузаи" /> <img src="image10" alt="COMILFO" /></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Culinary:</th>
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<tbody>
<tr>
<td><img src="image11" alt="Maggi" /> <img src="image12" alt="WINIARY" /> <img src="image13" alt="ТОРЧИ" /> <img src="image14" alt="CARPATHIA" /></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Coffee &amp; Beverages:</th>
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<tbody>
<tr>
<td><img src="image15" alt="Nescafé" /> <img src="image16" alt="Nescafé Gold" /> <img src="image17" alt="Nesquik" /> <img src="image18" alt="GRANKO" /></td>
</tr>
</tbody>
</table>
CEE the growth engine

Strategy fully aligned with Nestlé Strategy

- NHW - 60/40+
- PPP - Bottom of the Pyramid
- Well Established Mainstream Pillars
- Premium / Super Premium (Nespresso, NDG, Mövenpick of Switzerland...)
- Strong Teams (Locals and Expatriates)
We plan an accelerated Growth in the coming years from >10% to >15% CAGR to reach 20% of Z-EUR with above average margin.
Welcome to Nestlé in Russia & Eurasia Region
Nestlé in Russia & Eurasia

- 15% of the earth territory
- 3.8% of the world population (230 mio consumers)
- 35% of world mineral resources
- 11 time zones

Moscow

France
Why are we bullish on Russia?

Continuous GDP growth...

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP Growth</th>
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<tbody>
<tr>
<td>2000</td>
<td>10.0</td>
</tr>
<tr>
<td>2001</td>
<td>5.1</td>
</tr>
<tr>
<td>2002</td>
<td>4.7</td>
</tr>
<tr>
<td>2003</td>
<td>7.3</td>
</tr>
<tr>
<td>2004</td>
<td>7.2</td>
</tr>
<tr>
<td>2005</td>
<td>6.4</td>
</tr>
<tr>
<td>2006</td>
<td>7.4</td>
</tr>
<tr>
<td>2007</td>
<td>8.1</td>
</tr>
<tr>
<td>2008 E</td>
<td>7.0</td>
</tr>
</tbody>
</table>

2008 E: Analysts consensus
Why are we bullish on Russia?

The fastest GDP growth in BRIC Zone...

Source: Euromonitor International from International Monetary Fund (IMF)
Why are we bullish on Russia?

Ruble keeps appreciating vs dollar... until recently!

USD/RUR

EUR/RUR

CHF/RUR

Graph showing currency exchange rates against the Russian Ruble from 2004 to 2008.
Fast growth of incomes:
the Russian consumer is 4 times richer than right after crisis

Annual disposable income, Per capita USD / year

Source: Euromonitor International from national statistics

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Why are we bullish on Russia?

World food retail sales
CAGR (2004 – 2009F)

World weighted average 2.5%

Russia: 6.9%
China: 6.9%
Thailand: 4.6%
Ireland: 3.7%
Ukraine: 3.0%
Canada: 3.0%
Brazil: 2.6%
USA: 2.4%
Spain: 2.2%
France: 1.2%
Italy: 1.0%
UK: 0.9%
Germany: 0.6%
Japan: 0.0%

Source: DBUFG research
Self-estimation of financial situation, Russia, all households in cities with 100 thousand+ population

People can start spending beyond food

Source: TGI-Russia
Nestlé in Russia & Eurasia.
Key figures

- 1.9 billion USD of sales
- 15 factories
- 11,000 employees
- 15 sales offices
- 700 million USD of investments

Fast growth in sales

- 1996
- 1997
- 1998
- 1999
- 2000
- 2001
- 2002
- 2003
- 2004
- 2005
- 2006
- 2007

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Nestle is # 2 in Russia

Sales in mio $ 2007

Source: Expert Top 400
Nestlé estimates
# Milestones of Nestle in Russia

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992</td>
<td>Nestlé starts export of Nuts® and Nescafé® to Russia</td>
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<tr>
<td>1994</td>
<td>Nestlé opens first representative office in Moscow</td>
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<tr>
<td>1995</td>
<td>Acquisition of Rossia factory in Samara</td>
</tr>
<tr>
<td>1996</td>
<td>Foundation of Nestlé Food LLC</td>
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<tr>
<td>1998</td>
<td>Acquisition of Kamskaya and Altay confectionery factories</td>
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<td></td>
<td>Economical crisis in Russia</td>
</tr>
<tr>
<td>2001</td>
<td>Cereal Partners Worldwide, Nestlé’s joint venture with General Mills, acquired a breakfast cereal plant in Perm</td>
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<tr>
<td>2002</td>
<td>Nestlé Waters acquired the Kostroma based “Saint Springs” bottled water company</td>
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<tr>
<td>2003</td>
<td>Infant cereals factory In Vologda was acquired</td>
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<td></td>
<td>“Clear Water”, a leader in home and office water delivery</td>
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<tr>
<td>2005</td>
<td>Nestle opens the 1st full cycle coffee factory in Timashevsk</td>
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<tr>
<td></td>
<td>“Clear Water”, a leader in home and office water delivery</td>
</tr>
<tr>
<td>2007</td>
<td>Nestle has started to merge numerous legal entities of Nestlé in Russia into one company Nestle Rossiya LLC</td>
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<td></td>
<td>Acquires RKF chocolate factory with the leading positions in premium segment</td>
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<td></td>
<td>Nestle opens a green field manufacturing facility in Vorsino, Kaluga region</td>
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Nestlé has strong market positions in Russia:

#1 in soluble coffee market with Nescafé
#1 in chocolate market with Nestlé and Pocorn
#1 in infant nutrition with Nestlé
#1 in culinary aids with Maggi
#1 in breakfast cereals with Nestlé
#1 in Home & Office Delivery Water with Nestlé
#2 in ice cream with Nestlé
#2 in pet food with Purina
Nestlé Sales Offices

- Ekaterinburg
- St. Petersburg
- Minsk
- Voronezh
- Nizhniy Novgorod
- Samara
- Rostov-on-Don
- Perm
- Baku
- Tbilisi
- Irkutsk
- Novosibirsk
- Tashkent
- Almaty
- Vladivostok
Nestlé factories in Russia and Eurasia

- Zhukovsky, 1996 and 1999
- Domodedovo, 2003
- Kaluga, 2007
- Timashevsk, 1998 and 2005
- Samara, 1995
- Namangan, 2001
- Vologda, 2003 and 2008
- Kostroma, 2002
- Perm, 1998 and 2001
- Barnaul, 1998
- Ruza, 2007

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Besides Russia, our Region comprises Central Asia, Caucasus and Belarus

Belarus 10m
Azerbaijan 8m
Georgia 5m
Armenia 3m
Tajikistan 7m
Turkmenistan 7m
Uzbekistan 27m
Kazakhstan 15m
Kyrgyzstan 5m

227 million consumers!
OUR AMBITION IS:

To be the engine growth in Europe for Nestle and a centre of competence for the group within the BRIC markets
To realize this ambition we have to ensure that our products reach our consumers in the best quality...
Storage and transportation conditions are important. Distributors as a part of supply chain should provide us with required quality of their services to ensure the quality of the products on the shelves.
Key deliverables

- Network of 35 distribution providers who ensure best in class supply chain services to modern trade, traditional and impulse

- Optimized coverage of trade channels and numerical distribution of our products

- 4 Sales Forces visiting 115,000 outlets in more than 500 cities
Nestlé distributors

- Distributors
- Nestle DC

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Besides, Nestlé is actively realizing several important initiatives aimed at strengthening its leading positions in the Region...
Nestlé financial priorities

- Reduction in our working capital
- Sustainable improvement in our EBIT
- Focus on the categories where we can lead and grow profitably
- Reduction of the number of SKUs we handle in each category

Confectionery: Average MC (before royalty) 2006: 36.3%
Target MC (before royalty) 2007: 37.9%
Transformation into a Nutrition, Health & Wellness Company

- **Quality 60/40+:** Key strategic transformation tool around which all projects evolve

- **Good Nutrition Programme:** Improves children’s eating habits
  2.4 million kids in 30 regions

- **Nutritional Compass:** Encourages and empowers consumers to make informed choices

- **Wellness promo campaign in Summer 2007**

- **Acquisition of Bistroff:** Step toward innovative Health & Wellness solutions

- **A new communication campaign on “Good Food – Good Life”** for some of our best selling brands. Starting August till the end of the year
Our objective is to offer nutritious quality food products to the 13 mio low income families of Russia and the many more in other countries of the Region.

Our key Battlegrounds:
- To reach these consumers (living in small towns and villages) through a specific Route to Market
- To launch specific formats and recipes of our brands

NPS per month is already > 2.5 mio CHF
Introduction of more Premium and Super Premium products

Zolotaya Vershina  NAN HA Premium  Mövenpick of CH

We must do more to fulfill this consumer need!

New Nescafé Super Premium – CapColombie/AltaRica/Kenjara/Espresso
Thus Nestlé Rossiya reinforces its position in the chocolate premium segment with a company with:

- Sales of USD 72 million in 2007 (+42% vs 2006)
- The high-quality image of the Comilfo and Ruzanna brands which ideally complements the Nestlé chocolate brand portfolio in Russia
- A manufacturing basis in Moscow region
What is RKF?

Impressive growth story in Premium Market
- CAGR 05-07: 15% Volume; 36% Value

Know-how in production:
- Modern production facilities
- Frozen cone Technology
- Brand new souffle production

Strong and experienced team
- 100 people in Head Office
- 143 sales people (incl. ESRs and merchandisers)
- 700 people in production

Impressive brand portfolio
HR remains the #1 challenge in Russia:

- Recruitment
- Retention
- Recognition
- Career development
Russia & Eurasia contributes to the Nestlé Model with an EBIT above Group average and growing
All our initiatives are aimed at providing our consumers with high quality products and being the preferred and most respected Food, Nutrition, Health and Wellness Company in Russia & Eurasia Region.