Opportunities and Priorities

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Vevey, November 2008
Overview of Zone AOA: DIVERSITY

- 3 Continents
- 18 Markets
- 126 Countries
- 106 Factories
- 15 Time zones
- **All major religions**
- **Variety of Cuisines/Taste**
- **Innumerable Languages**
- **77% of world’s population (5 bn)**
- **Frequent (natural) disasters**

* Source: IMF Oct 2008
Overview of Nestlé in AOA: Well balanced product portfolio

Nestlé 2007: 107.6 bn CHF

Nestlé in AOA 2007: 19.3 bn CHF*

Zone AOA 2007: 16.6 bn CHF

* Pharma (appr. 1.1 bn CHF) excluded

Source: Nestlé
Overview of Nestlé in AOA: Balanced geographical portfolio

Source: Nestlé (Nestlé in the Zone incl. Pharma)

10 Markets above 1 bn CHF sales
Overview of Zone AOA:
Strong growth levels across all categories
Accretive to the Nestlé Model

<table>
<thead>
<tr>
<th>Product Line</th>
<th>Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dairy &amp; Creamer</td>
<td>+12.8%</td>
</tr>
<tr>
<td>Soluble Coffee</td>
<td>+6.3%</td>
</tr>
<tr>
<td>Culinary</td>
<td>+12.3%</td>
</tr>
<tr>
<td>Confectionery</td>
<td>+6.8%</td>
</tr>
<tr>
<td>Ice Cream</td>
<td>+6.6%</td>
</tr>
<tr>
<td>Powdered Beverages</td>
<td>+11.5%</td>
</tr>
<tr>
<td>Zone AOA</td>
<td>+8.8%</td>
</tr>
<tr>
<td>Nestlé Nutrition</td>
<td>+16.3%</td>
</tr>
</tbody>
</table>

- High level EBIT margin (FY '07: 16.3%)
- High level of ROIC (FY '07: 29.3%)

Source: Nestlé
Overview of Zone AOA:
Encouraging 2008 results in a challenging economical climate

<table>
<thead>
<tr>
<th>Cumulative Sept 2008</th>
<th>Sales In bn CHF</th>
<th>Organic Growth %</th>
<th>EBIT H1 2008 %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Zone AOA</td>
<td>12.7</td>
<td>+13.2</td>
<td>16.3</td>
</tr>
<tr>
<td>Developed Markets AOA</td>
<td>4.3</td>
<td>+5.4</td>
<td></td>
</tr>
<tr>
<td>Emerging Markets AOA</td>
<td>8.4</td>
<td>+17.4</td>
<td></td>
</tr>
</tbody>
</table>
Zone AOA: Vision/Ambition aligned with Group Strategy

‘To be the recognized No.1 Nutrition Health and Wellness Company by establishing leadership positions in consumer relevant categories’

Operational Efficiency
Innovation and Renovation
Product Availability
Consumer Communication

GROWTH
EBIT
MARKET SHARE

SPEED / ACCELERATION

Strategic Growth Drivers
- Top of the pyramid (Premium/Super Premium)
- Base of the pyramid (PPP/Emerging Consumers)
- Out of home (Nestlé Professional)
- Nutrition (Nestlé Nutrition)

Imperatives for Z-AOA

Growth & profitability driver for the Group - delivering above Group average performance
Continuous excellence - delivering quality NHW-products to our consumers, competitive service to our customers and long-term value creation to our shareholders
Performance - delivering against our targets every time
Continuous ROIC improvement
Scorecard Summary - Zone AOA
Towards achieving our ambition

- **Growth at higher margins** (above Group average)
- **Consumer creation:** (Multitier Strategy)
- **Towards NHW:** (NF=Nutritional Foundation)
- **Attacking the value destroyers (VDs)**
- **Operational efficiency & discipline:**

### 9mth 08:

<table>
<thead>
<tr>
<th></th>
<th>AOA</th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>OG:</td>
<td>13.2%</td>
<td>8.9%</td>
</tr>
<tr>
<td>RIG:</td>
<td>4.5%</td>
<td>3.0%</td>
</tr>
<tr>
<td>EBIT (1H 08):</td>
<td>16.3%</td>
<td>13.8%</td>
</tr>
</tbody>
</table>

### H1 08:

<table>
<thead>
<tr>
<th></th>
<th>AOA</th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>PPP OG:</td>
<td>40.9%</td>
<td>≥20%</td>
</tr>
</tbody>
</table>

**Top 2 ranks (MAL/PHI) - Nestlé’s image as an nutritional expert**

100% NF Check achieved by end 08

**36% improvement in EBIT (H1 2008 - Top 10 VDs)**

50 bpts reduction of Administration costs

380 bpts ROIC improvement (05-07)
## Zone AOA STRATEGIC FRAMEWORK: Delivering the vision/ambition

### CONSUMER CREATION (Attracting new consumers):
- Acceleration of the Multi Tier strategy, in particular TOP and Emerging Cons.

### NHW
- NHW brands/formats, addressing (changing) consumer needs (60/40+)
- Strong, relevant I/R pipeline supported by R&D
- Brand support to deliver efficient NHW communication messages

### PORTFOLIO & PROCESS OPTIMISATION
- Thorough understanding of the rules of the game
- Fix value destroyers

### COMPETITIVENESS
- Redefine categories based on the NHW need of the consumers
- Build/Maintain competitive advantage along the value chain
- Strengthen distribution networks, especially in emerging markets

### WAR ON WASTE
- Efficient organisation, Question the status quo and adapt business models

### PEOPLE
- Develop and retain top performers
- Allocate right people for right jobs
**Consumer Creation:**
Favourable trends: Population and GDP growth

### Population (mio people)

<table>
<thead>
<tr>
<th>Region</th>
<th>2007</th>
<th>2013</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>905</td>
<td>1037</td>
<td>15%</td>
</tr>
<tr>
<td>Asia and Pacific</td>
<td>3817</td>
<td>4115</td>
<td>8%</td>
</tr>
<tr>
<td>Middle East</td>
<td>239</td>
<td>273</td>
<td>14%</td>
</tr>
<tr>
<td>World</td>
<td>6492</td>
<td>7015</td>
<td>8%</td>
</tr>
<tr>
<td>AOA</td>
<td>4985</td>
<td>5452</td>
<td>9%</td>
</tr>
</tbody>
</table>

Source: IMF Oct 2008

### Real GDP Growth in %

<table>
<thead>
<tr>
<th>Region</th>
<th>2005</th>
<th>2050</th>
<th>x</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>40k</td>
<td>84k</td>
<td>2</td>
</tr>
<tr>
<td>US</td>
<td>1.3k</td>
<td>31k</td>
<td>24</td>
</tr>
<tr>
<td>China</td>
<td>0.6k</td>
<td>17k</td>
<td>28</td>
</tr>
<tr>
<td>India</td>
<td>3.7k</td>
<td>50k</td>
<td>14</td>
</tr>
<tr>
<td>Vietnam</td>
<td>0.6k</td>
<td>25k</td>
<td>42</td>
</tr>
</tbody>
</table>

Source: Goldman Sachs, 2007
Consumer Creation: Migration to higher Income Brackets

Sources: UN WIDER, World Bank, Nestle
Consumer Creation: Addressing the multi-tier strategy with new NHW products developed with the Nestlé R&D Network
Consumer Creation: PPP - A CHF 20bn Opportunity for Nestlé

- Growth Pillar for the group
- Profit Enhancer
- Perfect NHW Vehicle
Consumer Creation: 
Acceleration of Route to Market Strategies: 
Traditional Trade

No of outlets in the traditional trade*

* Source: AC NIELSEN

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Consumer Creation:
Premiumisation - A new business model:
MÖVENPICK of SWITZERLAND

NEW
• Unique Brand Essence
• Consistent Implementation

OLD
• Local Adaptations
• Different Interpretation

Brand

Communication
• Local Development
• Classic Media

Product
• 60/40+
• Compared to competitor

Channel
• Multi-Brand Trade approach
• Dependent on local retailers

People
• Job rotation
• Mainstream Mindset

• Centrally Developed
• Leverage PR & Global Events

• Bold Innovation creating trends
• A Category of One

• Controlled Price & Selective Distribution
• Not retailer dependent

• Focus and Long Term Dedication
• Management as brand ambassador
NHW - Nutrition Health and Wellness: New Product Launches achieving 60/40+ developed based on thorough consumer insight

Key Consumer Insight:
- Mothers pride themselves in giving the best possible nutrition to their children for optimum growth and development

NHW (60/40+, NF, NCA):
- NF: yes
- NCA (Probiotics, DHA/ARA content)

Affordable Growing up Milk

Key Consumer Insight:
- Mothers want to give the best to their children with their limited means.
- They can’t afford to make mistakes. That’s why they like the well-known brands because they can trust their quality.
- Getting sick is expensive, given medicine and hospital costs

NHW (60/40+, NF, NCA):
- NF: yes (15% protein formulation)
- NCA: micronutrient deficiencies (Iron, Zinc, Vit A)

Premium Milk Powder
NHW - Nutrition Health and Wellness

Re-Positioning towards NHW with new products and relevant communication

Source: Nestlé Philippines

FvD November 2008 – Zone AOA
NHW - Nutrition Health and Wellness:
Strong support from the R&D Network with focus on Asia (Singapore, Beijing, Shanghai)

Worldwide:
1 Research Center
23 R&D Centers
Consumer Insight:
Faced with many demands on their time and energy, consumers are increasingly open to the offer of short cuts, of ways to improve the efficiency of time and energy. Yet at the same time, they are also seeking more natural products and desire authentic traditional foods as well.

Yang Sheng Le™ is inspired from the centuries-old Chinese traditional practice of maintaining health and well-being the natural way. Yang Sheng Le™ aims to provide herbal goodness and nourishment with specific benefits into everyday food and fitting perfectly to the modern lifestyle.
Competitiveness
Creating gaps with competition
Profitable Growth and Market share gains

- **Category/portfolio analysis** - respond to the changing landscape (particularly local competition)

- Redefine **potential NHW opportunities and the ‘playing field’** - staying relevant to changing consumer needs

- Invest to win – R&D, brand support, Capex

- "**Pricing** the Nestlé way": consumer-value based pricing

- "**Not or but and**" – Invest to grow Top line & market share whilst also improving the EBIT margin
War on Waste
Driving Efficiency along the value chain

- Enhance the performance Culture
- Challenge the status quo, adapt, innovate
- Reduce complexity & non added-value costs
- Rationalize SKUs
- Fix/Exit Value destroyers
- Achieve excellence in operations
- Leverage GLOBE and GNBS (shared services)
- Accelerate the Nestlé Model
Global Nestlé Business Services (GNBS) based in the Philippines

OCEANIA + ASIAN
(Philippines Malaysia/Singapore / Indochina / Indonesia)

Financial Services
- Account Payables
- Accounting Operations
- Account Receivables

Employee Services
- Payroll
- HR Admin
- Time Management
- Benefits Admin
- In addition, a Contact Center for Financial Services and Employee Services is also available.
Creating Shared Value (CSV): Acceleration of the CSV Strategy with focus on Nutrition, Water and Rural Developments

**Environment**
- 5% Water usage reduction and 3% Energy usage reduction every year
- Reduce Carbon Footprint and Packaging Materials

**People**
- Further reduce injuries (1.9 LTIFr for 2008)
- Promoting Skill Trainings through Nestle Continuous Excellence
- Generate new jobs through investment in white spaces

**Farm & Rural Development**
- Continue support to Farmers and expand the areas of support - Fresh Milk, Coffee, Cocoa, Cassava, Millet, Sorghum etc.
- Continue to increase access to Safe Water

**Affordable Products**
- Expand PPP Affordable Health & Nutrition Solutions

**Nutrition, Health & Wellness**
- Accelerate New Product launches under Nutrition, Health & Wellness (NHW)
- Promote Education/Campaigns
CSV in India: Clean drinking water projects in village schools

- Piloted at Moga Factory in 1999. Rolled out to all factories in India. Extended to Sri Lanka and Bangladesh.
- Provides clean drinking water facility. Also a platform to educate students on importance of water and its conservation.
- Based on concept of shared responsibility with the communities.
- Fosters relationship with the communities around factories and with milk supplying farmers. Promotes long term sustainable use of scarce water resource.
- September 2008: 113 water fountains completed, directly benefiting over 47,500 students.
CSV in Thailand: Robusta coffee mass propagation project

- 7 years project with support of Nestlé R&D Tours, target 5.6 million plantlets
- The biggest coffee tissue culture nursery in the world (6 hectares) located at Chachoengsao factory
- Better quality and yield of coffee beans, and better economic sustainability of farmers
- No. of plantlets distributed to farmers
  - 2006: 87,081 for 203 farmers
  - 2007: 163,576 for 412 farmers
  - 2008 (as of Sept. 30, 08): 433,524 for 1512 farmers
CSV in Central West Africa
Grains farmer

- Project started in 2007 with the International Institute for Tropical Agriculture (IITA-Benin) and National Research Institutions of Ghana, Nigeria and Côte d’Ivoire
- Improving Grains quality by reducing mycotoxin
- To implement a direct purchasing relationship with cooperatives and to be less dependent on import of grains.
- To secure the supply of Grains needed for Cereals production 13,000 tons in 2015
Despite unforeseen events (Earthquake in Sichuan, Typhoon in Myanmar, Melamine Issue, credit crisis)

Z-AOA delivers excellent results:

- 9 months Organic Growth is far above the 2007 growth
  - good momentum in the business
- High level EBIT margin of 16.3% (H1 2008)
- Fast transition towards the No.1 NHW company

Well-positioned to deliver our ambition of enhancing the Nestlé model
Zone AOA = “Zone CNN”: DELIVERING the results in turbulent times

- Asian Financial Crisis
- HIV / AIDS
- Sept 11
- Tsunamis
- Forex Volatility
- Bali Bombing
- Israel / Palestine tensions
- War in Iraq
- Obesity
- Trade Reform
- North Korea
- Floods & Droughts
- Infiltration, Counterfeit
- Ivory Coast unrest
- Iodine Incident
- SARS, Avian Flu
- Labour Laws
- China EARTHQUAKE (Sichuan)
- HIGH Input Costs (MSK, Coffee)
- Myanmar Cyclone
- Melamine Issue (China)
“Wei Ji” = Crisis

Danger  Opportunity
Opportunities and Priorities

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Vevey, November 2008