Wyeth Nutrition and Nestlé Nutrition
Greater China Region

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Wyeth Nutrition

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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.
AGENDA

I The China IF / GUM Market

II Wyeth Nutrition & Nestlé Nutrition: 1+1=3

III Winning strategies of Wyeth Nutrition & Nestlé Nutrition
Strong market growth in the Greater China Region

Key Growth Drivers

- Mainland China:
  - 15~17 mio newborns; one-child policy
  - Urbanisation
  - Premiumisation

- Hong Kong / Taiwan:
  - HK benefits from mainland shoppers and mainland babies born in HK
  - TW is stagnant due to declining births

Source: Nielsen, China Statistic Bureau
Rapid urbanisation and household incomes increase

China Urbanisation Trend
%

2008 2009 2010 2011 2012 2018E

46% 47% 50% 51% 52% 57%

Disposable income per capita
USD

2008 2009 2010 2011 2012 2018E

1,455 1,642 1,887 2,321 2,691 5,477

More working mothers with growing income

Source: China Statistic Bureau, Economist, McKinsey
## China city tier at a glance

<table>
<thead>
<tr>
<th>City tier</th>
<th># of city</th>
<th>Population (million)</th>
<th>% of national city population</th>
<th>GDP/Capita (CHF)</th>
<th>IF market value size (weight%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Key</td>
<td>4</td>
<td>10 – 19</td>
<td>4%</td>
<td>12,034</td>
<td>15%</td>
</tr>
<tr>
<td>A</td>
<td>27</td>
<td>1.5~9</td>
<td>12%</td>
<td>7,989</td>
<td>21%</td>
</tr>
<tr>
<td>B</td>
<td>282</td>
<td>0.2~4</td>
<td>32%</td>
<td>4,538</td>
<td>31%</td>
</tr>
<tr>
<td>C/D</td>
<td>1,633</td>
<td>0.2~1.5</td>
<td>27%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Town</td>
<td>32,608</td>
<td>0.02~0.07</td>
<td>25%</td>
<td>1,387</td>
<td>33%</td>
</tr>
</tbody>
</table>

Source: Nielsen and China Statistics Bureau of 2011 data

Lots of room for growth
Premium and super premium the two largest segments

Note: Segment definition (RMB price/per kg), Stage 1 as example: Super premium: > RMB 290; Premium: (190,290); Upper-mid: (125,190); Mid: <125

Source: Nielsen, team analysis
Unique attitude of Chinese moms towards IF / GUM

Chinese moms’ psychology / behaviour

- Safety / reliability brand choice pre-requisite
- Willing to pay premium
- Do extensive brand research
  - Internet / social media / retail shopkeeper
- Quick to adopt new technologies

Chinese moms insecure about food safety and always look for latest innovations
Latest directives by State Council poised to change China IF / GUM landscape

**Milk Farm/ Source**
Self controlled / own milk source

**Manufacturing**
Pharma GMP; 3rd party manufacturing discouraged

**Import**
New factory certification and registration requirements

**Channel**
Electronic tracking system, drug store channel pilot

**Industry Consolidation**
From 128 to 50 companies with sales of RMB 5 bio by 2018

Source: Ministry of Industry and Information Technology
Wyeth Nutrition and Nestlé Nutrition well-positioned to capture market opportunities

- Commitment to WHO Code and FTSE4Good standards
- Comprehensive product offerings
- Strong brand image: advanced science, quality
- Strong share position in urban markets
- Dedicated channel resources and capabilities
Commitment to WHO Code and FTSE4Good

Our Commitments

• To support breastfeeding with specific programs

• Nestlé policies:
  - no public promotion
  - no samples to mothers

• Wyeth Nutrition is implementing Nestlé policies

• Dedicated resources on compliance

Breastfeeding support activities

- Nestlé instructions
- Breastfeeding promotion
- Perinatal nursing supports
- Pre-natal consumer education
Portfolios of Wyeth Nutrition and Nestlé Nutrition highly complementary - covering the First 1,000 Days

**Maternal**
- Super premium
  - WN Mama
  - Wyeth Mama DHA
  - NN Mama
- Premium
  - Materna
- Upper mid
- Mid

**IF / GUM**
- Easy absorption
  - gut comfort
- Allergy
- Wyeth S-26 Gold
  - Brain development
- Lactogen
  - immunity
- Nan HA

**Infant cereal**
- Gerber
- Nestlé
Wyeth Nutrition and Nestlé Nutrition both steadily growing market share

**Wyeth Nutrition**

<table>
<thead>
<tr>
<th>Year</th>
<th>Value Share</th>
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</thead>
<tbody>
<tr>
<td>2011</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td></td>
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<tr>
<td>2013</td>
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**Nestlé Nutrition**

<table>
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<th>Value Share</th>
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<tr>
<td>2011</td>
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<tr>
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<tr>
<td>2013</td>
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Source: Nielsen July, 2013
Premium focused portfolio growing strongly y-o-y

**Super Premium illumina**

**Premium S-26 Gold**

IF / GUM  Special Feeder  Maternal

High growth trajectory

GCR Sales

- illumina
- S-26 Gold

'04-'12 CAGR: +28%

<table>
<thead>
<tr>
<th>Year</th>
<th>illumina</th>
<th>S-26 Gold</th>
</tr>
</thead>
<tbody>
<tr>
<td>04</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>05</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>06</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>07</td>
<td>0.0</td>
<td>0.0</td>
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<tr>
<td>08</td>
<td>0.0</td>
<td>0.0</td>
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<tr>
<td>09</td>
<td>0.0</td>
<td>0.0</td>
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<tr>
<td>10</td>
<td>0.0</td>
<td>0.0</td>
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<tr>
<td>11</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>12</td>
<td>0.0</td>
<td>0.0</td>
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</tbody>
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04 05 06 07 08 09 10 11 12
Strong brand equities built on effective marketing model

S-26 Gold leading image attributes
- Brain & eye development, helps learning
- Complete nutrition
- Reliable / high quality

illuma leading image attributes
- Latest science
- Gut health and absorption
- Imported / super premium quality

Frequent product innovation
MOH *cooperation
Consumer marketing
CRM services
Key account management

Source: BHT report 2013

*MOH: Ministry of Health

MOH cooperation
CRM services
Key account management

Frequent product innovation
Consumer marketing

Source: BHT report 2013

*MOH: Ministry of Health
Comprehensive quality management to support highest quality image

Wyeth Nutrition quality management

- Reliable and 100% traceable milk source
- GMP standard
- Highly automated process
- Wet blending mixing process
- “Pharma” practice quality assurance
- Professional CRM system

Source: BHT 2013

Consumer perception on brand with good quality (% of total respondents)

- Wyeth Gold: 50
- Competitor 1: 42
- Competitor 2: 41
- Competitor 3: 48
- Competitor 4: 21
- Competitor 5: 16

Average of leading brands: 36
Disciplined geographic expansion drove our strong position in the key / A cities

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2008</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td># of cities</td>
<td>45</td>
<td>180</td>
<td>300+</td>
</tr>
<tr>
<td># of outlets</td>
<td>5,000</td>
<td>20,000</td>
<td>30,000+</td>
</tr>
</tbody>
</table>

Expansion prioritisation considering resources, capability and return

- Sustainable growth
- Top 3 position in important cities

Source: Nielsen
Nestlé sales office opened in Shanghai

Nestlé launched LACTOGEN.
The first international IMF brand sold in China

Launched NAN

Nestlé Shuangcheng factory started production

Launched Gerber

Started construction of the Dairy Farming Institute

Launched NAN HA

Deeply rooted in China Since 1908
Comprehensive portfolio covering different price tiers and life stages
Key success factors driving business growth

- Multiple milk sources & single world-class standard
- Zero tolerance on quality
- Nationwide coverage & route to market
- Superior science & research
- Modernised field force (E-detailing, mobile solutions)
- Ethical business conduct

GCR Sales

'07-'12 CAGR: +30%

Solid growth delivered by Nestlé Nutrition
Driving sustainable growth in China: Align with the Chinese government to address key issues

- Maternal mortality rate
- Infant mortality rate
- Under 5 mortality rate
- Under 5 underweight
- Obesity
Study mission: platform to empower the health of China’s future generation

Enlightenment
Research partners
4000 infants
Identify nutrition gap
Develop products for China
Start Healthy, Stay Healthy
Wyeth Nutrition & Nestlé Nutrition: 1+1=3
A highly complementary combination

Strong fit

Strategic fit

Cultural fit

Financial fit
Wyeth Nutrition and Nestlé Nutrition
Greater China Region

John Cheung
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Wyeth Nutrition

James Chiu
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Nestlé Infant Nutrition