



Nestlé in AOA: Winning in the New Reality

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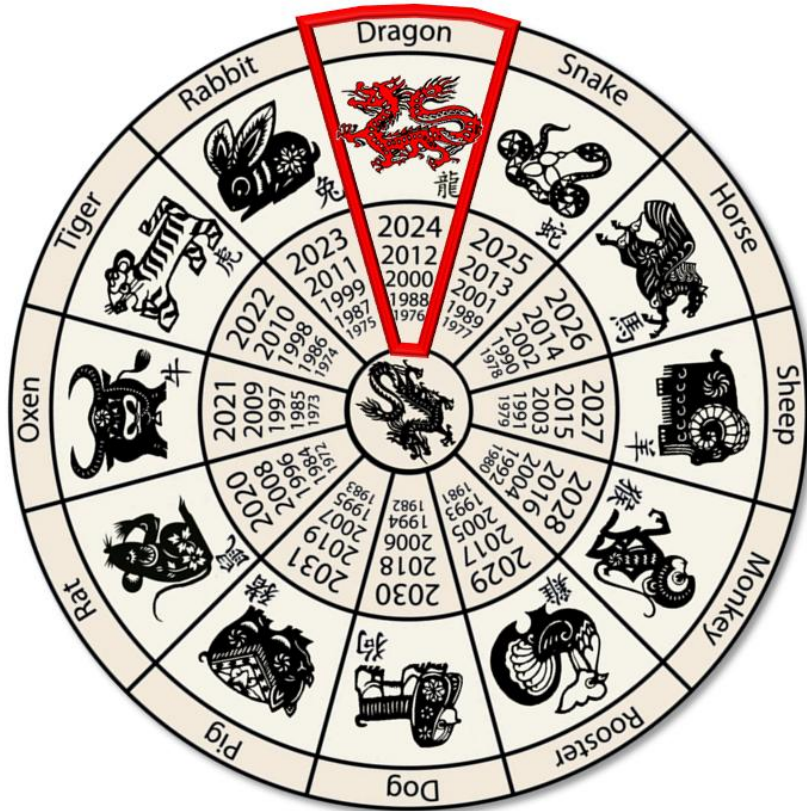
Executive Vice President
Zone AOA

Nestlé Investor Seminar, Shanghai
September 25th, 2012

Disclaimer

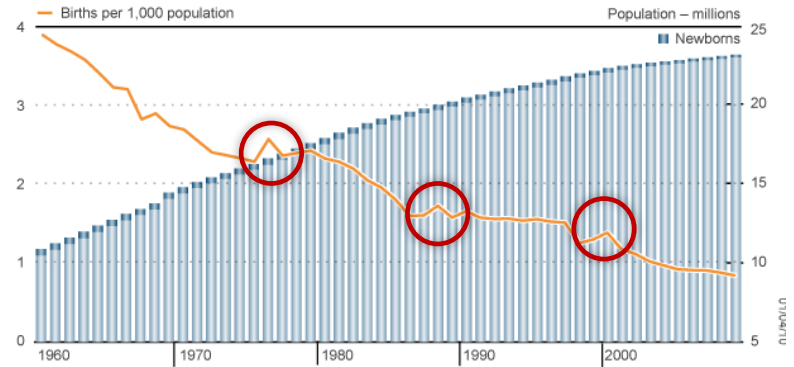
This presentation contains forward looking statements which reflect Management's current views and estimates. The forward looking statements involve certain risks and uncertainties that could cause actual results to differ materially from those contained in the forward looking statements. Potential risks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

2012 : The year of the Dragon



- The Dragon symbolises prosperity, power and longevity
- Auspicious for :
 - New businesses
 - Marriage
 - Children (Dragon baby boom)

Example : Taiwan



Source: Taiwan's Council for Economic Planning and Development

REUTERS

Agenda

1. Introducing Zone AOA

2. Winning in The New Reality

3. Performance

The size and diversity of Zone AOA is a very big opportunity for Nestlé

3 Continents

18 Markets / 166 countries*

153 Factories**

15 Time zones

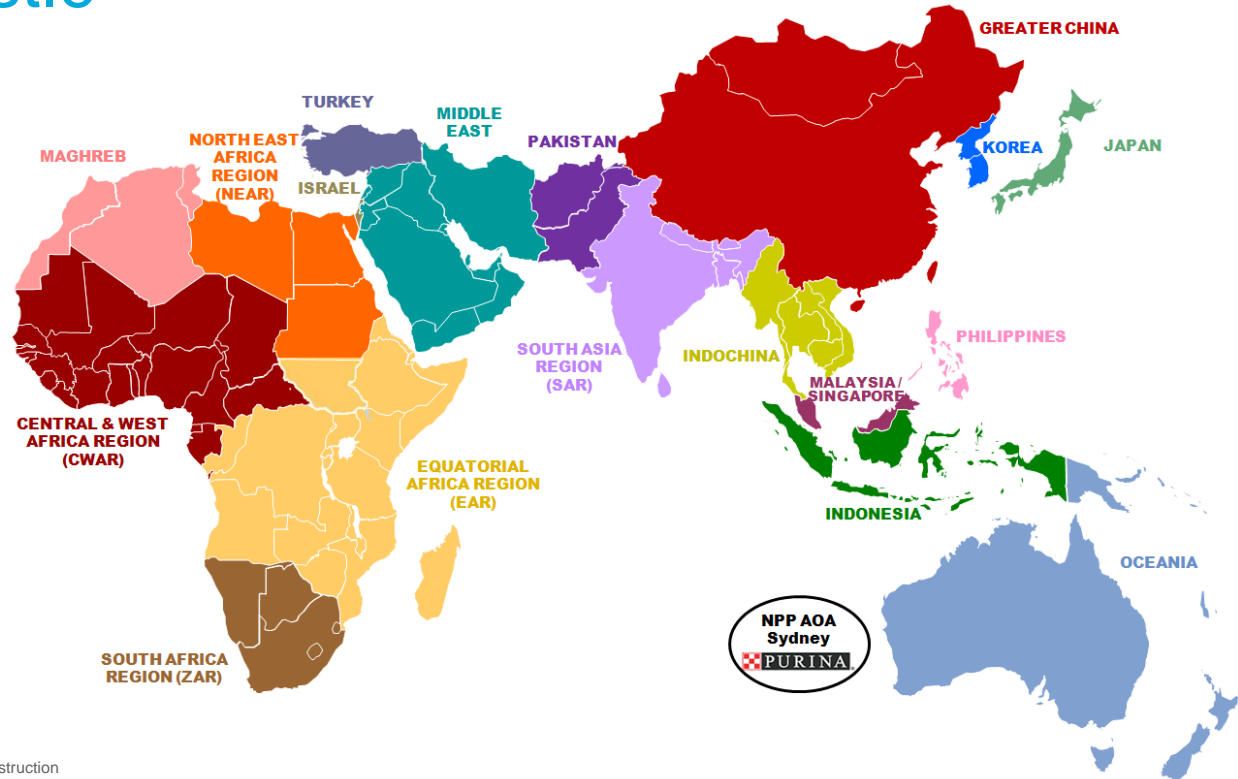
Innumerable languages

76% of World's population

All Major religions

Variety of cuisines / tastes

GDP: about 45% of world***



*Source: UN Statistical Division

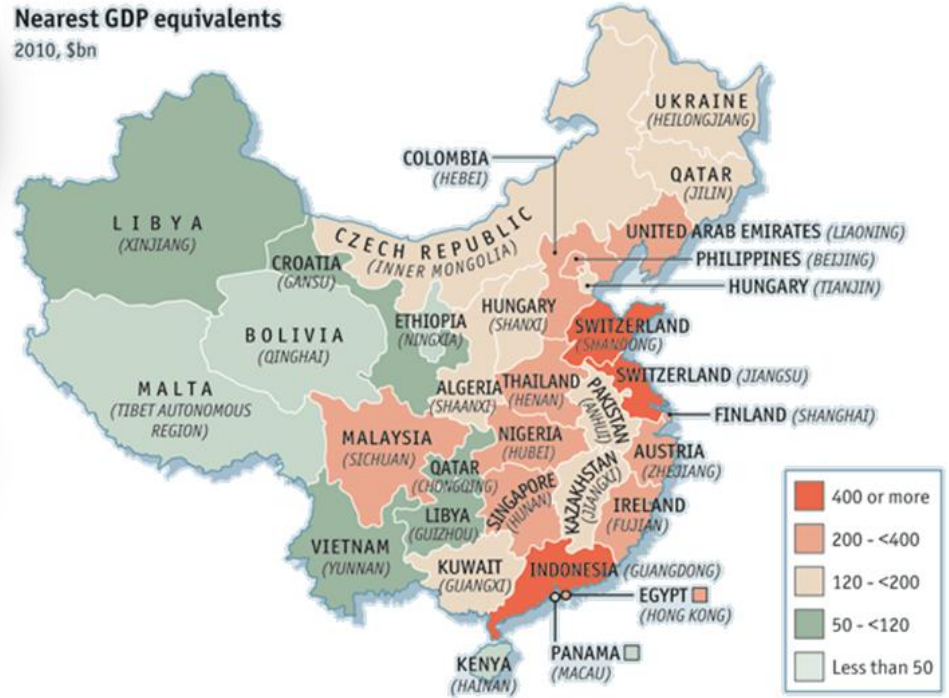
**115 Active incl (+ 3 satellite factories) NN, NP, NPP, CPW; 27 NW; 8 Under Construction

***Source: IMF

China has the size of a continent, with provincial GDP at the level of developing or developed countries



Nearest GDP equivalents
2010, \$bn

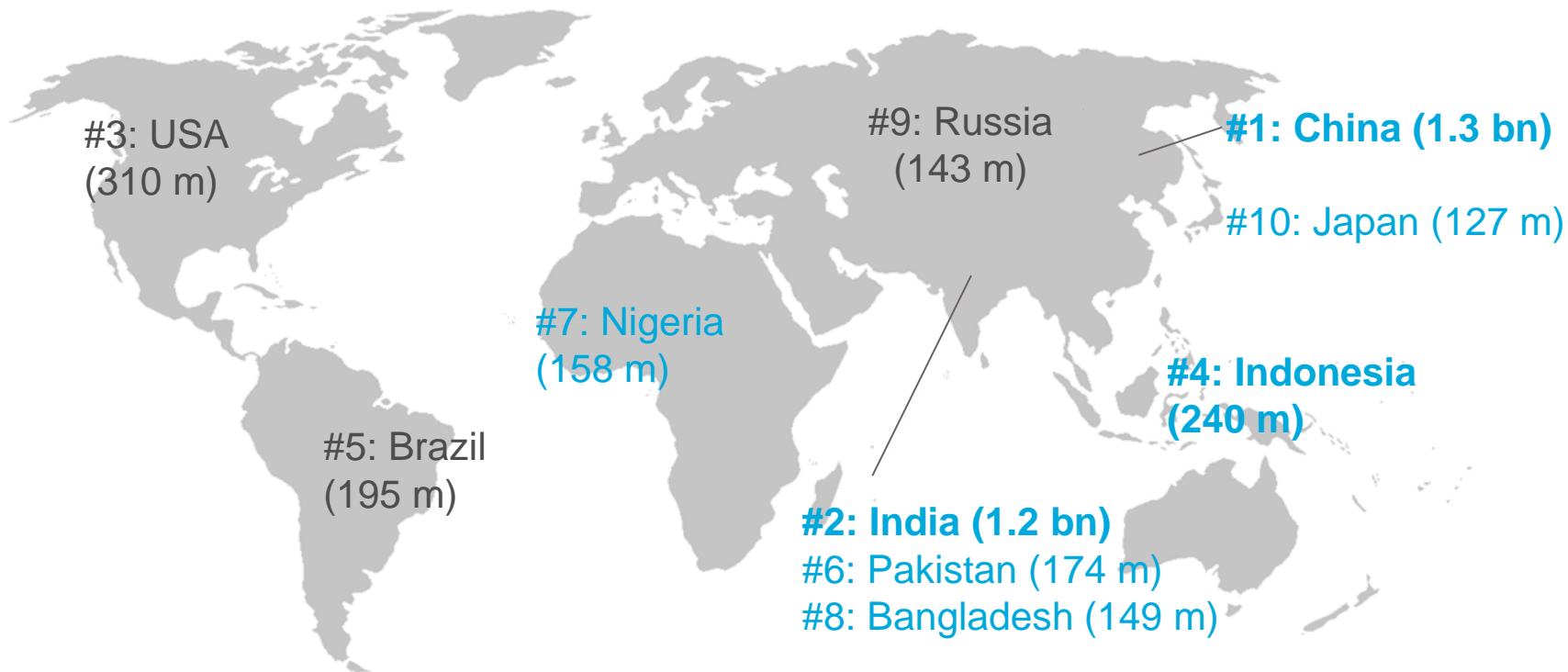


*China 20% of world's population but only 7% of world's agricultural resources

Sources: The Economist, Economist Intelligence Unit, CEIC, WTO

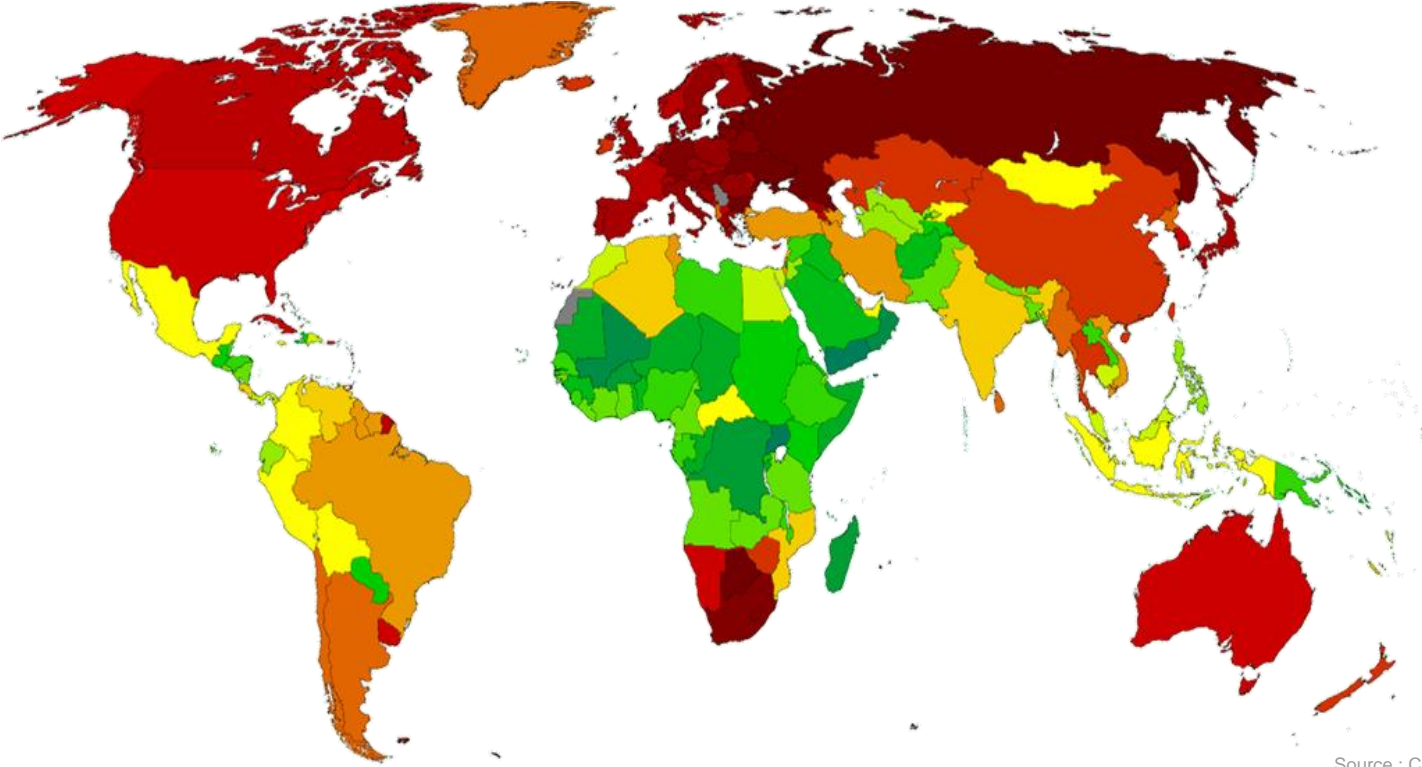
Zone AOA represents 76% of world's population

7 of the top 10 most populous countries are from Zone AOA

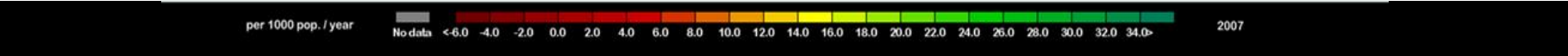


Source: United Nations Population Division, 2010 Revision

Most population growth will come from AOA



Source : CIA World Factbook 2008



Zone AOA has the fastest greying population

Top 6 Today (<i>Population aged 80+</i>)	2050
<ul style="list-style-type: none">■ China (12 million)	99 million
<ul style="list-style-type: none">■ USA (9 million)	30 million
<ul style="list-style-type: none">■ India (6 million)	48 million
<ul style="list-style-type: none">■ Japan (5 million)	17 million
<ul style="list-style-type: none">■ Germany (3 million)	-
<ul style="list-style-type: none">■ Russian Federation (3 million)	-

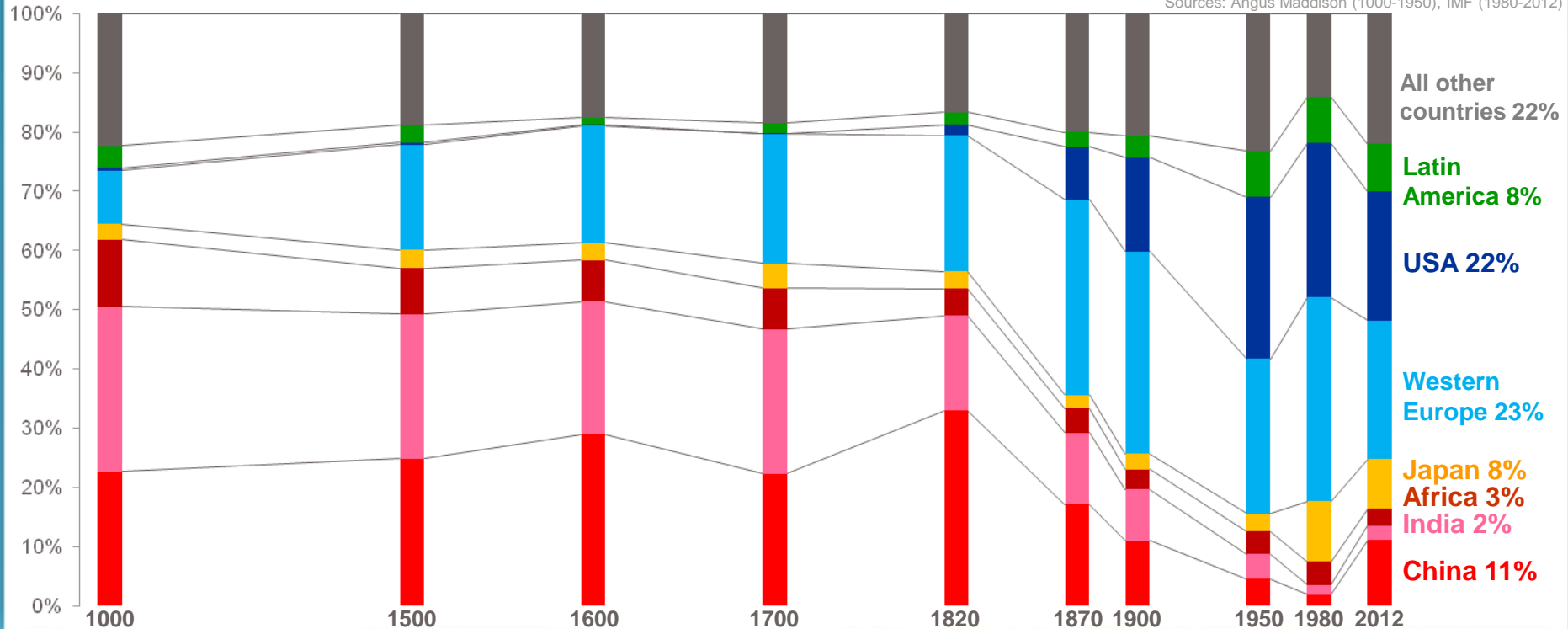


Source : <http://www.un.org/esa/population/publications/worldageing19502050/pdf/90chapteriv.pdf>

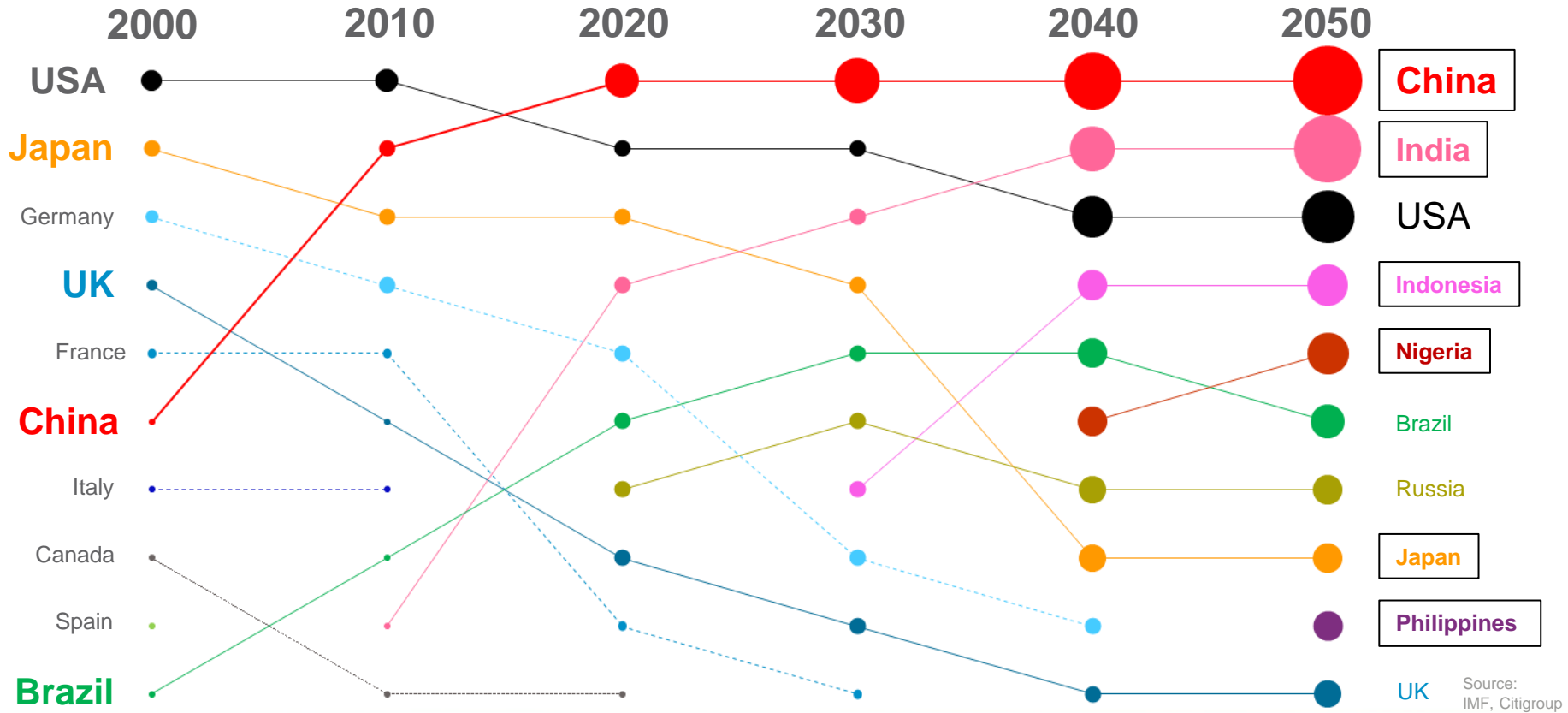
Historically, China and India were the world's largest economies.....

Percentage of World GDP (last 1000 years)

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

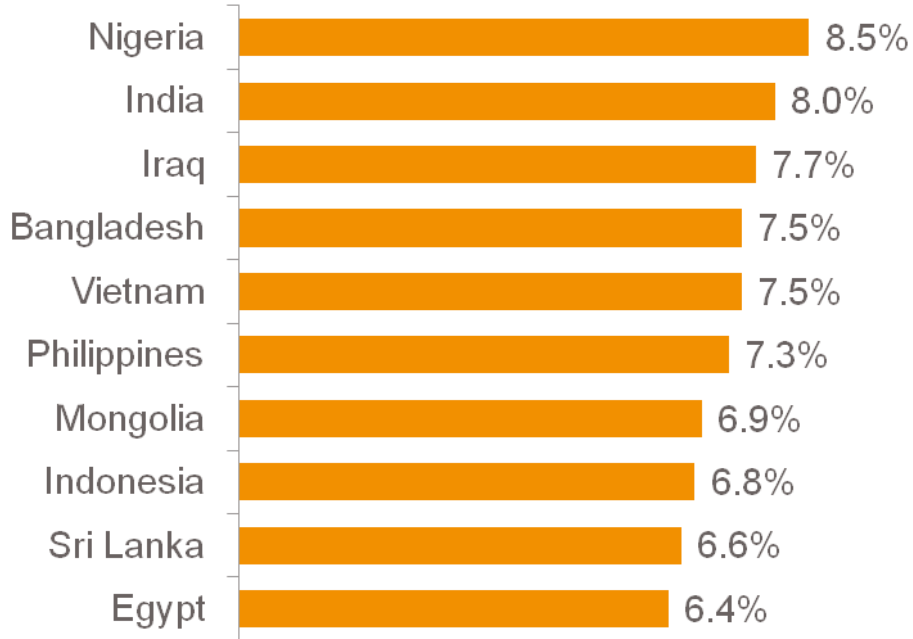


Top 10 economies by 2050 : 6 countries from Zone AOA

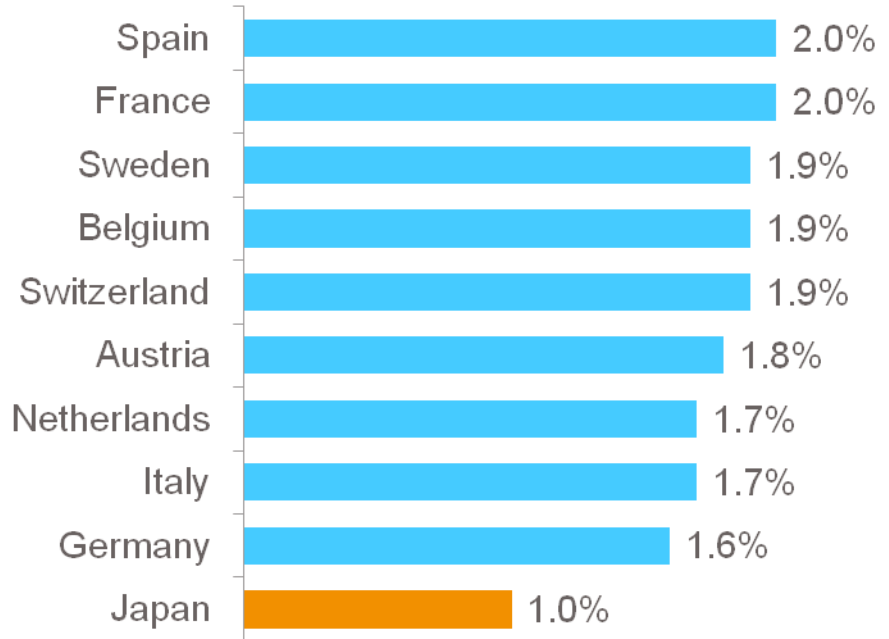


GDP growth 2010 - 2050 : Top countries are all from Zone AOA

**Top 10 countries by GDP* Growth
(% YoY) : 2010 – 2050**



**Bottom 10 countries by GDP* Growth
(% YoY) : 2010 – 2050**



* GDP measured in 2010 purchasing-power-parity USD

Source: Citigroup (2010-2050)

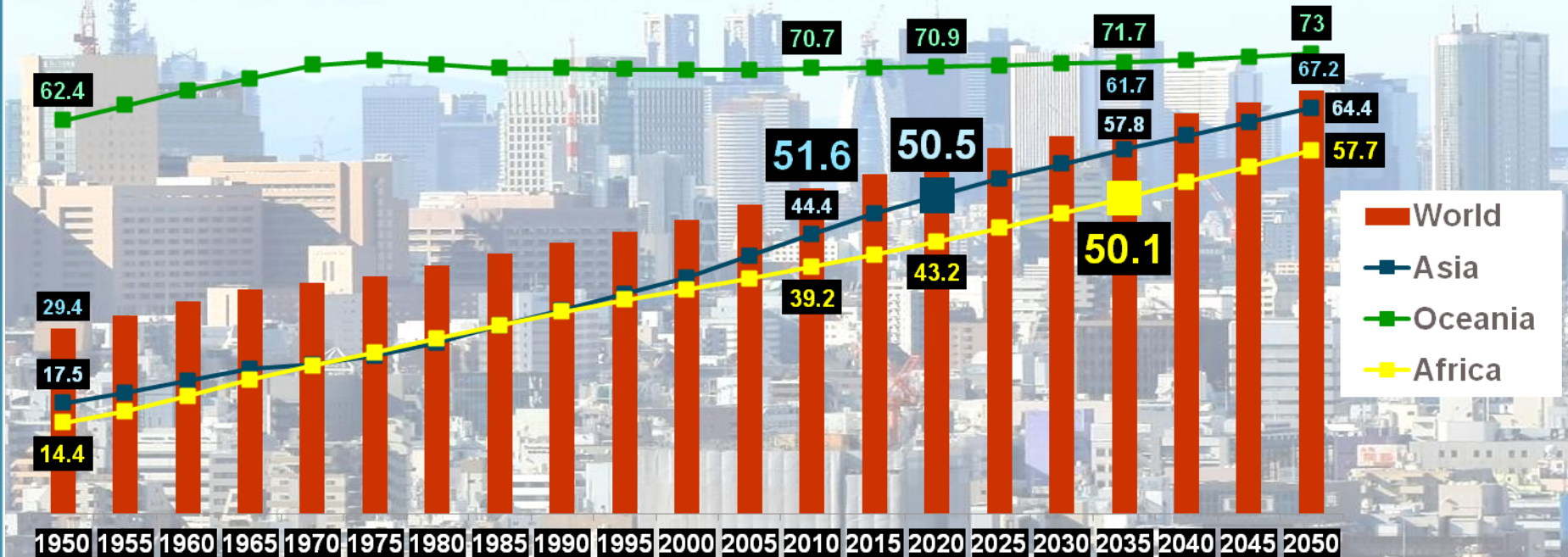
ASEAN opportunity: world's largest free trade area



A common market
for 3 billion people

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

17 of the world's 27 Megacities are in Zone AOA and the top 5 Megacities are in Zone AOA as well

Top 5 Megacities are from Asia :

- Tokyo (34.5 m)
- Guangzhou (25.8 m)
- Jakarta (25.3 m)
- Seoul (25.3 m)
- Shanghai (25.3 m)

Fastest-growing Megacities are from AOA :

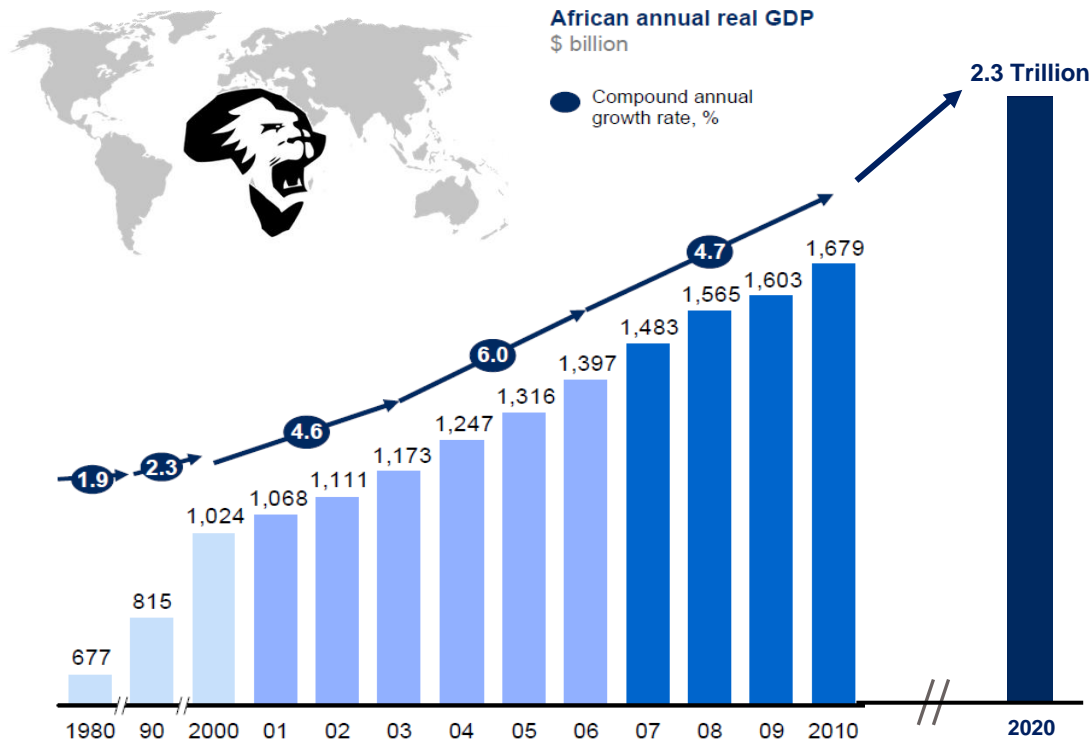
- Karachi, Delhi, Dhaka, Guangzhou, Lagos

Challenges :

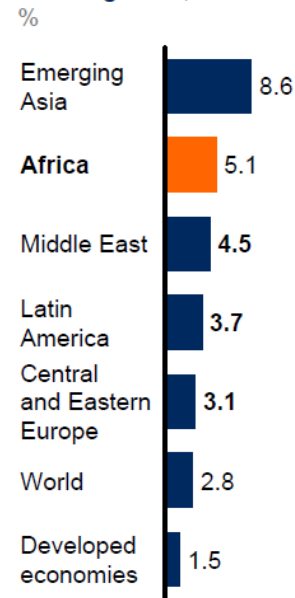
- Slums (1 bn currently), homelessness, traffic congestion, air pollution, unemployment, crime



Ascent of the roaring giant : Africa

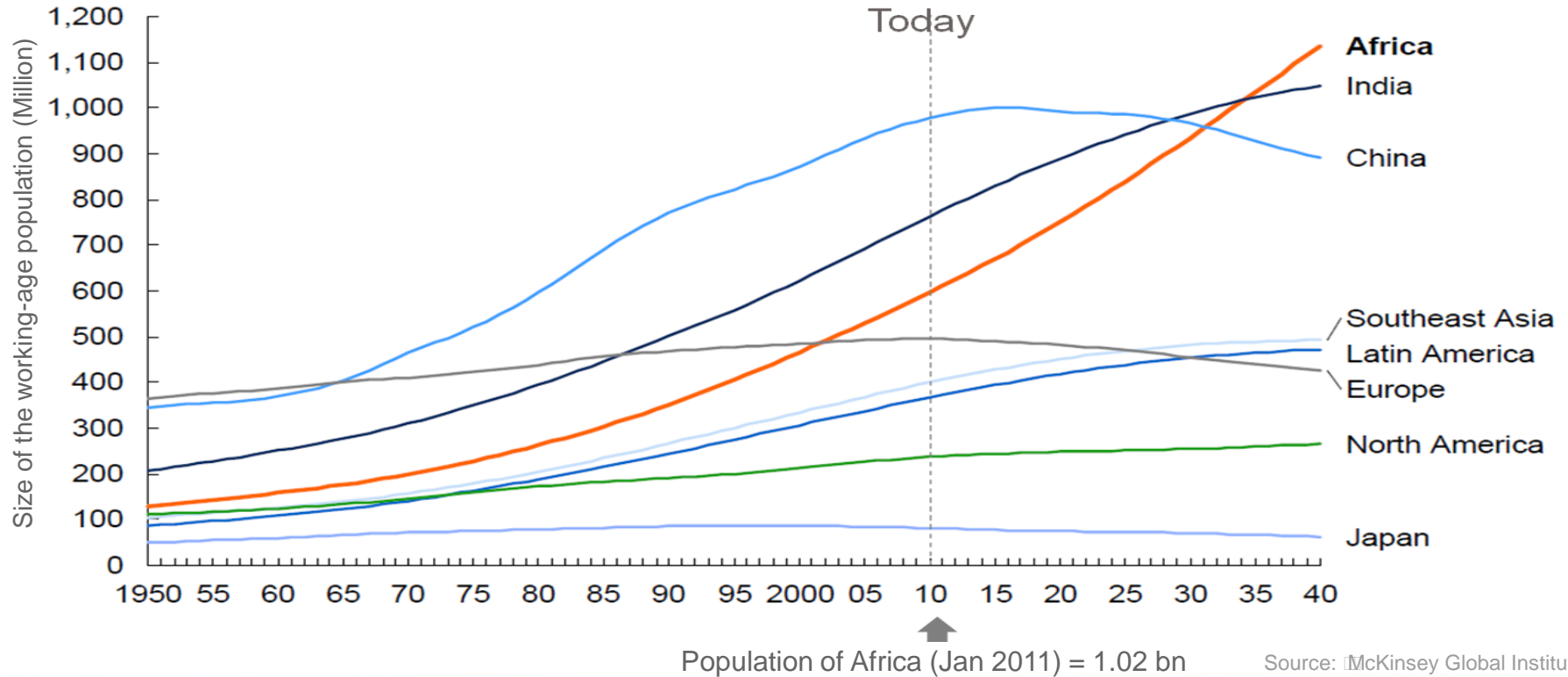


Real GDP compound annual growth, 2000–10



SOURCE: Global Insight; McKinsey Global Institute analysis

Africa's workforce expected to be the largest by 2035



Population of Africa (Jan 2011) = 1.02 bn

Source: McKinsey Global Institute

Halal opportunity: Majority of population with Halal dietary needs in AOA

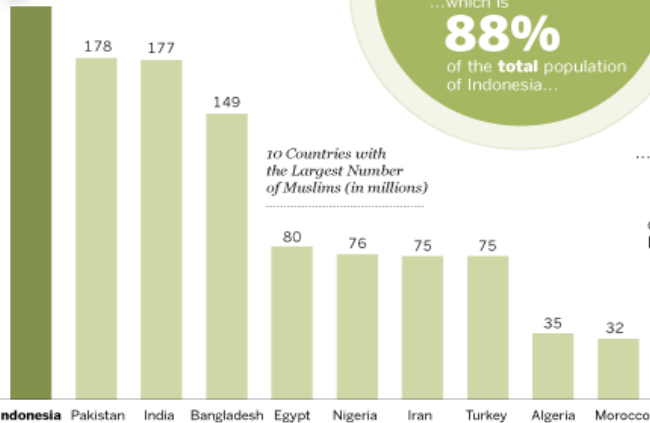
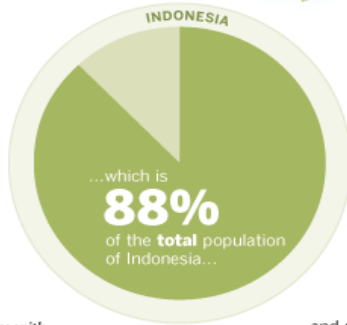
Muslim Population of **Indonesia**



According to a 2010 Pew Forum demographic study,

**205
MILLION**

is the estimated **Muslim** population of Indonesia...

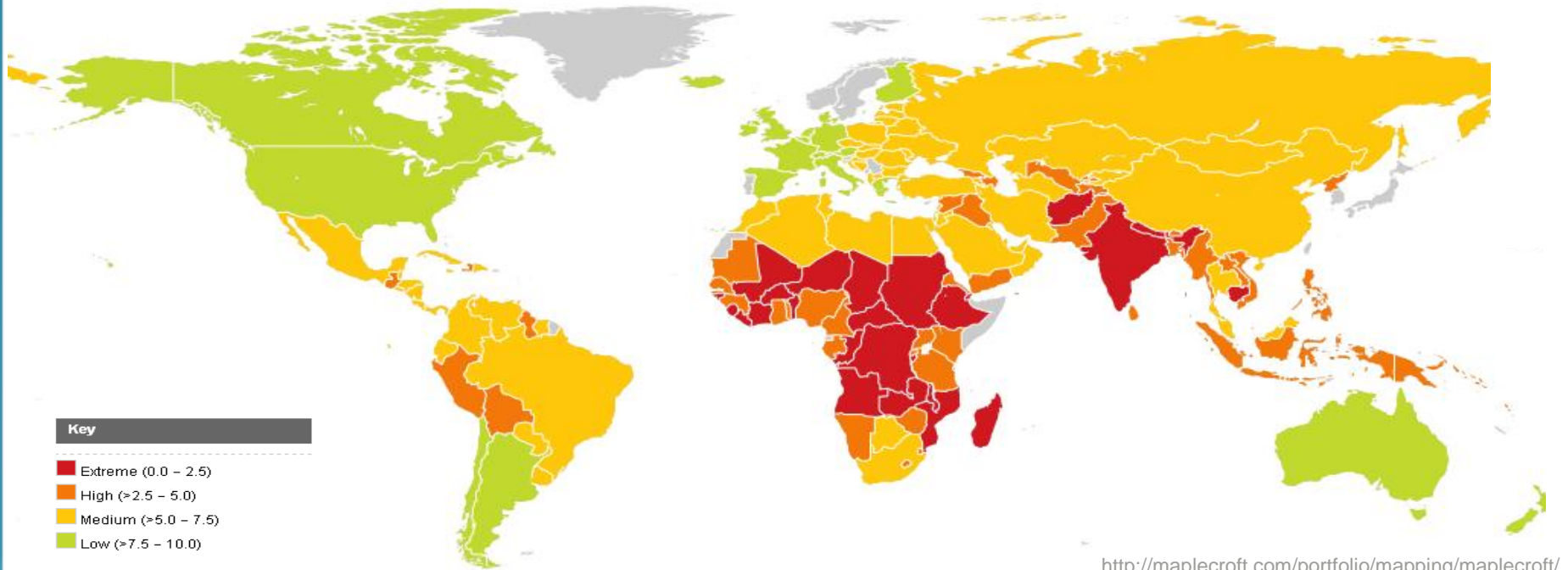


...and makes up
13%
of the total **world**
Muslim population.

- Majority of 1.5 billion Muslims live in AOA
- Halal

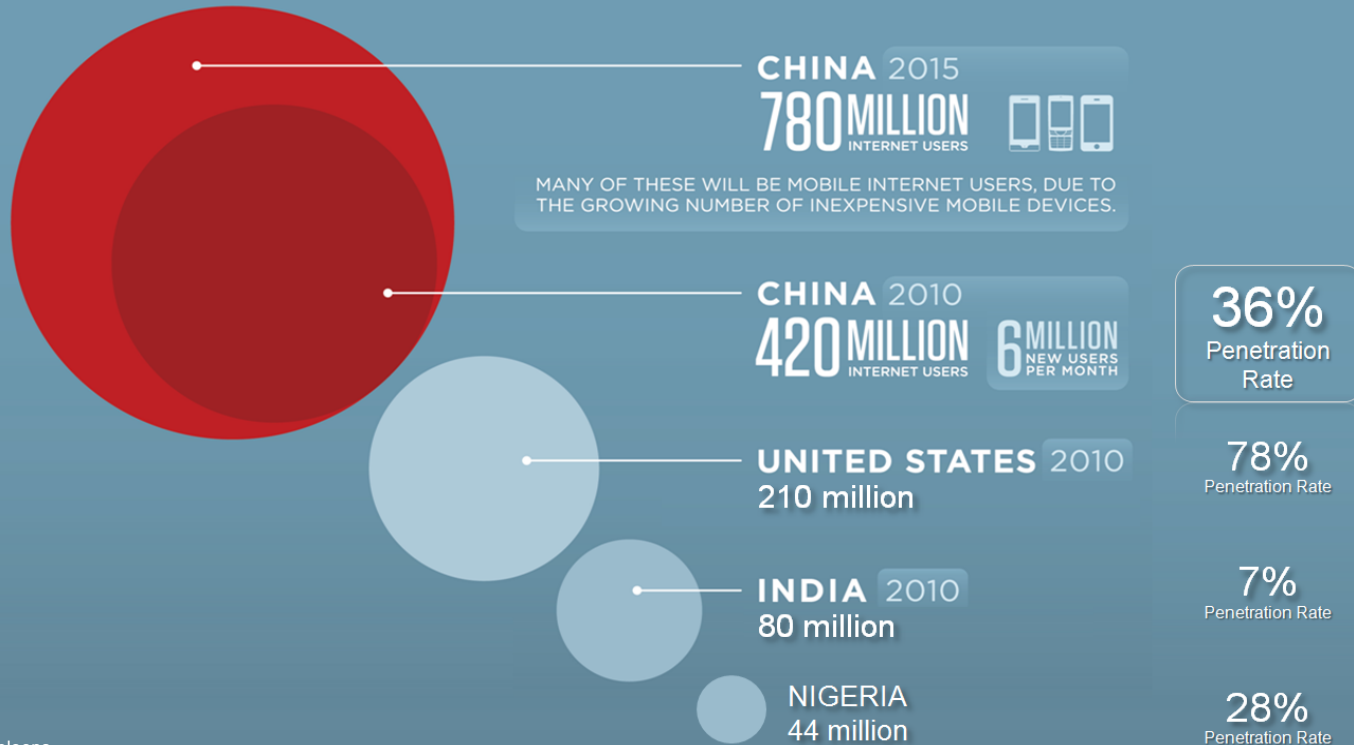
Zone AOA has the highest prevalence of vitamin & mineral deficiency

Accumulative mineral and vitamin deficiency



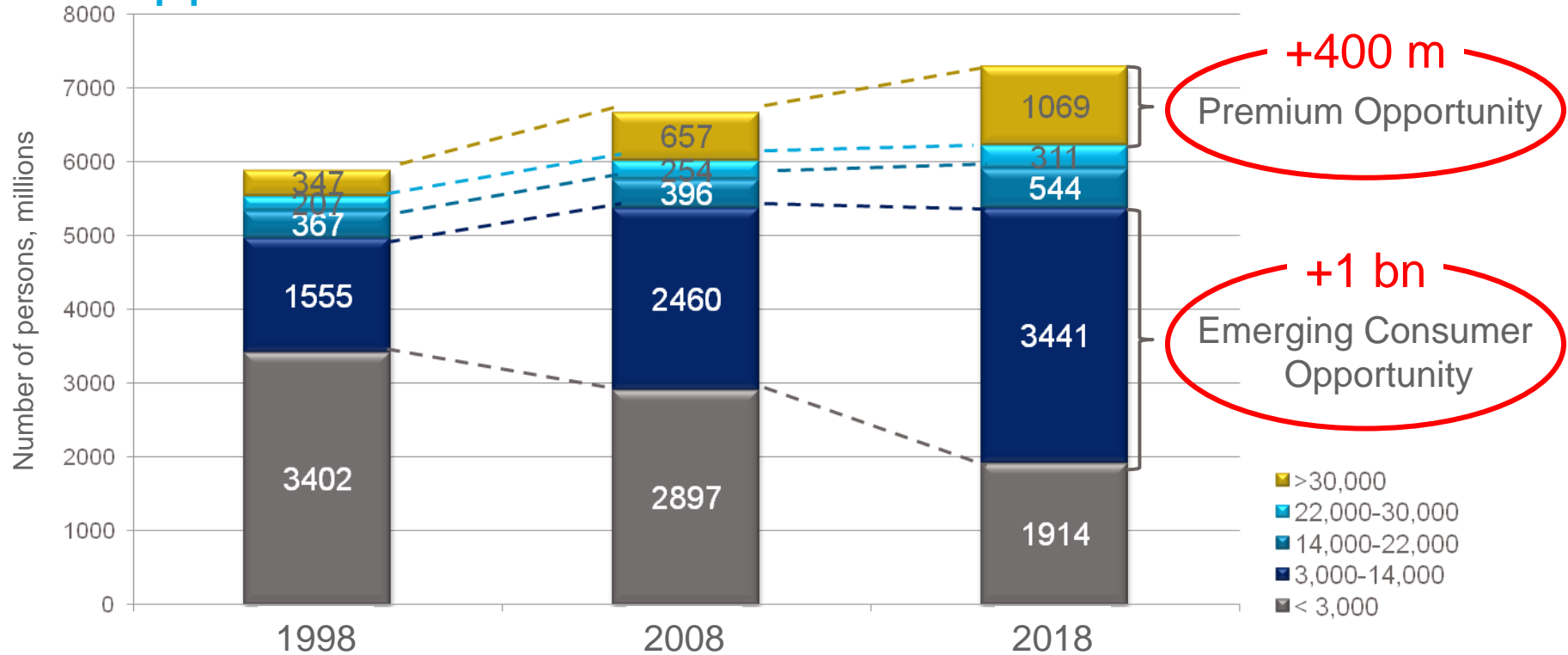
<http://maplecroft.com/portfolio/mapping/maplecroft/>

Digital opportunity: AOA makes up 50% of internet population(China the largest)



Source : iResearch, Strangeloops

The world will see strong population growth at lower and upper income levels



Sources: UN WIDER and World Bank (also for outlook on economic growth 2008-2018): analysis Nestlé EIR

The dynamics and strengths of local competition



Agenda

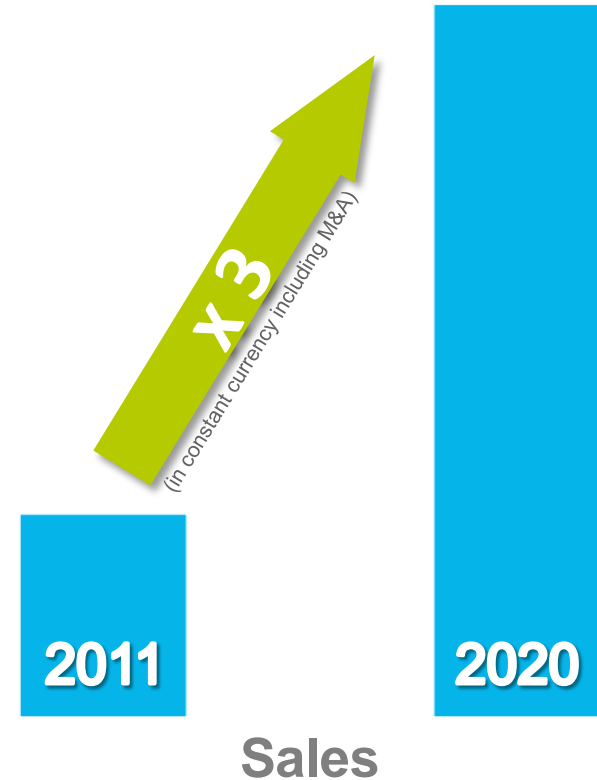
1. Introducing Zone AOA

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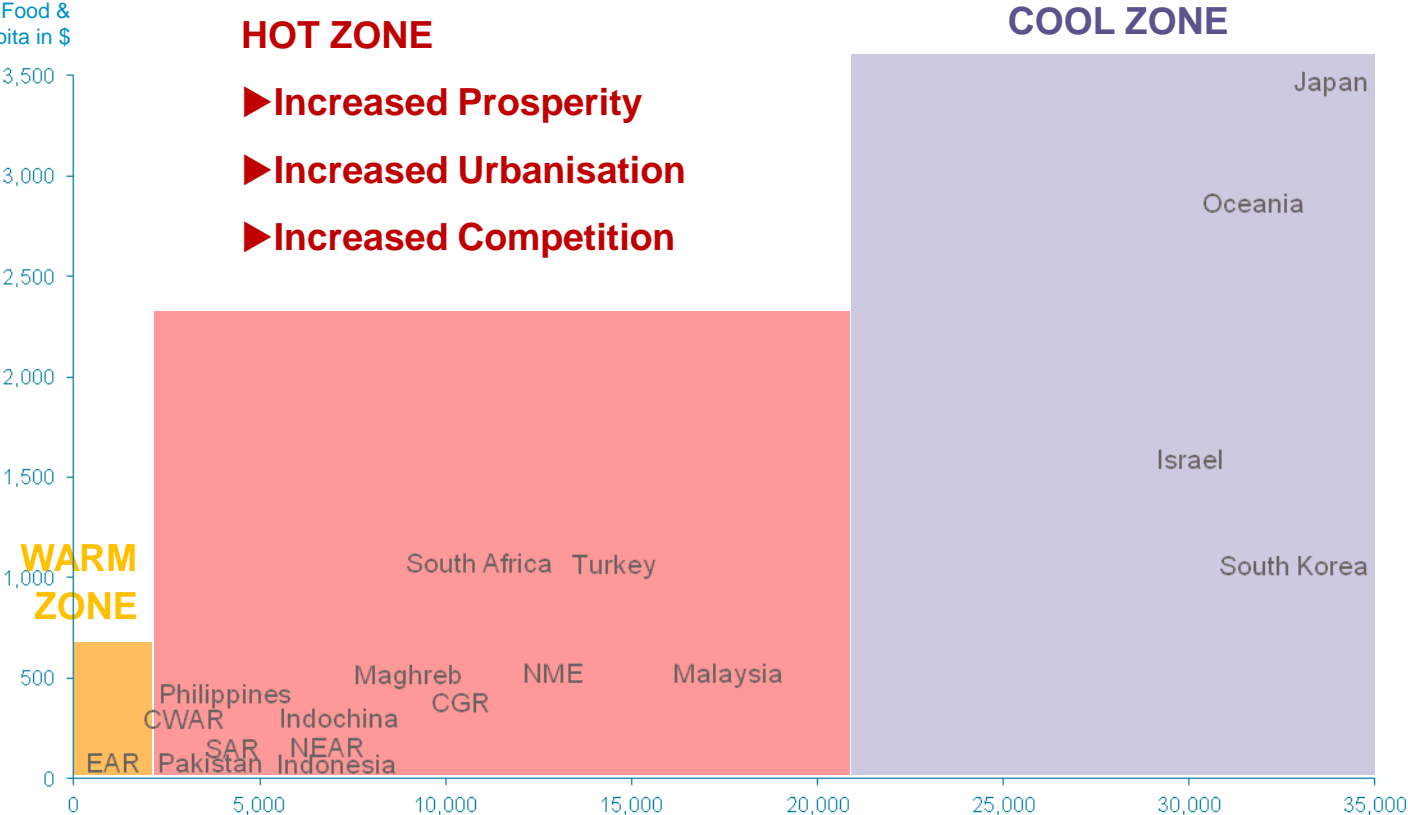
Vision AOA : Be the growth engine for the future

- Capital investments:
CHF 5 billion last 5 years
- Invest in R&D resources, people, brand investment, GLOBE support for Emerging Markets
- AOA must lead the trends and act as pilots/incubators : Premium, NHW (micronutrient deficiencies, obesity, ageing), **local innovations**, sustainability, environment, digital, etc.



Grasping the HOT ZONE opportunity

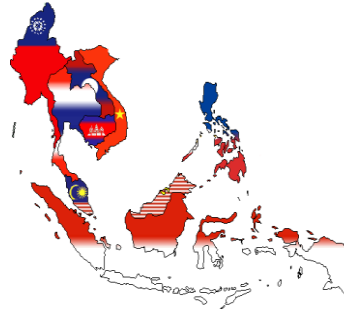
Packaged Food & Beverage per Capita in \$



GDP at PPP per Capita in \$



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



China	South Asia	ASEAN	Africa	Middle East
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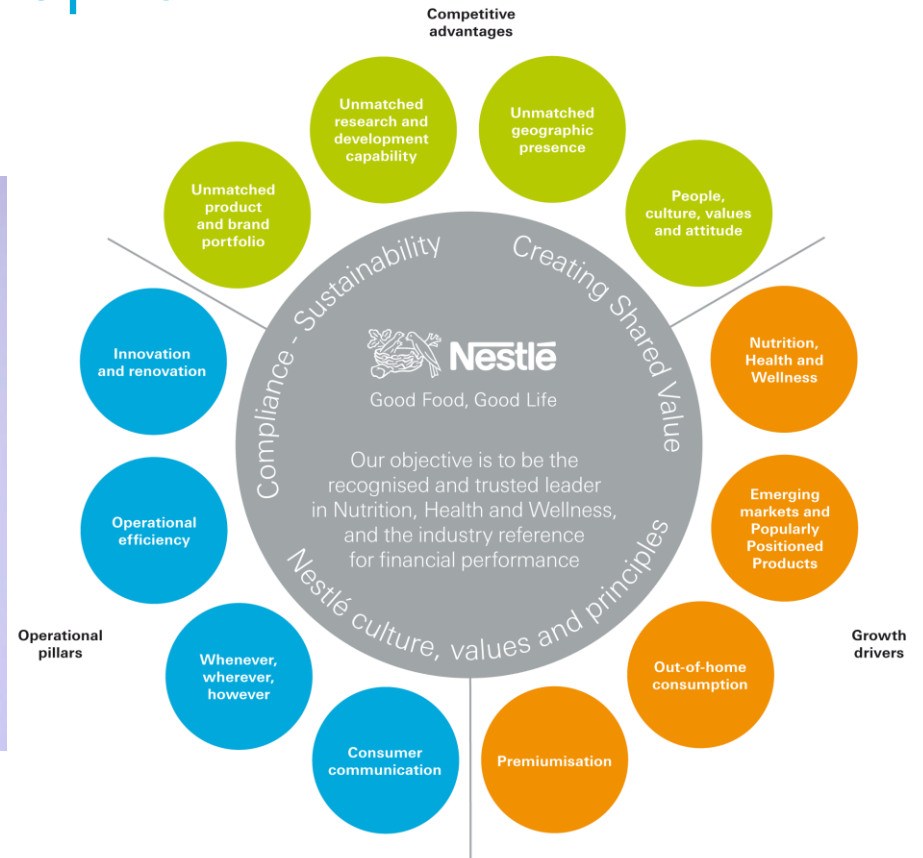
Challenges

<ul style="list-style-type: none"> • Local players • Food safety focus • Invest in people & capacity • Innovation / Renovation 	<ul style="list-style-type: none"> • Aggressive competition • Local sourcing • Build distribution • Innovation / Renovation 	<ul style="list-style-type: none"> • Aggressive competition • Competition for talent • PPP opportunity • AFTA trade opportunity 	<ul style="list-style-type: none"> • People • Resources • Local Raw / Packaging 	<ul style="list-style-type: none"> • Political instability • Securing supplies • Multi-tier offer
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Strategies

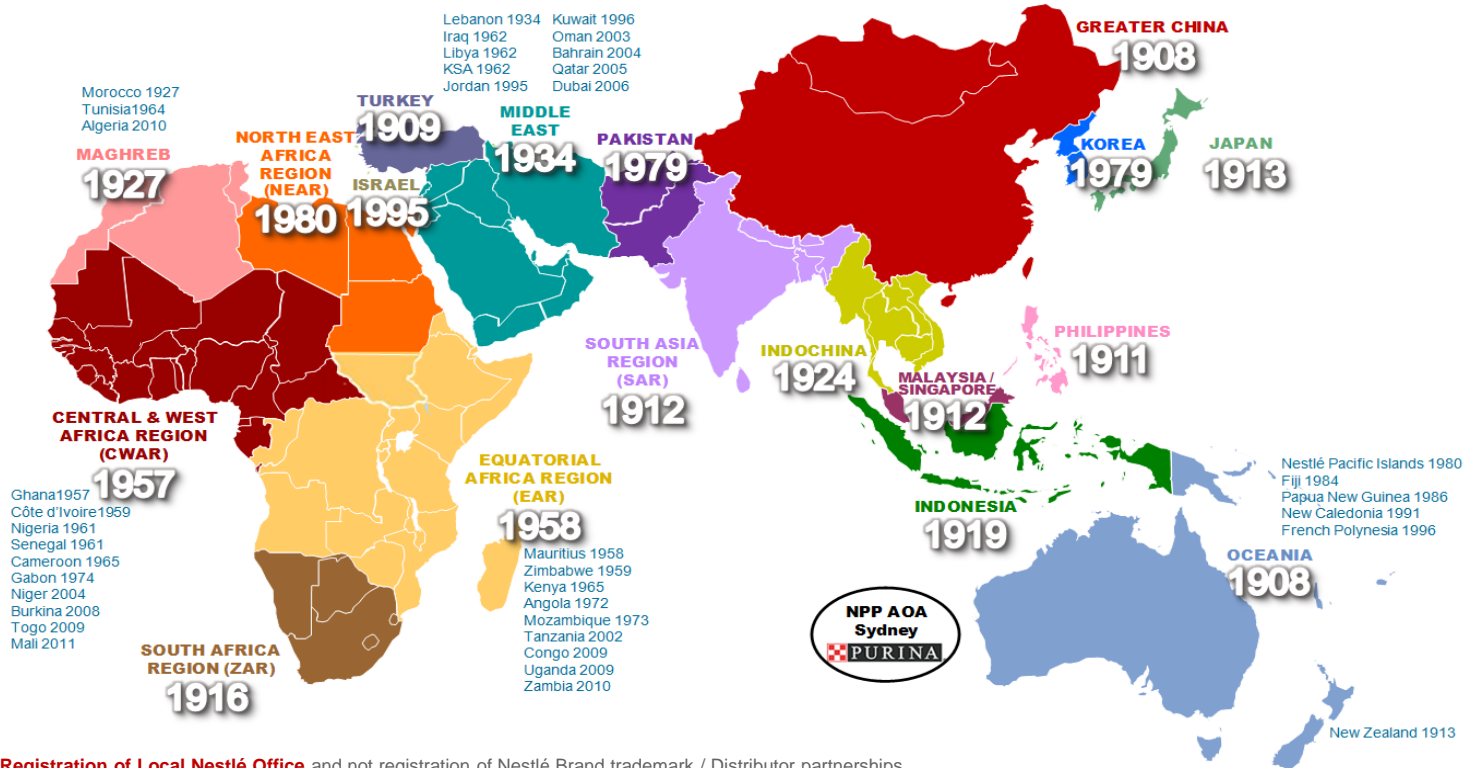
<p>Accelerate PPP & CSV</p> <p>OOH</p>	<p>Defend and build brands</p> <p>Price Point Management</p>	<p>Invest ahead of demand</p> <p>Premiumisation</p>	<p>People</p> <p>NHW</p>	<p>Build distribution</p> <p>External growth</p>
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The Nestlé Strategic Roadmap to Win in the New Reality



Nestlé in Zone AOA : Established presence and rich in History

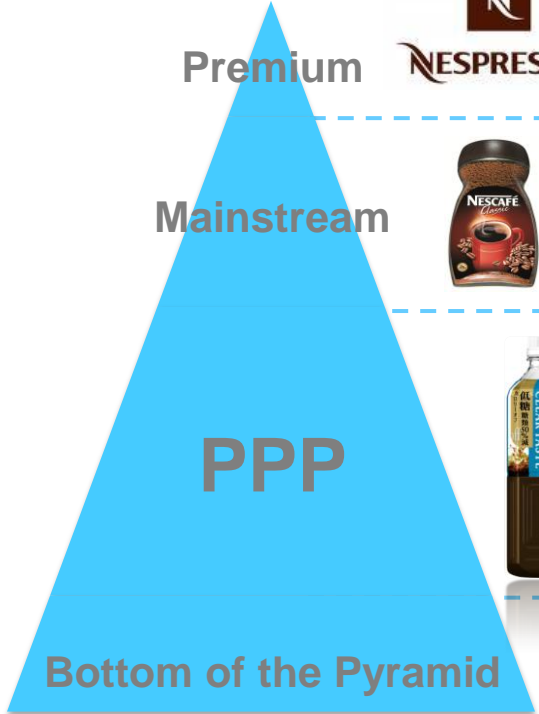
Unmatched geographic presence



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

Multi-tier strategy with the right product portfolio

Unmatched product and brand portfolio



75 Halal certified factories worldwide with majority in Zone AOA

Unmatched
product
and brand
portfolio

Whenever,
wherever,
however



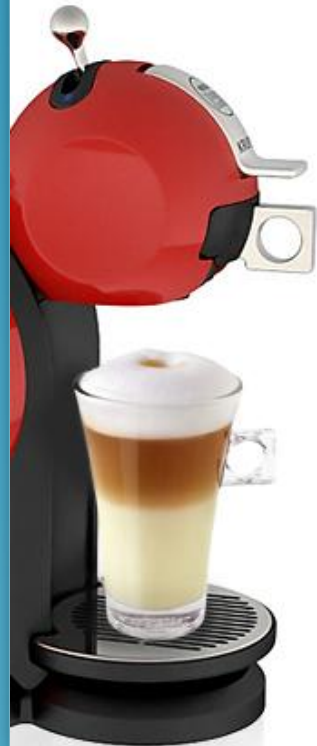
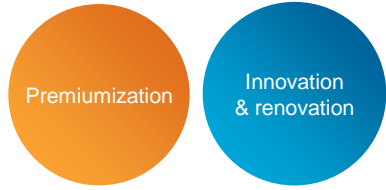
- Strict Company **Halal Policy**
- Nestlé Malaysia created the **Halal Centre of Excellence**
- Estimated Halal Food Market Value at **USD 600 bn**
- **Wide range** of Nestlé products catering to Halal dietary needs

7 research sites in Zone AOA

Unmatched
research &
development
capability



Global innovation roll-out: Premiumisation with *NESCAFÉ Dolce Gusto*



Espresso



Cappuccino



Mocha



Cappuccino Ice



Chai Tea Latte



Macha Latte

Launched in 10 markets:

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

Local innovation roll-out from Thailand: Nestlé peelable ice cream

Innovation
& renovation



- Launched in **Thailand** :
May 2010, in conjunction with the "Eat smart, Play hard" campaign, endorsed by the Thai Ministry of Public Health
- In 25 countries today :
 - ✓ Z-AOA : 8 countries
 - ✓ Z-AMS: 4 countries
 - ✓ Z-EUR: 13 countries

MILO in one Zone AOA : Consistency and coherence over time

Consumer
communication

Unmatched
product
and brand
portfolio



- Winning formula
- Holistic proposition
- PPP focus
- Grassroot sports & sampling

PPP (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

Nutrition in AOA : 2011 highlights

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



Product Innovation and renovation

Ageing population opportunity: Nutrition, Health and Wellness

Nutrition,
Health and
Wellness

Nestlé Senior Milk Powders (China)



Product Description

- Specialised senior nutrition addressing key health benefits (Heart, bone, optimal nutrition)

Consumer Insight

- "Stay healthy and active, enables me to lead a full, golden life"

Nestlé Nutrition Pempal Active (Japan)



Product Description

- Target: Elderly with Sarcopenia* (or the risk of)
- Nutrition: Vitamin D 12.5µg
Protein 10g
Calcium 300mg
- Package: 200kcal/125ml; Price: 245 JPY (CHF 3)

*degenerative loss of skeletal muscle mass and strength associated with ageing

Out-of-home opportunity in AOA:

Out-of-home
consumption



“Creative Food & Beverage Solutions - Making More Possible for our Customers”



- Geographic and channel expansion
- Dedicated unique RTM
- Solutions-based selling
- Tailor-made solutions for operators



Our brand availability : Whenever, wherever, however

Whenever,
wherever,
however



E-Commerce : Combined with entertainment and consumer relationship marketing (Japan)

Whenever,
wherever,
however

Consumer
communication

- Coffee Systems, Coffee, Coffee Creamers, Confectionery, Food, Pet Food, Nestlé Nutrition, Nestlé Professional
- TV Shopping
- Approx. 10% sales contribution by 2020

Our regional Procurement and Manufacturing in ASEAN

Operational efficiency



2/3 Raw & Pack Material Regionally Sourced

- Coffee
- Cocoa
- Palm Oil
- Milk
- Paper
- Pulp
- etc.

Regionally Manufactured

- Soluble Coffee
- Creamer
- Malt
- Dairy
- Cereals
- etc.

Nestlé Continuous Excellence (NCE) plays a very important role in AOA

Operational
efficiency



NCE :

100% factories

100% market supply chains

NCE beyond Operations :

60% Finance

30% Sales

20% HR

Creating Shared Value



P. Brabeck-Letmathe
Chairman – Nestlé S.A.

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

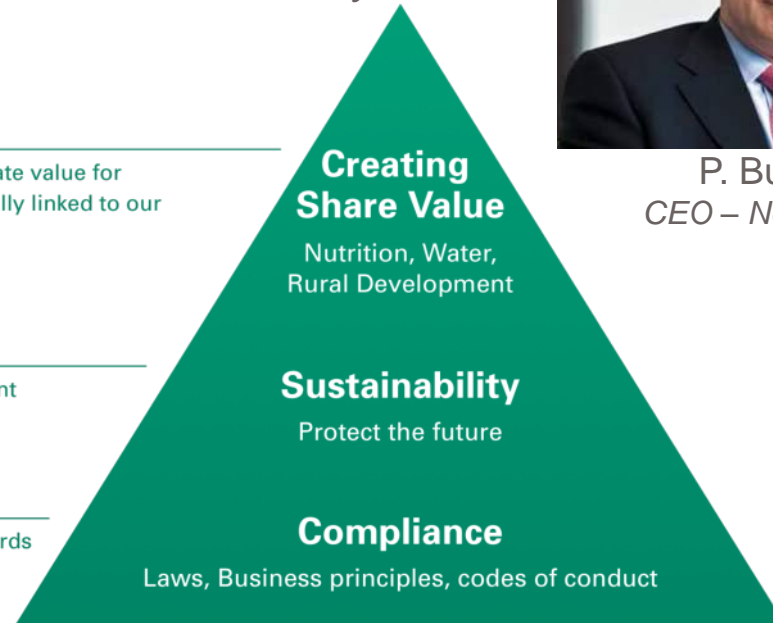
“... beyond sustainability, to create value for shareholders & society - integrally linked to our core business”

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

Comply with the highest standards



P. Bulcke
CEO – Nestlé S.A.



Based on 300+ (60+ in AOA) partnerships with governments, NGOs, universities



Responsible Dairy farming: Dairy district model 2011



Dairy district farmers

- Global: 422,700 farmers
(52% of our global fresh milk supply)
- AOA: 375,000 farmers
(35% of our AOA fresh milk supply)

Training and assistance

- Global: 126,000 farmers
- AOA: 98,500 farmers

Responsible Coffee farming: The *NESCAFÉ* Plan 2011



***NESCAFÉ* Plan farmers**

- Global: 170,000 farmers
(11% of our global green coffee supply)
- AOA: 17,000 farmers
(10% of our AOA green coffee supply)

Training and assistance

- Global: +16,000 farmers
- AOA: +12,000 farmers

Responsible Cocoa Farming: Nestlé Cocoa Plan 2011



Cocoa Plan farmers

- Global: 31,500 farmers
(6% of our global cocoa supply)
- AOA: 27,000 farmers
(35% of our AOA cocoa supply)

Training and assistance

- Global: 19,100 farmers
- AOA: +16,000 farmers

Over 570,000 persons earn their living from Nestlé



...and more households

104,000

Nestlé employees

+ 466,000

Farmers,
sales & distributors staff,
third-party dependants
(drivers, security, agencies...)



Interchange of cultures, ideas & best practices

People,
culture,
values &
attitude

Africa and Middle East

In-Patriates: 256
Ex-Patriates: 106

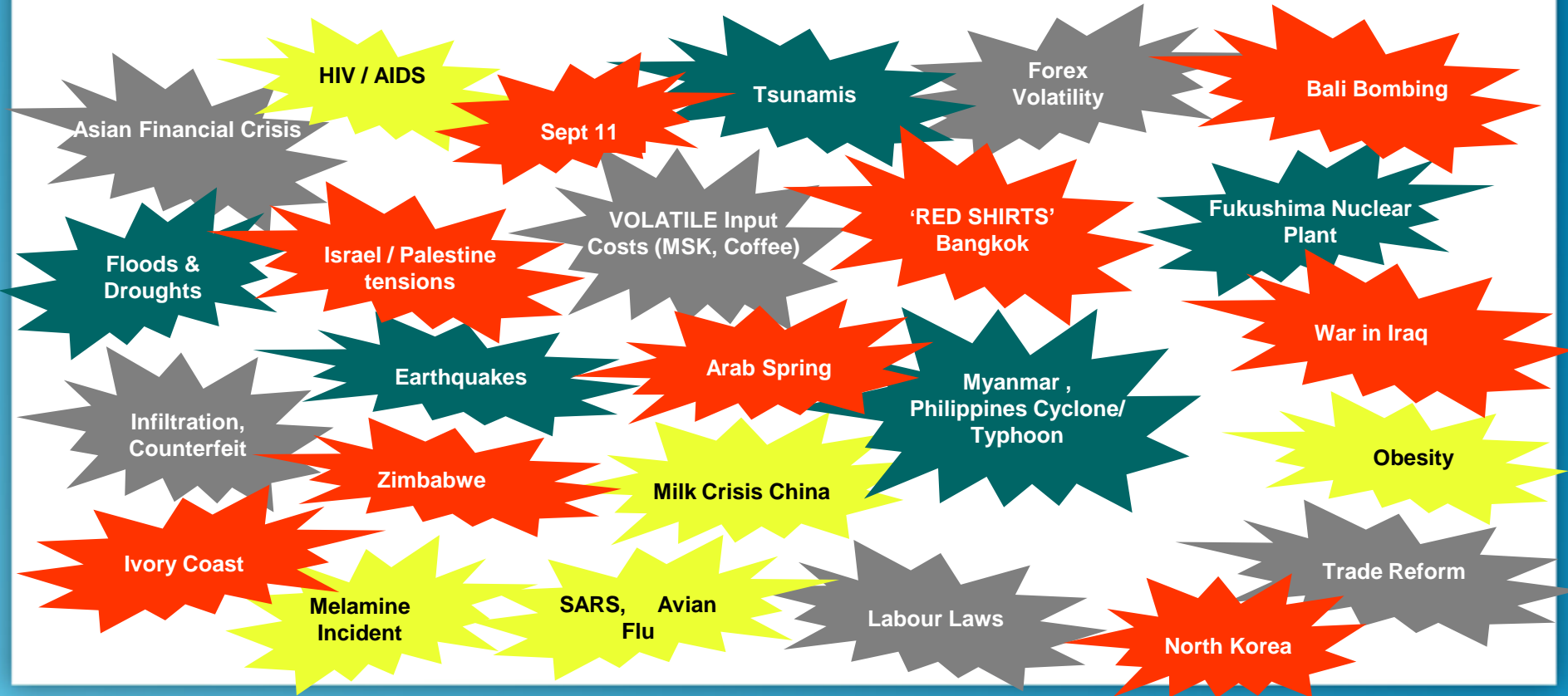
Asia

In-Patriates: 353
Ex-Patriates: 207

Oceania

In-Patriates: 48
Ex-Patriates: 57

Zone “**CNN**” : Managing in turbulent times



Competitive intensity: The way we work

People,
culture,
values &
attitude

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 (Crisis) = Wei (Danger) + Ji (Opportunity)

Agenda

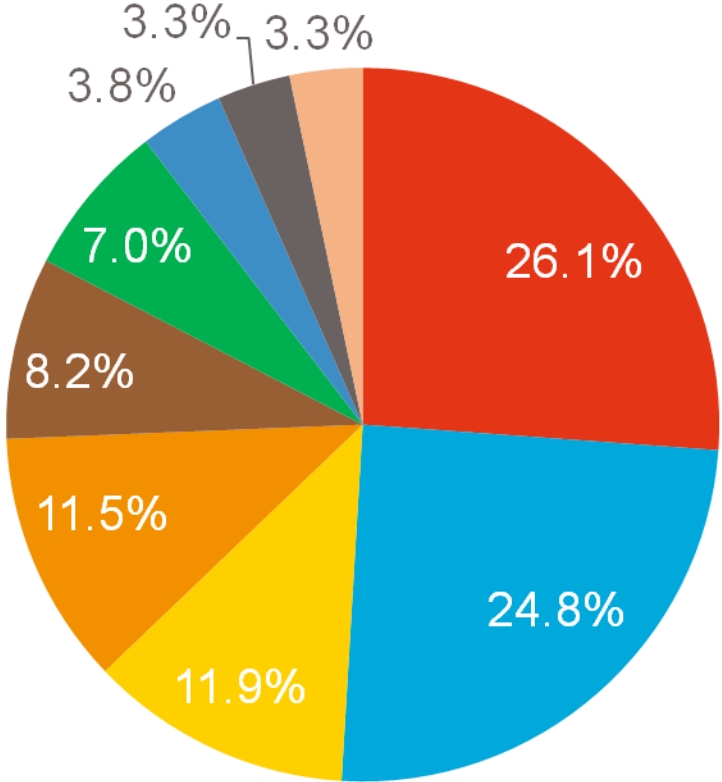
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Nestlé in AOA : Balanced portfolio and growing

2011 FY
Sales:
CHF 20 Bn

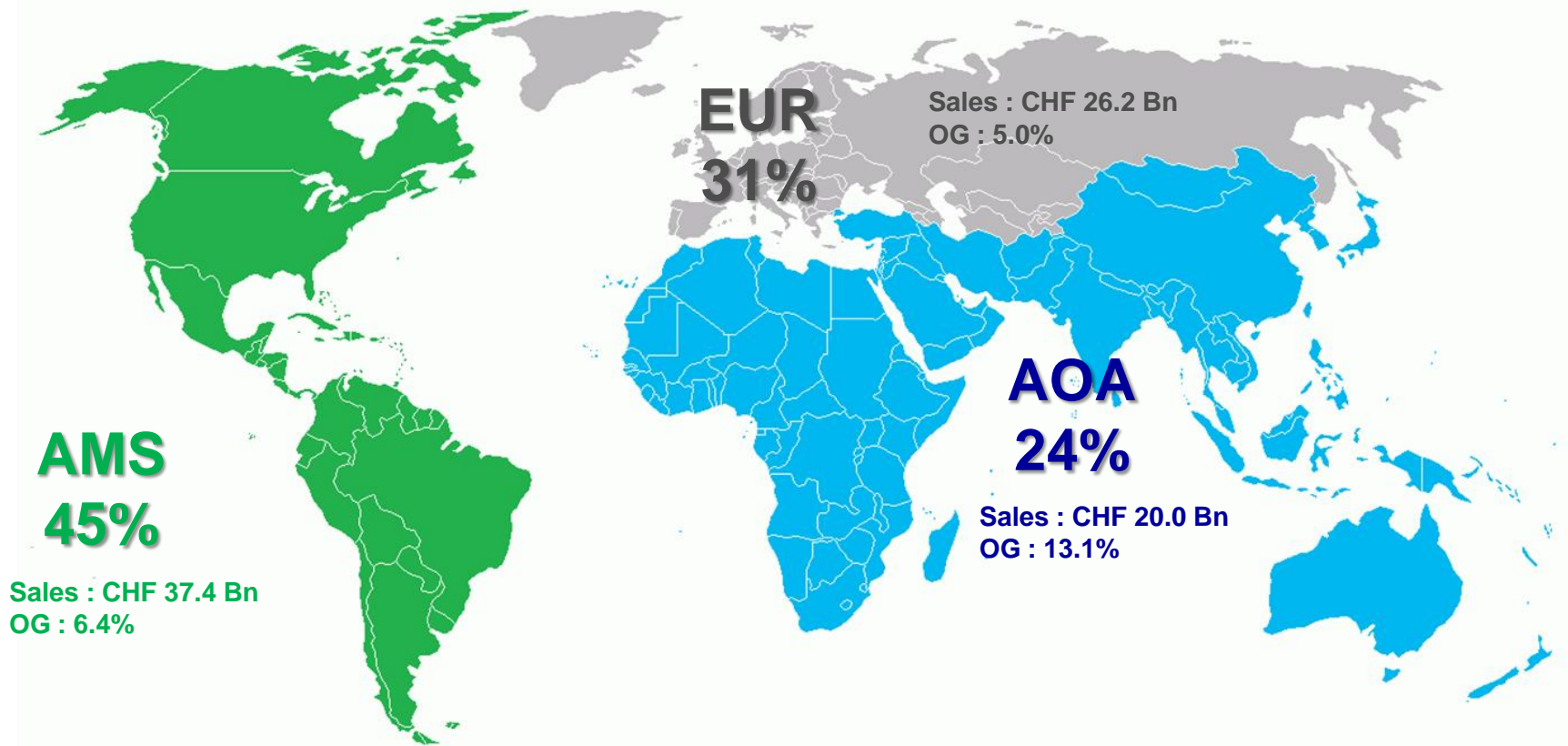


- Powdered and Liquid Beverages
- Milk products and Ice cream
- Prepared dishes and cooking aids
- Nutrition and Healthcare (a)
- Confectionery
- Nestlé Professional
- Nestlé Waters
- PetCare
- Others

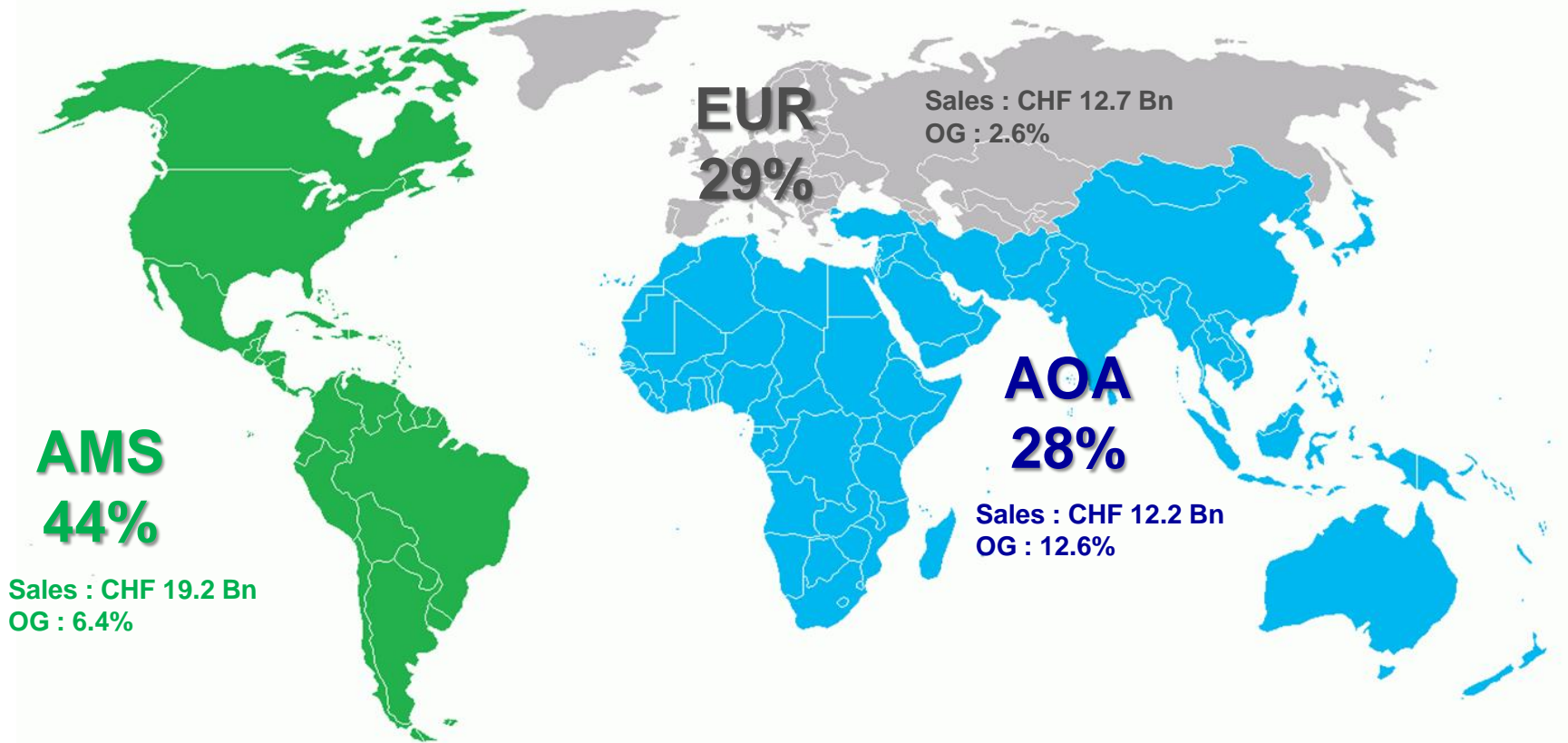
(a) Includes Pharmaceutical products, previously disclosed separately



2011 Full Year performance by geography

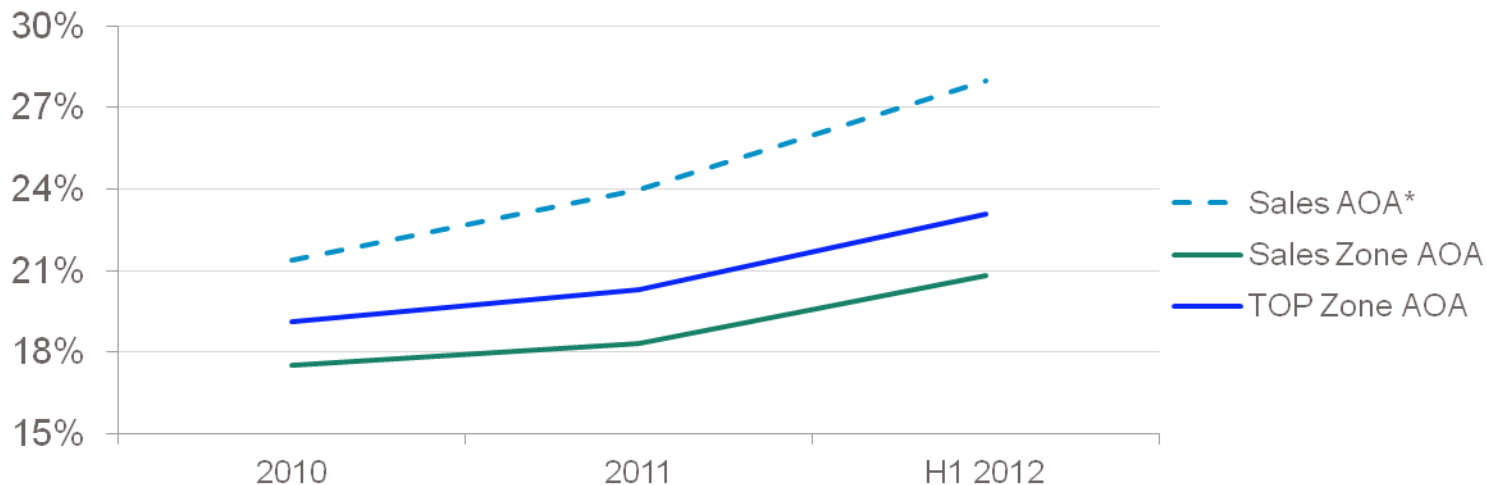


2012 1H performance by geography



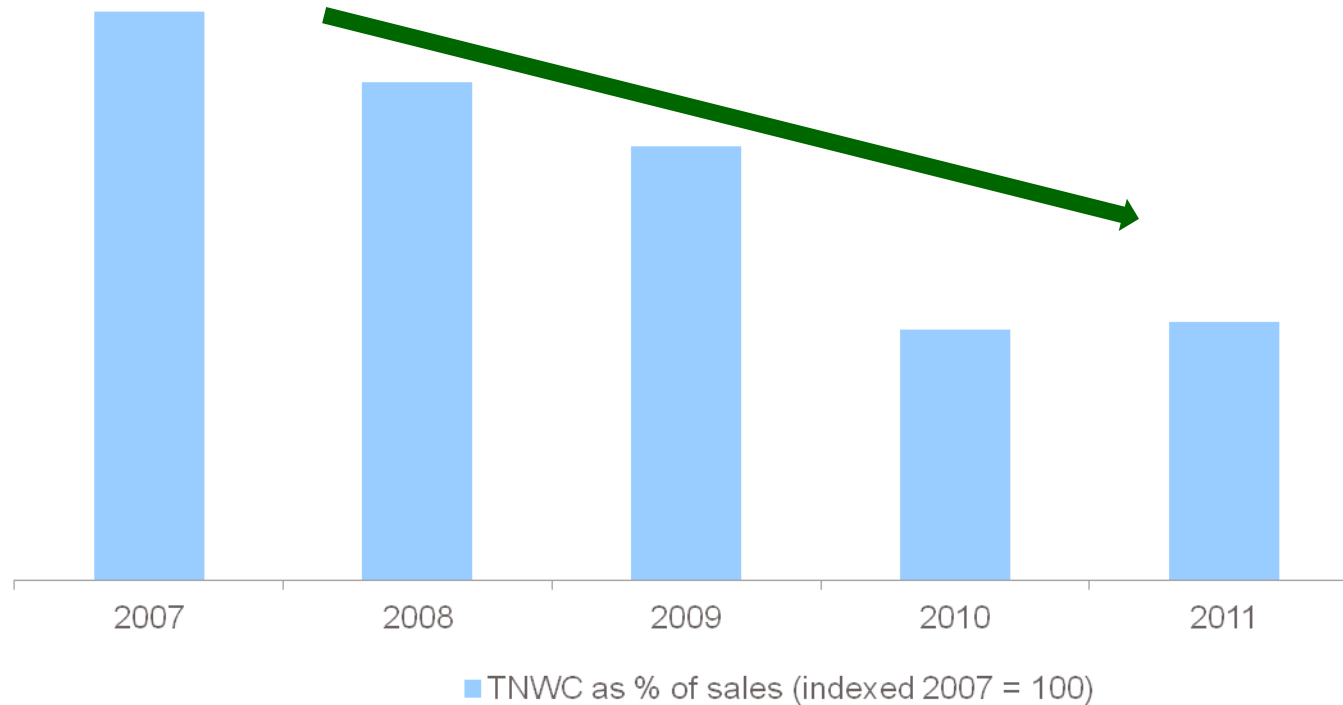
AOA is increasing its contribution to Nestlé Group

Share of AOA as % of Total Nestlé Group



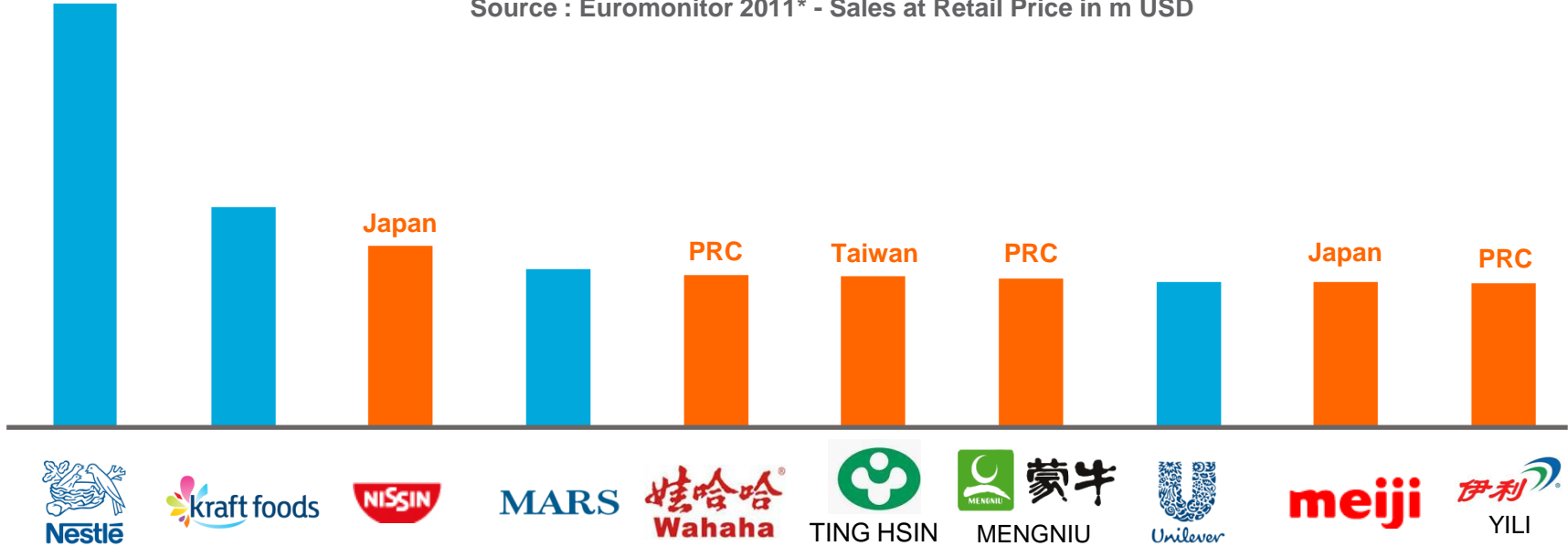
* includes sales in AOA of GMBs as well as Zone AOA

Working capital long-term trend (Z-AOA)



Competition landscape

Top 10 Food Companies in AOA
 Source : Euromonitor 2011* - Sales at Retail Price in m USD



* Packaged Food, Pet Care, Hot drinks – Not an exclusive list of companies, indicative



Conclusion



Good Food, Good Life

Our objective is to be the recognised leader in Nutrition, Health and Wellness, and the industry reference for financial performance

