

Accelerating Profitable Growth at Nestlé Nutrition



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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.

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Nestlé Nutrition 2005 - Before standalone

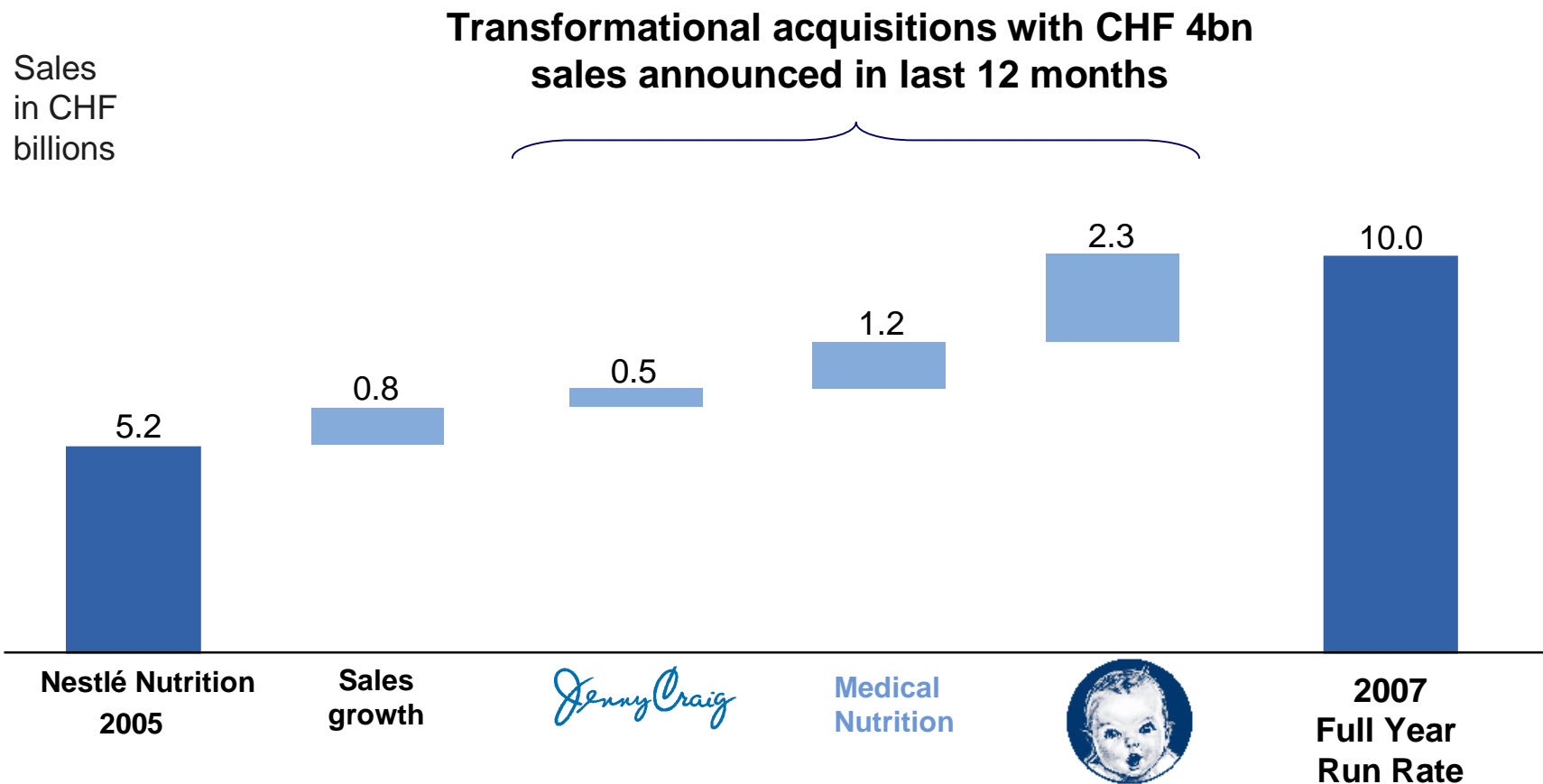


- Sales: CHF 5.2 billion
- Integrated with Nestlé in the market
- 2000-2005 organic growth $\approx 5\%$



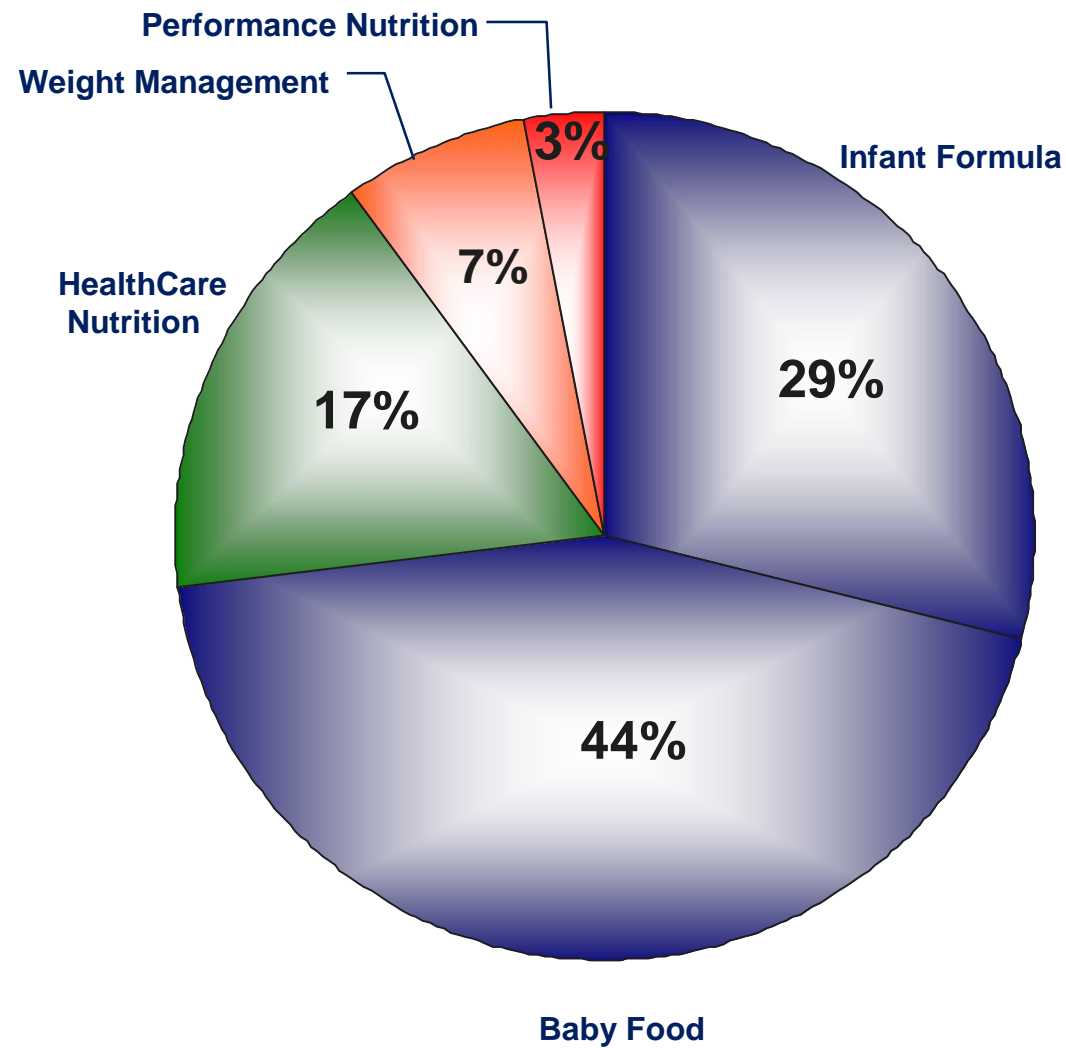
- Enhance consumers' lives by providing **innovative** and superior products & services
- Deliver sustainable organic **growth** of 10% and **EBIT margin** of 20% or more
- Successful **integration** of Gerber and Novartis Medical Nutrition to accelerate growth

Nestlé Nutrition is changing dramatically



All acquisitions are strategically aligned with our mission to provide specific nutritional benefits to consumers

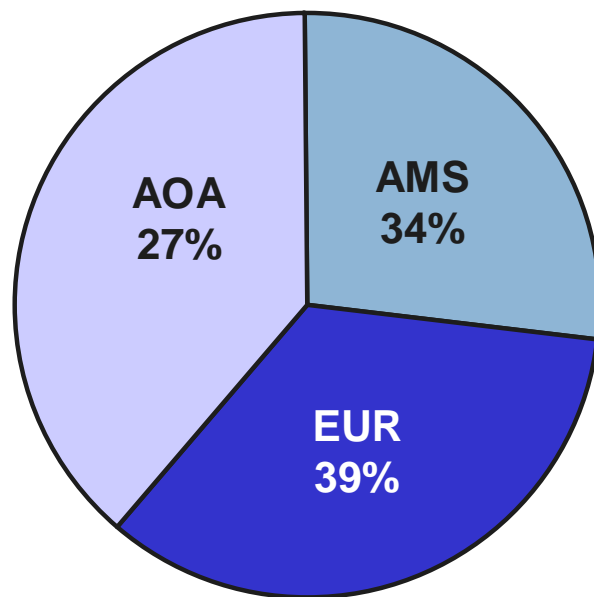
Nestlé Nutrition in 2008: A CHF10bn business



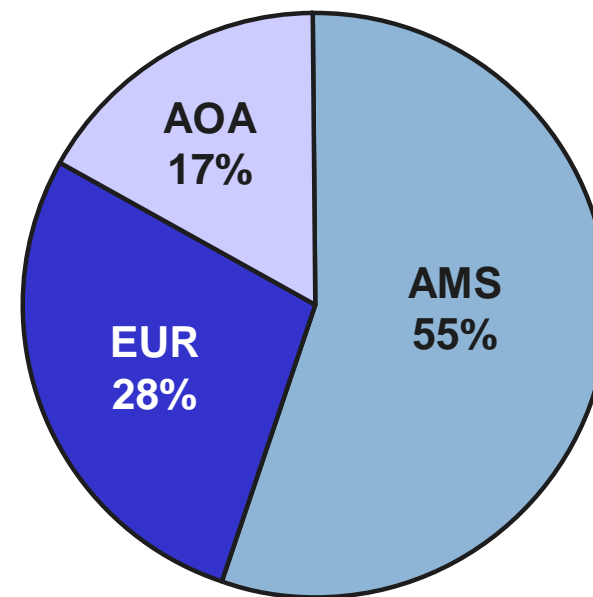
Nestlé Nutrition sales by geography



2005



2008



**Nestlé Nutrition sales in US will grow from CHF 850 million
to CHF 3.7 billion**

Office locations - from 2 to 12



- 2005: Only two separate Nestlé Nutrition office locations
 - Powerbar – Berkeley (USA)
 - Powerbar – Munich (Germany)
- 12 office locations post acquisitions
 - PowerBar Europe – Munich (Germany)
 - Musashi – Melbourne (Australia)
 - Jenny Craig – Carlsbad (USA)
 - HealthCare Nutrition – Tokyo (Japan)
 - HealthCare Nutrition – Gland (Switzerland)
 - HealthCare Nutrition – Minneapolis (USA)
 - HealthCare Nutrition – Munich (Germany)
 - HealthCare Nutrition – Melbourne (Australia)
 - Gerber – Parsippany (USA)
 - Gerber Life – White Plains (USA)
 - Gerber – Queretaro (Mexico)
 - Gerber – Rzeszow (Poland)

Factories – from 20 to 30

Technical centres (PTC) – from 3 to 5



- **Novartis Medical Nutrition**
 - Minneapolis (USA) – PTC
 - Saint Louis Park (USA)
 - Osthofen (Germany)
- **Gerber**
 - Fremont, MI (USA) – PTC/Factory
 - Fort Smith, AR (USA)
 - Reedsburg, WI (USA)
 - Rzezow (Poland)
 - Queretaro (Mexico)
 - Valencia (Venezuela)
 - Cartego (Costa Rica)
 - Campo Grande (Brazil)

People – from 10,000 to 20,000 New business models including services



- **Jenny Craig**
 - 3800 employees
 - 2500 consultants
 - 600+ weight management centres
- **Novartis Medical Nutrition**
 - 2500 employees
 - 600 medical delegates
 - sales to nursing homes, hospitals, etc
- **Gerber**
 - 4380 employees
 - Gerber Life Insurance
 - Baby Care (non-food)

Acquisition integration planning is on track



- Integration planning on track
- We expect to fully achieve synergies as communicated
- Deal closings anticipated in H2 2007

Nestlé Nutrition faces three challenges in 2008



1. Integrate new businesses into Nestlé Nutrition and Nestlé, while accelerating their sales and profit growth
2. Accelerate existing business sales and profit growth, while integrating new businesses

	H1 2006	H2 2006	Q1 2007
OG	5.1%	7.1%	10.0%

3. Accelerate the rate of consumer-led innovation for all businesses – existing and new

Accelerating growth in all businesses



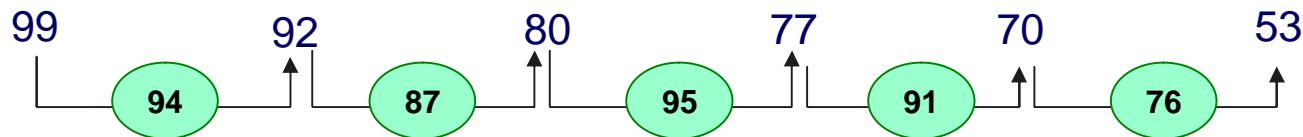
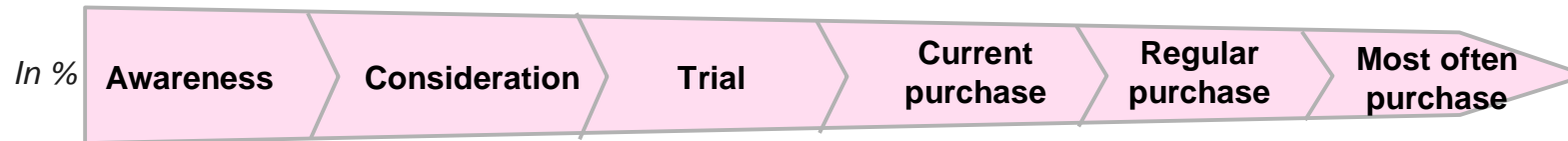
Nestlé Nutrition is gaining competitive advantage as a newly formed global business by leveraging three competencies

- Superior understanding of the global consumer
 - Global consumer transparency
- Driving innovation based on consumer needs
 - Consumer-led innovation
- Fast execution and roll-out of innovation
 - Launch and success tracking

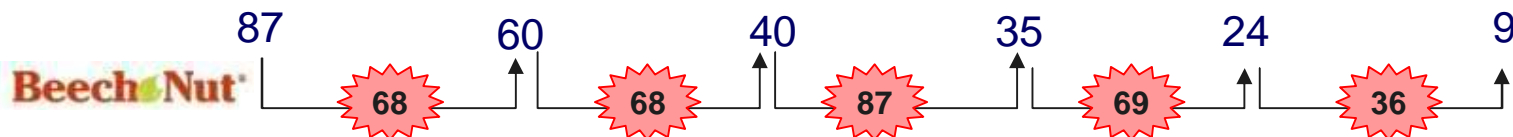
Global consumer transparency –
Major brand equity study in Infant Nutrition with
16,000 mothers in 17 countries



Gerber: Exceptionally strong brand performance – one of best purchase brands among all funnels tested

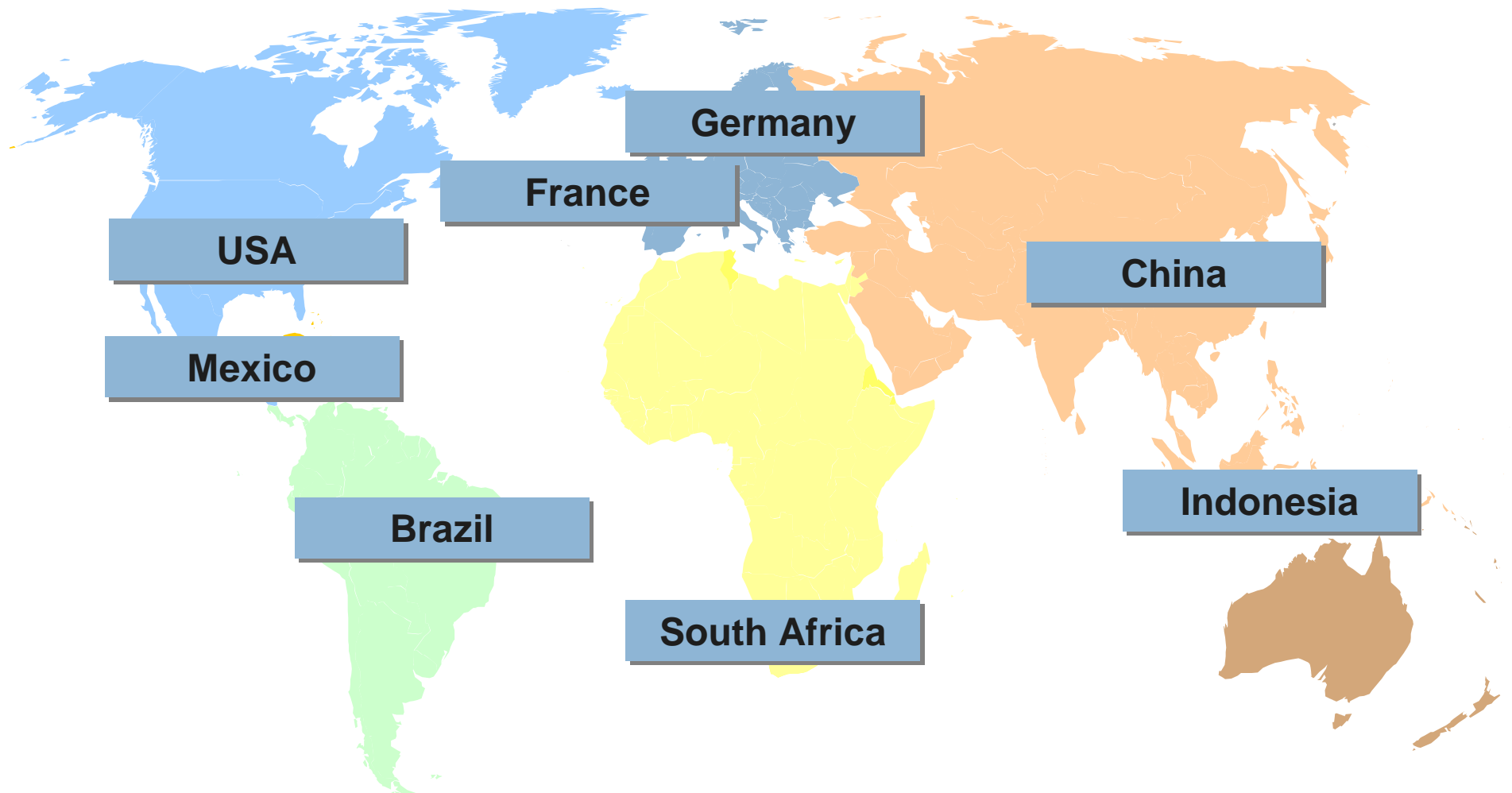


—Gerber has an excellent purchase funnel while Beech Nut is far from it.



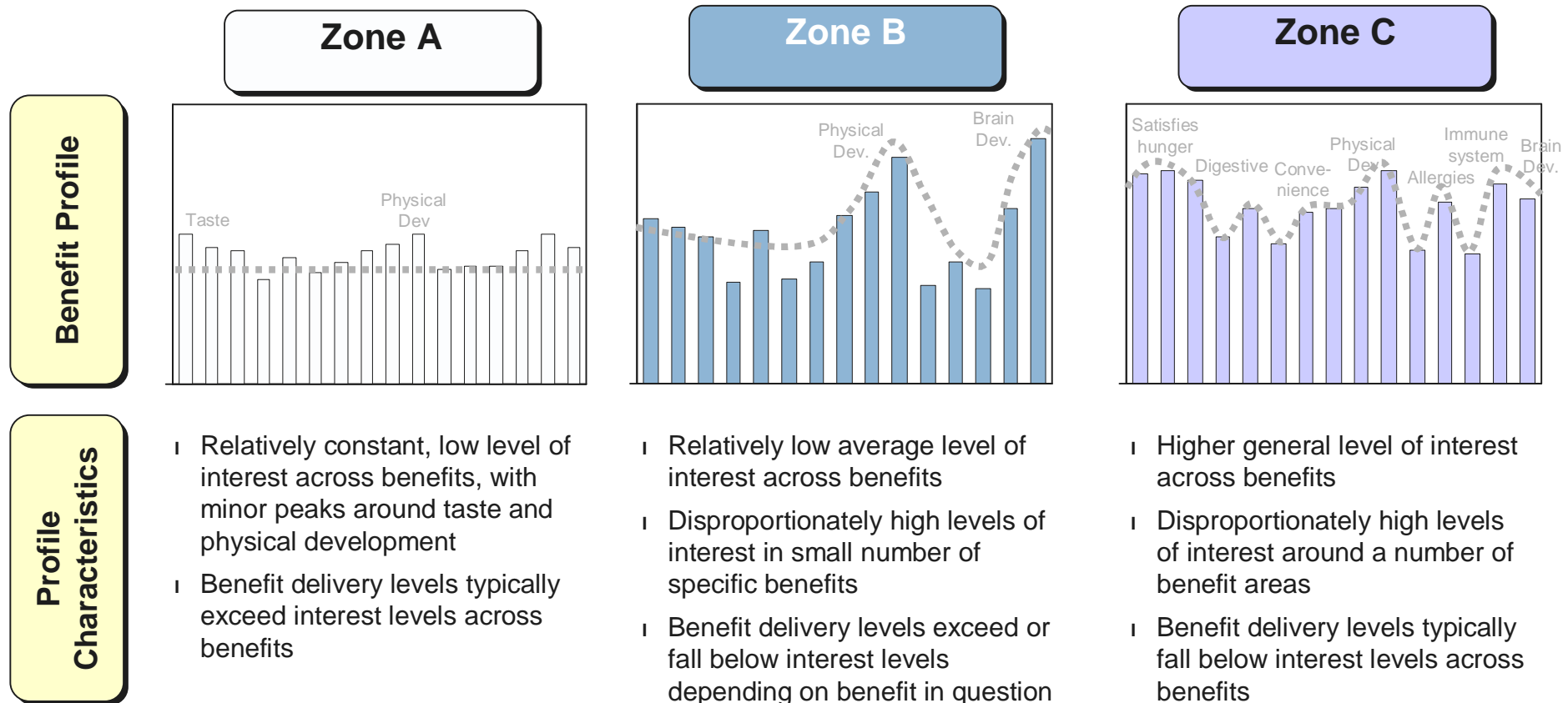
- 95 Superior significant difference at 90% vs brands mean
- 82 Bottle neck (Inferior significant difference at 90% vs brands mean)

Consumer Segmentation Work: 12,000 interviews in 8 countries



Desired Benefits by Zones

Three profiles can be used to describe the differences in benefit interest



Source: Global Infant Segmentation Study: Brazil, China, France, Germany, Indonesia, Mexico, South Africa, US; Monitor Analysis

- Nestlé Nutrition is investing c. 2.1% of sales in R&D
- This is higher than the competition
 - Novartis Medical Nutrition: 1.8% of sales
 - Gerber: 1.3% of sales
 - Numico: 2.1% of sales
- The challenge is not R&D spend but R&D productivity

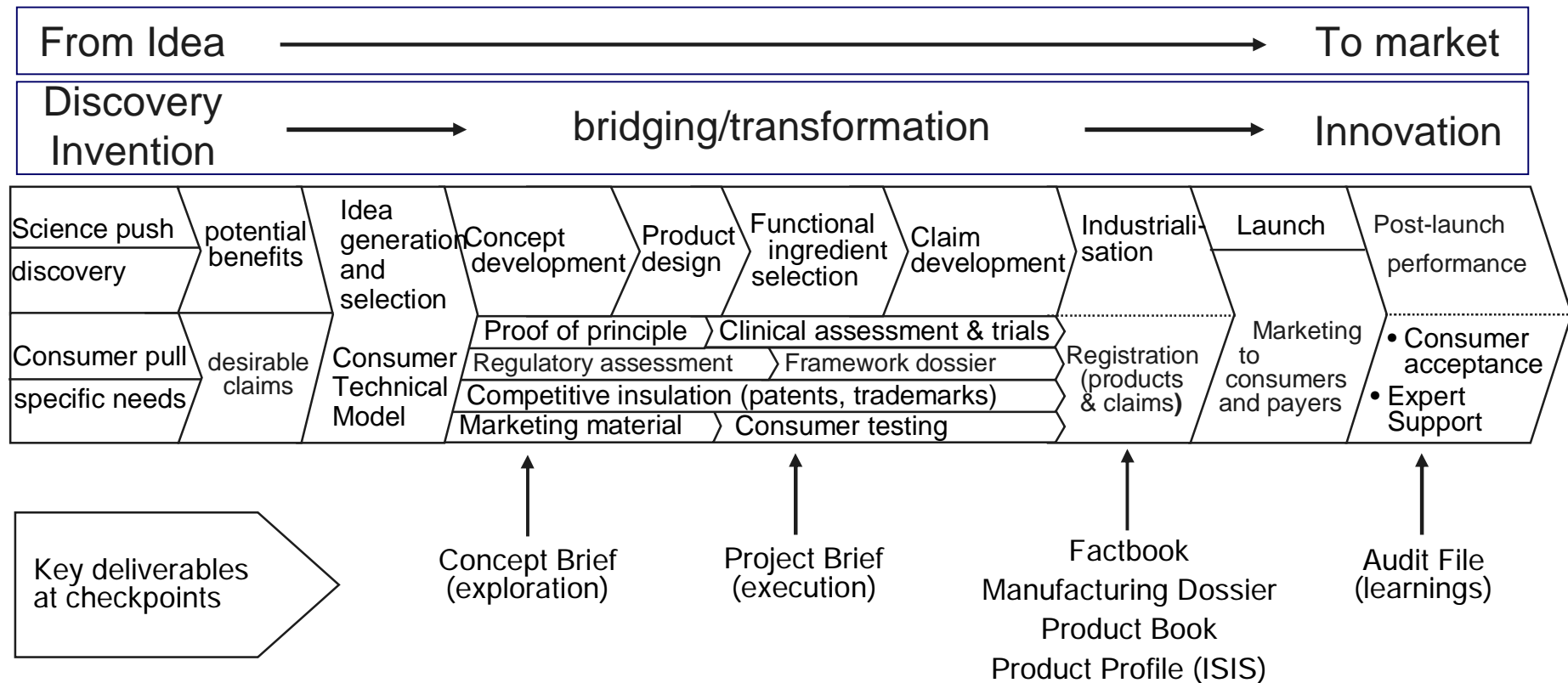
Nestlé Nutrition has developed a proprietary consumer technical model



Nestlé Nutrition has developed a highly disciplined R&D process



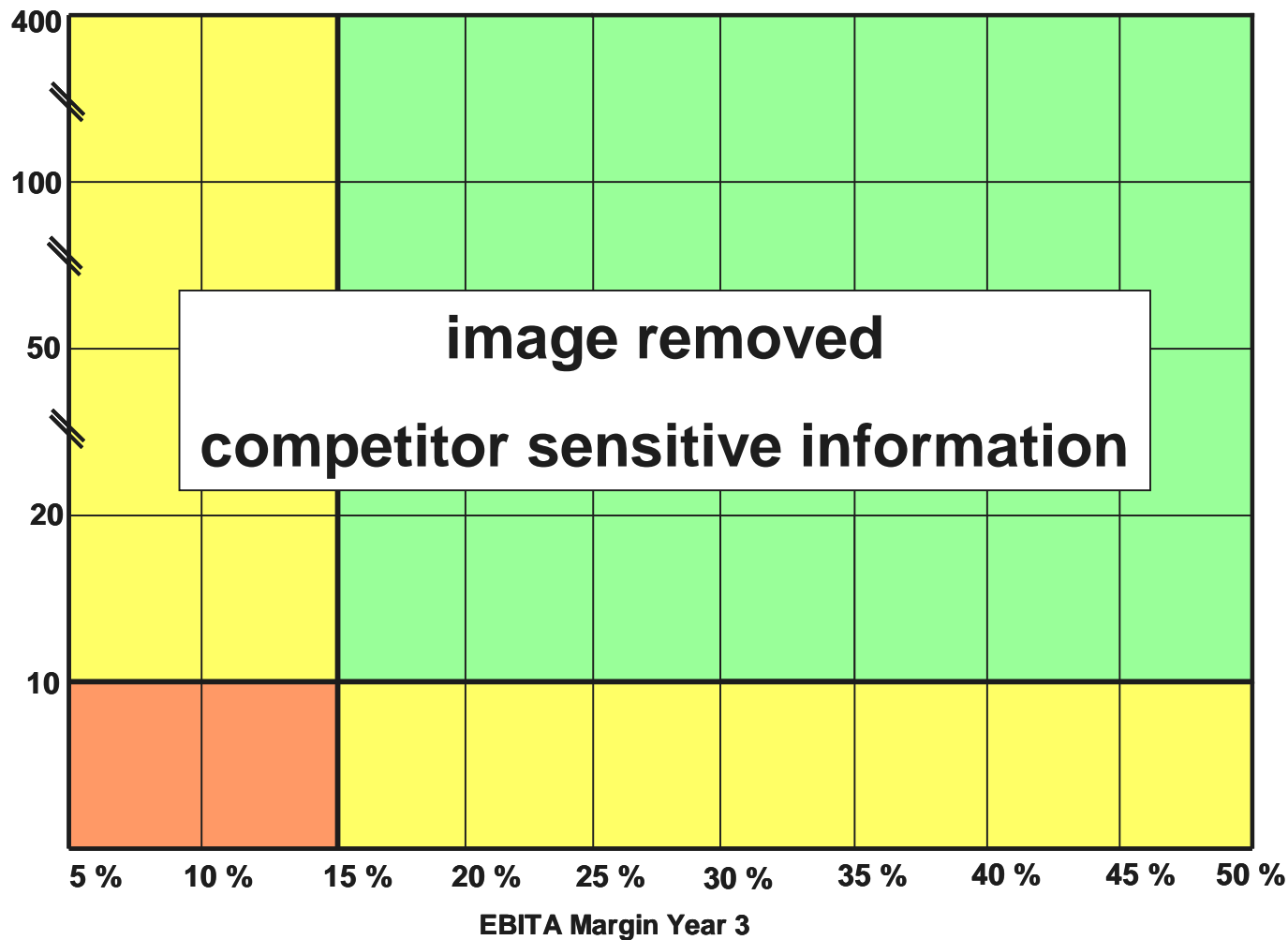
We are creating a competitively advantaged process which translates consumer insights into improved products and services



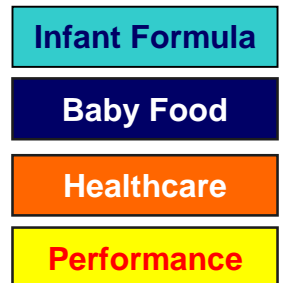
Nestlé Nutrition has created a significant innovation pipeline



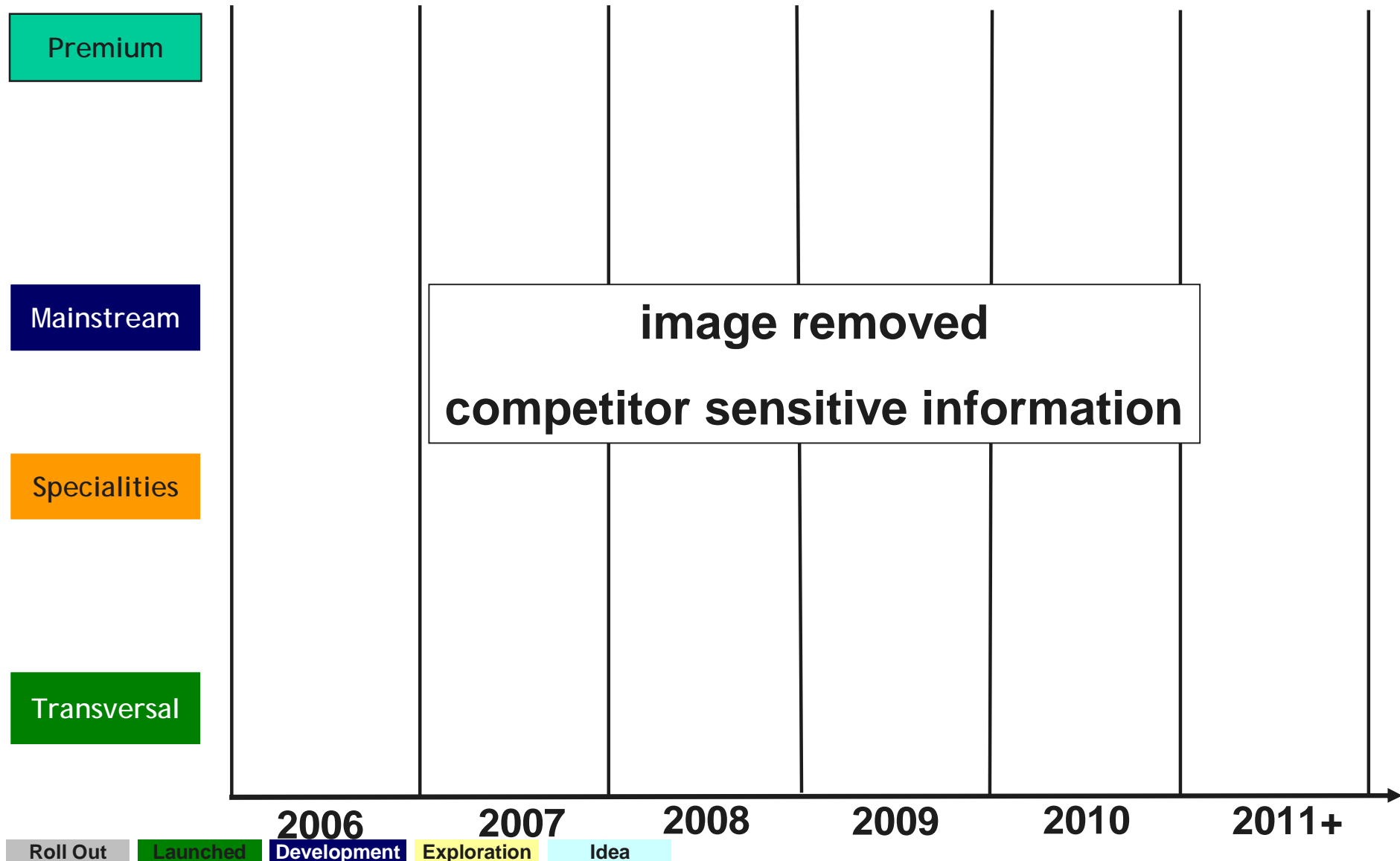
Year 3 Incremental NPS (CHF Mio.)



Size of Bubbles reflects R&D Resources



Pipeline example: Infant Formula



Nestlé Nutrition's launch success based on a three-step process



- Launch success: three-step process
 - Launch preparation (Centre/market teamwork)
 - Launch execution (Market)
 - Launch tracking success (Centre/market)
- 50+ specific innovation projects are readying to be launched
 - over 70 countries
 - creating over 500 specific launch opportunities to please consumers
- Some markets are planning up to 12 new launches a year

Launch success – Bullet



- Launch: more than 50 countries in 18 months
- Year 3 incremental sales: over CHF 300m
- Year 3 incremental EBIT: 370 bps
- Result: NAN is newest CHF 1 billion brand

We will make this systematic

Nestlé Nutrition is adding value to the Group beyond its standalone value



- Nestlé Nutrition R&D model is being applied to other businesses with appropriate modifications
- R&D investment in Nestlé Nutrition products (ingredients) are starting to enter other categories; e.g.
 - Probiotics in Dairy
 - Low Glycemic Index fibres into cereals
- Nestlé Nutrition business model of +60/40 (nutritional benefits) is giving guidance to Nestlé's 60/40+ concepts (e.g. growing up milks)
- Nestlé's reputation as the world's Nutrition company is enhanced
 - Deals with scientific community
 - Leading publisher of nutritional information for scientists
 - Becoming partner of choice for research institutions, over 70 projects under review

- Off to a good start in 2006
- Being transformed through major acquisitions
- The outright leader in the industry
- Building competitive advantage throughout our business; consumers → innovation → execution
- Adding significant value to the Group beyond standalone value

