

Nestlé in Africa and Middle East: Winning in the New Reality

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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

1. Introducing Africa and Middle East

2. Winning in The New Reality

3. Performance

An immense territory of limitless possibilities

- **6%** of the Nestlé Group sales
- **6%** of the world GDP
- **18%** of the world's population



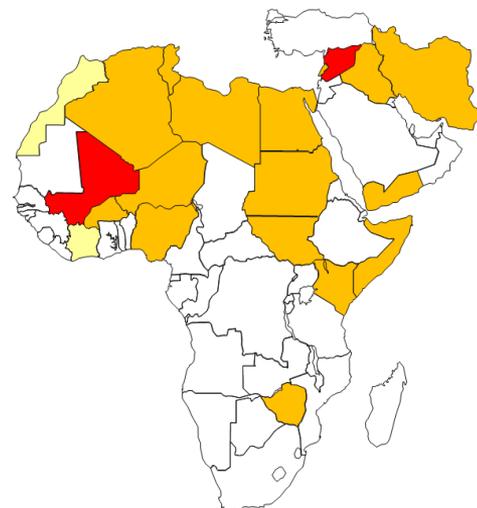
More often known for its political and social unrest...



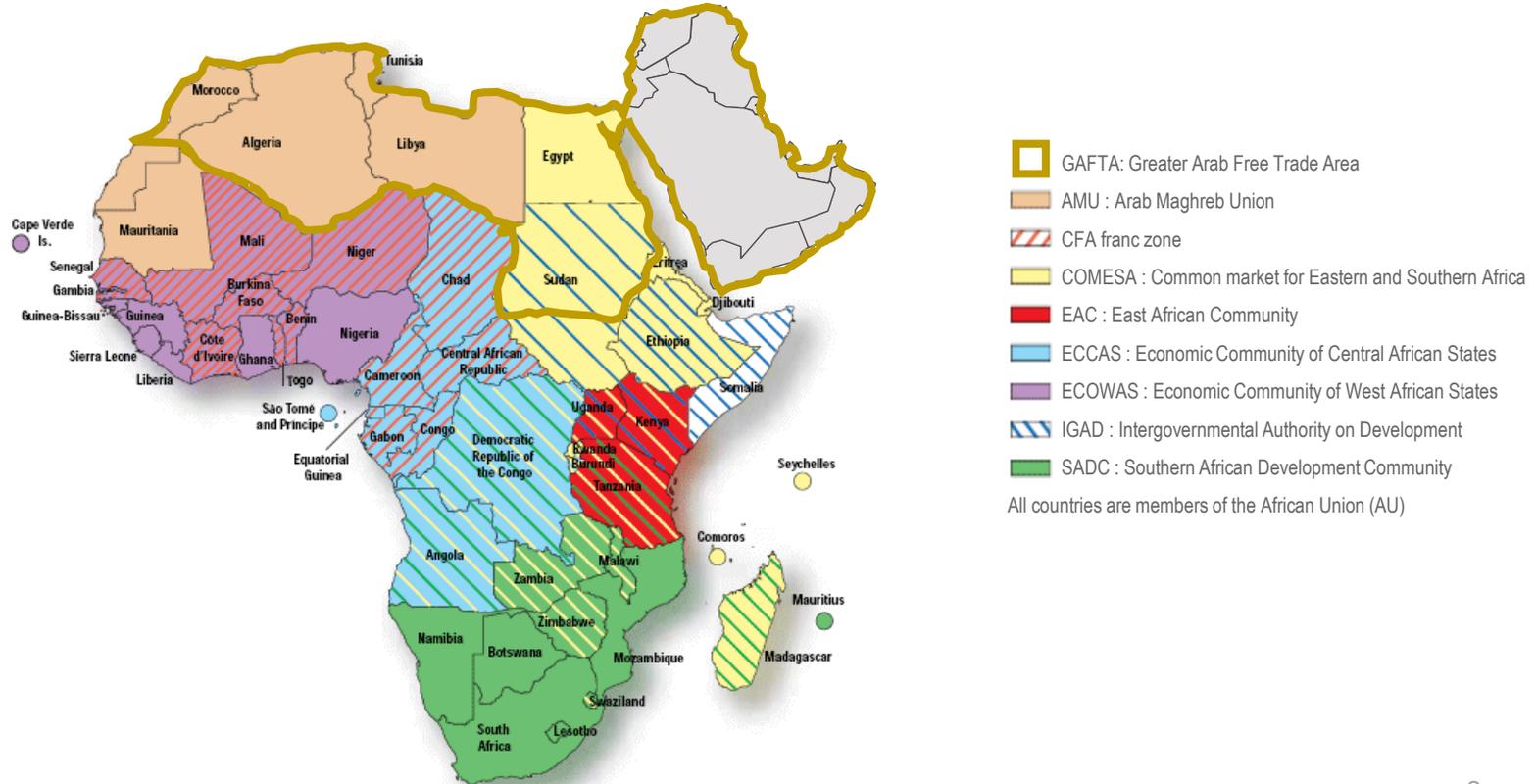
2012 planned elections
(presidential,
parliamentary,...)



Potential for
political or social
conflict

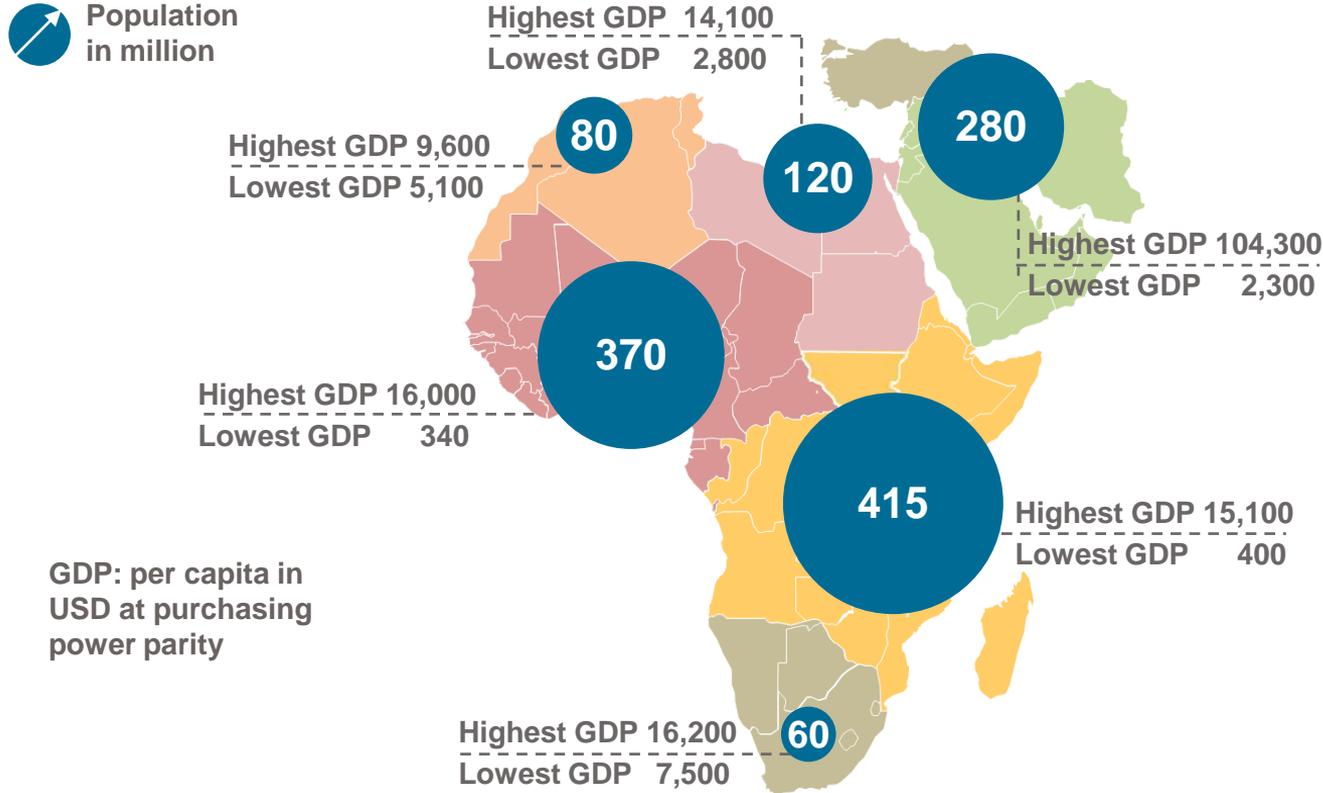


Getting organised in various economic regions



Source : UNEP 2005

Very diverse in terms of population, culture or GDP

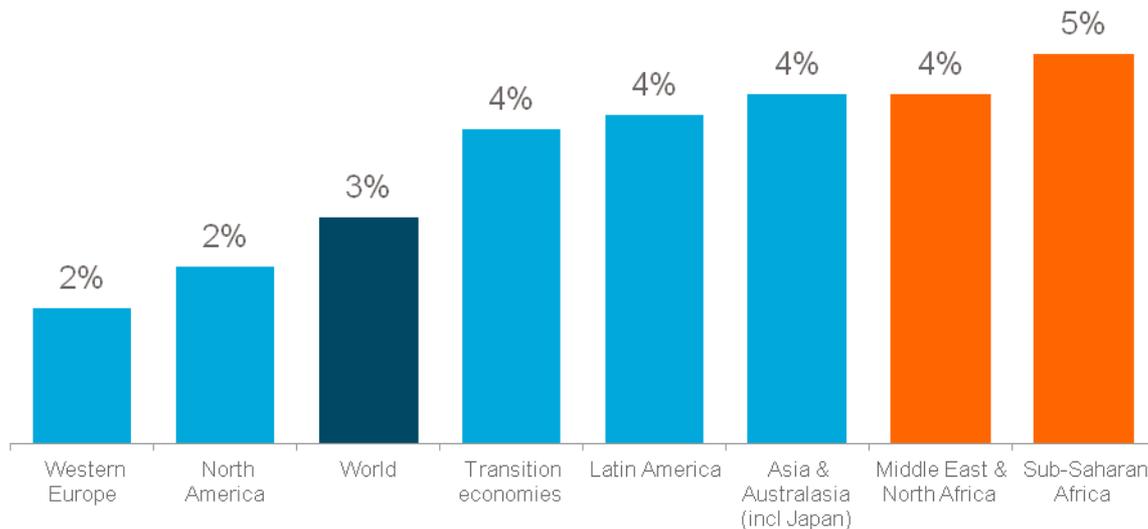


Source : CIA World Factbook

Accelerated GDP growth: the ascent of the roaring giants

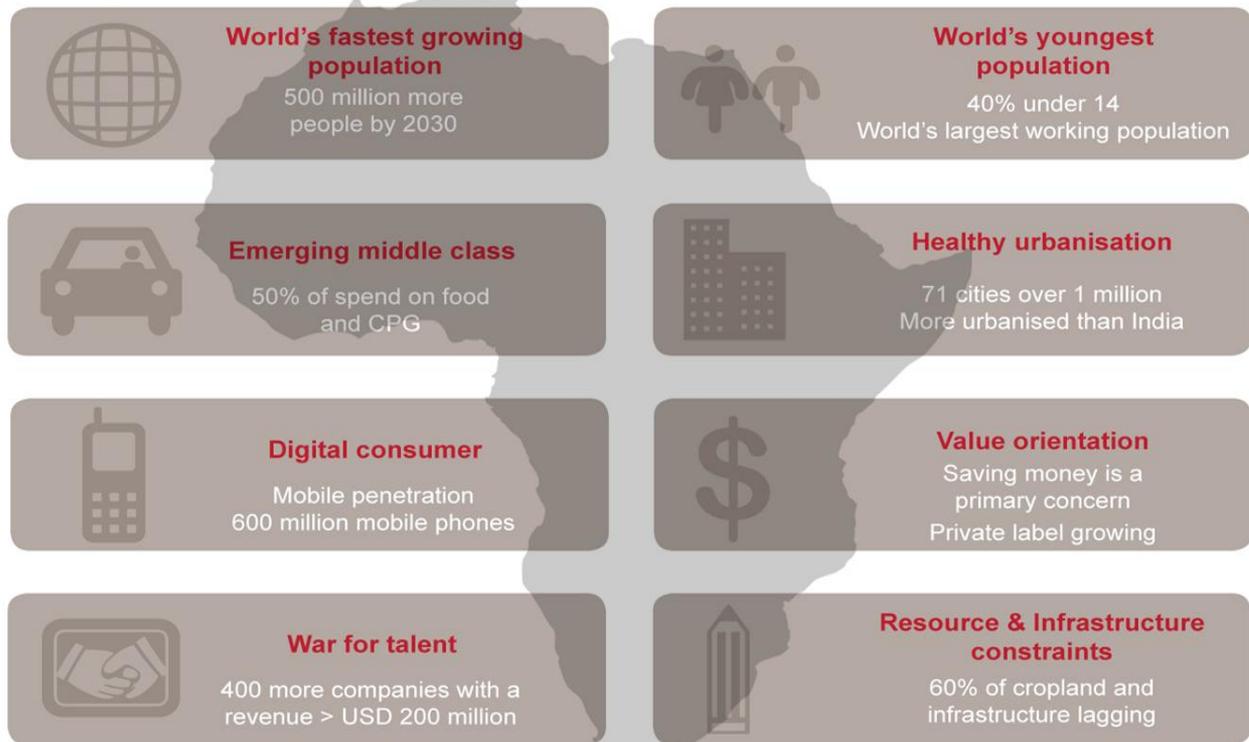


GDP Average
forecast growth
(2011-15)



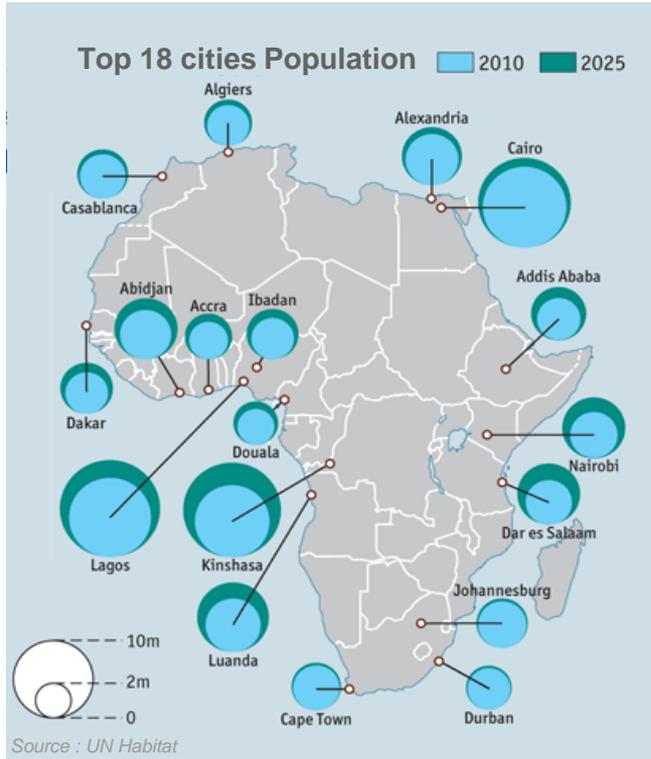
Source: EIU - Deloitte

8 trends affecting Africa

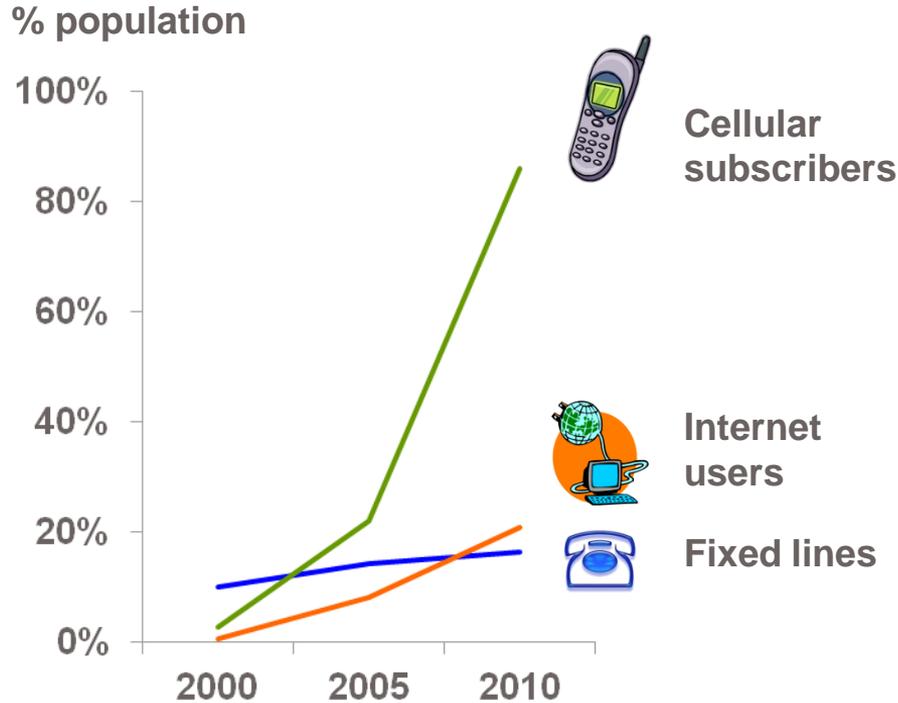


Source : McKinsey

Increasing urbanisation

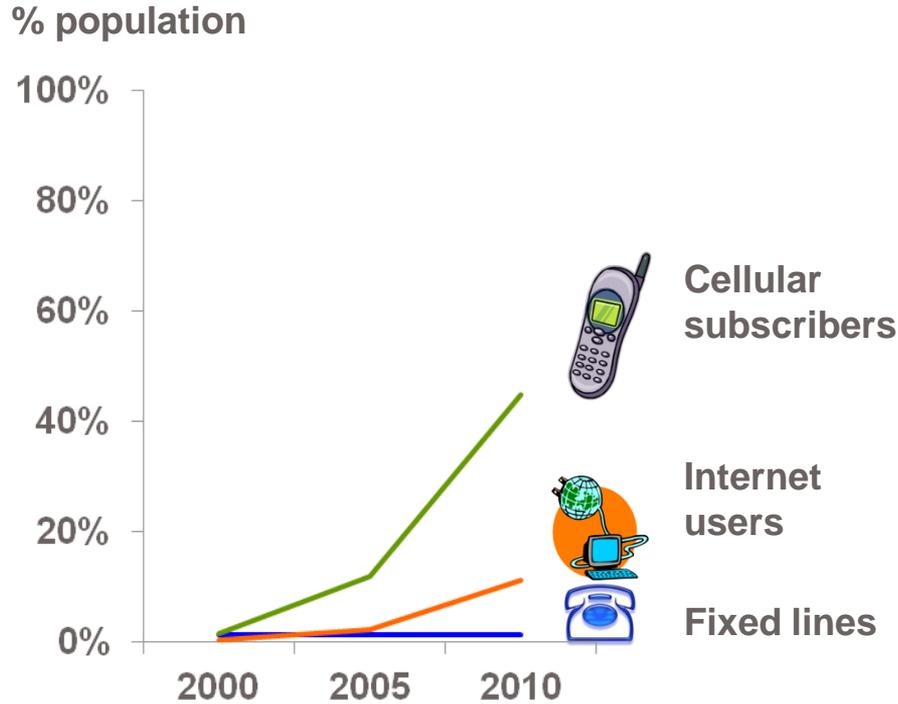


Digital boom via cellular in North Africa and Middle East



Source : ITU (2011)

... and in sub-saharan Africa as well



Source : ITU (2011)

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Africa and Middle East are growth engines for the future

Growth achieved through Organic Growth

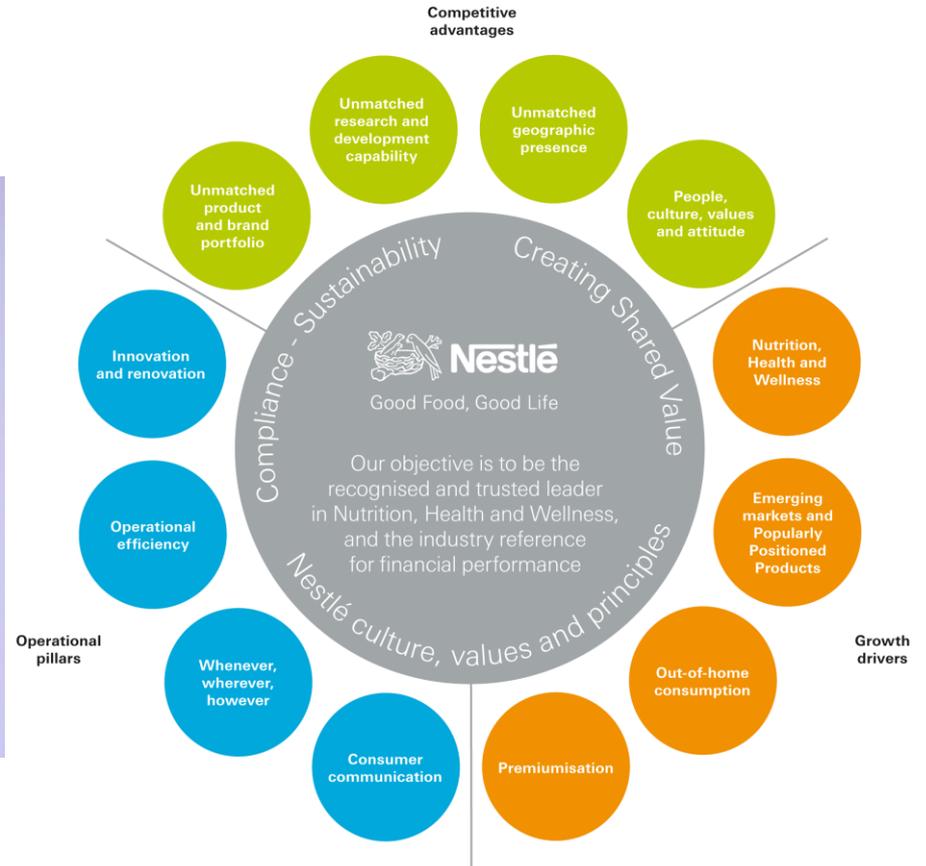
Capital investments = \$1.8 billion last 5 years



The objective is to **triple** the business by 2020
at constant currency

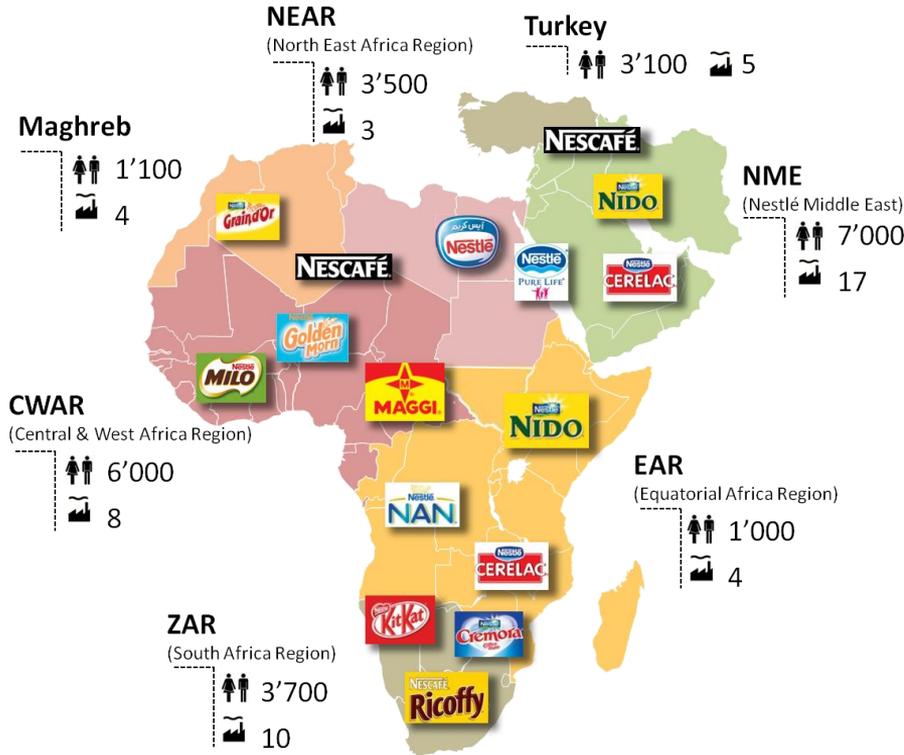


The Nestlé Strategic Roadmap to Win in The New Reality



A long-term presence over 130 years, investing behind people, brands and factories

Unmatched geographic presence



Multi-tier strategy with the right product portfolio

Unmatched product and brand portfolio

Premium



Mainstream



PPP



Bottom of the Pyramid

The PPP model: a holistic approach

Emerging
markets and
Popularly
Positioned
Products



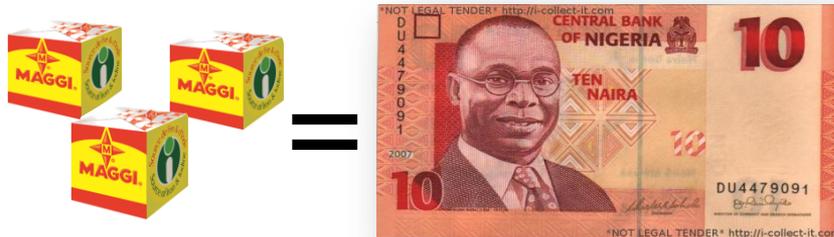
- PPP products have an OG well above the average
- In Africa PPP products represent around 40% of the total sales

MAGGI fortified no1 brand in CWAR

Nutrition,
Health and
Wellness

Emerging
markets and
Popularly
Positioned
Products

- 100 million units sold everyday
- Fortified : Iron, Iodine
- In Nigeria : 3 cubes = 10 NAIRA (CHF 0.06)



MAGGI fortified powder success in the Middle East

Nutrition,
Health and
Wellness

Emerging
markets and
Popularly
Positioned
Products

- Strengthened leadership with 350 million additional servings generated this year
- 3.5 million consumers reached through grass route activities
- Fortified with Iron  مدعم بالحديد



CHF 0.05



Kit Kat campaign in Middle East with unparalleled results

Consumer communication

Innovation and Renovation

- New *Kit Kat* "Extra Crispy, Extra Creamy!"
- Single-minded consumer communication
- Excellent visibility & in-store execution



- ▶ Highest ever sales, market share, awareness and social media reach



Increasing distribution in the various channels

Whenever,
wherever,
however

1 Open markets



2 Small stores



3 Modern trade



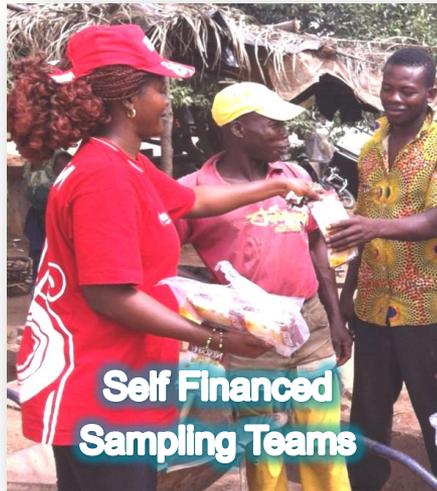
and Urban areas



NESCAFÉ whenever, wherever, however

Out-of-home
consumption

Whenever,
wherever,
however



- Taking *NESCAFÉ* to the **doorsteps** of consumers
- Making ~ USD 10 a day
- >1000 salesmen

- Selling hot *NESCAFÉ* cups in the **streets**
- a minimum of USD 200 per month
- > 2000 jobs created

- Empowering unemployed youth to set up small scale business selling *NESCAFÉ* in **choked areas**
- >500 saleswomen

Nestlé Pure Life : servicing the consumer with multiple healthy hydration solutions

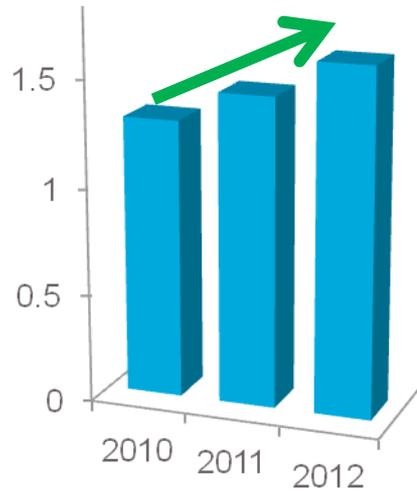
Out-of-home consumption

Whenever, wherever, however

Double-digit growth

13 countries

Billion Liters



From retail to home & office service



7 factories and production units inaugurated since 2011

Operational efficiency

- Jan 2011  Algeria
- Feb 2011  Nigeria
- Jan 2012  Turkey (CPW)
- Apr 2012  Saudi Arabia (Waters)
- Aug 2012  Angola
- Aug 2012  South Africa
- Sept 2012  Congo



Inauguration of the TOFA factory in Angola with Mrs Idalina VALENTE, Minister of Trade and Mr Joaquim DAVID, Minister of Geology, Mines and Industry



Small modular flexible units «PPP» Factory, Kinshasa, Congo

R&D Abidjan

Unmatched
research &
development
capability

R&D Abidjan's role is to screen and develop African raw materials for improved performance based on:

- agricultural aspects
- easy processing
- quality & safety
- nutritional aspects
- business needs



Serigne DIOP
Head of R&D Abidjan

Maximising sustained and high-quality local sourcing



- **Corn** is the main ingredient for Nestlé *GOLDEN MORN* porridge
- **30% of grain crops are lost** in the region (humidity & poor practices)
- **30,000 farmers trained** by Nestlé in mycotoxin management
- **Cassava** to replace imported corn starch
- Farmers trained in sustainable agricultural practices and given **high-yield** cassava varieties
➔ from ~10T to ~20T per ha
- **4,000 farmers** depend economically on this activity
- **Milk:** partnership with the East African Dairy Development Board (EADD) in Kenya and Uganda
- Nestlé advises farmers on feeding, breeding and milking practices
- Farmer's real income expected to **double over 10 years**

Interchange of cultures and best practices

People,
culture,
values &
attitude



Developing the next generation of young professionals



This include F&B, CPW, Nespresso, NPP, Globe, R&D, Water & Nutrition

133,000 + people earn their living directly from Nestlé

People,
culture,
values &
attitude

...and more
households

26,000

Nestlé
employees

+ 116,000

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



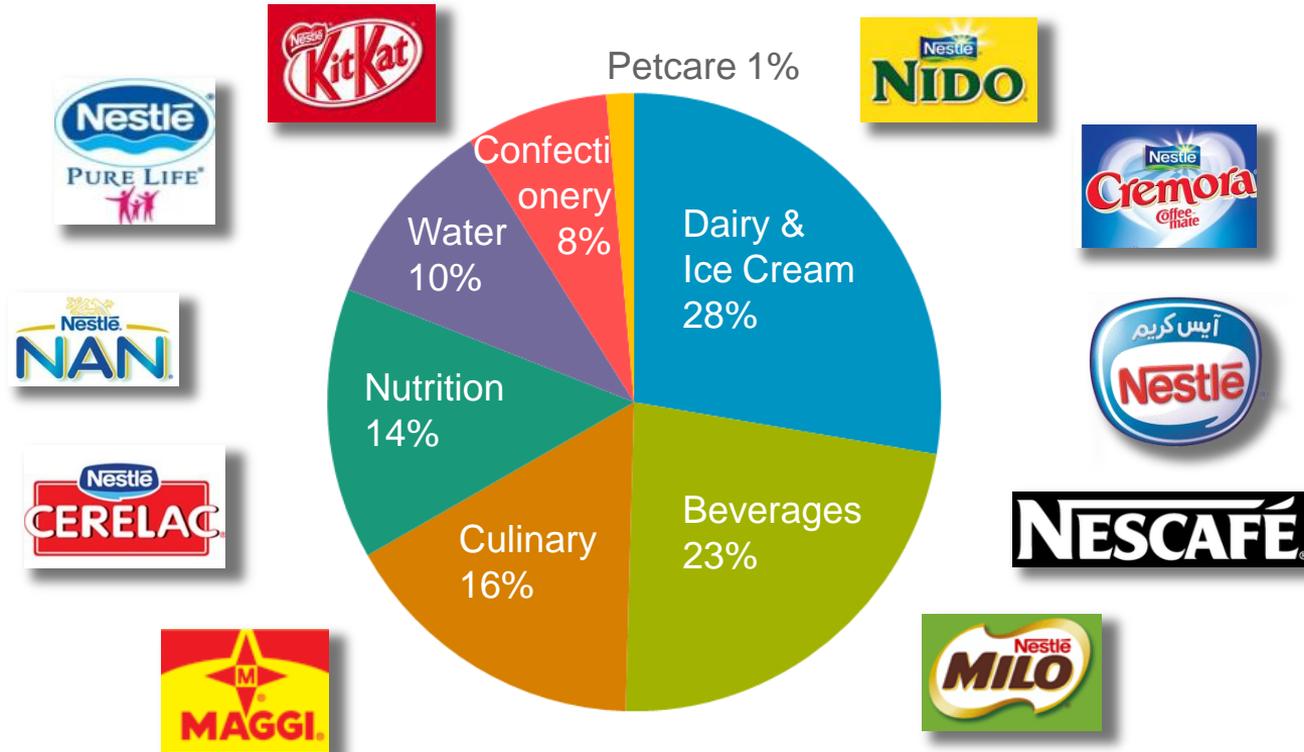
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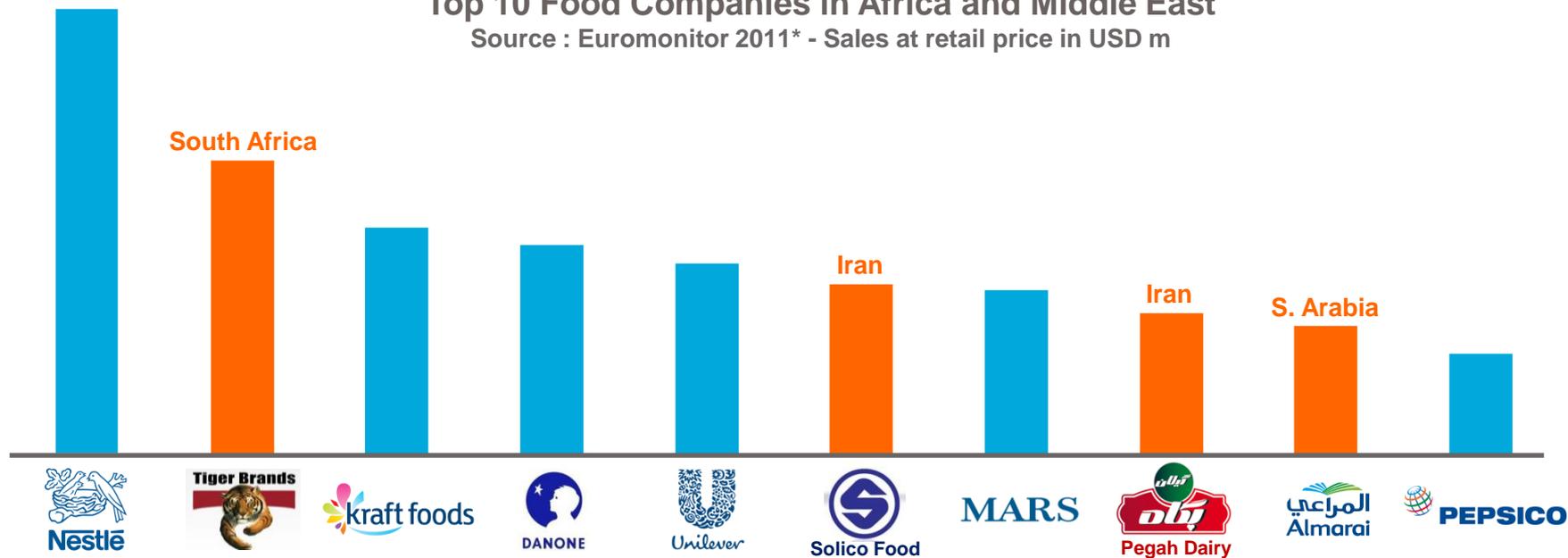
A balanced portfolio with no 1 brands



Competition landscape

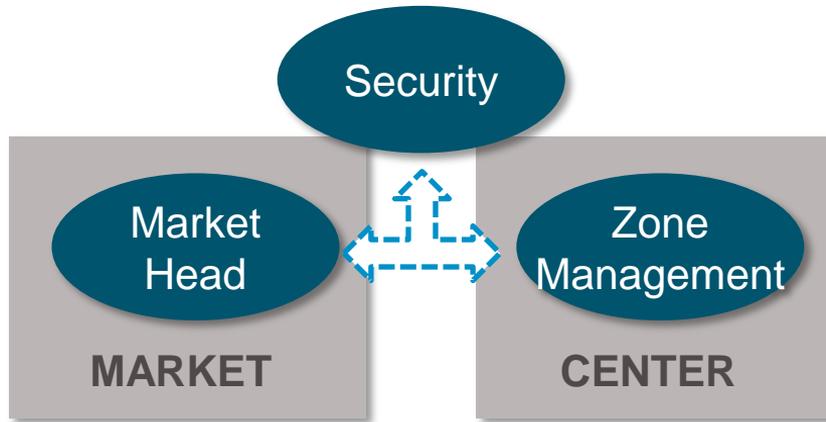
Top 10 Food Companies in Africa and Middle East

Source : Euromonitor 2011* - Sales at retail price in USD m



* Packaged Food, Pet Care, Hot drinks; not an exclusive list of companies (indicative list only)

Crisis procedures & business continuity plans that ensure safety of people and assets



- ❑ Daily crisis meetings
- ❑ Situation updates
- ❑ Contingency plans
- ❑ Position statements

- ▶ **Egypt & Tunisia:** Nestlé operations interrupted for several days in 2011 to ensure staff safety. *No impact on Sales.*
- ▶ **Côte d'Ivoire:** Activity restarted after 1 month of interruption in 2011. *Impact on sales compensated by the rest of the region.*

Conclusion

Nestlé is well positioned to **accelerate its growth** in Africa and Middle East while delivering the **Nestlé Model** thanks to the **solid foundations** set with its **manufacturing footprint, strong brands,** and **talented people**