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

GAFTA: Greater Arab Free Trade Area
AMU: Arab Maghreb Union
CFA franc zone
COMESA: Common market for Eastern and Southern Africa
EAC: East African Community
ECCAS: Economic Community of Central African States
ECOWAS: Economic Community of West African States
IGAD: Intergovernmental Authority on Development
SADC: Southern African Development Community

All countries are members of the African Union (AU)

Source: UNEP 2005
Very diverse in terms of population, culture or GDP

Highest GDP 14,100
Lowest GDP 2,800

Population in million

Highest GDP 9,600
Lowest GDP 5,100

Highest GDP 16,000
Lowest GDP 340

GDP: per capita in USD at purchasing power parity

Highest GDP 16,200
Lowest GDP 7,500

Highest GDP 104,300
Lowest GDP 2,300

Highest GDP 15,100
Lowest GDP 400

Source: CIA World Factbook
Accelerated GDP growth: the ascent of the roaring giants

GDP Average forecast growth (2011-15)

- Western Europe: 2%
- North America: 2%
- World: 3%
- Transition economies: 4%
- Latin America: 4%
- Asia & Australasia (incl. Japan): 4%
- Middle East & North Africa: 4%
- Sub-Saharan Africa: 5%

Source: EIU - Deloitte
8 trends affecting Africa

- World’s fastest growing population
  - 500 million more people by 2030

- World’s youngest population
  - 40% under 14
  - World’s largest working population

- Emerging middle class
  - 50% of spend on food and CPG

- Healthy urbanisation
  - 71 cities over 1 million
  - More urbanised than India

- Digital consumer
  - Mobile penetration
  - 600 million mobile phones

- Value orientation
  - Saving money is a primary concern
  - Private label growing

- War for talent
  - 400 more companies with a revenue > USD 200 million

- Resource & Infrastructure constraints
  - 60% of cropland and infrastructure lagging

Source: McKinsey
Increasing urbanisation

- 40% of African population lives in urban areas
- 50% forecasted by 2030
- Over 100 cities of 1 million + in Africa and Middle East

Source: UN Habitat
Digital boom via cellular in North Africa and Middle East

% population

2000 2005 2010

Cellular subscribers

Internet users

Fixed lines

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

51 Factories
(first factories in 1927 in Turkey & South Africa)

25,000 Nestlé employees
(over 98% locals)
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

- 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

- 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

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

= CHF 0.05
Kit Kat campaign in Middle East with unparalleled results

- 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

1. Open markets
2. Small stores
3. Modern trade

and

Urban areas
**NESCAFÉ** 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

Double-digit growth  13 countries

From retail to home & office service

Out-of-home consumption
Whenever, wherever, however

Billion Liters

2010 2011 2012

0 0.5 1 1.5
7 factories and production units inaugurated since 2011

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<tr>
<th>Date</th>
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<td>Jan 2011</td>
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<td>Feb 2011</td>
<td>Nigeria</td>
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<td>Jan 2012</td>
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Inauguration of the TOFA factory in Angola with Mrs Idalina VALENTE, Minister of Trade
Mr Joaquim DAVID, Minister of Geology, Mines and Industry

Small modular flexible units «PPP» Factory, Kinshasa, Congo
R&D Abidjan

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

Unmatched research & development capability

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

3 Training Hubs
Accra | Nairobi | Dubai

256 In-patriates

106 Ex-patriates

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

...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

- Beverages: 23%
- Dairy & Ice Cream: 28%
- Culinary: 16%
- Nutrition: 14%
- Water: 10%
- Confectionery: 8%
- Petcare: 1%

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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

- **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.*

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