

Wyeth Nutrition and Nestlé Nutrition Greater China Region



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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

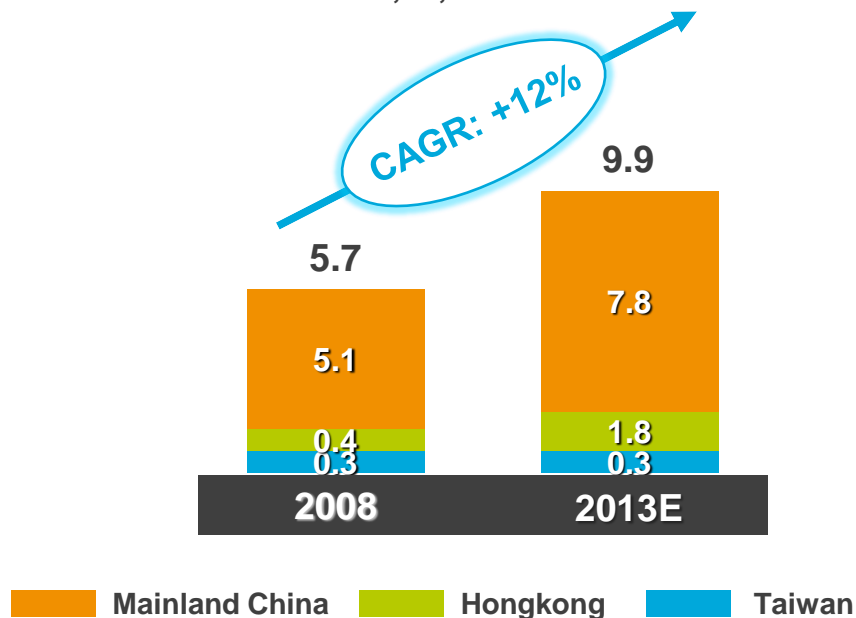
III

Winning strategies of Wyeth Nutrition & Nestlé Nutrition

Strong market growth in the Greater China Region

GCR IF / GUM Market Size

Bio CHF, %, 2008-2013E



Key Growth Drivers

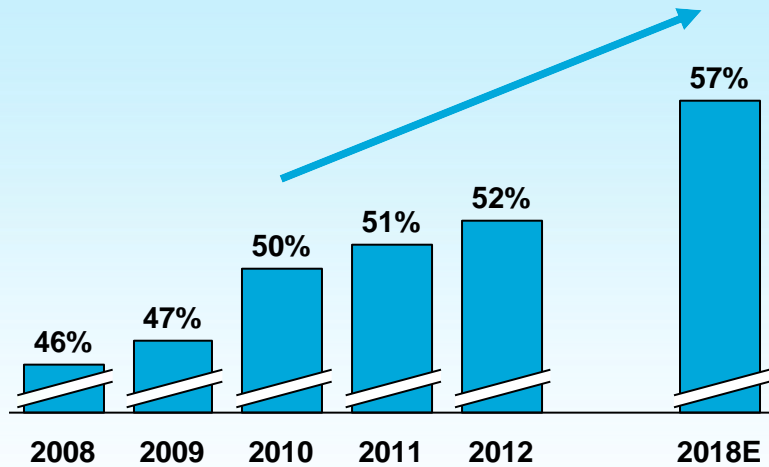
- Mainland China:
 - 15~17 mio newborns; one-child policy
 - Urbanisation
 - Premiumisation
- Hong Kong / Taiwan:
 - HK benefits from mainland shoppers and mainland babies born in HK
 - TW is stagnant due to declining births

Source: Nielsen, China Statistic Bureau

Rapid urbanisation and household incomes increase

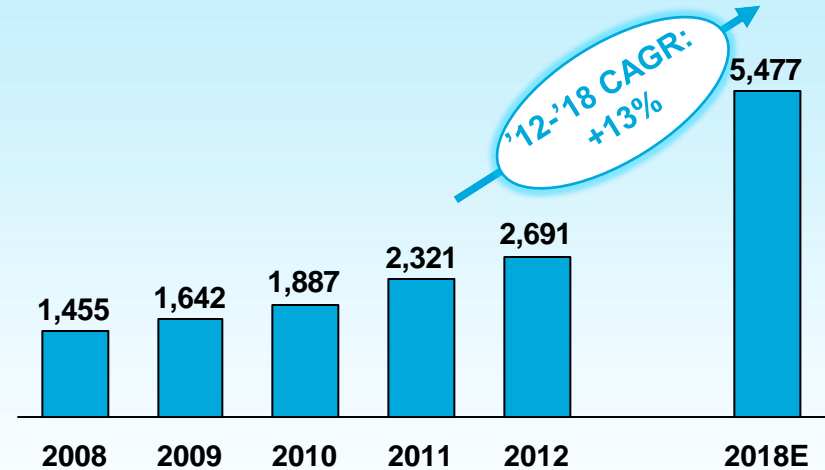
China Urbanisation Trend

%, 2008-2018E



Disposable income per capita

USD



More working mothers with growing income

Source: China Statistic Bureau, Economist, McKinsey

China city tier at a glance

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

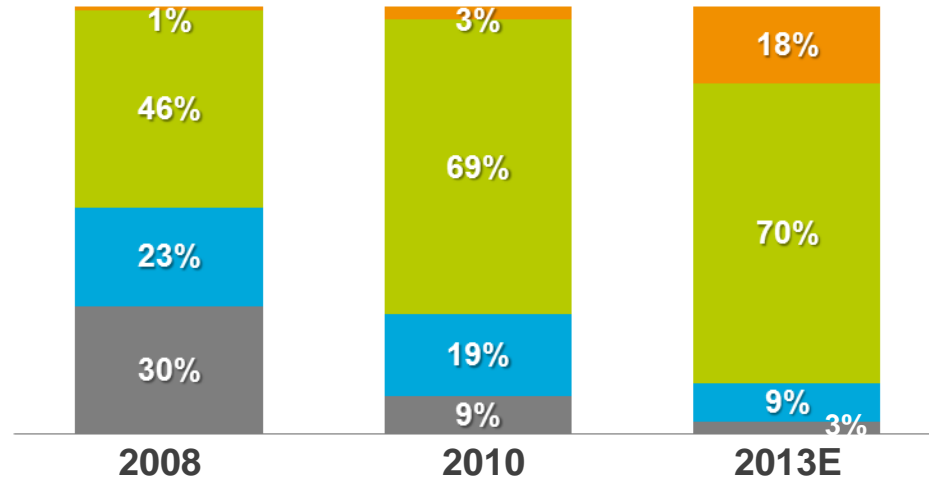
Lots of room for growth

Source: Nielsen and China Statistics Bureau of 2011 data

Premium and super premium segments growing rapidly

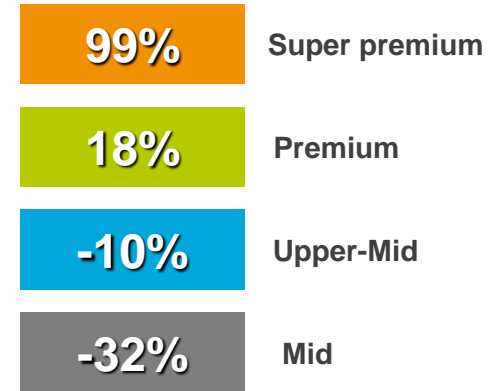
IF segment value importance

%, 2008-13E



CAGR

%, 2008-13E



Premium and super premium the two largest segments

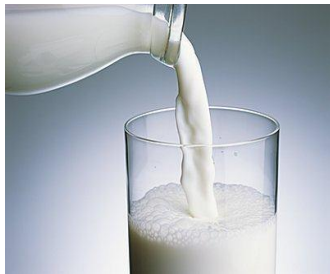
Note: Segment definition (RMB price/per kg), Stage 1 as example: Super premium: > RMB 290; Premium: (190,290); Upper-mid: (125,190); Mid: <125

Source: Nielsen, team analysis

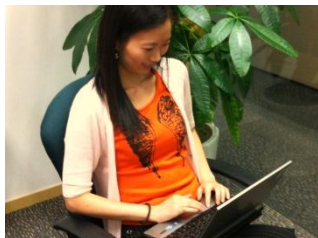
Unique attitude of Chinese moms towards IF / GUM



First time mom



Food safety concerns



Internet generation



High expectation

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

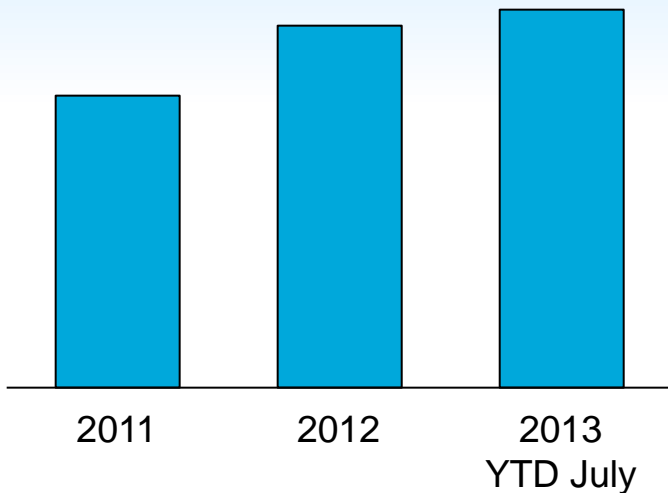
Portfolios of Wyeth Nutrition and Nestlé Nutrition highly complementary - covering the First 1,000 Days



Wyeth Nutrition and Nestlé Nutrition both steadily growing market share

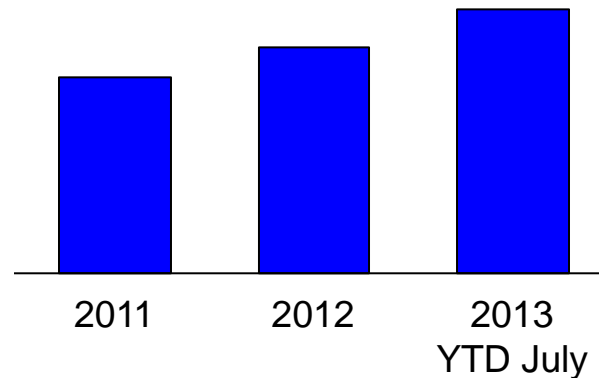
Wyeth Nutrition

China market
value share %



Nestlé Nutrition

China market
value share %



Source: Nielsen July, 2013

Premium focused portfolio growing strongly y-o-y

Super Premium illumina



Premium S-26 Gold

IF / GUM

Special Feeder

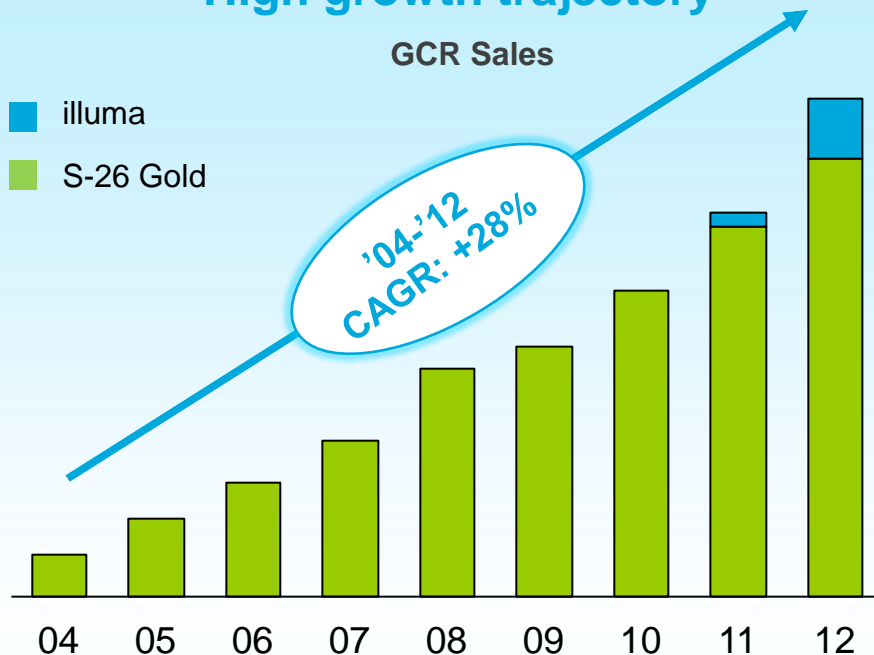
Maternal



High growth trajectory

GCR Sales

- illumina
- S-26 Gold



'04-'12
CAGR: +28%

Strong brand equities built on effective marketing model

S-26 Gold leading image attributes

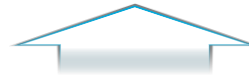


- Brain & eye development, helps learning
- Complete nutrition
- Reliable / high quality

illumina leading image attributes



- Latest science
- Gut health and absorption
- Imported / super premium quality



Frequent product innovation



Source: BHT report 2013

MOH *cooperation



*MOH: Ministry of Health

Consumer marketing



CRM services



Key account management



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

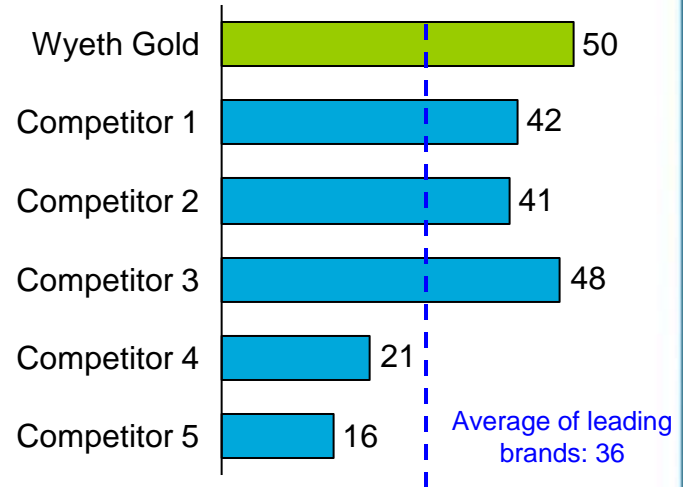


Professional CRM system

Source: BHT 2013

Consumer perception on brand with good quality

(% of total respondents)



Disciplined geographic expansion drove our strong position in the key / A cities

	<u>2005</u>	<u>2008</u>	<u>2013</u>
# of cities	45	180	300+
# of outlets	5,000	20,000	30,000+

Expansion prioritisation considering resources, capability and return



- Sustainable growth
- Top 3 position in important cities



Source: Nielsen



Deeply rooted in China Since 1908

1908

Nestlé sales office opened in Shanghai



1913

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

1995

Launched NAN



1990

Nestlé Shuangcheng factory started production



2007

Launched Gerber



Gerber® 嘉宝

2008

Launched NAN H.A.



Started construction of the Dairy Farming Institute

2013





Nutrition

Comprehensive portfolio covering different price tiers and life stages



Healthy Growth



Protection



Nutrition



Key success factors driving business growth



Multiple milk sources & single world-class standard



Zero tolerance on quality



Nationwide coverage & route to market



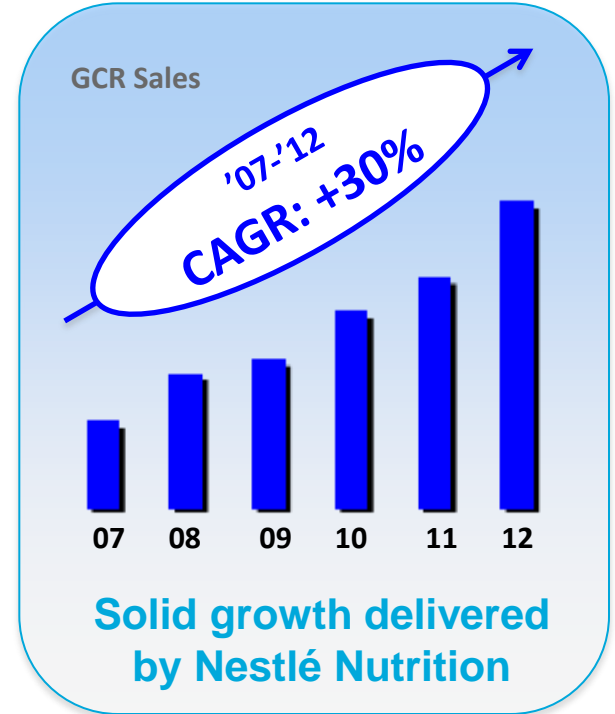
Superior science & research



Modernised field force (E-detailing, mobile solutions)



Ethical business conduct



Driving sustainable growth in China: Align with the Chinese government to address key issues



Nutrition



Maternal mortality rate



Infant mortality rate



Under 5 mortality rate



Under 5 underweight



Obesity



Nutrition

Study mission: platform to empower the health of China's future generation



Maternal & Infant Nutrition Growth



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

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