Good Food, Good Life

The Emerging Opportunity

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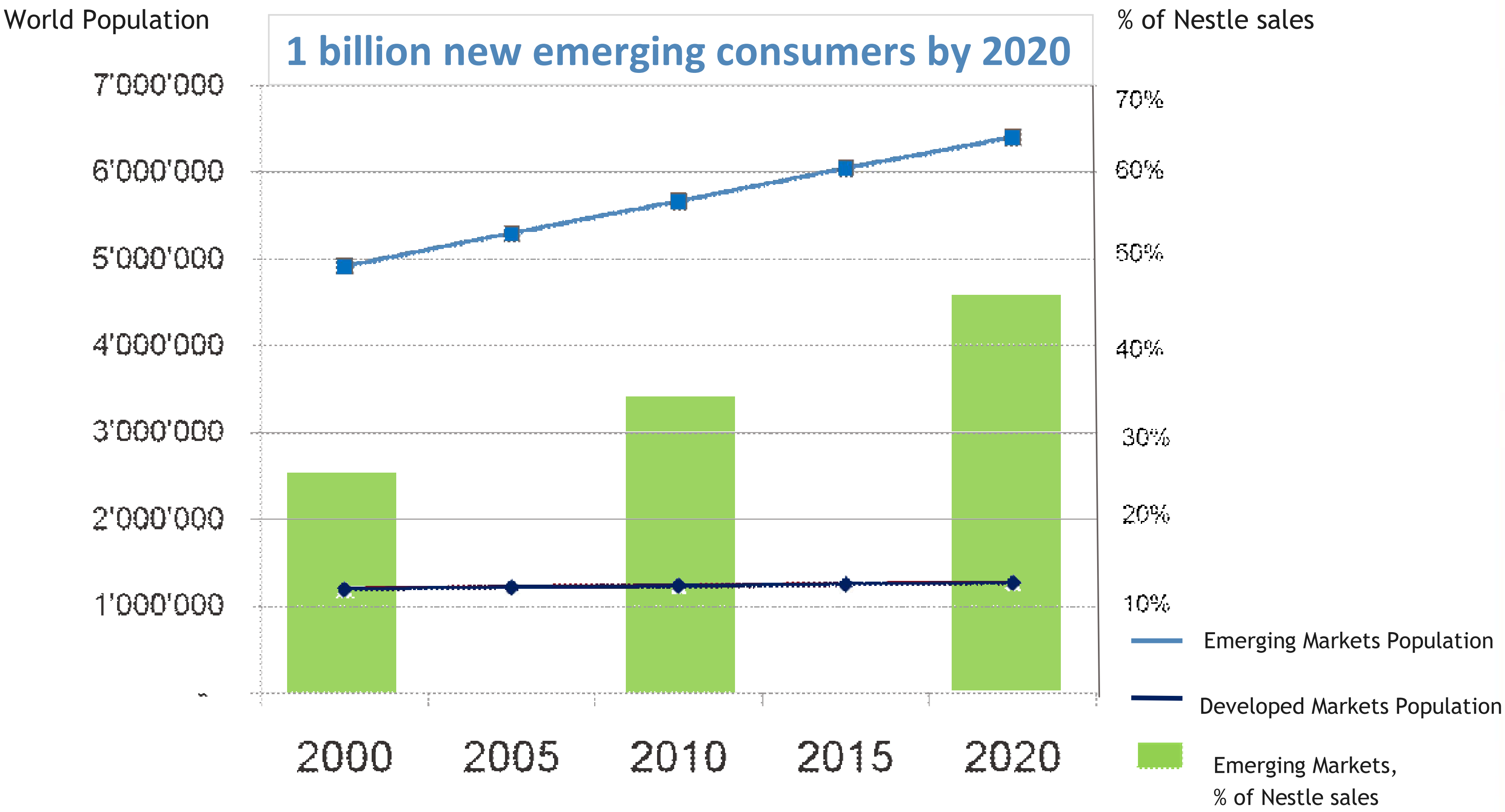
Nestlé Investor Seminar, June 2010

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.

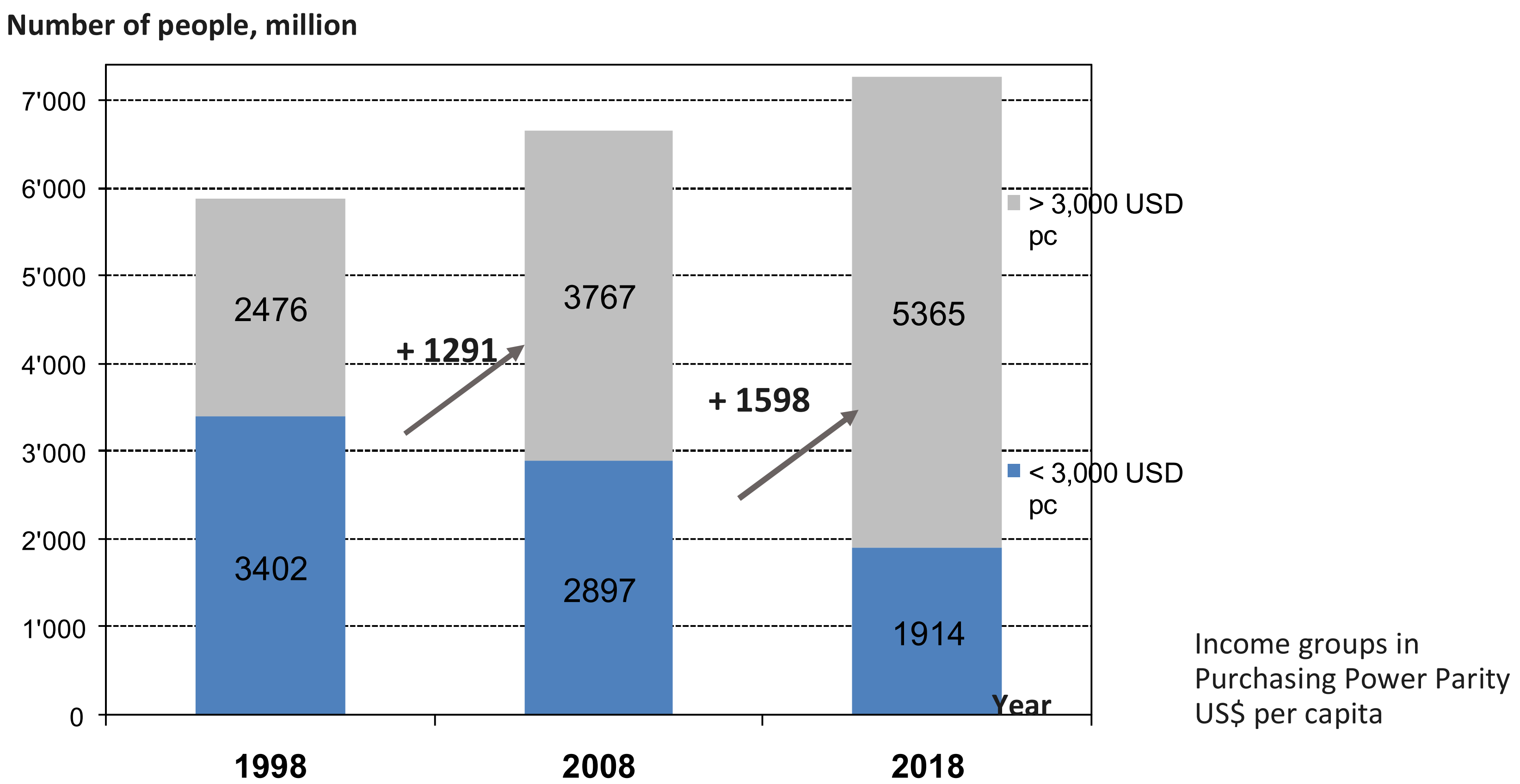
Emerging Markets : 82% of global population
: CHF 35 billion of Nestlé sales



Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat, *World Population Prospects: The 2008 Revision*, http://esa.un.org/unpp

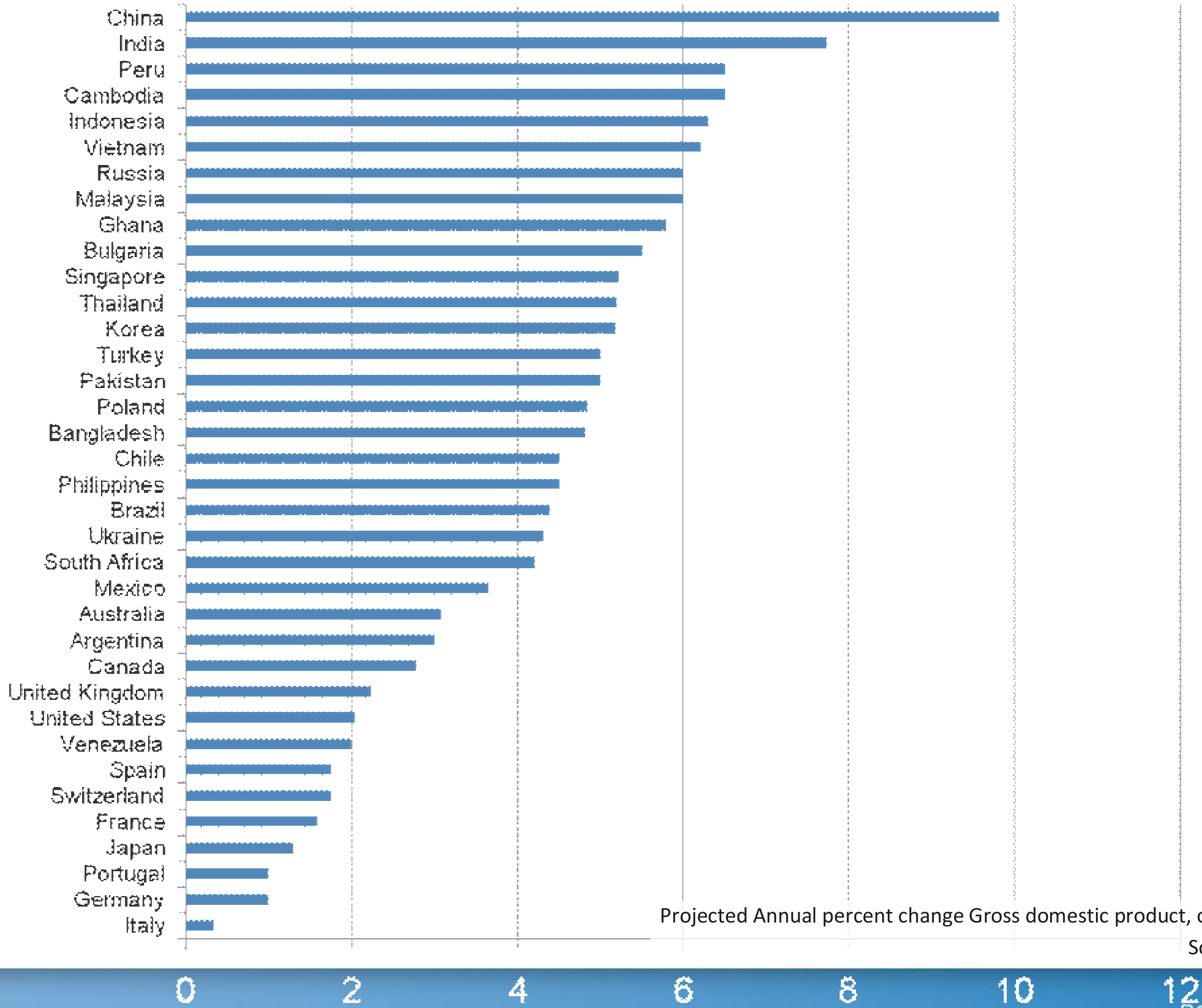
The prosperity of emerging and less affluent consumers is also growing fast

People who can afford to buy Nestlé products regularly



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

Emerging Markets are forecast to grow

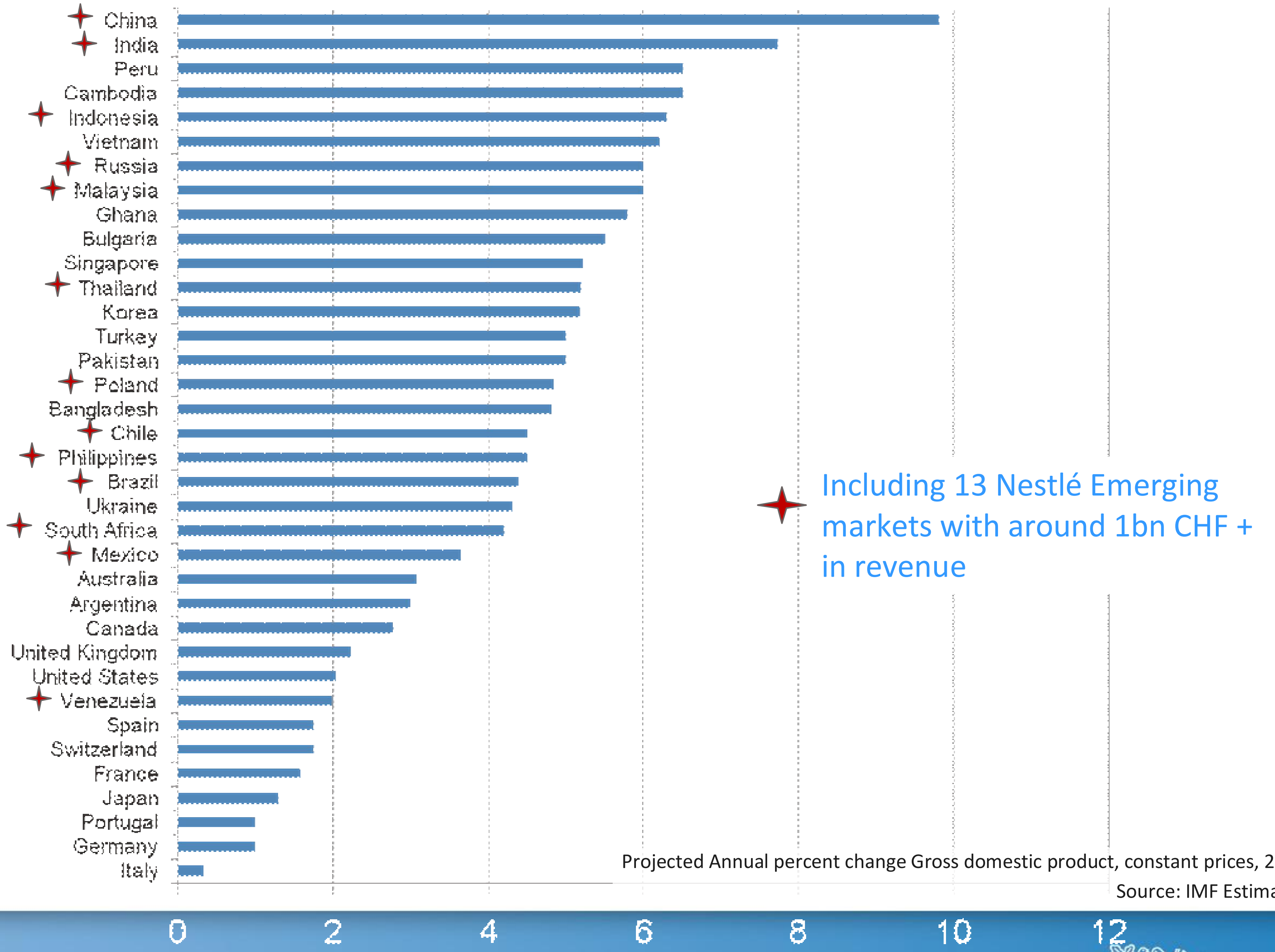


Projected Annual percent change Gross domestic product, constant prices, 2010

Source: IMF Estimates

Nestlé

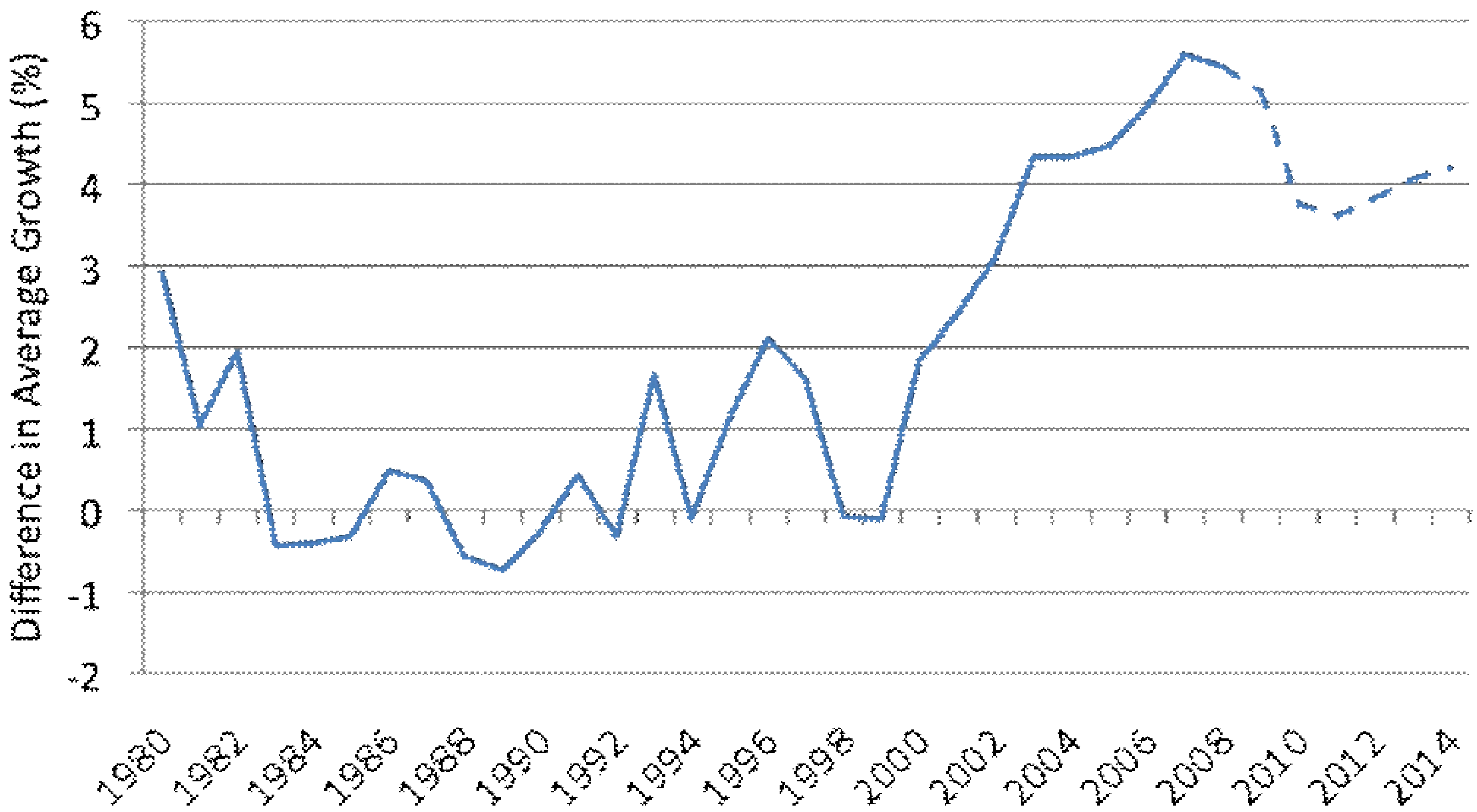
Emerging Markets are forecast to grow



Projected Annual percent change Gross domestic product, constant prices, 2010

Source: IMF Estimates

Growth Gap between Emerging & Developed Markets



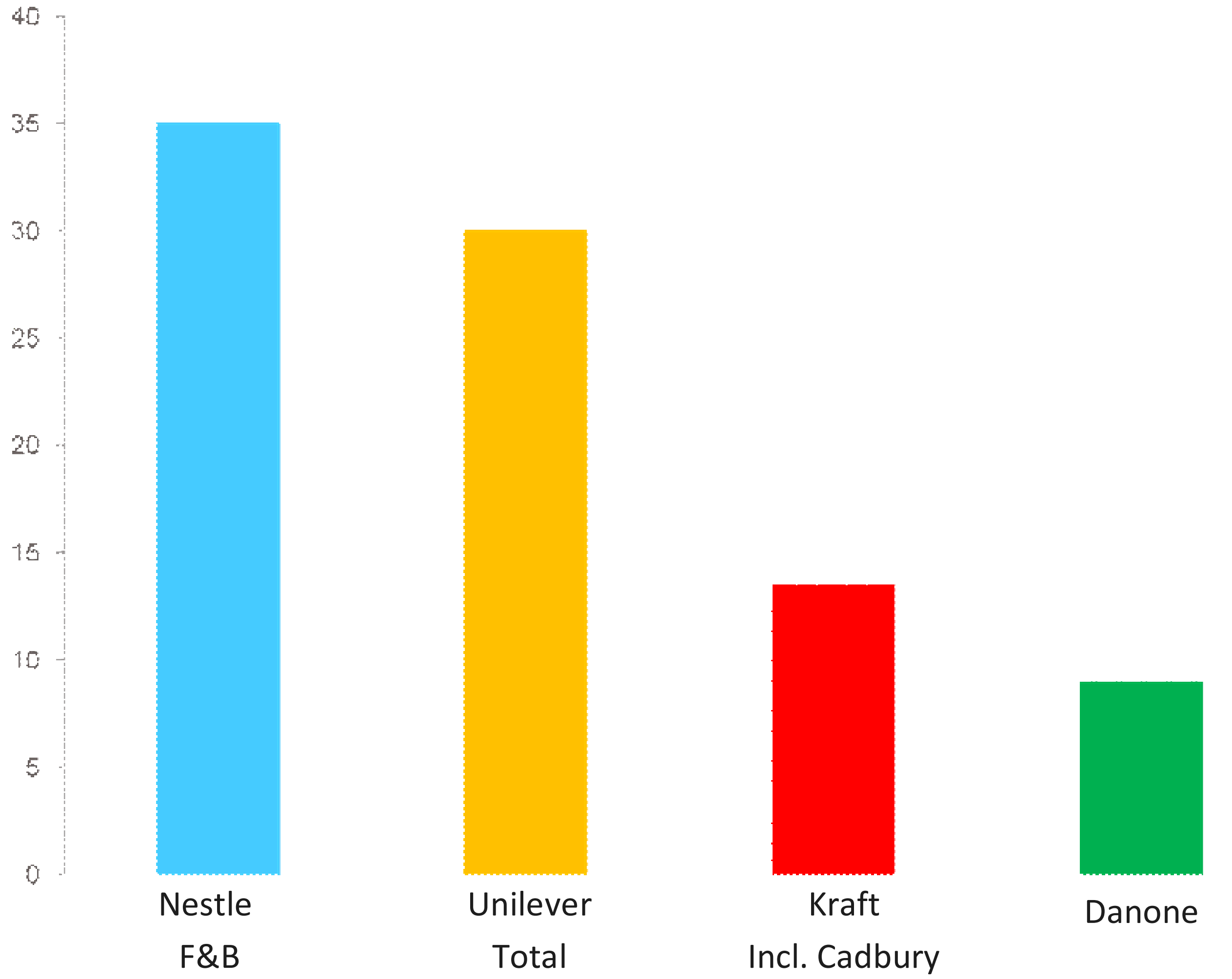
Source: OECD Development Centre, 2010(based on Fosu, 2010 GDO Non-Resident Fellow Working Paper)

Nestlé Roadmap

Competitive advantages

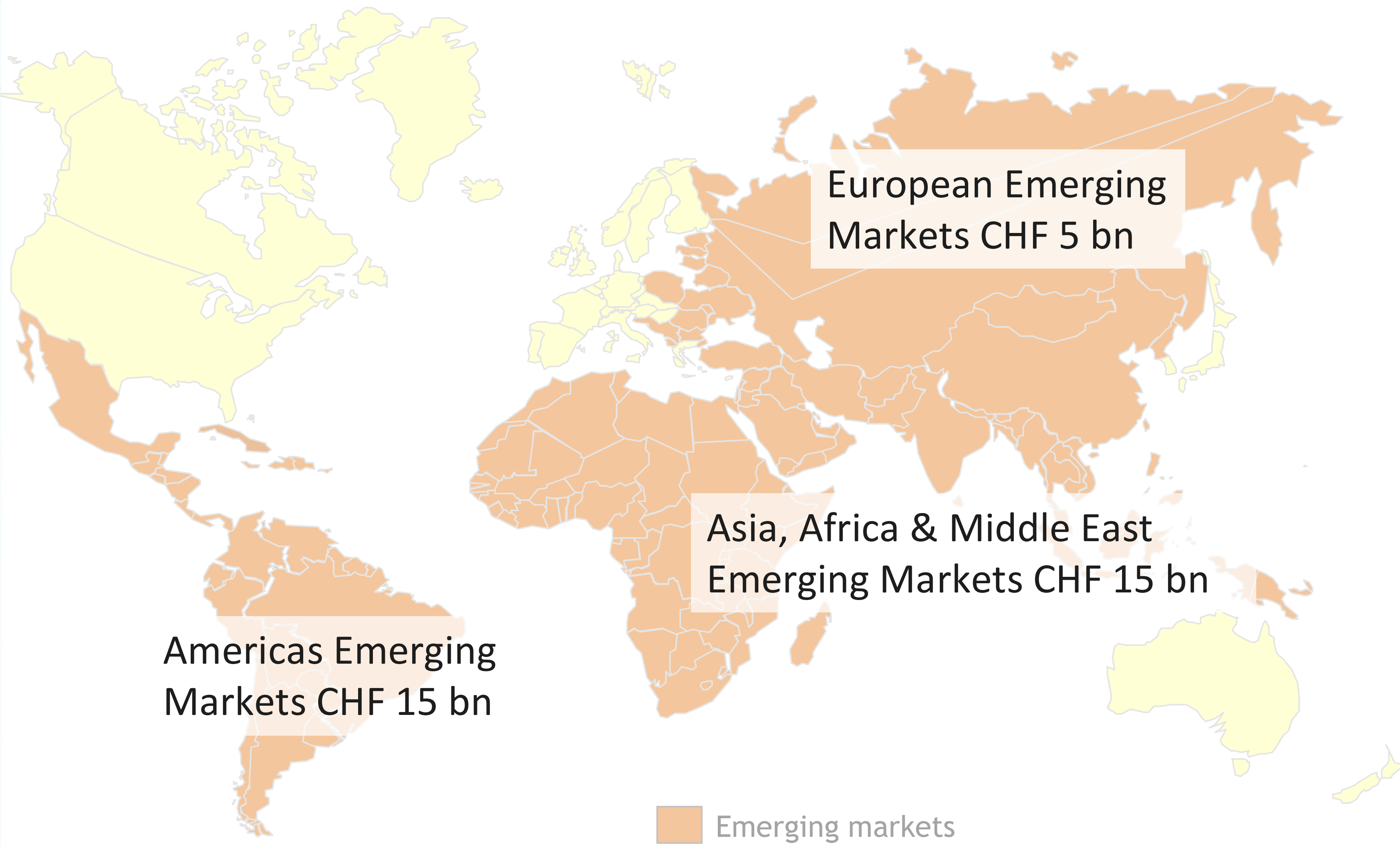
Overall global leadership in Emerging Markets

Sales in billion CHF 2009



Source: Company websites

Leader in Emerging Markets: > CHF 35 billion



Nestlé: Unmatched geographical presence in Emerging Markets

CHF 5 bn+
Brazil

CHF 3 bn+
Mexico

CHF 2 bn+
Russia, China, Venezuela

CHF 1 bn+
South Africa, India, Chile, Philippines, Poland

CHF 750m+
Malaysia, Thailand, Indonesia

Unmatched Product & Brand portfolio

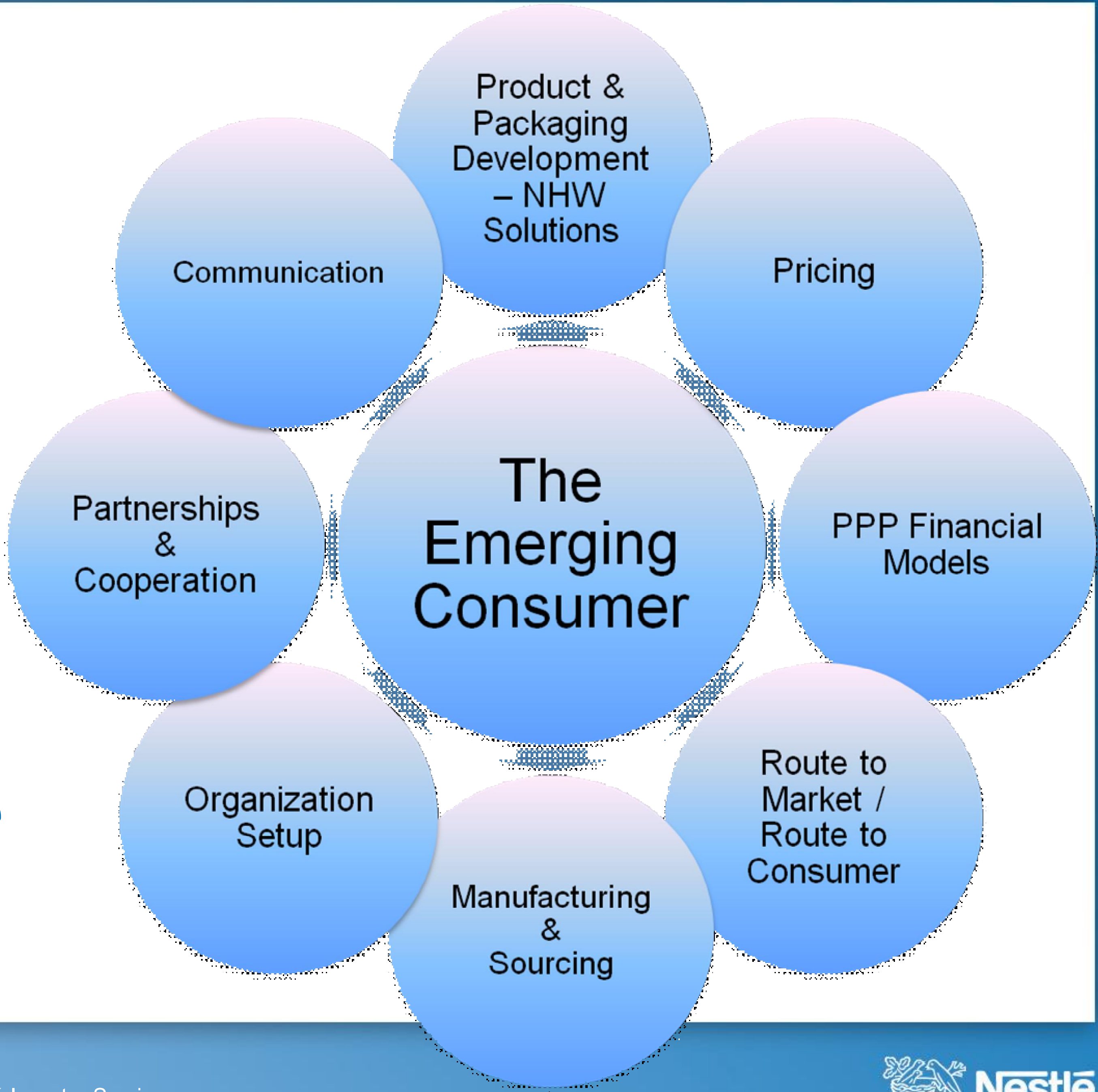
"Billionaire brands": brands with over CHF 1 bn in sales, 2009

Unmatched Product & Brand portfolio

"Billionaire brands": brands with over CHF 1 bn in sales, 2009 most of which are present in Emerging Markets

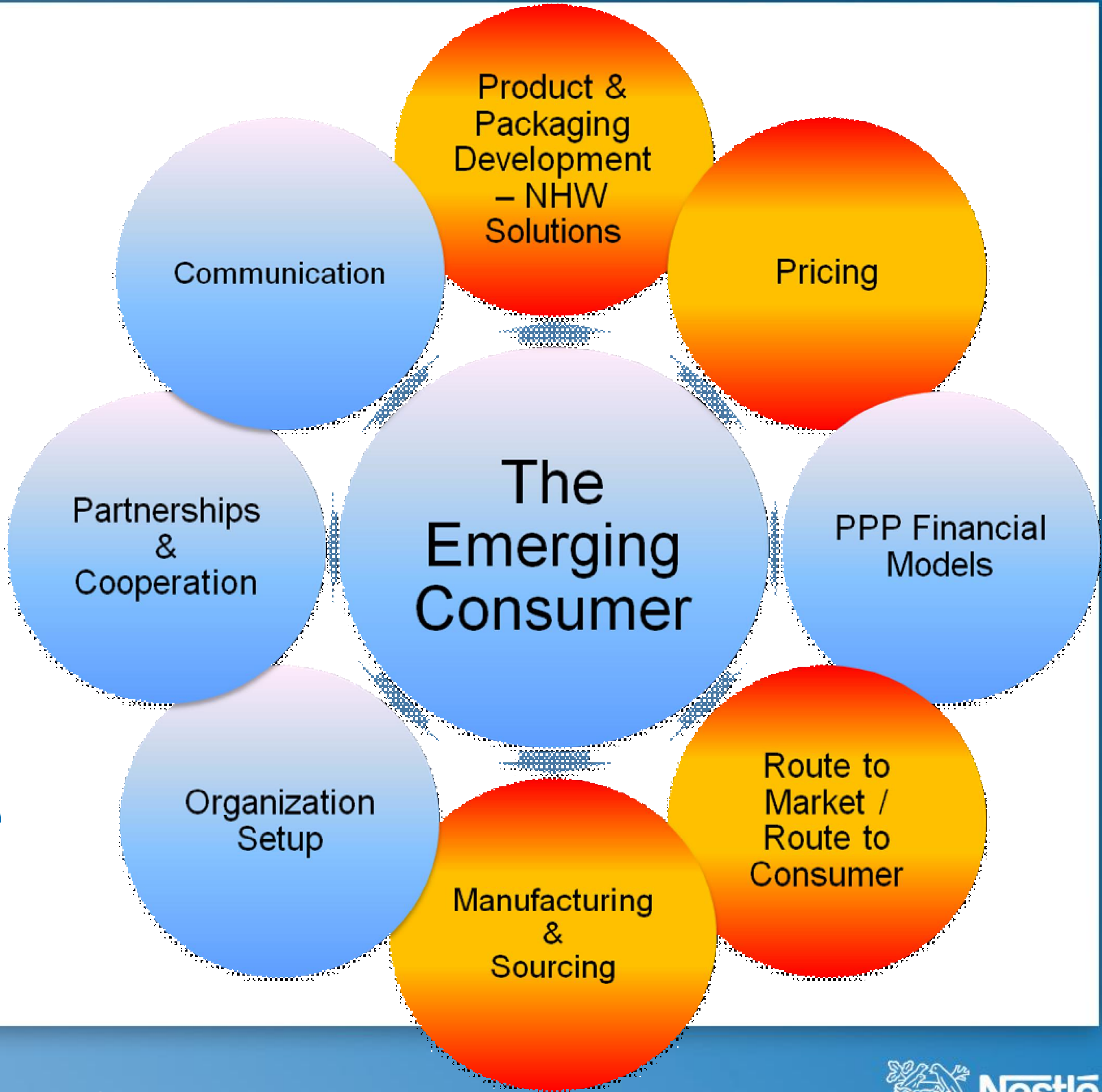
Growth Driver: Popularly Positioned Products (PPP)

Our PPP Model



All pillars need to be addressed

Our PPP Model



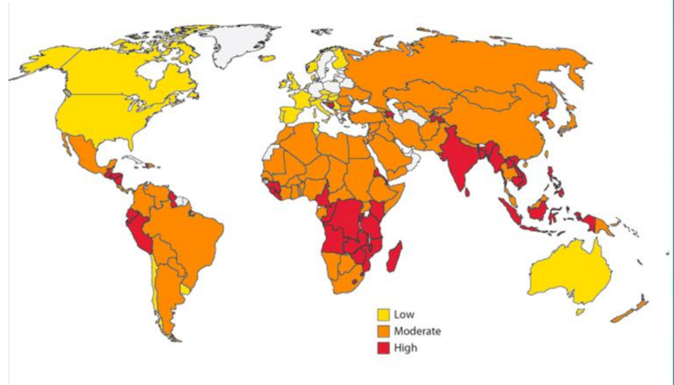
All pillars need to be addressed

We must consider the nutritional needs of our consumers

For instance micronutrient deficiencies

Micronutrient	Main Function	Importance
Iron	Energy Metabolism	30% of world's population (2 billion people) are anaemic (WHO)
Vitamin A	Sight & Immunity	500,000 children per year go blind due to vitamin A deficiency (FAO)
Iodine	Brain Development	35 % of world's population has insufficient iodine in their diet (WHO)
Zinc	Growth & Immunity	Global prevalence not well documented but children are most at risk

Global Zinc Deficiency Risk:



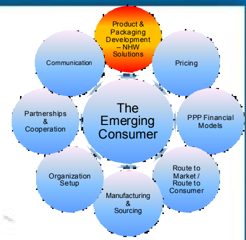
Please select a country: Indonesia

Micronutrient Deficiencies in :

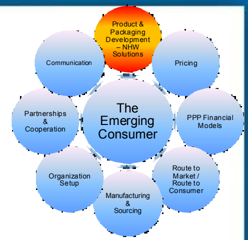
Indonesia

Micronutrient	%	Population group & status indicator
Iron	44.5	preschool-age children with anemia (hemoglobin < 110 g/L)
	44.3	pregnant women with anemia (hemoglobin < 110 g/L)
	33.1	non-pregnant women with anemia (hemoglobin < 120 g/L)
Vitamin A	19.6	preschool-age children vitamin A deficiency (serum retinol < 0.70 µmol/L)
	1.7	pregnant women with night blindness
Iodine	16.3	school age children with iodine deficiency (urinary iodine < 100 µg/L)
	73.0	households consuming adequately iodized salt (2000-2007; USI rate %)
Zinc	34.4	population at risk of inadequate intake of zinc

Enhanced milks for emerging consumers: International rollout



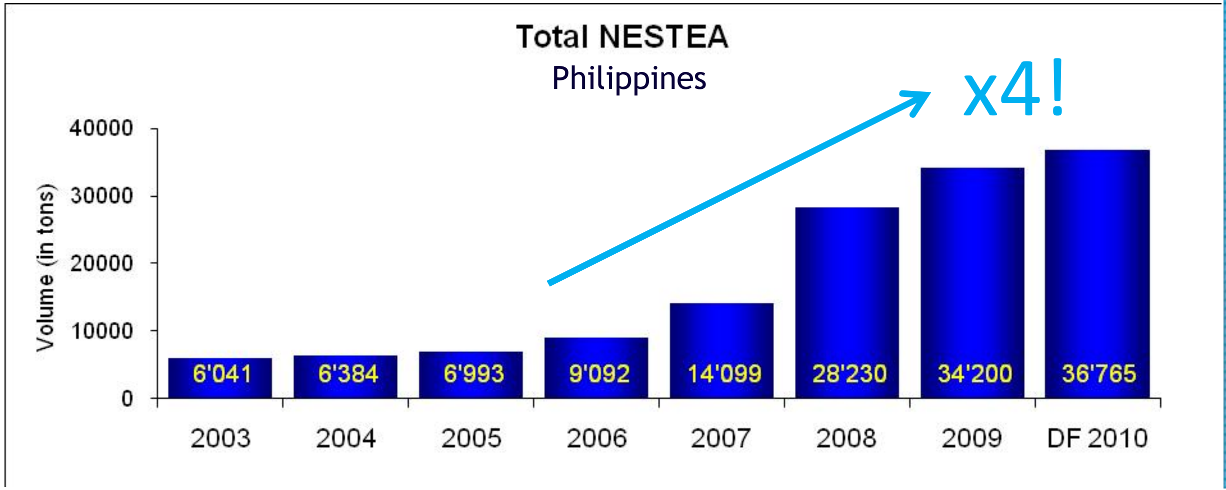
Success Story : NESTEA LITRO



LITRO launch date: January 2007

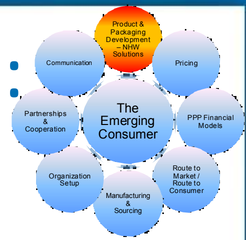
2009 RESULTS

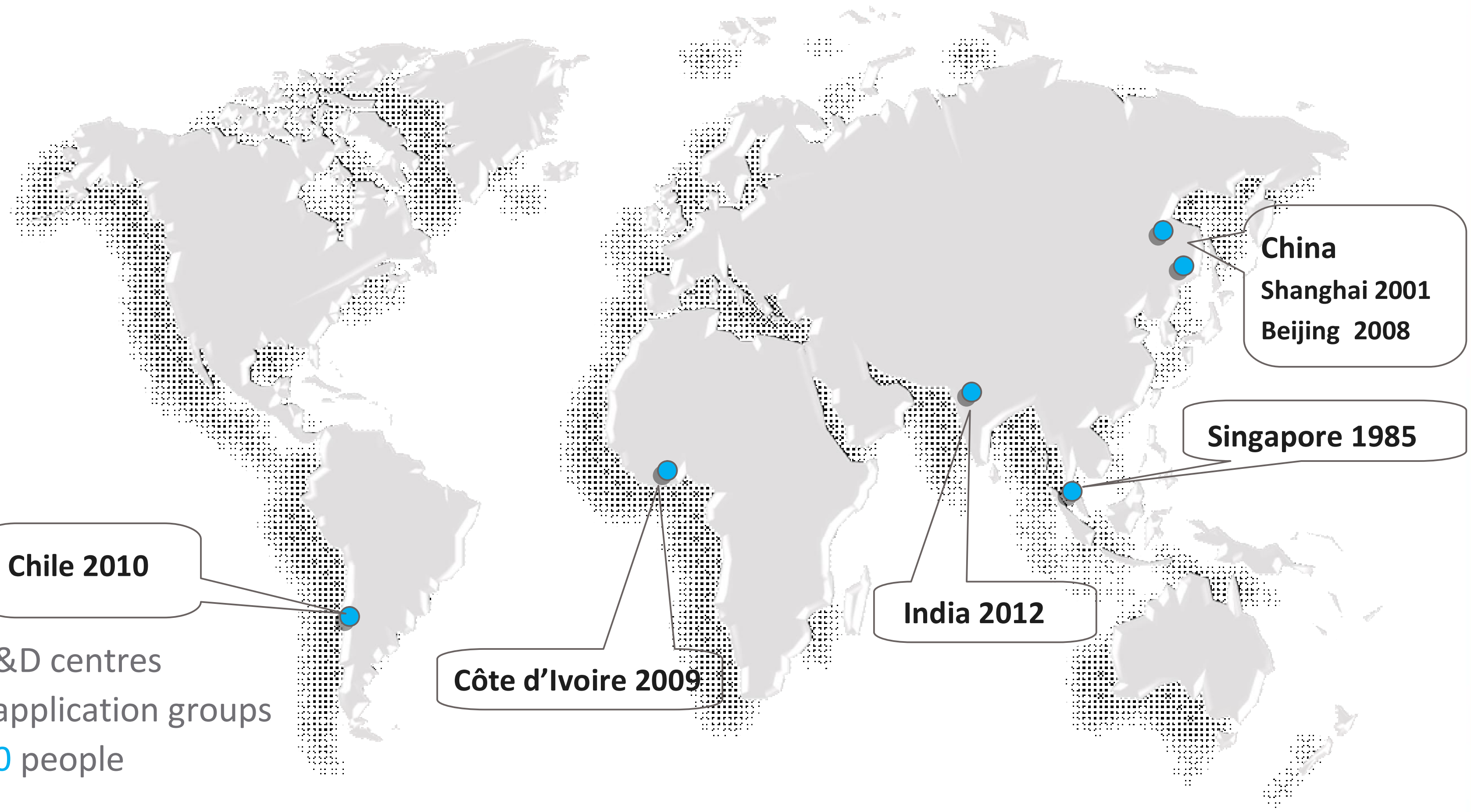
- 84% market share (vs 52% in 2006)
- 86% penetration (from 24% in 2006)
- 91% numeric distribution (from 10% in 2006)



With 50% daily Vit C

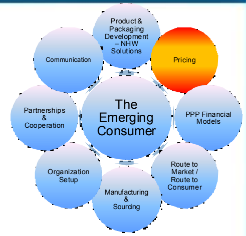
Staying ahead of the trends in emerging markets: Increasing our R&D capabilities to drive growth





- 29 R&D centres
- 320 application groups
- 5,200 people

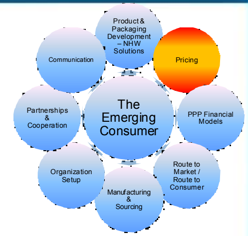
Price point remains a critical consideration



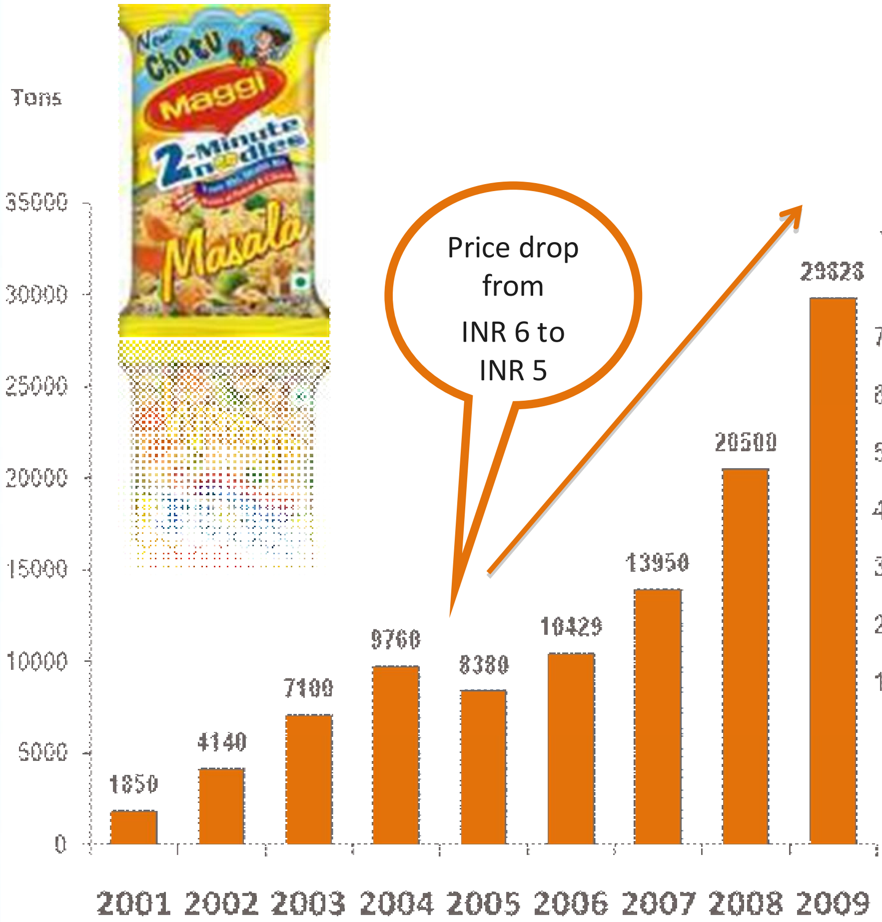
Coin / small denominations for consumers driven by daily income

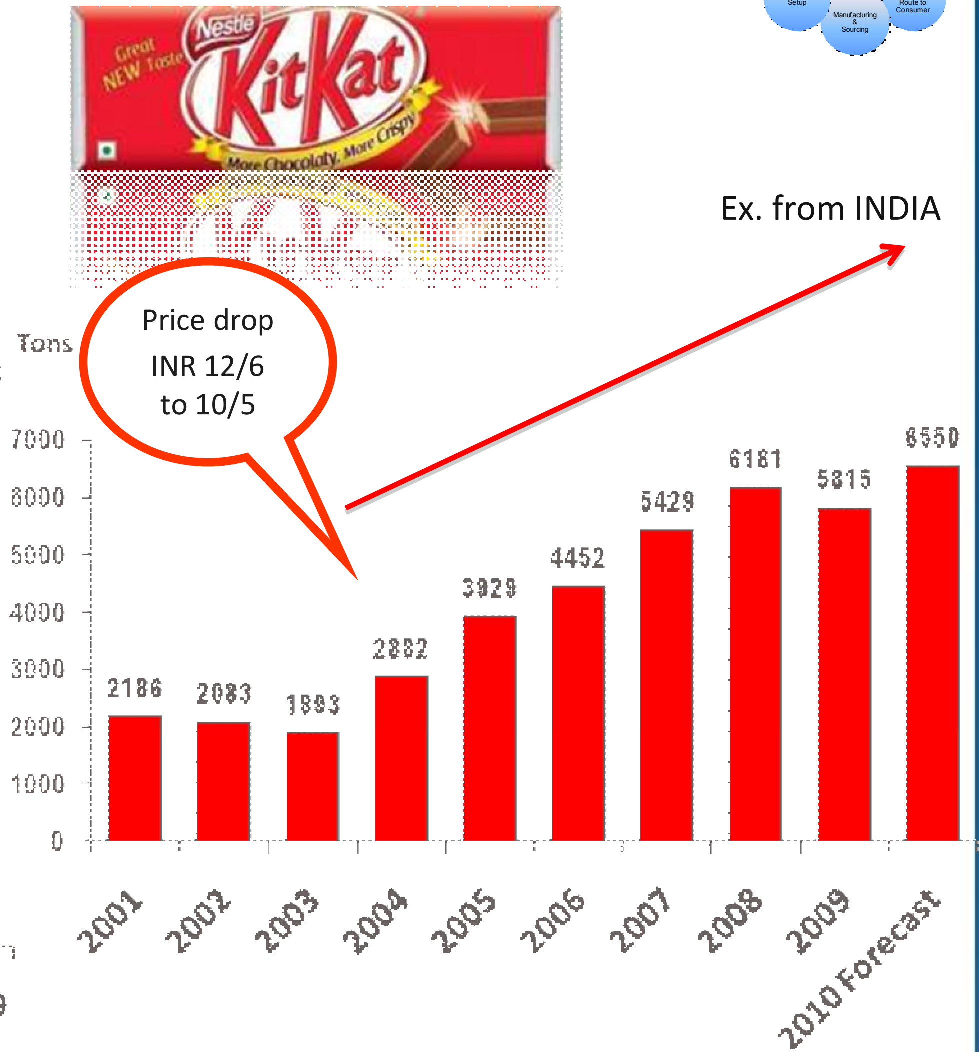
Cost per kg for value driven consumers

Successful price point management



Ex. from INDIA





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Big opportunity to grow via deepening distribution

Explore a variety of distribution methods

Not Only…

Traditional Retail Sales

- Key account managers
- Wholesalers / distributors

But Also…

Tailor made

- Micro distributors
- Horizontal set ups
- Direct sales delivery (DSD)

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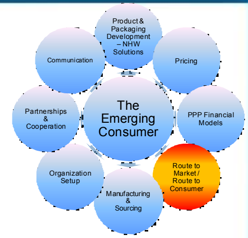
Distribution opportunity



We have a huge distribution network of distributors, direct delivery and small distributors:

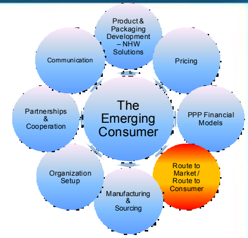
In Latin America

- ✓ More than 6,500 routes
- ✓ More than 1.3 million customers reached in 2009

In India

- ✓ More than 2.2 million customers reached in 2009

Nestlé



Innovative models to drive distribution

‘BOW-ers’, Tuk Tuks & tricycles to deepen & widen reach

Example from Nestlé Professional, the Philippines

Objectives

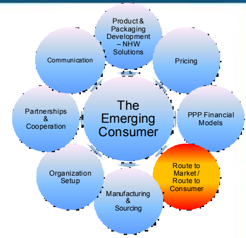
Service specific areas where normal vans cannot access

Increase distribution coverage with low cost operation

Improve merchandising & brand visibility

Bring prosperity to communities (CSV)

Innovative models to drive distribution
Door to door operations (horizontal histribution)



Nestlé —SALE→ Distributor —SALE→ Sales woman —SALE→ Consumer

Nestlé até você!

Club Barrio

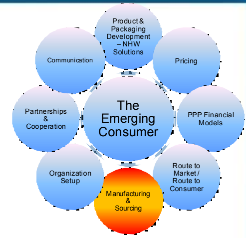
Bienestar en Casa Nestlé

pregúntame por: Puerta A Puerta Nestlé

Key Figures 2009

Market	Sales Women	Sales (CHF 000)
Brazil	7'000	22'000
Colombia	560	1'150
Domican Republic	3'000	8'000
Peru	1'000	2'400
Total	**11'560**	**33'550**

Nestlé's commitment to Emerging Markets supported by significant investment

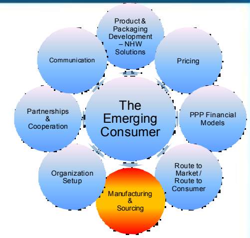


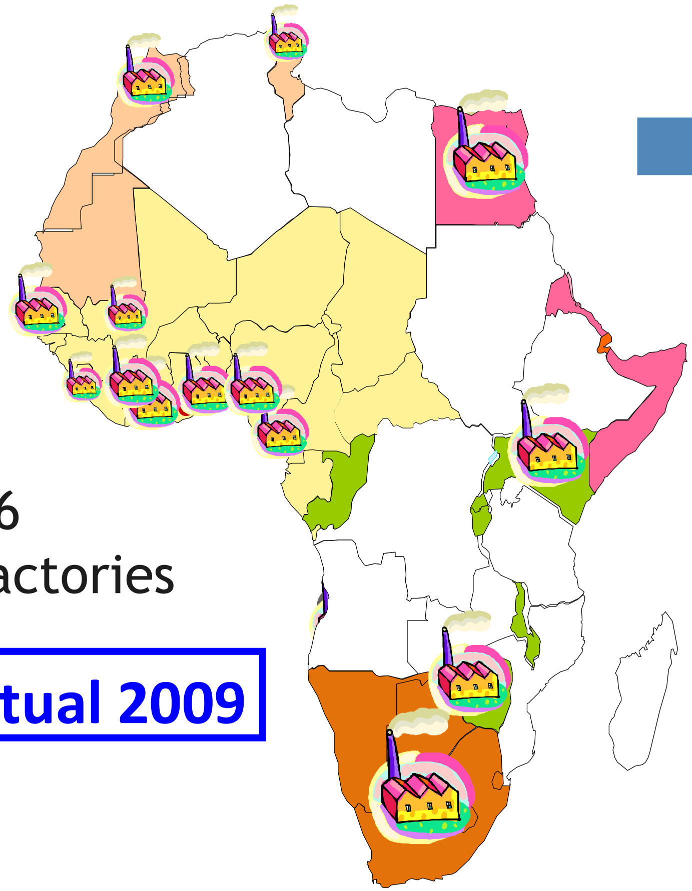
Expected capital expenditure: 2010-2012

- ✓ BRIC: CHF 1.5 billion
- ✓ Asia: CHF 2 billion
- ✓ Africa: CHF 1 billion
- ✓ Latam: CHF 1.6 billion

Emerging Markets and PPP products are accretive to our growth and deliver a better than average F&B EBIT margin

Growth in Africa

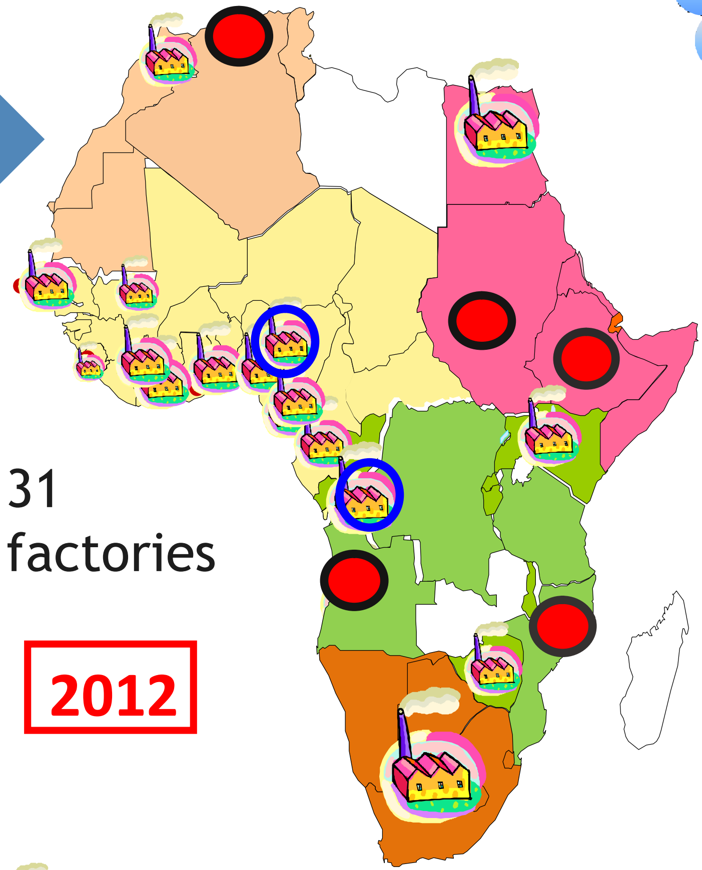




26 factories

Actual 2009

New flexible and modular Manufacturing operations



31 factories

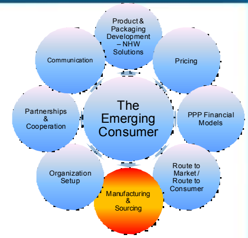
2012

New Multiproduct factories

We aim to enter white spots progressively with flexible Modular Finishing Factories

Nestlé

Multi-product factory & distribution centre on the Northeast region of Brazil



Key Success Factors:

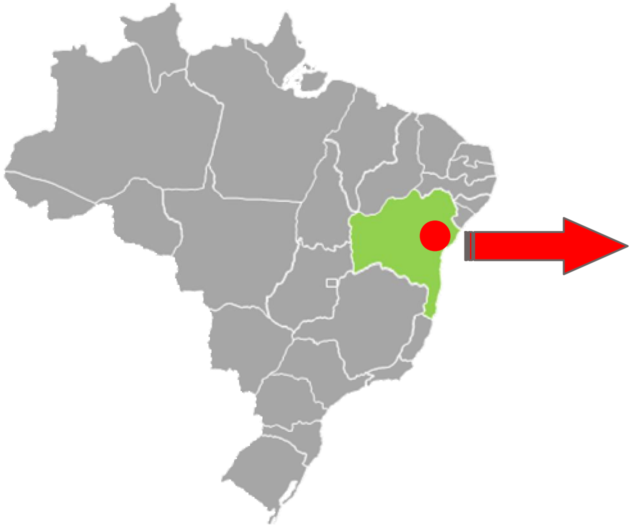
Fiscal advantages (manufacturing/distribution)

Manufacturing & co-packing operations

Lower distribution dosts

Access to local suppliers

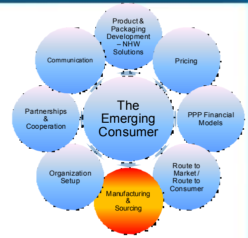
- ✓ Close to consumers
- ✓ Job opportunity for local community (125 direct and 625 indirect)



Opened in 2007 and already expanded:

- ✓ New lines
- ✓ New products (LaFrutta)

And M&A also has a role to enhance growth



China

Da Shan

雀巢 Nestlé

Good Food, Good Life

TOTOLE

豪吉 HAOJI

Poland

WINIARY

DOBRE POMYSŁY DOBRY SMAK

Russia

Brazil

Garoto

Ukraine

MIVINA always near!

ТОРЧИН

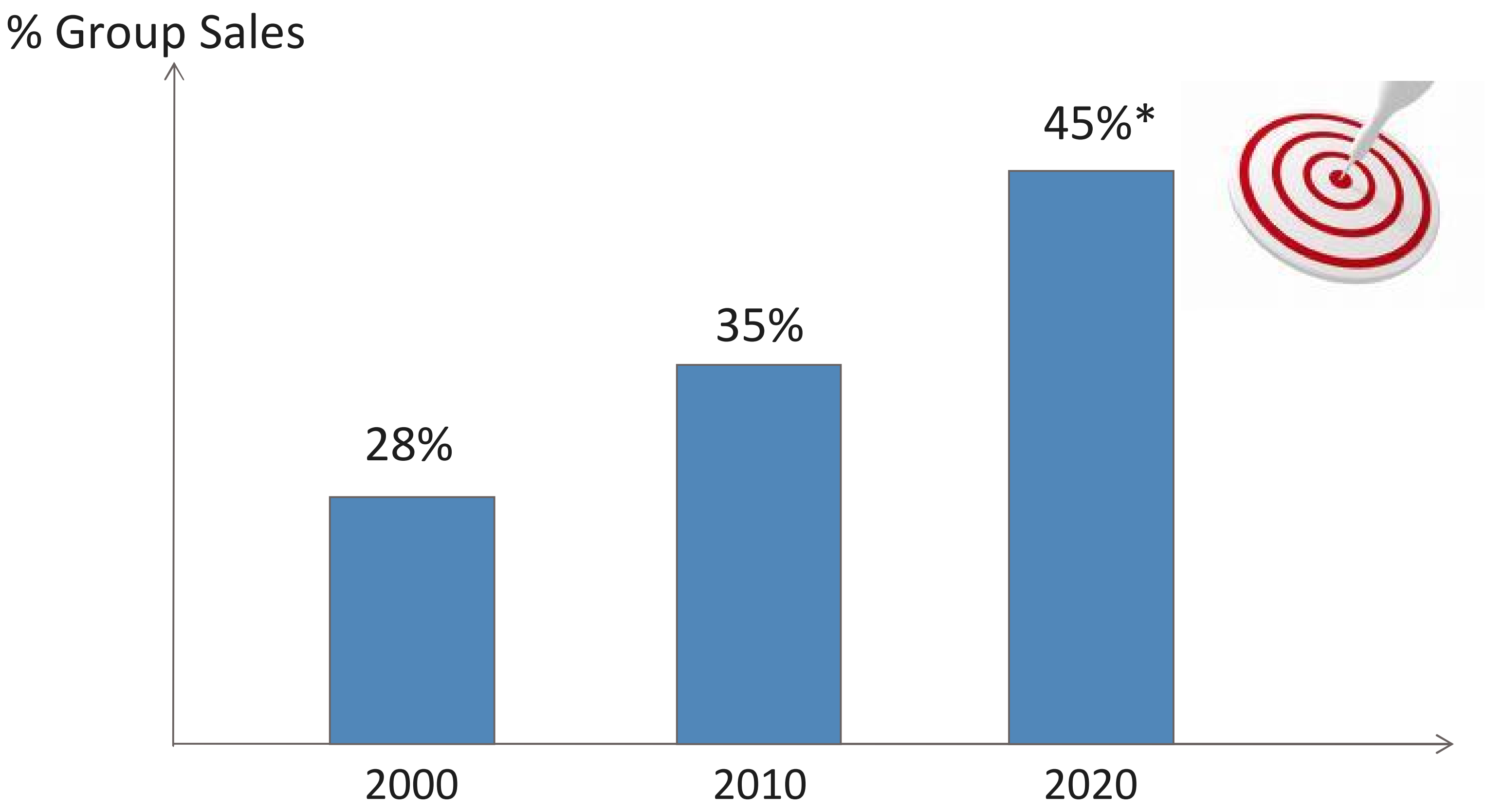
About half the Group's acquisitions are in emerging markets

Nestlé

Summary

- ✓ Heritage of more than 100 years
- ✓ Strong Brands and product-leading market positions
- ✓ Unrivalled scale, know-how and capabilities
- ✓ Supported by unmatched R&D
- ✓ All combined to create sustainable competitive advantage
- ✓ Emerging markets enhancing growth top and bottom lines

Our Target in Emerging Markets

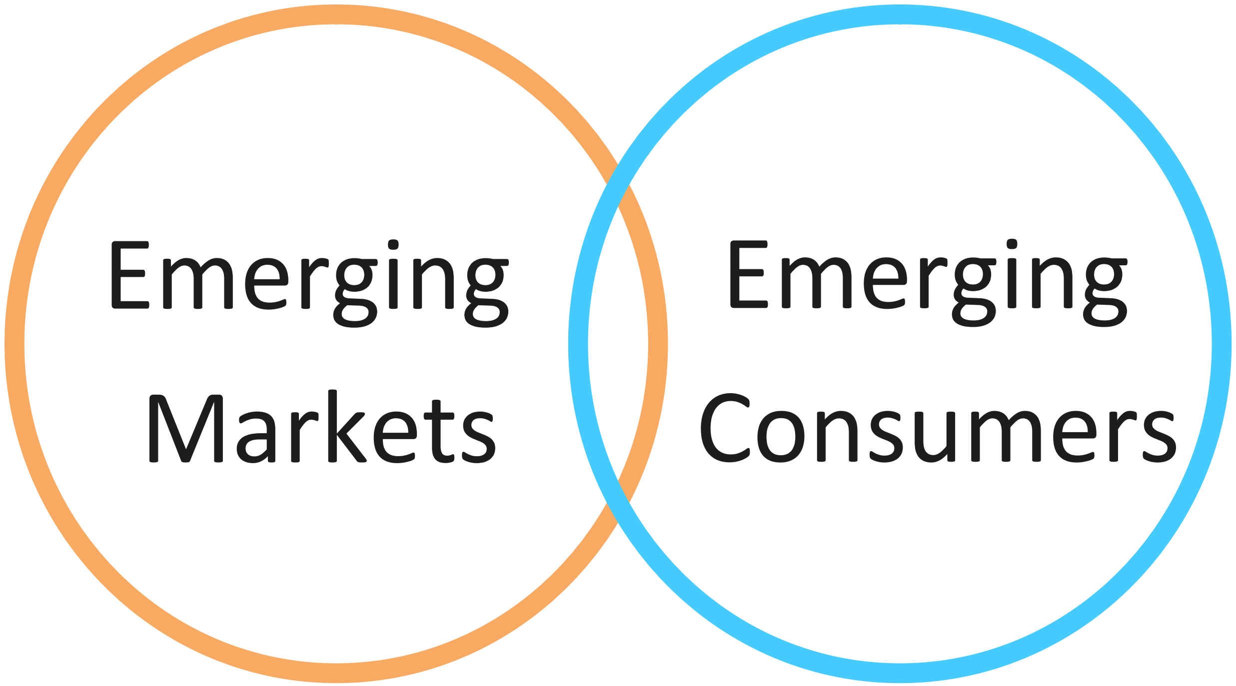


PPP is a Key Growth Driver!

* in constant currencies

The Emerging Opportunity:

beyond emerging Markets



Who are Emerging Consumers?

We are targeting a broader spectrum of consumers

Emerging Consumer
in emerging markets

+

High end consumers
in emerging markets

+

Less affluent and
low food spenders in
developed markets

✓ Maximize the opportunity

✓ Target all consumer segments

We are targeting a broader spectrum of consumers

Emerging Consumer in emerging markets

+

High end consumers in emerging markets

+

Less affluent and low food spenders in developed markets

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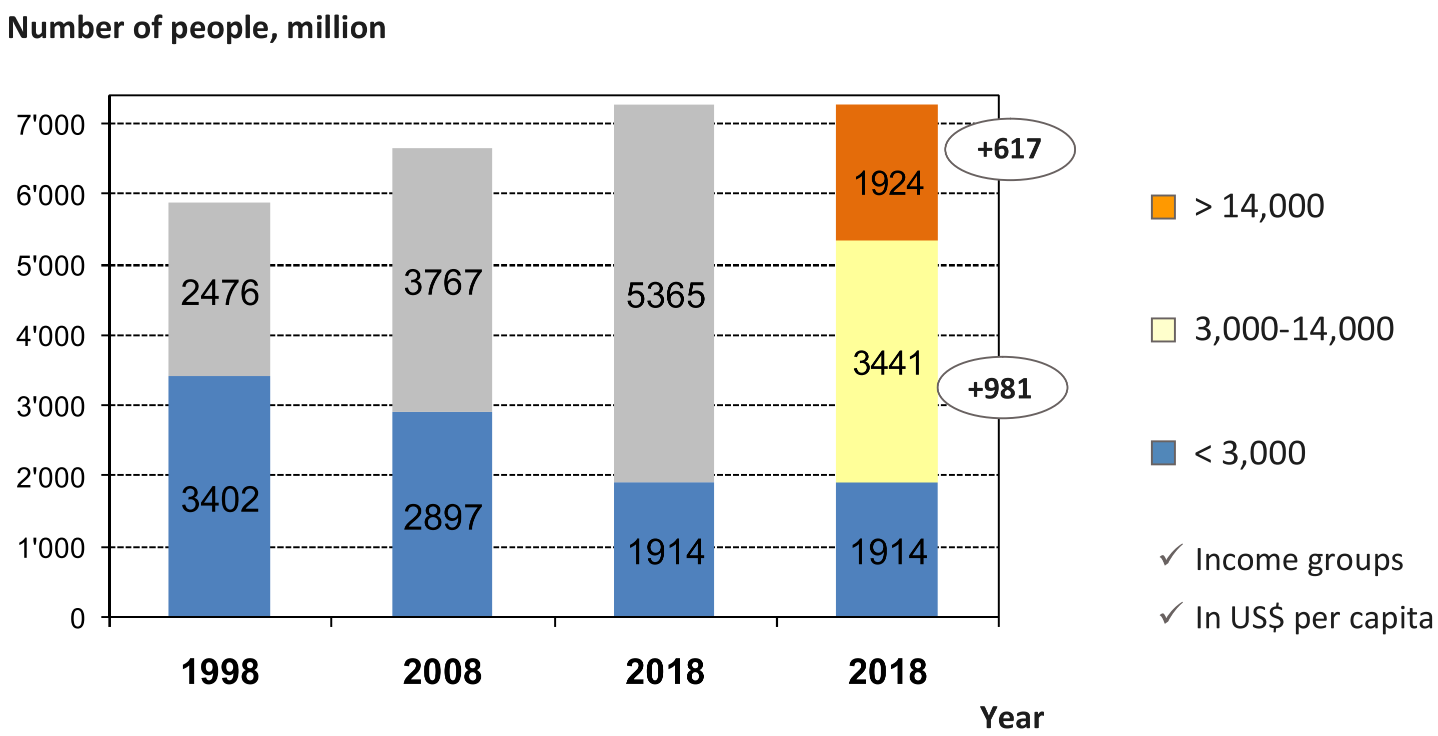
Growing prosperity of emerging consumers

Middle and top income levels are growing faster



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

Nespresso: Growing across Emerging Markets

The NESPRESSO Trilogy.

+

Presence in Emerging Markets:

✓LATAM: Argentina, Brasil, Mexico, Dom. Rep, Chile

✓AOA: Morocco, Lebanon, Turkey, Egypt, Kuwait, UAE, South Africa, Saudi Arabia, Israel, China, Korea, Hong Kong, Singapore

✓Europe: Russia, Czech Rep, Poland, Hungary

Premium growth drivers in Emerging Markets

Objective

Generate growth by serving the top of the pyramid consumers in Emerging Markets with premium branded solutions

Launches in Latam
Brazil
Mexico
Chile
Argentina

Presence in Europe
Czech & Slovakia
Poland
Hungary, Romania,
Bulgaria
Russia, Ukraine,
Lithuania, Estonia,
Latvia
Adriatics

Consumer Benefit

Coffee house quality
Broad beverage variety
Convenient preparation

NESCAFÉ Dolce Gusto

Proprietary Technology

High pressure extraction
White & black cup capable
Hot & cold beverage system

NESCAFÉ

No.1 Global coffee brand
Market leadership
Consumer trust

Consumers' aspiration for premium nutrition in emerging markets

Objective: Grow the portfolio with higher value added products while enhancing the Nutrition Expert image of the NIDO and Nestlé Brand

Consumer benefit, mothers of children 1+:
Giving their toddlers the most advanced nutrition from the Nestlé Research Centre in Switzerland

We are targeting a broader spectrum of consumers

Emerging Consumer
in emerging markets

+

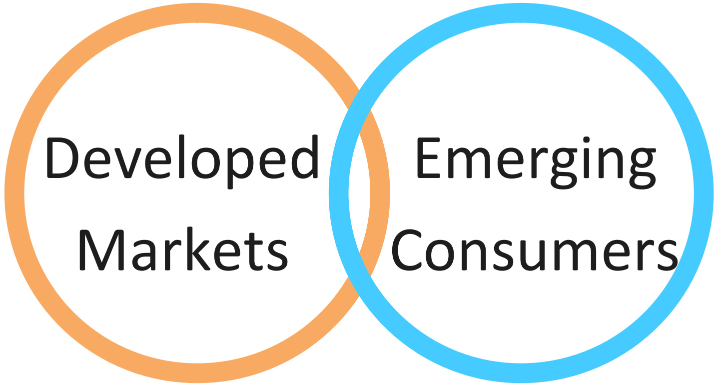
High end consumers
in emerging markets

+

Less affluent and
low food spenders in
developed markets

Great opportunities in the developed world through consumer segmentation

Less affluent and low food spenders in developed markets



- ✓ Consumer segmentation
- ✓ New consumer trends
- ✓ Migration and Ethnic opportunities – leverage Nestlé's worldwide presence
- ✓ Delivering products and services – Convenience and OOH consumption
- ✓ Trade environment – Hard discounters

Great opportunities in the developed world through consumer segmentation

Nestle in Europe

- ✓ Consumer segmentation
- ✓ Tapping new opportunities

Pensioners / Seniors

Young People / Students

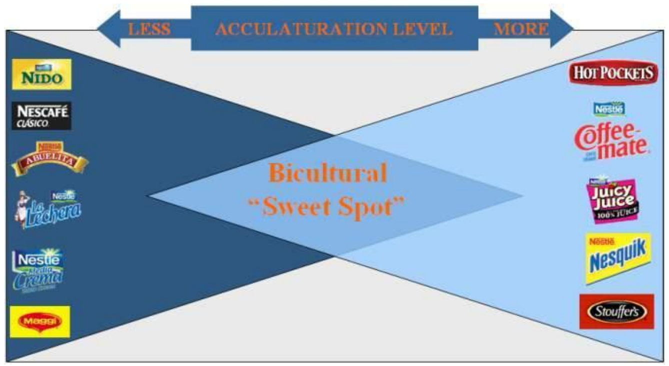
Migrants

Unemployed

Single parents / Large Households

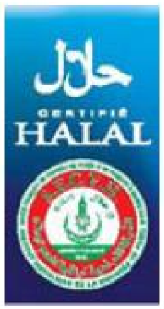
Nestle USA
Emerging Consumers Division

- ✓ Targeting the Hispanic community
- ✓ Leveraging Nestlé's strength in their home countries



Popularly Positioned Products in Europe:
Targeted to specific consumer groups

Muslim & North African	African	Asian
↓	↓	↓
Ethnic Target Group: 'Religious'	Ethnic Target Group: 'Nostalgic'	



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Ramadan activity - France

Target Group:

Muslim people (5 milion) : a big part of the BOP in France

Key Consumer Insight:

"We want to eat like everybody, but Halal"

Concept:

Create a high quality touchpoint with the MAGGI brand and products (sampling)

Consumer / Customer Benefit:

MAGGI fulfills your and your families needs

A well known brand and reliable partner

Performance: Ramadan effect

✓ Sales peak of almost 500% above average during the Ramadan

Nestlé USA
Emerging Consumers Division (ECD)

Organizational Transformation

Low

Pre-2006
- ✓ Trading operation
- ✓ Push model

2006
- ✓ Creation of ECD behind Hispanic initiative
- ✓ Creation of dedicated Hispanic sales force

2007 - 2008
- ✓ Creation of dedicated in-store team
- ✓ Build-out of marketing organization to activate demand

2009 - 2010
- ✓ Leverage execution of Field Sales
- ✓ Allocate resources to create Hispanic Center of Knowledge
  - ✓ Insights and innovation
  - ✓ Customer Development teams for both Hispanic independents and mainstream

2012 $500MM

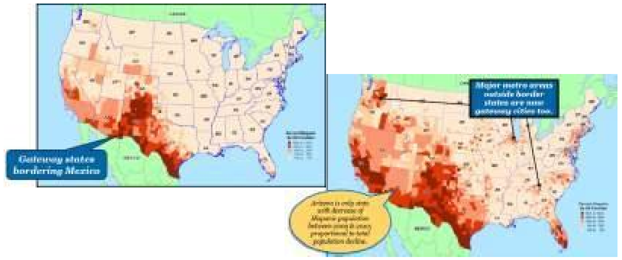
2017-*Run rate* $750MM

High

Consumer Insights

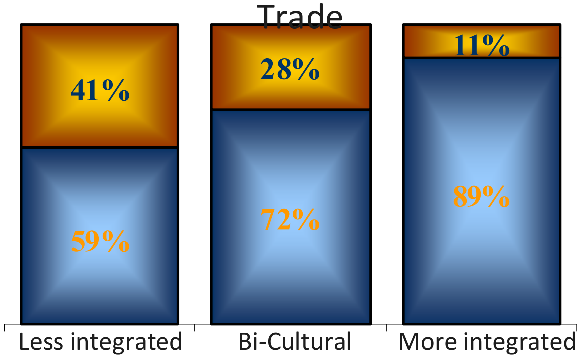
✓ Consumer Profile

From regional to national presence



✓ Shopper profile

From Traditional to Modern Trade



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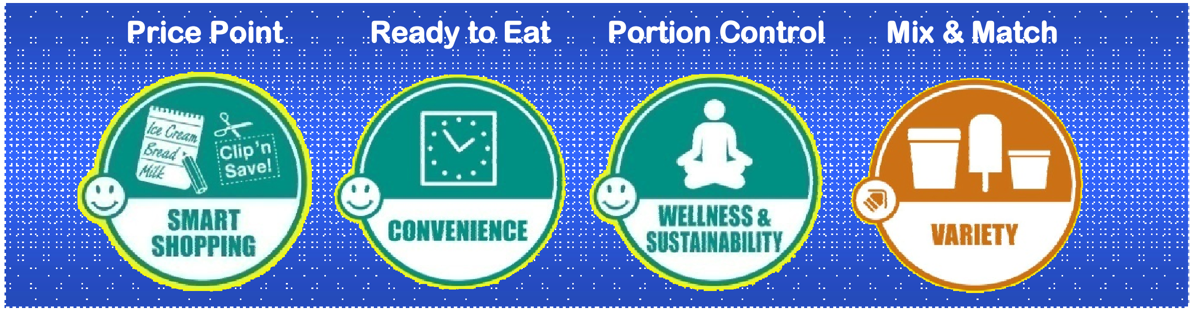
Single serve cups bringing new consumers to Dreyer's Grand Ice Cream

- ✓ Cups price point of around $1 entices consumers to category
- ✓ Attractive price plus introduction to new snacking occasions has revitalized category growth



- ✓ Cups introduces new users to the franchise – 60% of Slow Churned Cups buyers are NEW to Dreyer's/Edy's
- ✓ Drives incremental sales – Cups purchases increase absolute basket size 15%
- ✓ Total Cups business on target to grow significantly in 2010
  - FY sales $100 MM

Which feeds into Nestlé's Multi-Tier Strategy

Premium

Mainstream

PPP

Across Emerging and Developed Markets

Nestlé

Summary – Emerging Consumers

✓ **Premium consumers in Emerging Markets**
A growing opportunity – rising incomes/aspirational brands

✓ **Emerging consumers in Developed Markets**
- From the coffee connoisseur to the hard discounter shopper
- From the European African (Maggi) to the American Hispanic (Nescafé)
- From trading-in (Dreyer's cup) to trading-up (Nespresso)

✓ **Developed markets: rich with growth and earnings potential**
- North America: approx av. 6% OG: '05-09
- Western Europe: approx av. 2.5% OG: '05-'09

Leverages Nestlé's vast global portfolio through local knowledge and implementation

Conclusion – The Emerging Opportunity

✓ **We have the scale and strategies to drive Emerging Market performance:**
- Organic growth above local markets rates
- EBIT margins enhancing to the F&B Group
- Sales to reach 45% of total in 2020 (constant currencies)

✓ **We will also grow Developed Markets due to:**
- We have made the right category choices
- Consumer insight, innovative thinking & R&D: key drivers
- Emerging markets products &brands – the ethnic opportunity
- Taking premium beyond products to services
- Creating new market opportunities (Special.T by Nestlé)

The opportunity is not just about emerging markets;
the opportunity is also about the emerging consumers

Nestlé
Good Food, Good Life

The Emerging Opportunity