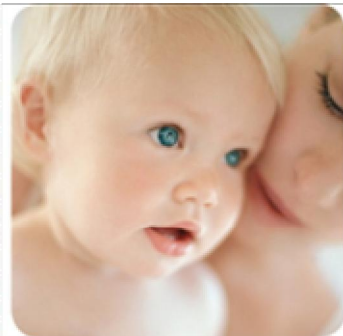


# Driving Value at Nestlé Nutrition



22 June 2010 – Nestlé Investor Seminar  
Richard T. Laube – CEO Nestlé Nutrition

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.

# Driving Value at Nestlé Nutrition



- I. Nestlé Nutrition – The business today
- II. Driving value through acquisitions - Updates
- III. Driving value through innovation
- IV. Driving value through global presence & local strength
- V. Conclusions

# Enhancing consumers' lives in four leading and specialised nutrition businesses



**Infant Nutrition** 74%  
*Start Healthy Stay Healthy*



**Weight Management** 6%  
*Lose weight and keep it off*

**HealthCare Nutrition** 17%  
*Nutritional support & solutions for vulnerable patients*



**Performance Nutrition** 3%  
*Help athletes perform at their best*



**Total Nestlé Nutrition sales 2009: CHF 10 bn**

# Our Ambition & Objectives



## Ambition:

- Enhance the quality of each individual's life by providing superior products and services with meaningful nutritional benefits
- *Good Food Good Life* for Nutrition means helping an individual live healthier and longer

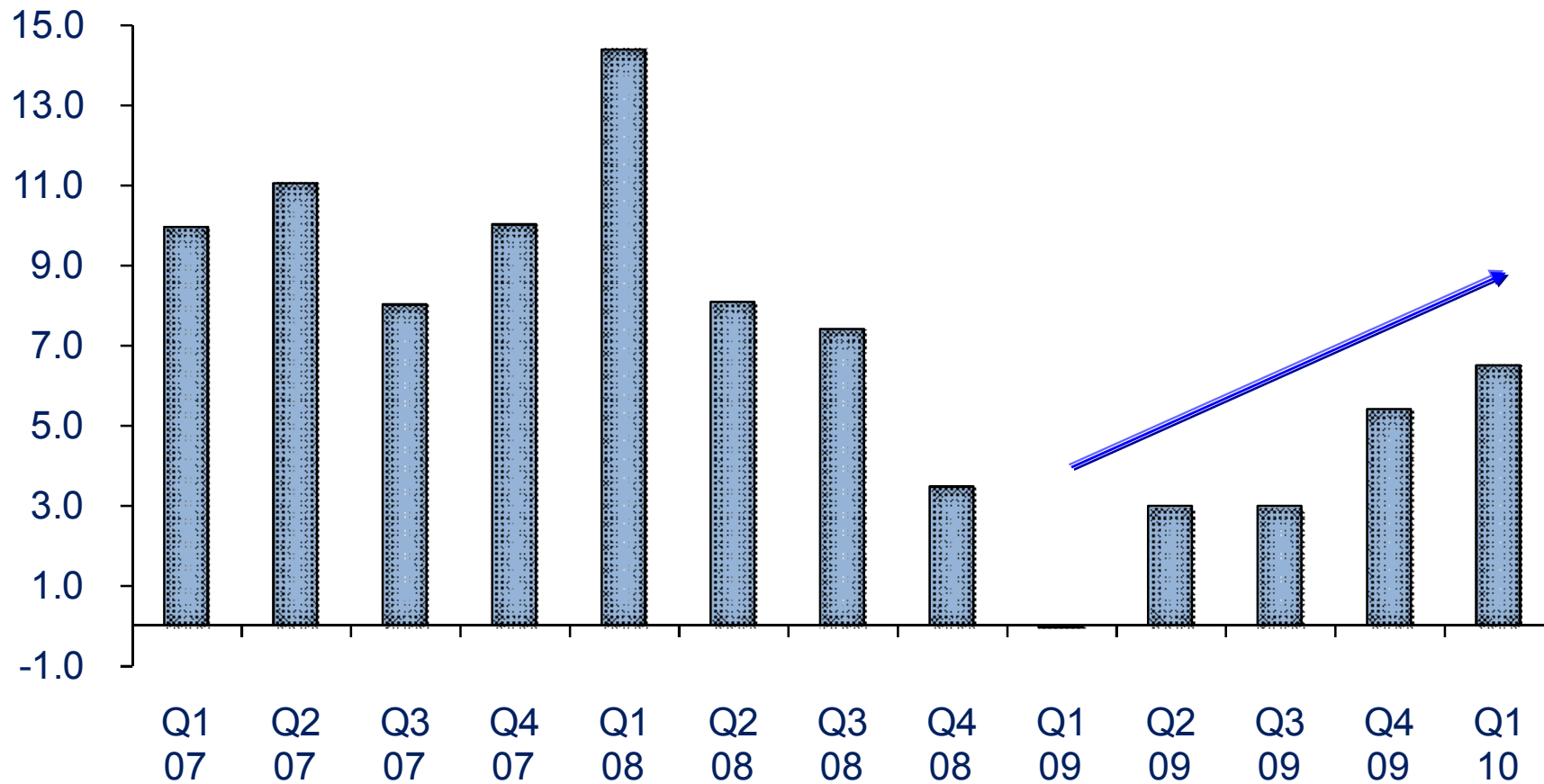
## Objective:

- Be accretive to Nestlé's Organic Growth and extend our Global leadership
- Continue to improve our EBIT margins, already accretive to the Group

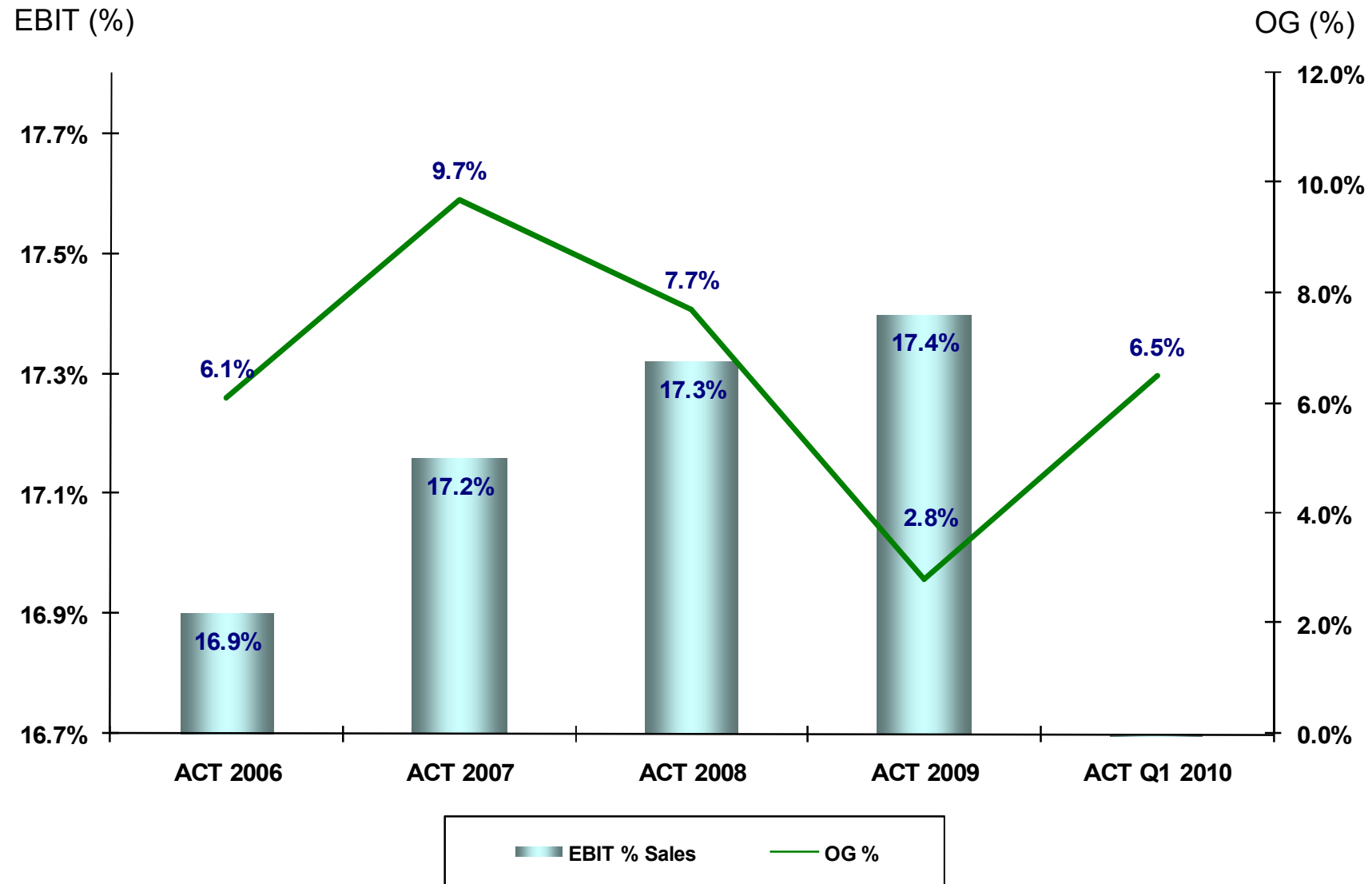
# Solid recovery after Q1 2009



## Nestlé Nutrition - OG Evolution 2007-2010 by quarter



# Continuous EBIT margin improvements and good start into Q1 2010



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# Three strategic acquisitions

## A sustainable platform for future growth



	Date	Price USD	Sales in USD	Sales	EBIDTA
<b>Jenny Craig</b>	<b>August 2006</b>	<b>600 m</b>	<b>409</b>	<b>1.4x</b>	<b>n/a</b>
<b>Novartis Medical Nutrition</b>	<b>July 2007</b>	<b>2.5 bn</b>	<b>966</b>	<b>2.6x</b>	<b>17.6x</b>
<b>Gerber</b>	<b>Sept 2007</b>	<b>5.5 bn</b>	<b>1'950</b>	<b>2.8x</b>	<b>15.7x</b>

- **Jenny Craig:** Vying for leadership in Weight Management
- **Novartis Medical Nutrition:** Strategically refocused for future competitive advantage
- **Gerber:** Strong growth & leveraging learnings worldwide

# Jenny Craig: Vying for leadership in Weight Management



	Nestlé (FY before acquisition)	Jenny Craig (FY before acquisition)	Pro-forma combined entity 2006	Jenny Craig (FY 2009)	Progress of Jenny Craig
Sales (USD mio)	-	<b>409</b>	<b>409</b>	<b>571</b>	<b>+162</b>
EBIT (%)	-	-	-	-	<b>+470 bps</b>




## Focus and priorities since acquisition:

- Driving innovation and weight loss efficacy
- Expanding the 'At Home' (direct) business
- Driving international expansion (Europe)

# Jenny Craig: Building market share one client at a time



## Market Share Evolution – Since Acquisition

	2007	2008	2009	Vs. 07
	26.3%	29.9%	31.7%	+5.4 pts
	37.1%	37.8%	39.0%	+1.9 pts
	36.6%	32.4%	29.3%	-7.3 pts

# Novartis Medical Nutrition: Strategically refocused for future competitive advantage



	Nestlé (FY before acquisition)	Acquired business (FY before acquisition)	Pro-forma Combined entity 2007	Combined business (FY 2009)	Progress of combined business
Sales (CHF mio)	<b>572</b>	<b>1'207</b>	<b>1'779</b>	<b>1'689</b>	<b>- 90</b>
EBIT (%)	-	-	-	-	<b>&gt; 340 bps</b>

## Focus and priorities since acquisition:

- Now 3 strategic focus areas – Ageing, Pediatrics, Critical Care
- Strengthening innovation capabilities – 47% of Q1'10 sales growth
- Delivering above-target cost synergies – reduction of ~15% of headcount
- Improving profitability significantly – discontinuation of ~ CHF 150 mio of unprofitable contracts & SKUs after acquisition (Ageing Care)

# Focus on 3 strategic focus areas



## Ageing Care



Help patients to recover, stay mobile and remain independent



<b>Patient Target</b>	<ul style="list-style-type: none"> <li>&gt; 75+; acute incident, reversible stage of age decline</li> <li>&gt; Chewing &amp; swallowing difficulties</li> </ul>
<b>Key Benefits</b>	<ul style="list-style-type: none"> <li>&gt; Mobility &amp; recovery</li> <li>&gt; Safe nutrition</li> </ul>
<b>HCP Target</b>	<ul style="list-style-type: none"> <li>&gt; Institution: Geriatric Team</li> <li>&gt; Community: GP, Nurse, Dietician</li> </ul>

Q1 RIG

1%

## Pediatric Care



Help our most vulnerable & young patients to grow, heal and thrive



<ul style="list-style-type: none"> <li>&gt; 0-17 years</li> <li>&gt; Chronic &amp; acute care</li> <li>&gt; Eating disorders, compromised health</li> </ul>
<ul style="list-style-type: none"> <li>&gt; Recovery &amp; healing</li> <li>&gt; Bone &amp; muscle development</li> </ul>
<ul style="list-style-type: none"> <li>&gt; Pediatricians</li> </ul>

6%

## Critical Care/GI & Surgery



Nutrition for survival, help accelerate recovery & minimise complications



<ul style="list-style-type: none"> <li>&gt; ICU and GI surgery patients (GI, Head &amp; Neck cancer)</li> </ul>
<ul style="list-style-type: none"> <li>&gt; Immunity &amp; infection protection</li> <li>&gt; Complete nutrition</li> </ul>
<ul style="list-style-type: none"> <li>&gt; Intensivist, GI specialist, surgeon, ICU dietician</li> </ul>

14%

# Gerber: Strong growth & leveraging learnings worldwide



	Nestlé (FY before acquisition)	Acquired business (FY before acquisition)	Pro-forma Combined entity 2007	Combined business (FY 2009)	Progress of combined business
Sales (CHF mio)	<b>4'813</b>	<b>2'182</b>	<b>7'015</b>	<b>7'390</b>	<b>+375</b>
EBIT (%)	-	-	-	-	<b>+30 bps</b>

## Focus and priorities since acquisition:

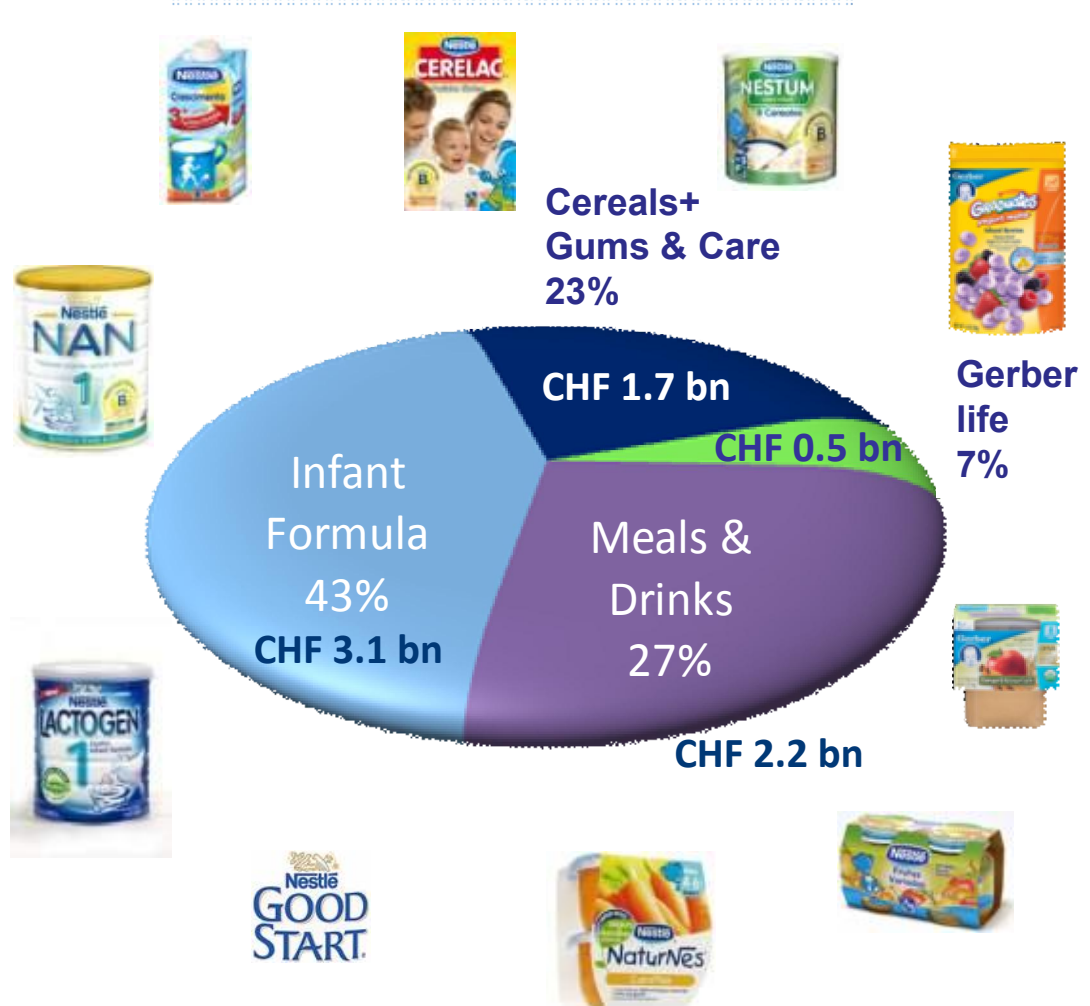
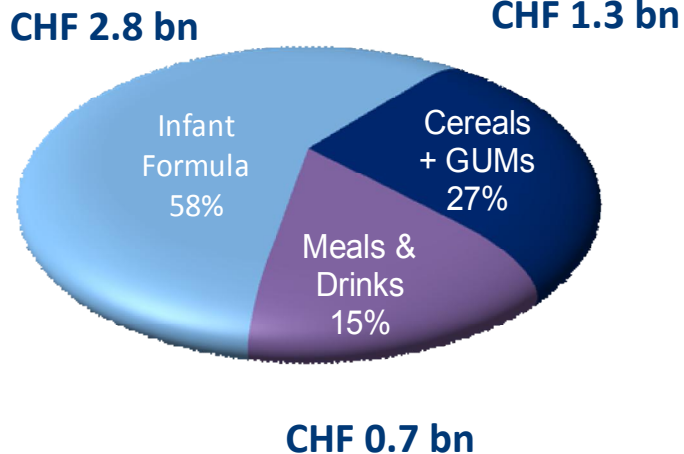
- Delivering cost synergies – ahead of acquisition plans
- “Start Healthy Stay Healthy” – integrated nutrition system (0 - 48 months)
- Leveraging the iconic Gerber brand – e.g. moving IF to Gerber brand
- Driving growth in baby food ‘toddler’ segment – Gerber Graduates

# Gerber – Making us the outright global leader in Meals & Drinks



2006 – Sales CHF 4.8 bn

2009 – Sales CHF 7.4 bn



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# R&D at Nestlé Nutrition: Unmatched competitive advantage



## *Clinical Trials*

More than **100** ongoing Clinical Trials



## *Nestlé Research Centers*

- 1** Science & Research Centre (NRC)
- 27** PTC and R&D Centres across the world.
- 6** of them are dedicated to **Nestlé Nutrition**



## *Nestlé Nutrition Institute*

Network of > **80'000** health professionals & experts

- **3'000+** publications for health professionals
- **450+** **NNI scholarships** for health professionals from developing countries

## *R&D Resources*

Corporate R&D employees

- 3'000** permanent and
- 500** temporary collaborators of which
- 220** are dedicated to **Nestlé Nutrition**

# Nestlé Infant Nutrition driving major innovations in last 5 - 6 years



## Infant Formula

2004

Strengthening the immune system

**BEBA**

**NAN**

2007

>100 countries  
~ + CHF 350 mio

For Ceasarean born babies with depressed gut flora

**LACTOGEN**

*Guigoz*

**NESTOGEN**

2010

> 100 countries  
~ + CHF 250 mio

Improving the overall well-being of babies by enhancing gut comfort (colics)

2013

40 countries  
+>CHF 200 mio

## Baby Food



Nurturing with the goodness of nature. Aseptic/UHT steam cooking process

10 countries  
~+CHF 100 mio



strengthening babies' natural defenses day by day

>100 countries  
~+ CHF 150 mio



Pioneering Nutritious Solutions for Toddlers' Healthy Growth

~+ CHF 250 mio

# Example Infant Cereals: Redefining a category through innovation



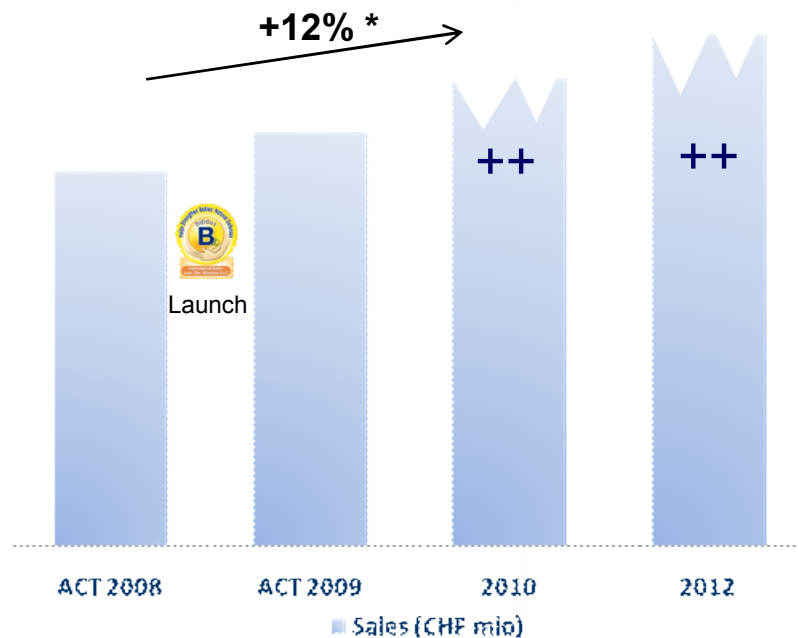
1) Redefining the Infant Cereals category: From 'filler' to 'nutritional carrier'  
 Upgrade the worldwide Infant Cereals portfolio with the addition of Bifidus BL to own the Immune Benefit of Protection

2) Global deployment: > 100 countries from 2008 - 2012

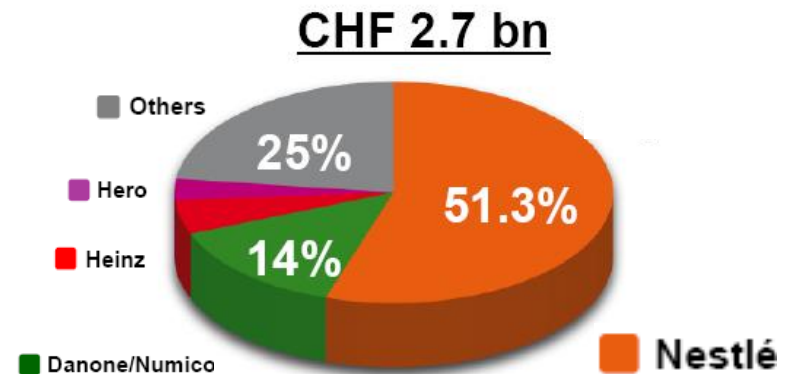
3) Driving value:



Nestlé Infant Cereals growth



Global IC Market Share (Value)



\* Organic growth



# Strengthening our innovation pipeline for the future



Nestlé Nutrition R&D spend (mio CHF)		
2007	2008	2009
150	220	245



**I&R Pipeline Value (over 100 projects):**

**>CHF 2.4 bn (Sales Year 3)**

# Driving Value at Nestlé Nutrition

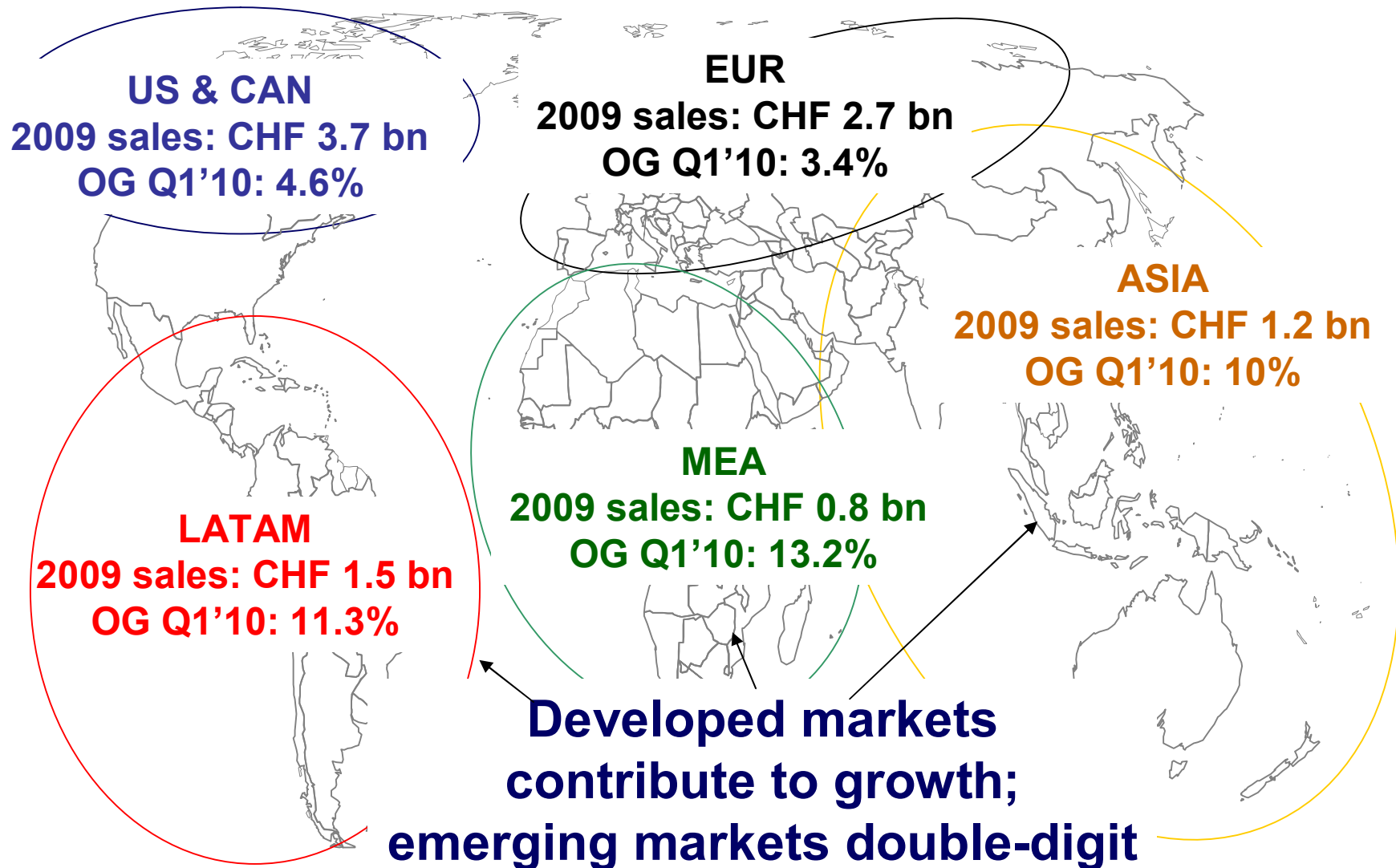


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# Superior global presence: Operating in > 70 countries, distribution in >140 countries



**Nestlé Nutrition: CHF 10 bn, OG 6.5% (Q1'10)**



# Challenges in Western Europe - ...taking actions



In Western Europe, we have lost market share (total Infant Nutrition) from ca. 26% to 24% since 2008 – mainly driven by France

Challenges	Key actions
- Pricing policy; pricing up faster than competition following the 2008 raw material 'spike'	- Corrective pricing measures taken, reducing RIG/OG gap from 400-500 bps to <100 bps
- Weakness in pharmacy channels in certain markets	- Creation of a focused pharmacy sales organisation (>50 people)
- Advertising spend gap versus key competitors	- First significant TV advertising campaign in more than 8 years
- Perceived commoditisation; increase in private label competition	- Successful roll-out of innovations in infant formula (colics); upaging (M&D), probiotics (cereals)

# ...and opportunities in Eastern Europe: Strong double-digit growth in Russia



	2009 OG %	2009 market share %
Meals & Drinks	40.3	10
Infant Formula & Growing-up milks	28.5	46
Infant Cereals	43.4	24
Total Infant Nutrition	33.1	25

➔ vs. 20.4%\* in 2006

**We are number ONE in Infant Nutrition**

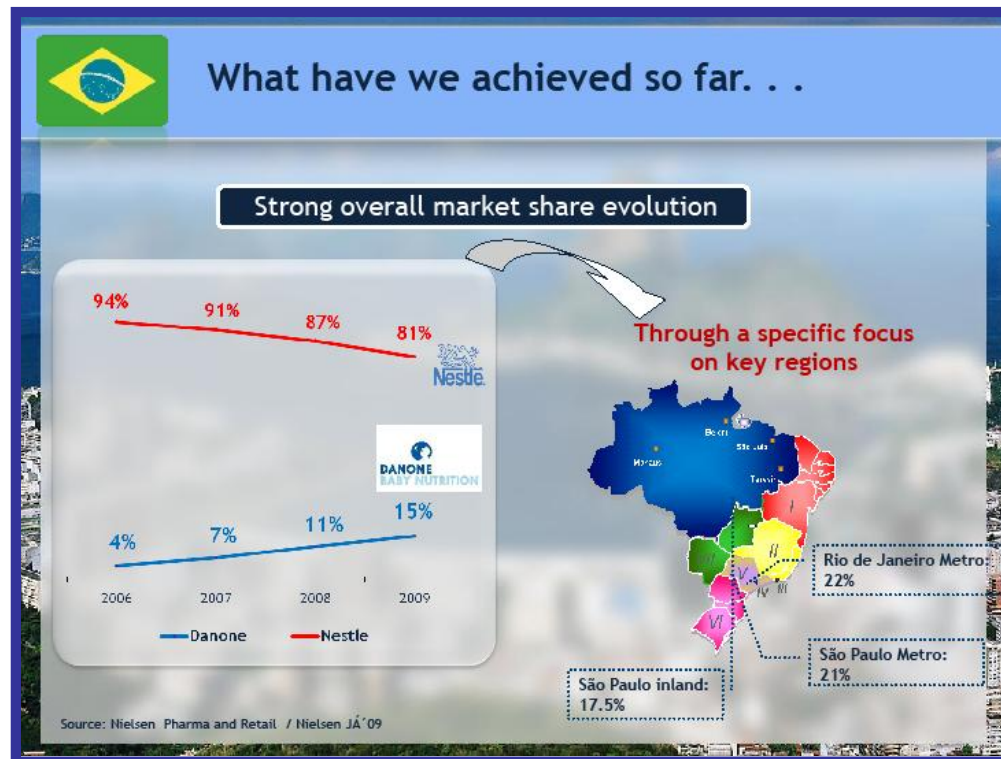
\*Source: Euromonitor



# Global presence / Local strength: Example - Driving growth in Brazil



## Danone's limited « Nielsen » view



Danone highly concentrated in **only 3** metropolitan areas covering **only 27%** of total stores (i.e. ~125'000) and with overall **4%** numerical distribution in the country

Nestlé 's complete picture:

The power of **local strength**  
Strong value and volume growth supported by **national** presence and distribution (concentration in North & North East):

**> 461'000 stores**

Result:

2008: 15% OG

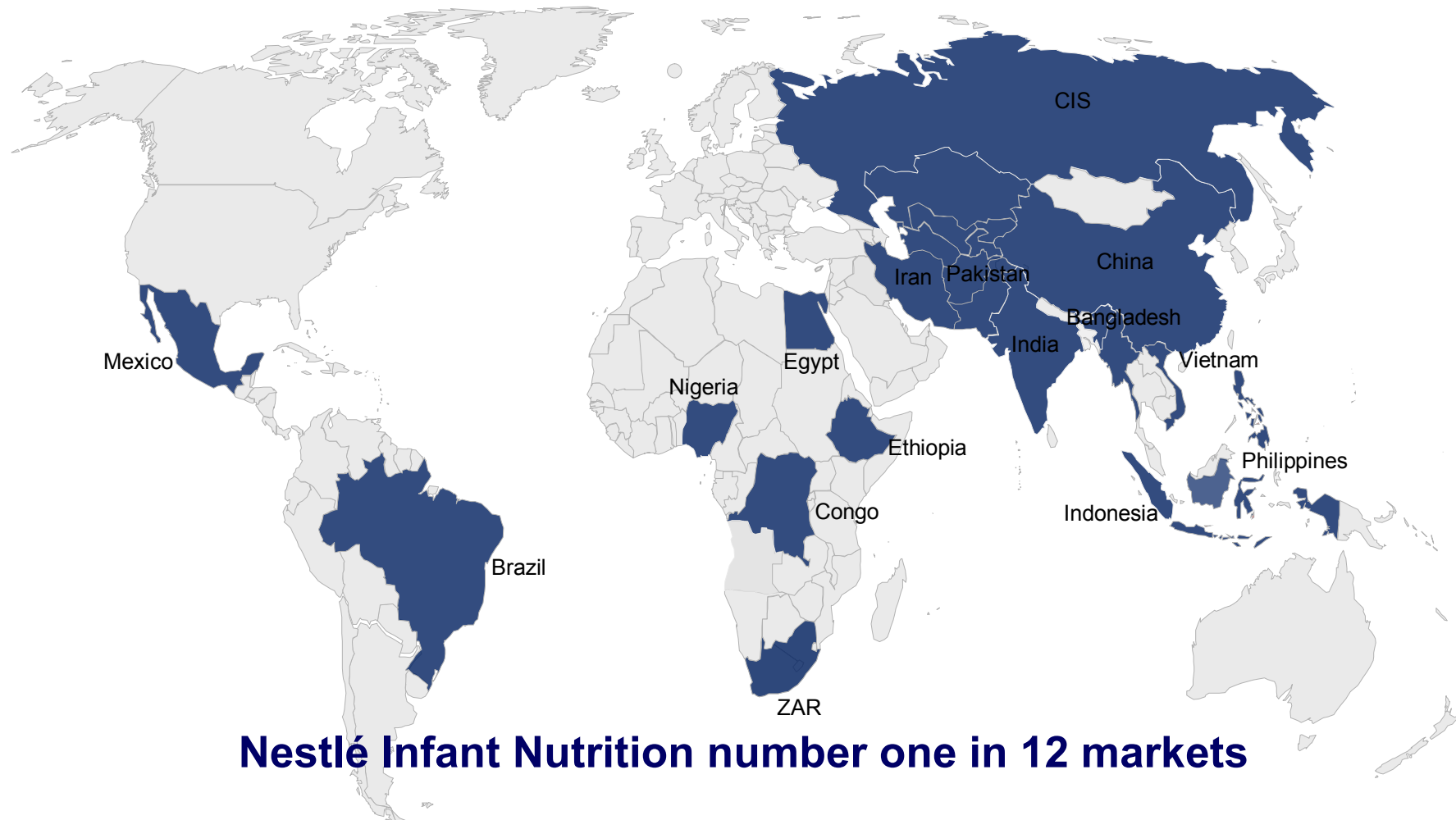
2009: 16% OG

Our market share is stable at 82.2%

# Infant Nutrition Delighting consumers globally



Ca. 140 million births worldwide per year:  
~ 90 million births in 16 emerging markets



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# Conclusions: A winning business...driving value



- Nestlé Nutrition: the Global leader in specialised nutrition
- Unmatched R&D capabilities - innovation continues to drive growth
- The global leader in Infant Nutrition – “we are where the births are”
- Acquisitions: meeting or beating targets, delivering value
- 2010: Continued **strong growth** since H2 2009

Nestlé Nutrition is a significant **value and NHW image driver** for the Nestlé Group