

Nestlé Investor Seminar 2008



**Premiumization –
Driving Growth,
Creating Value**

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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.

▶ 1. Consumer Trends

2. The Premium and Luxury Model

3. The Nestlé Opportunity

4. Nestlé Capabilities and Expertise

5. Future Outlook



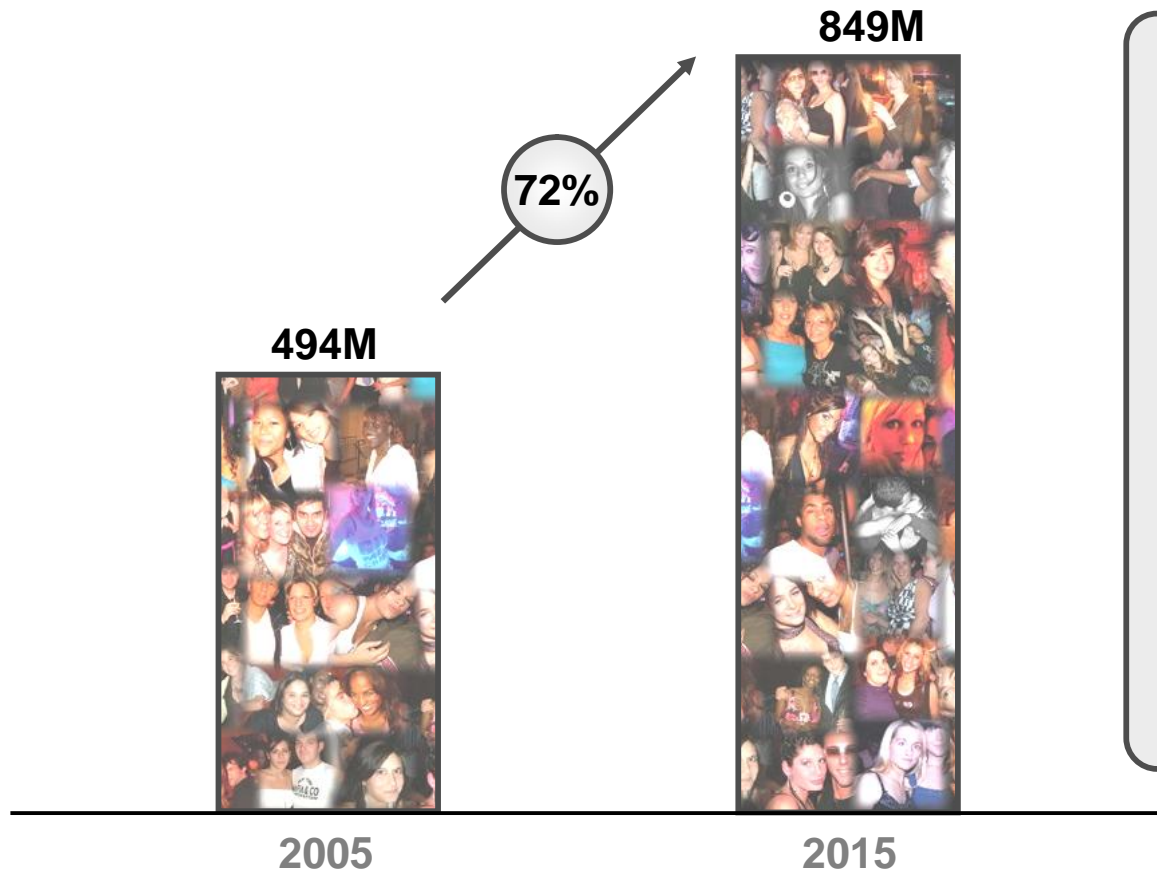
The target income group for premium products is > US\$ 28'000

Annual Per-capita spend on manufacturing value-added food



As people move up the income ladder, this target group grows faster than any other segment...

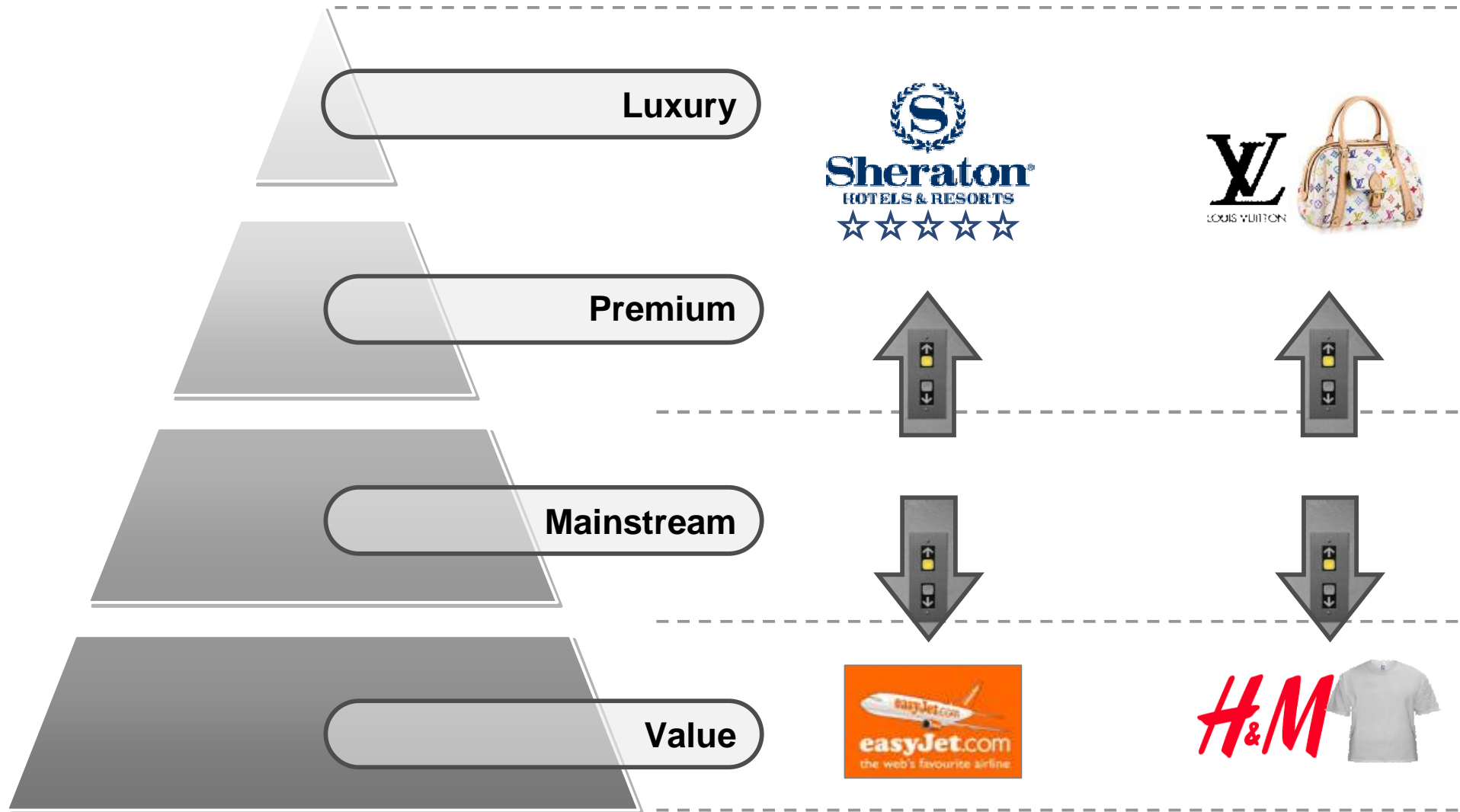
Number of People with annual income > US\$28'000 globally



Two years from now there will be more potential premium and luxury goods consumers in China than in whole of Europe (income > 28'000 USD, 2010)

Today there are more millionaires in China than any country in Europe (US\$)

People increasingly spend more of their discretionary money on premium products - trading up...and down



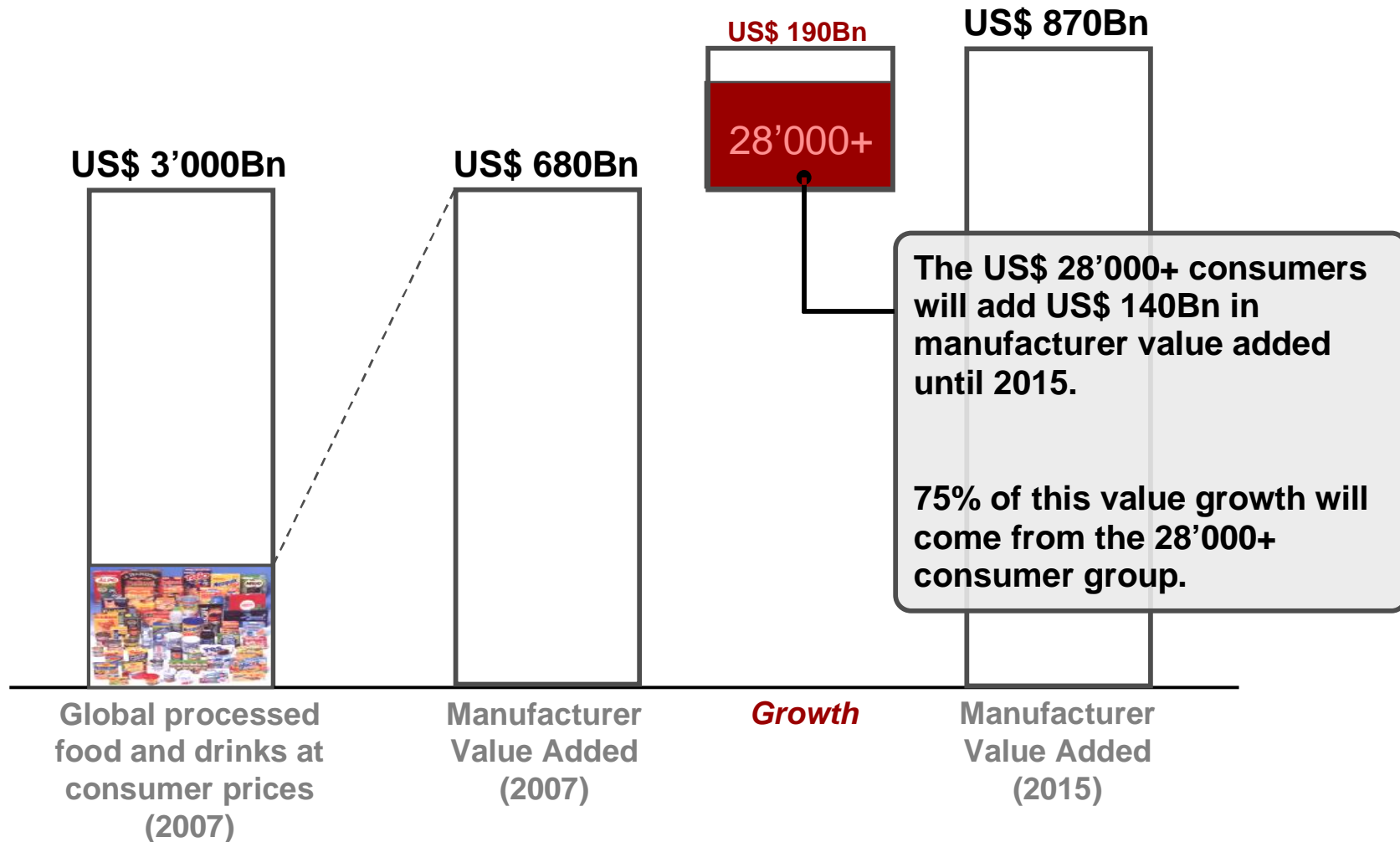
Examples of strong underlying premium growth drivers



- The rise of the middle-class
- Urbanization
- Individualism – ego acceptance
- Growth in single households
- Lifestyle changes – convenience
- Ageing population
- Female spending power
- Wising up - growth in education
- Fall of structure forming institutions

75% of the total value growth will come from the > US\$28'000 consumer group

Global food and non-alcoholic beverage consumption and growth (2007-2015)



Why consumers go for luxury products?

The Show-off

“Wants to feel superior and privileged...”

Wants to feel valued and important...

Wants to feel special and apart from the crowd”



The Connoisseur

“Wants to signal status and demands respect

Shows gratitude, admiration and affection to the brand

Likes to demonstrate perfectionism”



The Self-treater

“Buys to reward themselves for achievements

or consolation from setbacks

it’s about self-pampering and occasional indulgence”



The Motivator

“Wants to remind oneself of one’s true identity

Wants to build hope and energy to motivate one-self”

“I still got it...”



1. Consumer Trends

▶ **2. The Premium and Luxury Model**

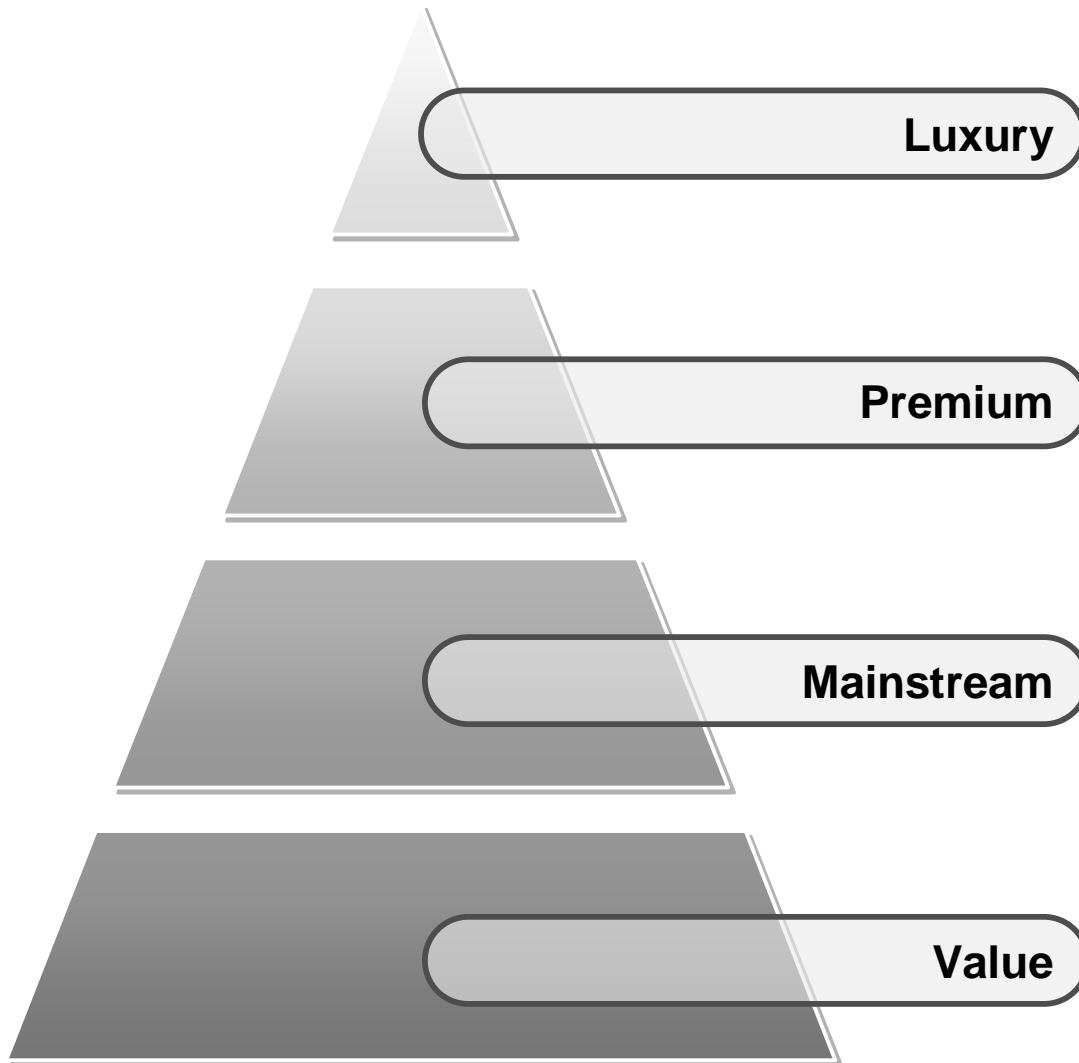
3. The Nestlé Opportunity

4. Nestlé Capabilities and Expertise

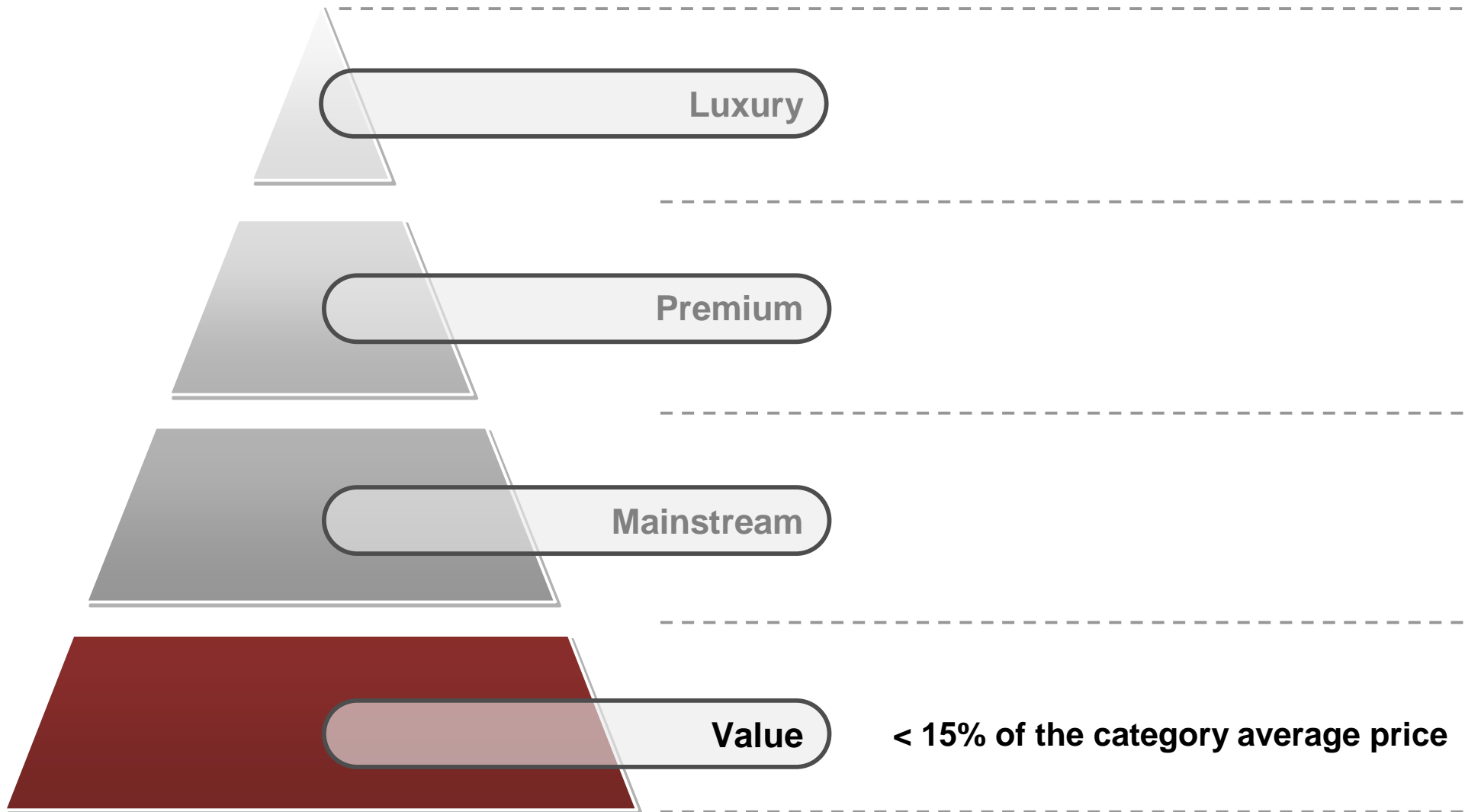
5. Future Outlook



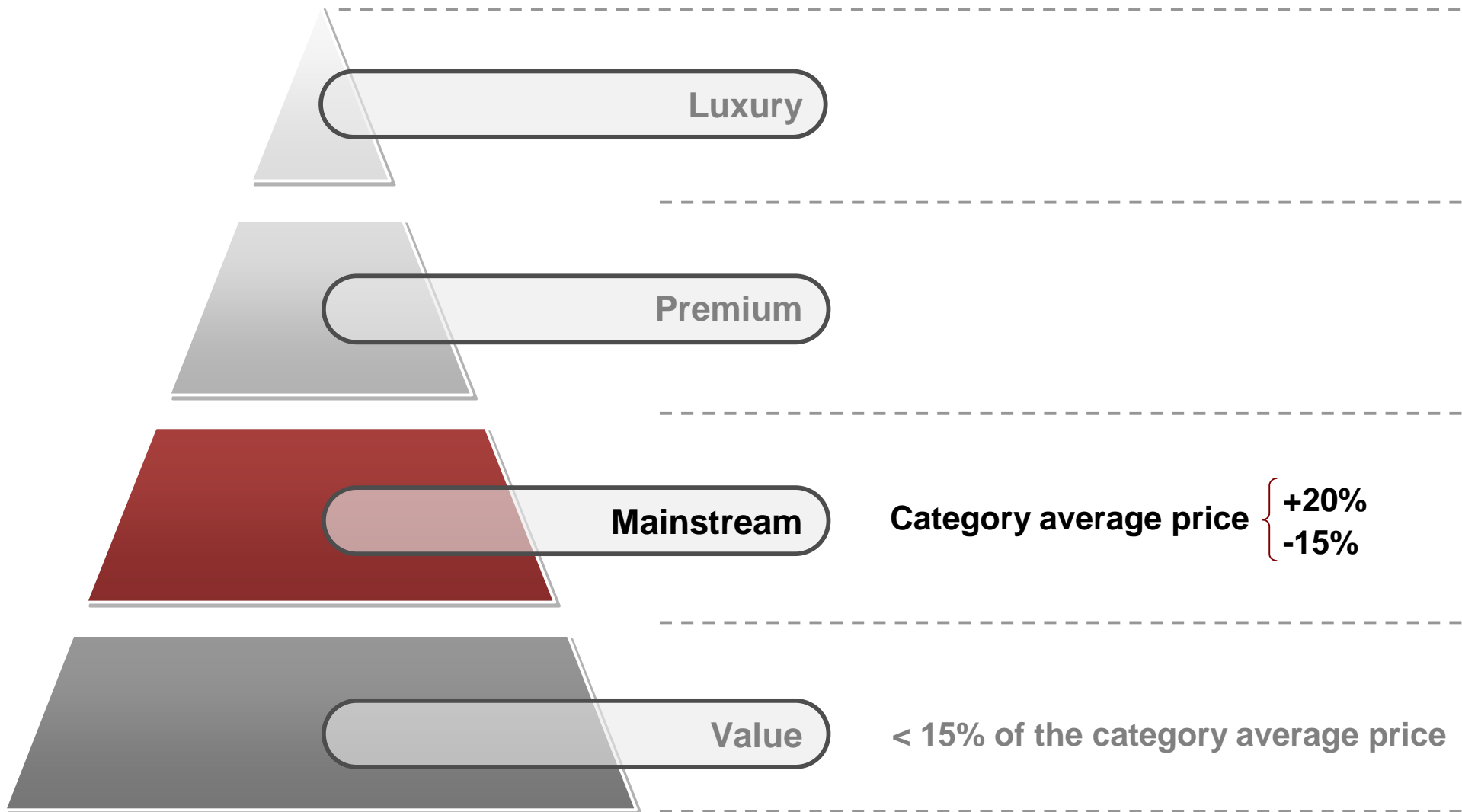
The brand value pyramid



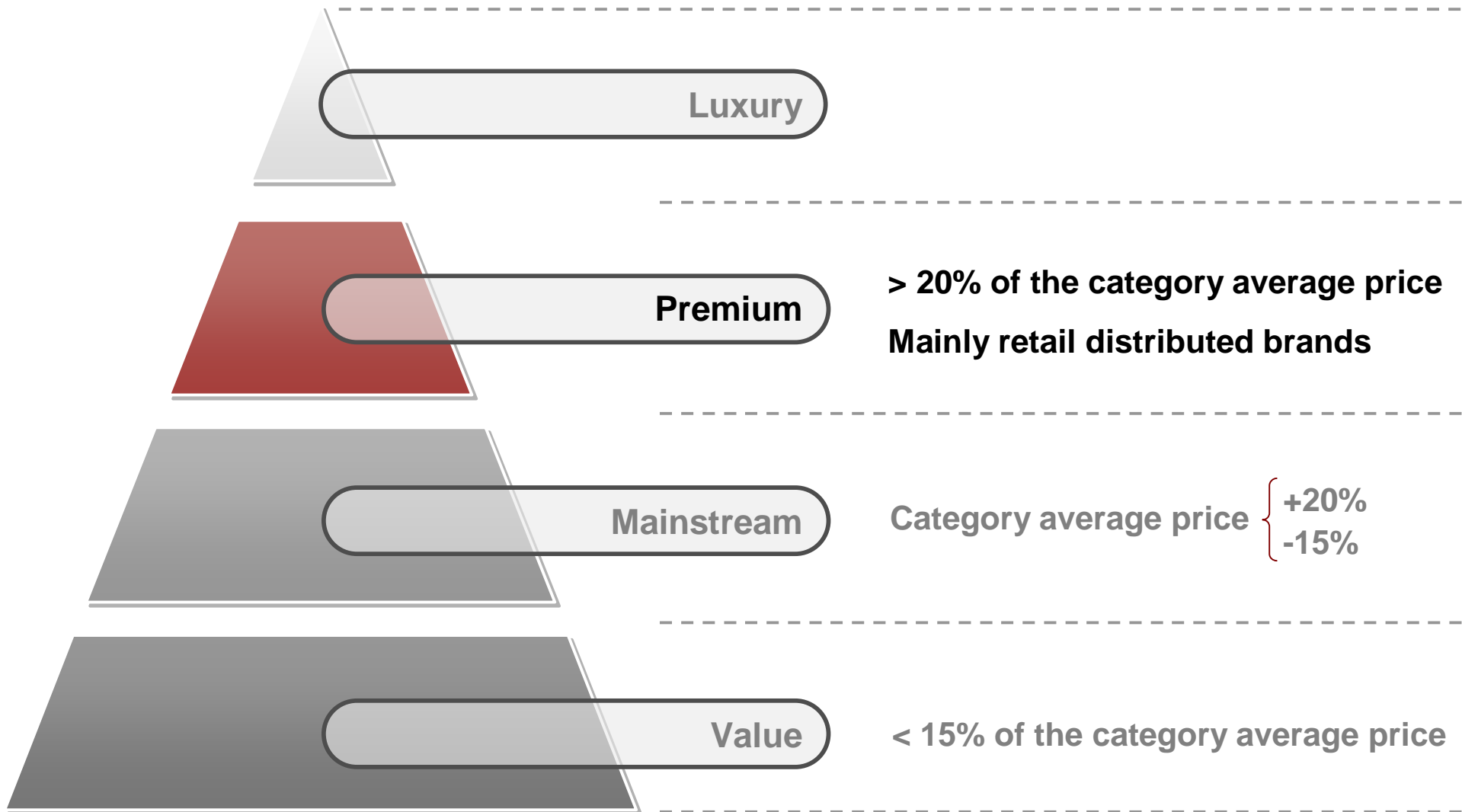
The brand value pyramid: Value



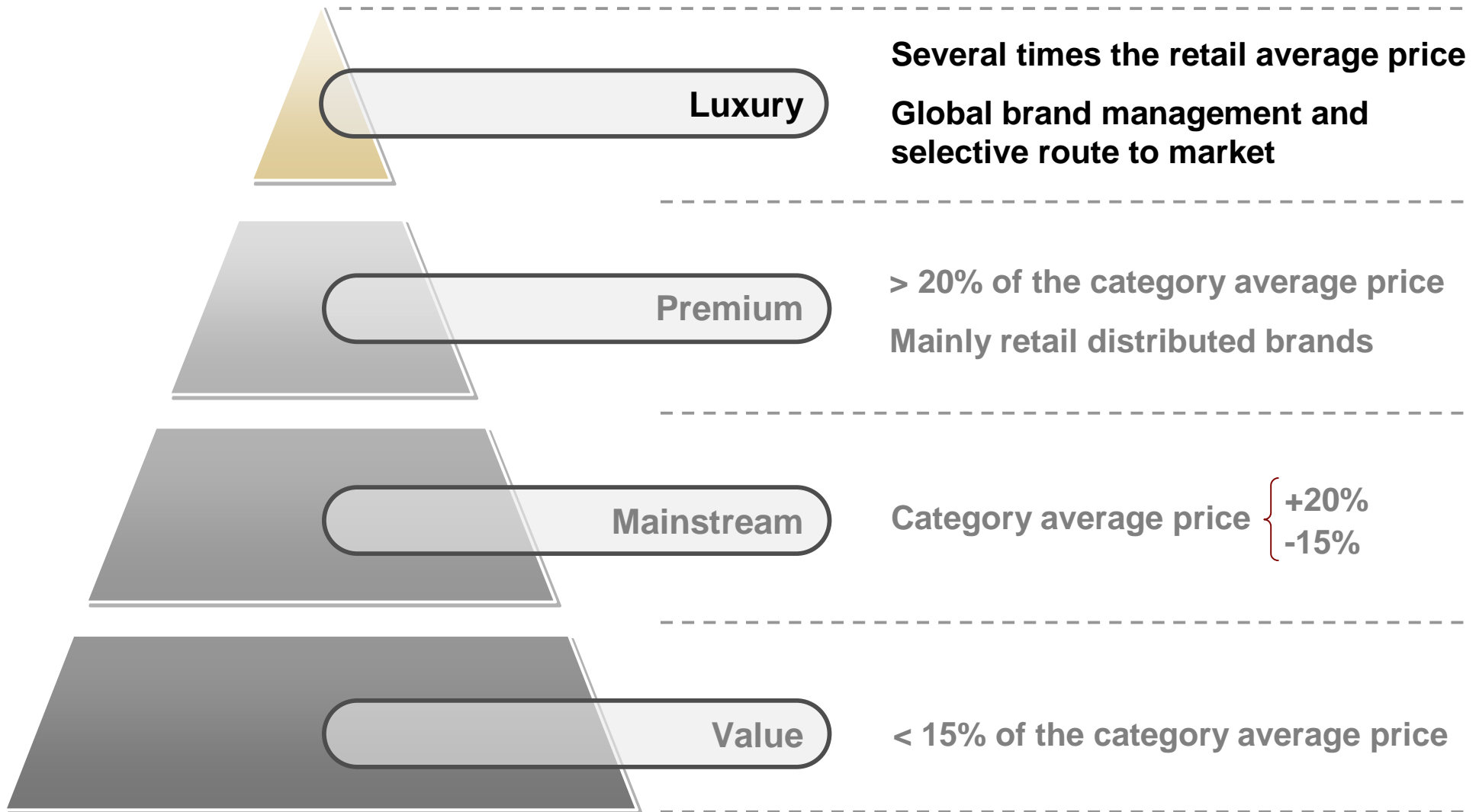
The brand value pyramid: Mainstream



The brand value pyramid: Premium



The brand value pyramid: Luxury



“Top of the Pyramid” Category Examples: Chocolate



Artisan (Chocolatier)



“Top of the Pyramid” Category Examples: Coffee



Luxury is fundamentally different



Economics

Innovation

Marketplace

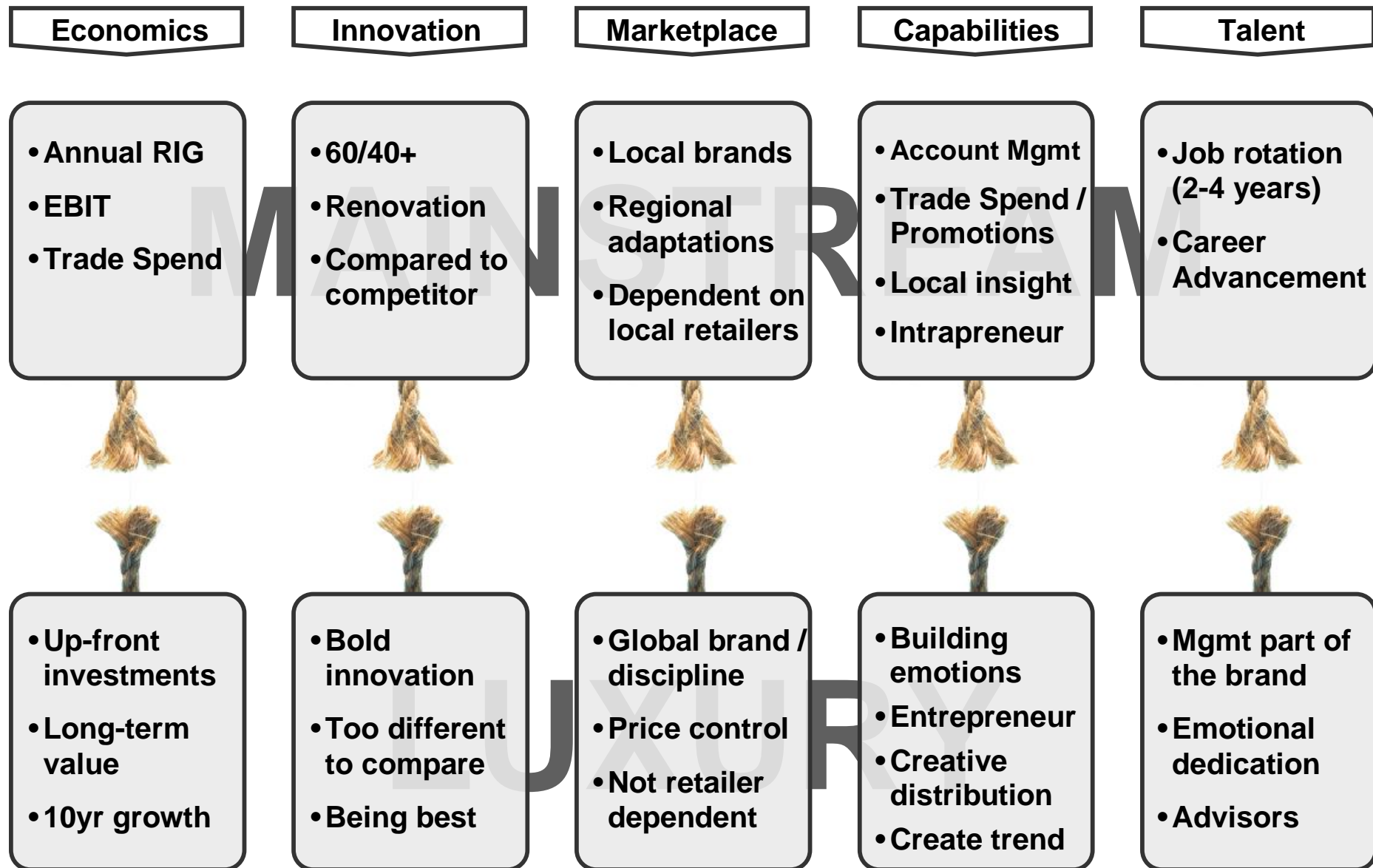
Capabilities

Talent

MAINSTREAM

LUXURY

Luxury is fundamentally different



1. Consumer Trends

2. The Premium and Luxury Model

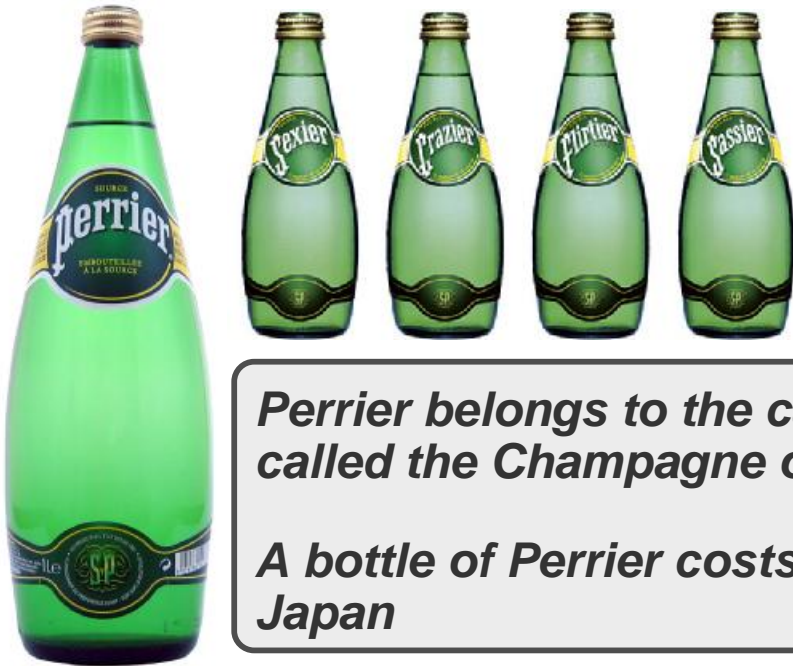
▶ **3. The Nestlé Opportunity**

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Examples of Nestlé premium and Luxury brands

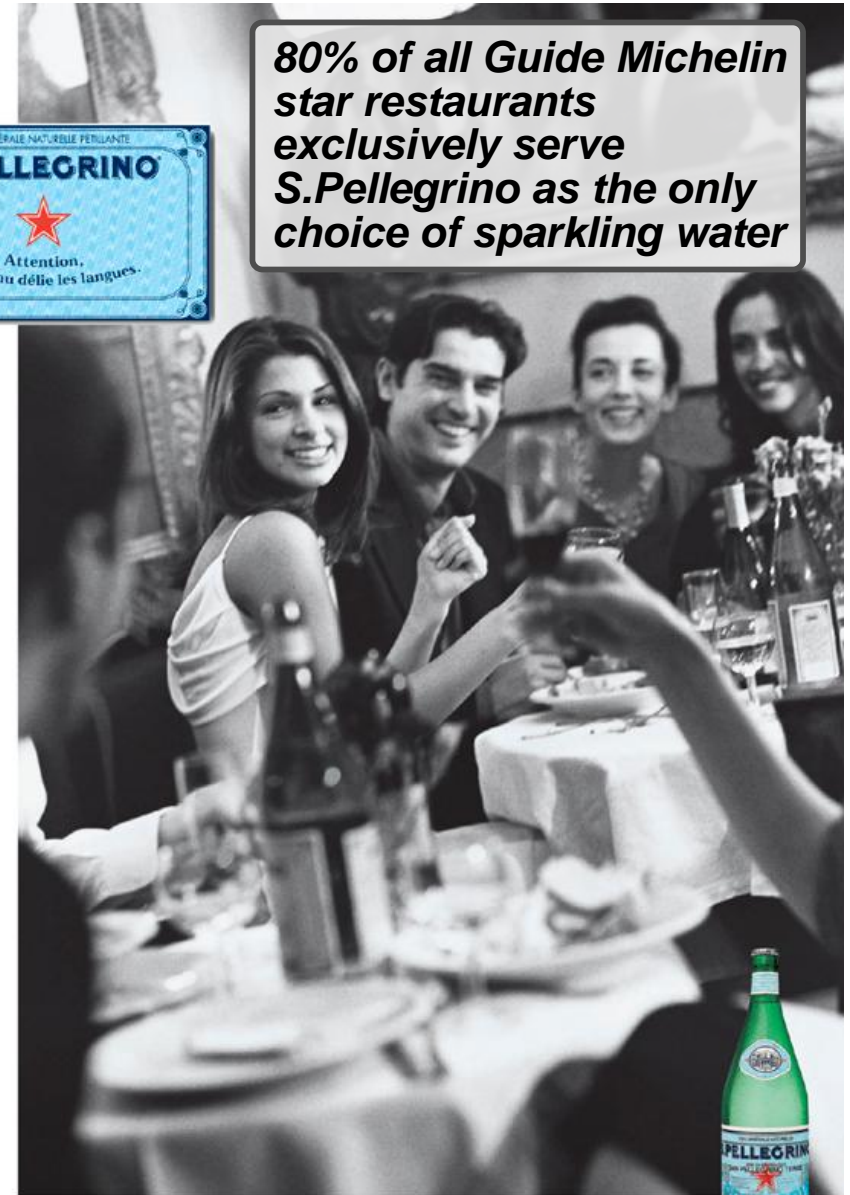


Perrier belongs to the category called the Champagne of Waters

A bottle of Perrier costs up to \$50 in Japan



80% of all Guide Michelin star restaurants exclusively serve S. Pellegrino as the only choice of sparkling water



Aqua Panna has the same pH-value as red wine, which makes it the best complement to a fine dinner.



Examples of Nestlé premium and Luxury brands



The raspberries for Mövenpick are picked between 6:00am and 10:30am – when they have the most taste.

The best temperature to enjoy Mövenpick is 9.9° Celsius



Häagen-Dazs was created by Reuben Mattus in the Bronx, New York

Jerry Seinfeld made a whole episode about Häagen-Dazs and the fact that people believe it is Scandinavian



Examples of Nestlé premium and Luxury brands



Pierre Marcolini has won the world championship in pastry

Pierre Marcolini has been called Choco Chanel in the press



Nestlé is the world's largest dark chocolate manufacturer

The global premium and luxury chocolate market >20Bn (CHF)

Examples of Nestlé premium and Luxury brands



NOW YOU CAN EXTEND YOUR MATURE CAT'S HEALTHY LIFE...

... WITH LONGEVIS™

Purina's longevity study proved that cats aged 7 years or above, when exclusively fed a diet with LONGEVIS™ - found in PRO PLAN Vital Age - lived significantly longer in good health*.

Specially formulated by Purina's vets and nutritionists, PRO PLAN Vital Age contains LONGEVIS™, an exclusive** blend of ingredients that helps delay the first signs of ageing. Specifically, LONGEVIS™ helps maintain balanced microflora for better intestinal health and enhances Vitamin E bioavailability to strengthen the immune system.

PRO PLAN Vital Age also benefits from Natural Feline Protection to reinforce key defences such as the renal system and the skin and coat. Natural fibres and essential fatty acids promote renal system efficacy, while high quality protein, vitamins and minerals result in good skin condition and a thick, glossy coat.

With chicken as first ingredient, PRO PLAN Vital Age with LONGEVIS™ is one of the formulas expertly tailored to your cat's age and lifestyle. Available from your vet or specialist pet store. Visit www.proplan.com for details.

* Study conducted with 90 cats aged between 7 and 17 years, findings based on cats exclusively fed on the diet enriched with LONGEVIS™. ** Patent pending.

PURINA
Your Pet, Our Passion.™

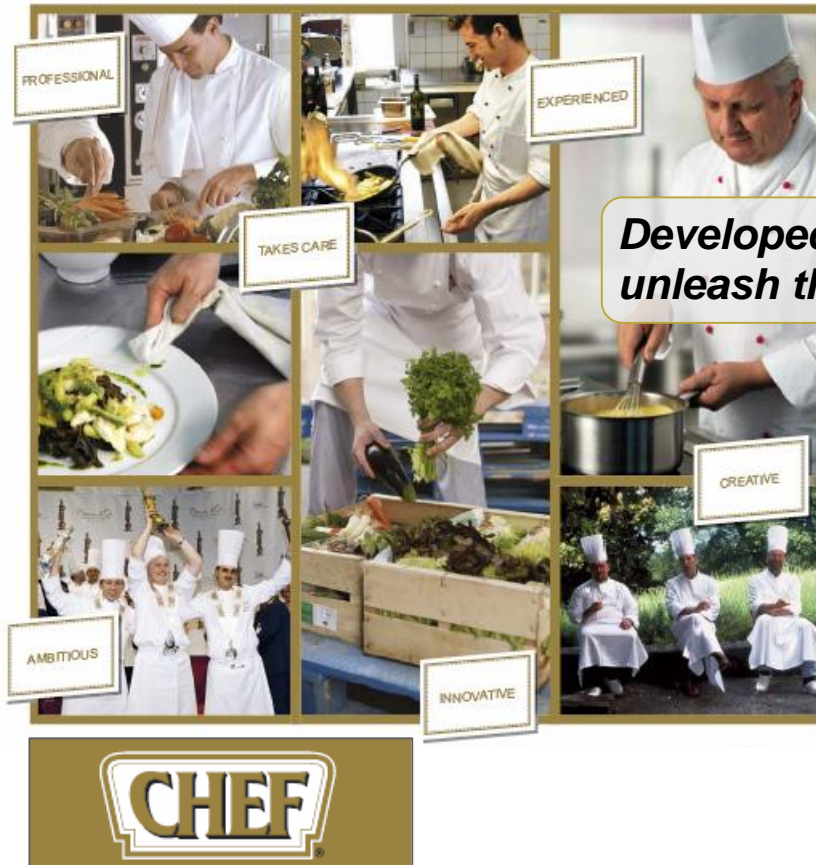
*Purina Pro Plan and Purina ONE focuses on nutritional benefits and pet health...
...such as extending a cat's life*



Gourmet Gold and Diamant focus on pure pleasure and indulgence, offering appetizers and soufflés



Examples of Nestlé premium and Luxury brands



Developed by chefs for chefs, CHEF products enable them to unleash their creativity and increase consumers' pleasure...



Examples of Nestlé premium and Luxury brands

THE FILM | THE CAMPAIGN | SHOOT DIARY | BIOGRAPHIES AND INTERVIEWS | GOODIES | NESPRESSO SYSTEM

GEORGE WHO?

The new Nespresso film

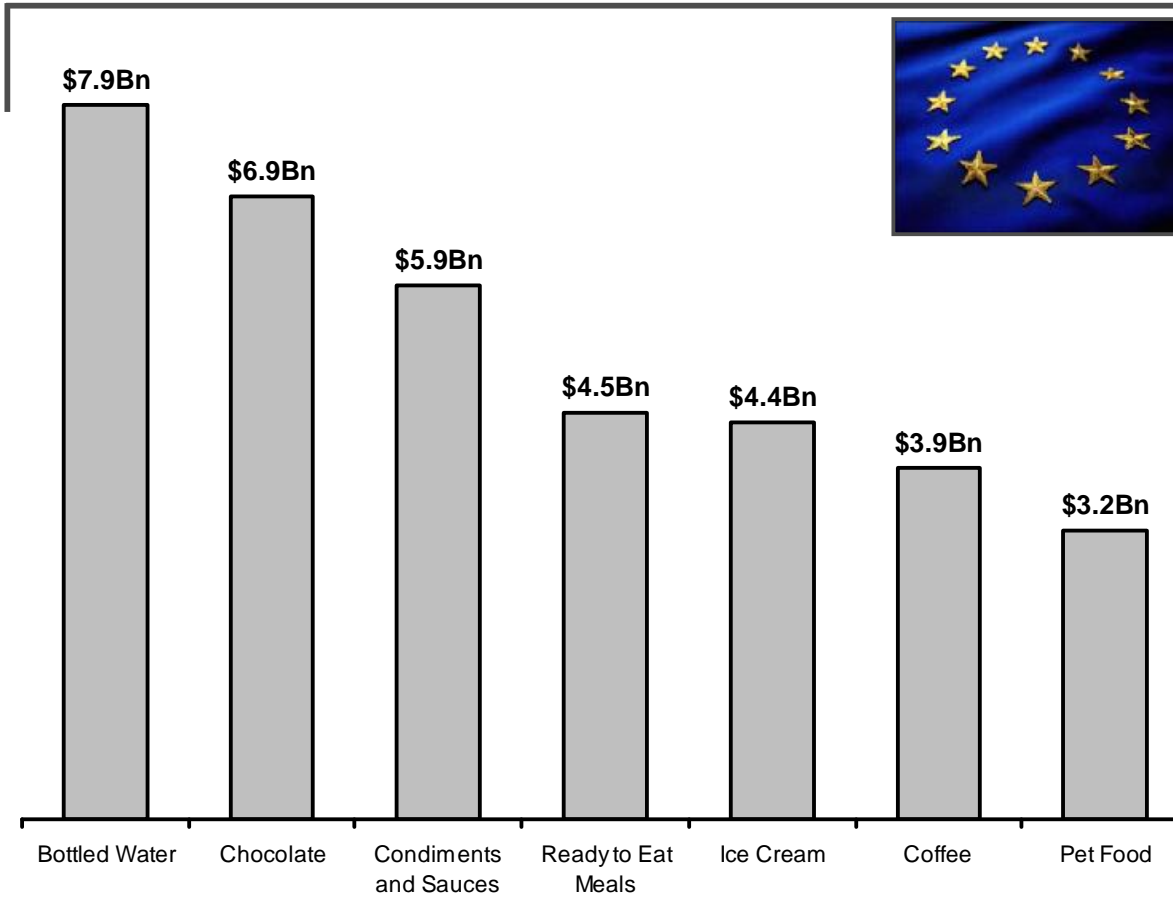
George Who?
Watch the full version of the film

Large format | Small format

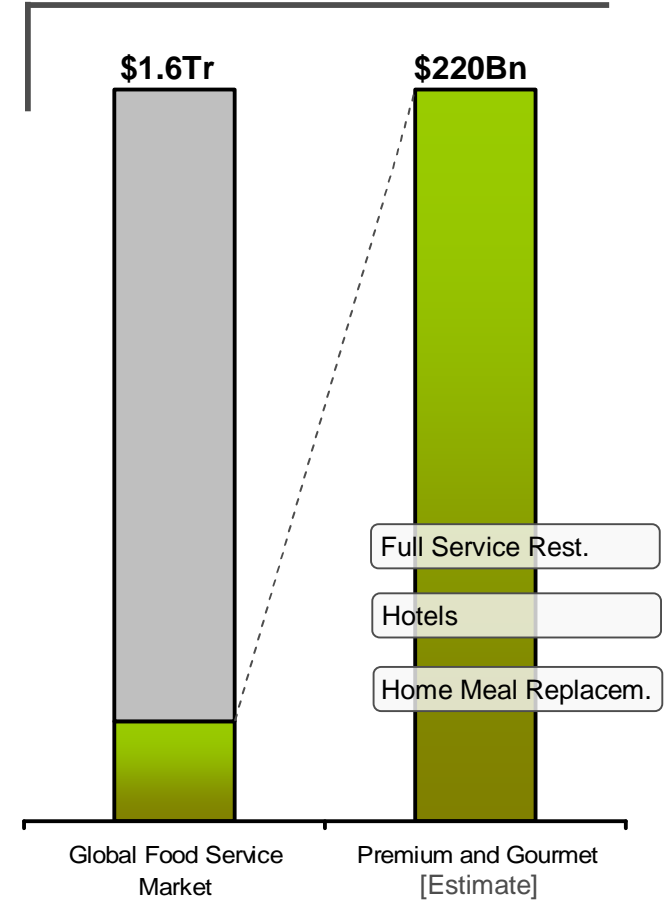


Premium and Luxury Market Highlights

Europe Premium and Luxury Market [Retail Sales US\$, 2007]



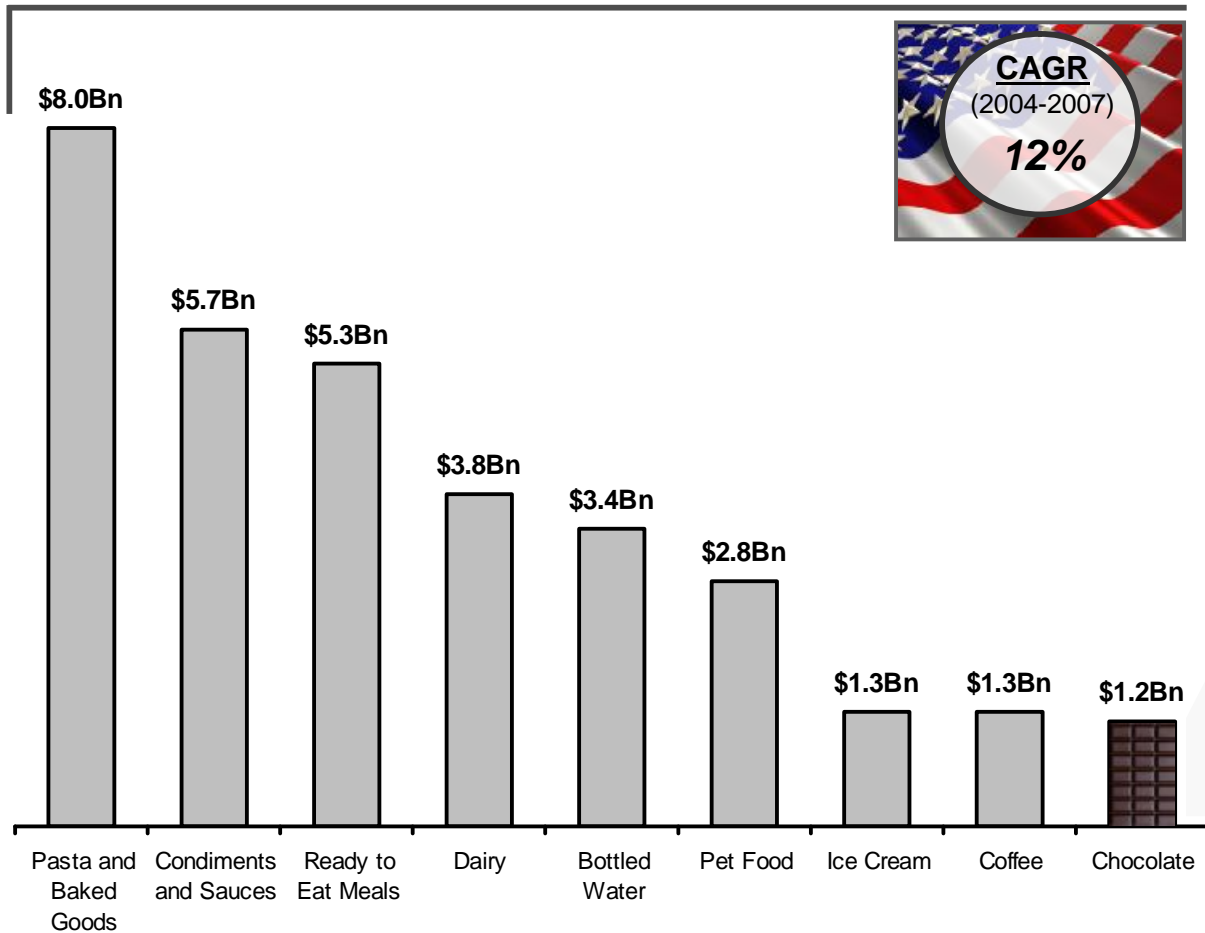
Global Food Service Market (US\$)



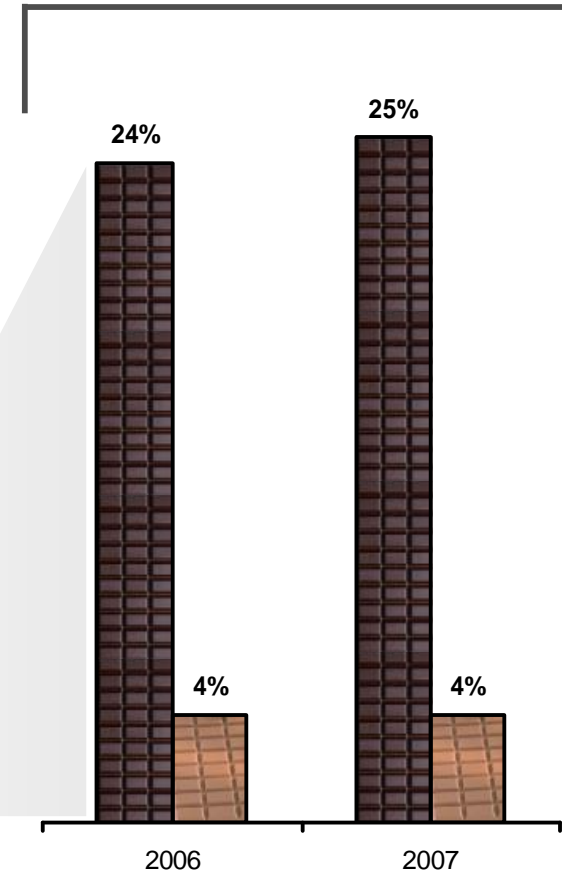
Note: Europe market size figures are only packaged goods and do not include Food Service. Source: Datamonitor, 2008

Premium and Luxury Market Highlights

US Premium and Luxury Market [Retail Sales US\$, 2007]



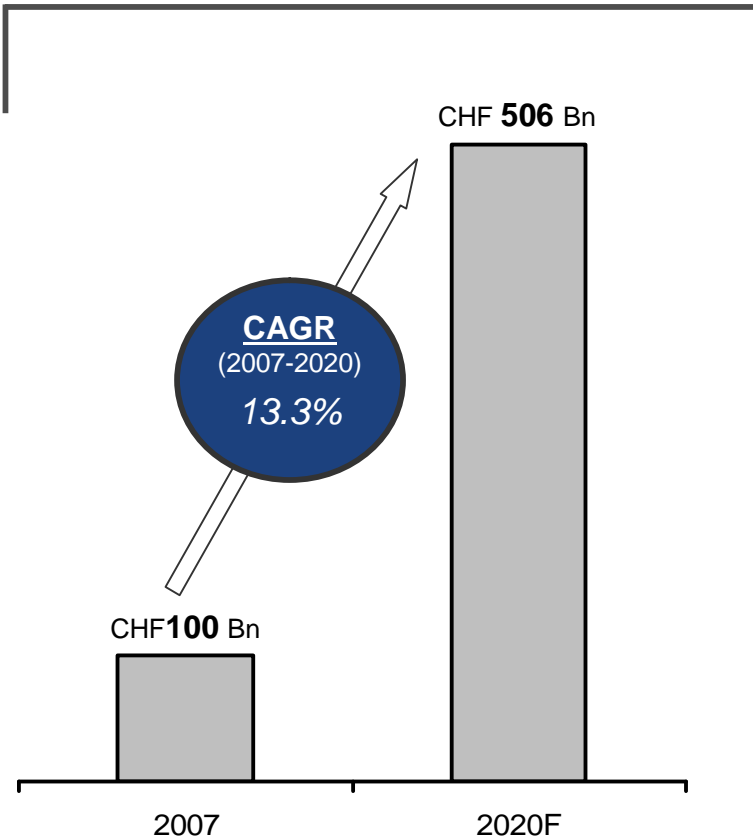
US Chocolate Market Growth



Note: Market size figures are only packaged goods and do not include Food Service. Source: Euromonitor, Datamonitor, Packaged Facts

ING estimates global premiumisation growth: 13.3%

Premium Food, Beverage and HPC Market



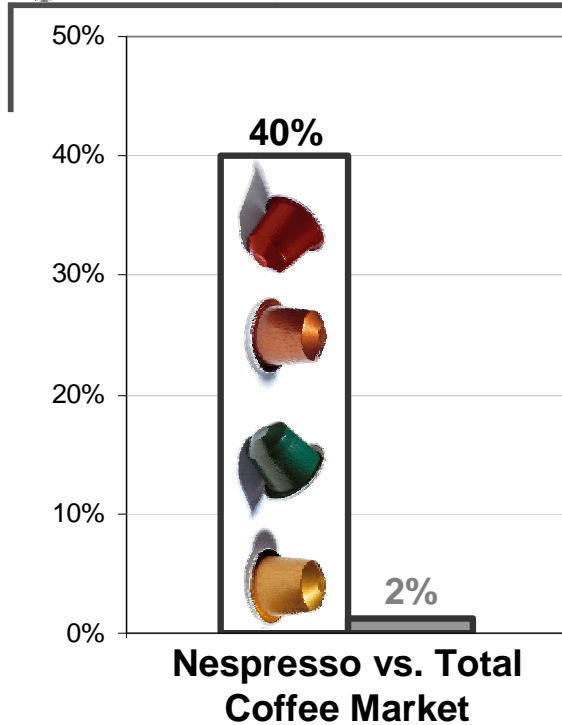
“[Nestlé] enjoys a high premium products exposure and has good prospects for further momentum”

“Nestlé is already playing the premiumisation trend well.”

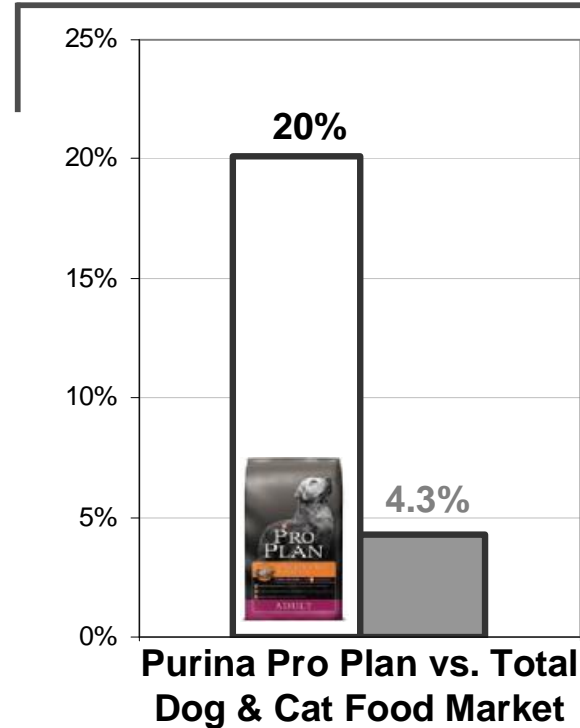
“Nestlé was the first to highlight how large the opportunity of premiumisation could be...we think this is a conservative estimate.”

Premium and Luxury brands are driving growth...

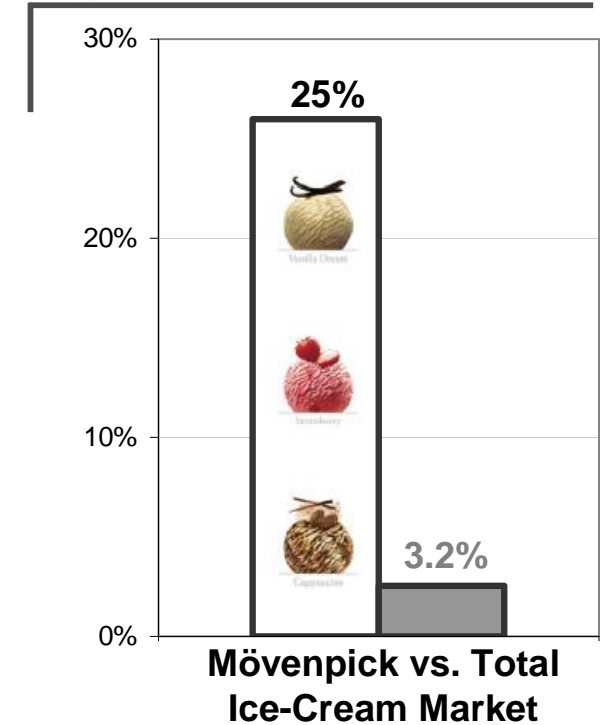
NESPRESSO Organic Growth



PURINA PRO PLAN Organic Growth



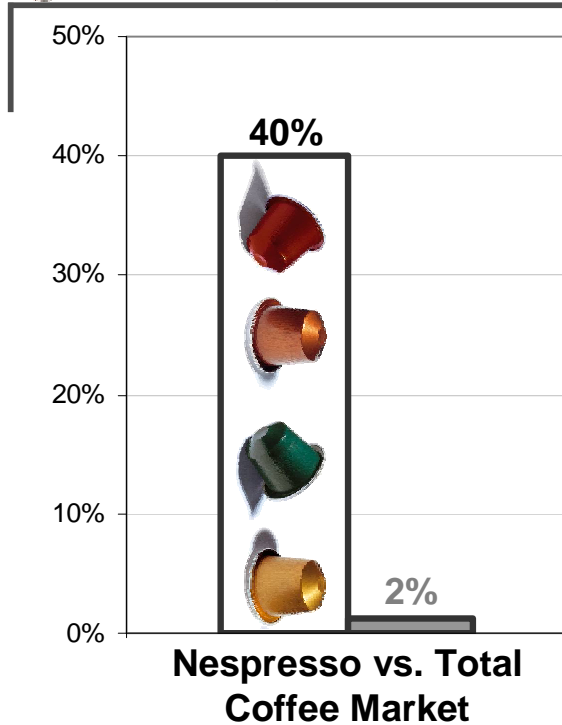
MÖVENPICK Organic Growth*



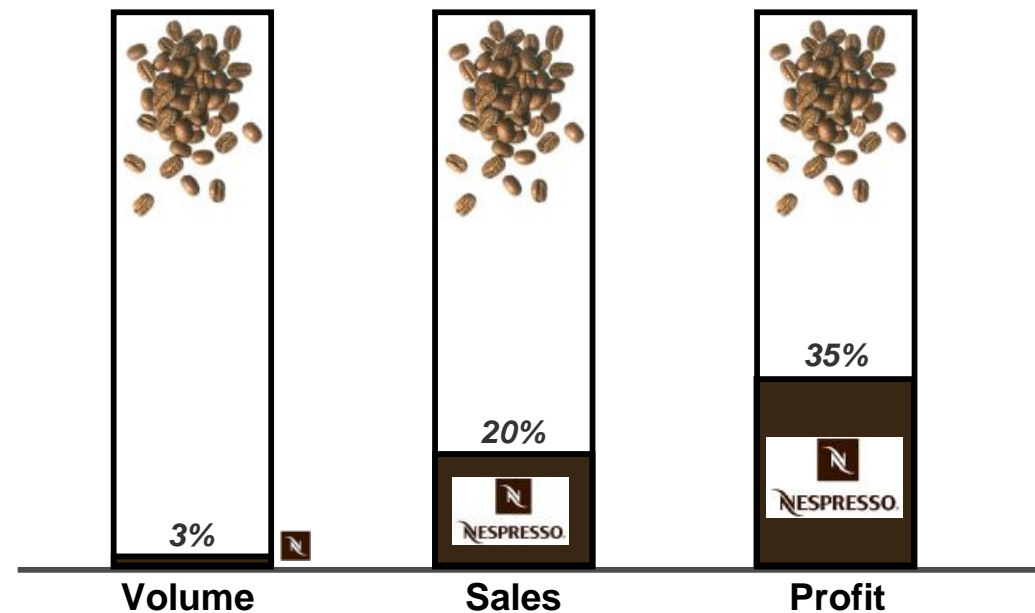
(*) Mövenpick growth excluding Switzerland.

Premium and Luxury brands are driving growth and creating value































NESPRESSO. Organic Growth



NESPRESSO. Share of the Swiss and French Coffee Markets



Nestlé premium and luxury positions per category

	Weaker Positions	Building Positions	Strong Positions
Bottled Water			
Cereals			
Chocolate			
Coffee			
Condiments / Sauces			
Dairy			
Ice-Cream			
Pet Food			
Ready to Eat Meals			
Nutrition			

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Why Nestlé can do this better than anyone else...



1 Category expertise and R&D

Market Position in Top 10 Categories by Market

US	FR	DE	UK	IT	BR	MX	ES	CA	AU	JP	RU	IN	CN
1	1	1	2	1	1	1	1	1	2	1	2	1	1
1	1	3	3	1	1	1	1	1	1	5	1	2	2
1	1	3	1	2	1	1	1	1	2	6	1	1	10
1	2	4	4	2	1	4	1	1	2	2	1	1	10
1	2	1	2	2	1	2	2	1	2	2	2		
3	1	2	4	2	2	1	3	1	1	2	2		
1	1	2	2	1	2	2	2	1	3	1	1		
3	1	1	1	2	1	2	2	1	1	2	1		
5	1	1	1	3	1	1	2	1	2	2	1		
2	1	3		2	1	2	1	2	1		1		

Why Nestlé can do this better than anyone else...

1

Category expertise and R&D

Market Position in Top 10 Categories by Market

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1	1	1	2	1	1	1	1	1	2	1
1	1	3	3	1	1	1	1	1	1	5
1	1	3	1	2	1	1	1	1	2	6
1	2	4	4	2	1	4	1	1	2	2
1	2	1	2	2	1	2	2	1	2	2
3	1	2	4	2	2	1	3	1	1	2
1	1	2	2	1	2	2	2	1	3	1
3	1	1	1	2	1	2	2	1	1	2
5	1	1	1	3	1	1	2	1	2	2
2	1	3		2	1	2	1	2	1	

Global No.1 in most categories

Largest F&B research capabilities and spend

Cross-category synergies



Why Nestlé can do this better than anyone else...

1 *Category expertise and R&D*

2 **Platform of strong brands**

Thirty (30) billionaire brands

Strong local brands



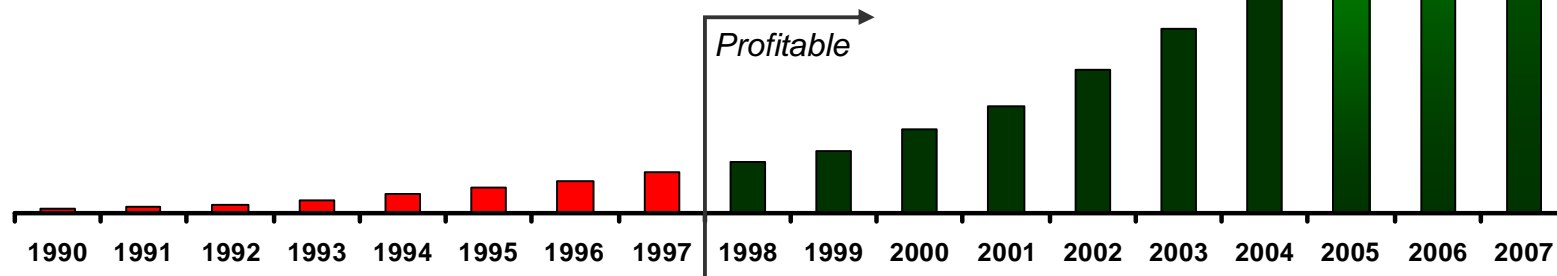
Why Nestlé can do this better than anyone else...

1 *Category expertise and R&D*

2 *Platform of strong brands*

3 *Long-term commitment*

~~NESPRESSO~~ Sales Development



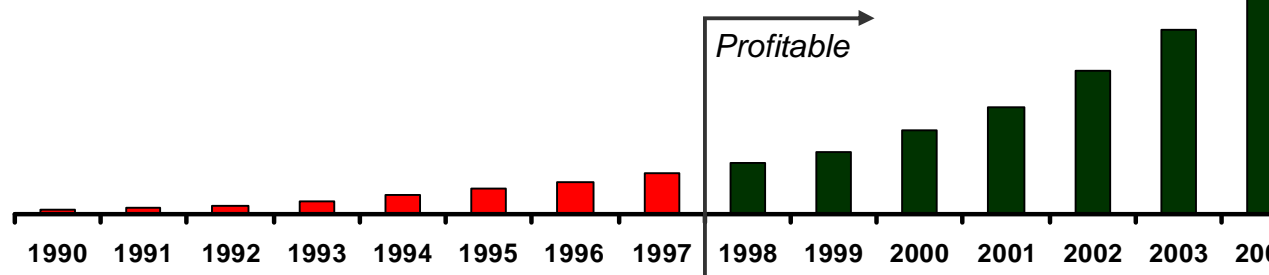
Why Nestlé can do this better than anyone else...

1 *Category expertise and R&D*

2 *Platform of strong brands*

3 *Long-term commitment*

NESPRESSO Sales Development



Time and continuous investments are key to develop strong premium brand positions



Long-term perspective on all brands

Why Nestlé can do this better than anyone else...

- 1 *Category expertise and R&D*
- 2 *Platform of strong brands*
- 3 *Long-term commitment*
- 4 *Consumer services experience*

Nestlé is the industry benchmark in...

Consumer services & Relationship marketing



Why Nestlé can do this better than anyone else...

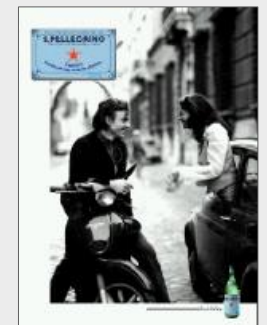
- 1 *Category expertise and R&D*
- 2 *Platform of strong brands*
- 3 *Long-term commitment*
- 4 *Consumer services experience*
- 5 *Global reach and launch capabilities*



Disciplined Roll-out
(Italian restaurants year one...)

Global Presence

Global Communication



Why Nestlé can do this better than anyone else...

- 1 *Category expertise and R&D*
- 2 *Platform of strong brands*
- 3 *Long-term commitment*
- 4 *Consumer services experience*
- 5 *Global reach and launch capabilities*
- 6 ***In-house experts and experienced people***



Why Nestlé can do this better than anyone else...

- 1 *Category expertise and R&D*
 - 2 *Platform of strong brands*
 - 3 *Long-term commitment*
 - 4 *Consumer services experience*
 - 5 *Global reach and launch capabilities*
 - 6 *In-house experts and experienced people*
- +

*In addition, Nestlé is the global leader in **Nutrition, Health and Wellness**, which is an important lever in the premium segment*



Agenda

1. Consumer Trends

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Strong innovation pipeline of premium and luxury products



Nouveau, texture en pâte !



CHEF

révolutionne la saveur avec
les Fonds Premium

Fonds Brun de Veau Lié *Fonds de Veau*
Fonds Blanc de Volaille *Fumets de Poisson*



Nous innovons...

- ▶ bala balobala bala bala balobala, balobala bala balobala balobalobala balobala bala balobala baloba.
- ▶ balobala bala bala balobala bala balobalobala bala baloba balobala.
- ▶ bala balobala bala balobala balobala baloba bala balobala balobala bala balobala balobala bala bala balobala.

... Vous créez ...

- ▶ bala balobala bala bala balobala bala balobala.
- ▶ bala balobala balobala bala bala balobala bala balobala balobala.

... Ils Savourent

- ▶ bala balobala bala balobala bala bala balobala.

La Passion Culinnaire

Nestlé en direct
0 810 065 065
www.foodservices.nestle.fr

Retrouvez la gamme complète des Fonds Premium sur :
www.foodservices.nestle.fr

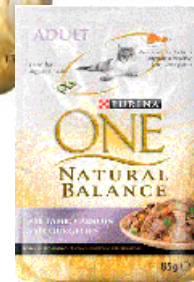


Super-Premium Fond / Consommé

First premium quality stock for restaurants

Strong innovation pipeline of premium and luxury products


NATURAL
BALANCE



Purina ONE Natural Balance. Visible Health for Today and Tomorrow, Naturally. Addressing specific health benefits with natural ingredients known for their nutritional properties.

Strong innovation pipeline of premium and luxury products



Sanpellegrino Aranciata and Limonata represent the most up-scale premium sparkling fruit beverages that fulfill the pleasure of Italian authenticity...

Strong innovation pipeline of premium and luxury products



NaturNes, a revolutionary procedure ensuring nutrients and flavors are preserved better.

NaturNes, the new generation of 100% natural baby foods for your baby's well-being.

In new 'green' packing with 25% less CO2 footprint

NIDO Excella Gold for mothers who pride themselves in giving the best possible nutrition to their children for optimum growth and development

Nutritionally enhanced milk with Holistic Nutrition (for protection, brain and body growth)



Strong innovation pipeline of premium and luxury products



Chocolate Research Center, Broc, Switzerland

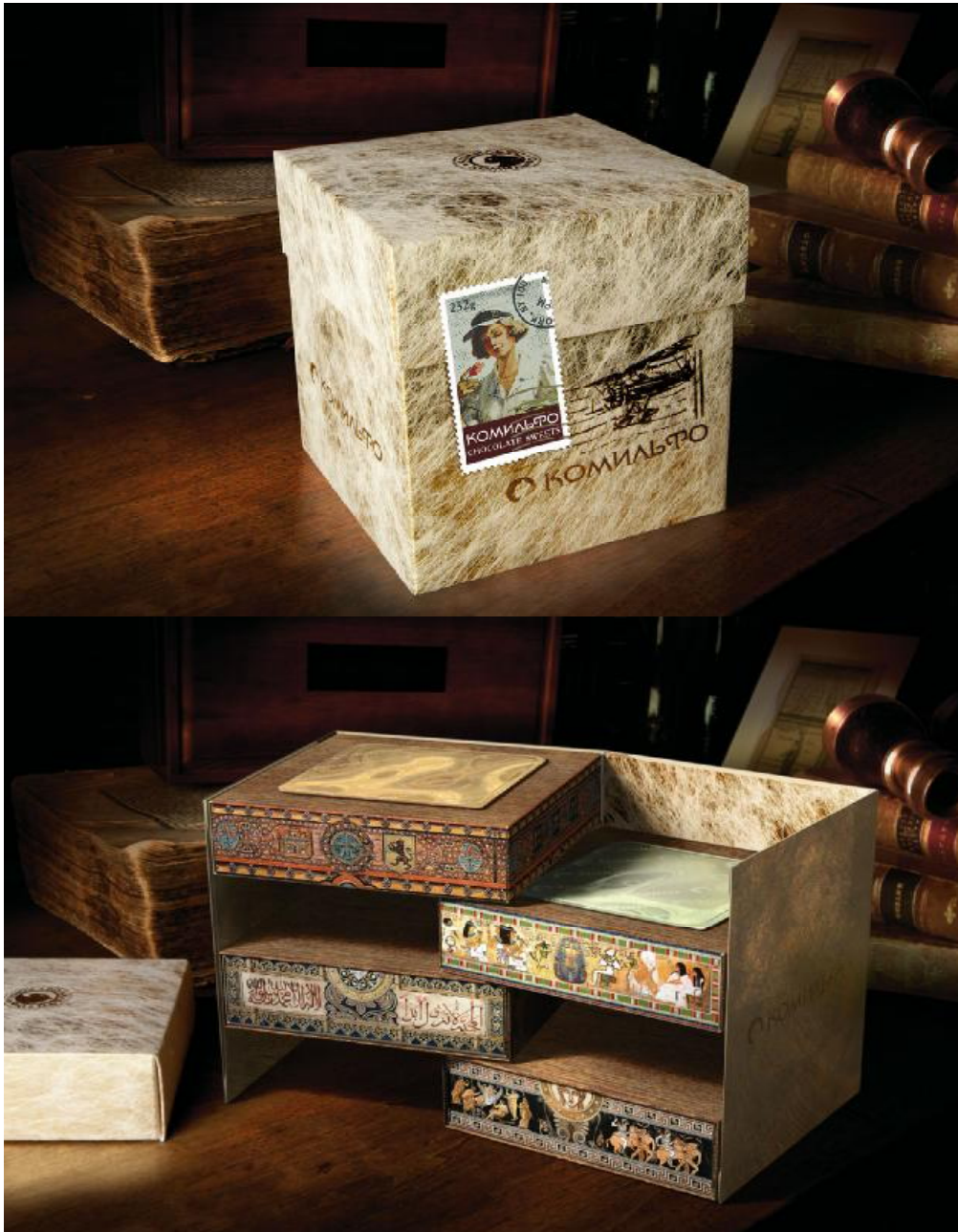
Partnership with Pierre Marcolini

Harboring over 100 years of experience in chocolate

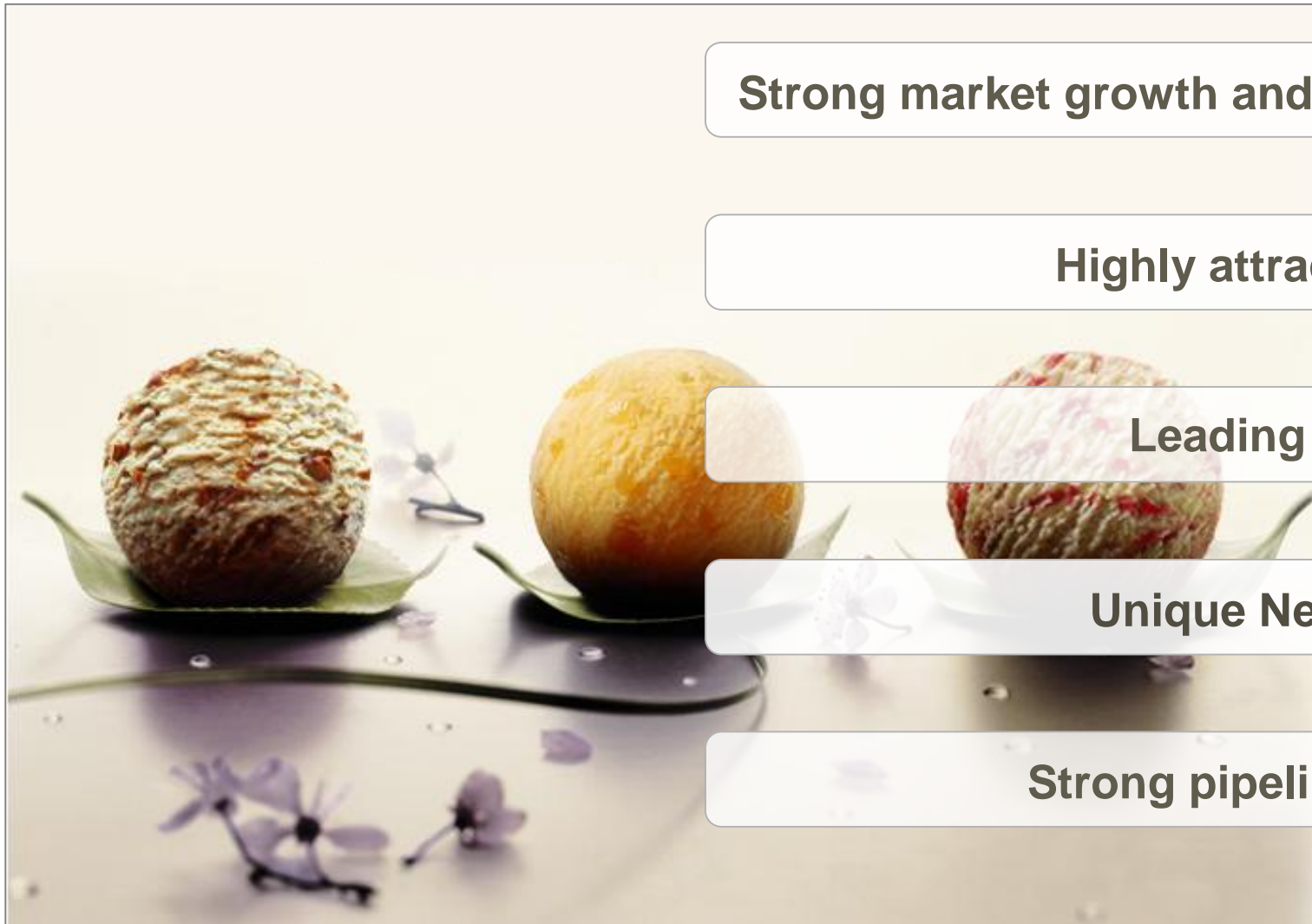
Nestlé has launched over 200 dark chocolate products in the last 2 years

Biggest user of fine Cocoa beans

Strong innovation pipeline of premium and luxury products



Comilfo Brand - Acquired in Nov 2007



Strong market growth and future potential

Highly attractive economics

Leading brand positions

Unique Nestlé capabilities

Strong pipeline for tomorrow

...driving growth and creating value

Nestlé Investor Seminar 2008

