



Nestlé in Eastern Europe and Russia & Eurasia Region

Bernard Meunier
Market Head Nestlé
Russia & Eurasia Region



Disclaimer



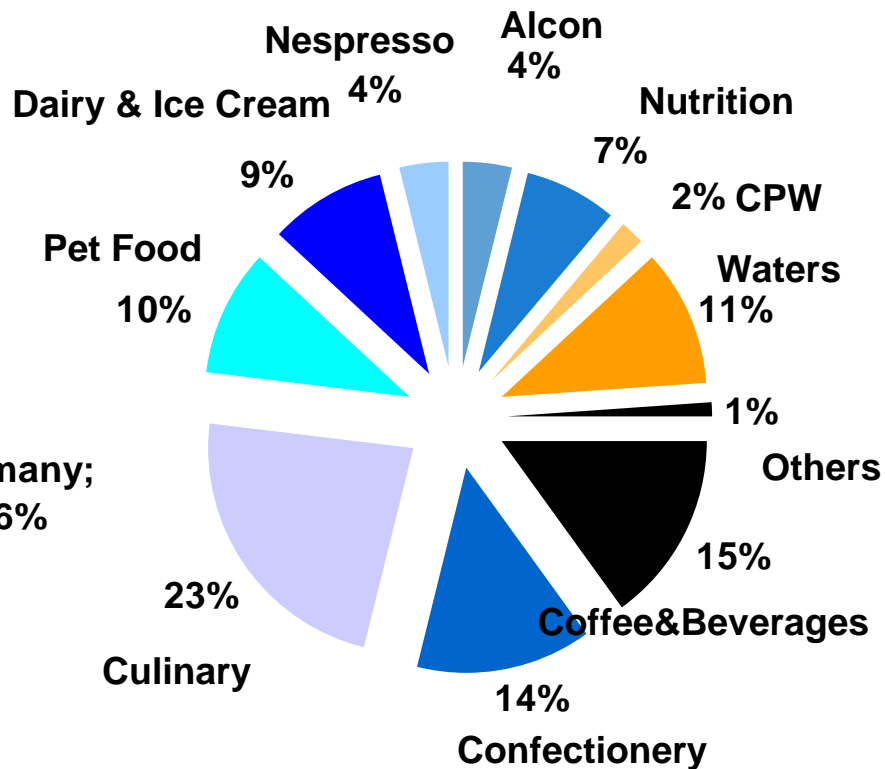
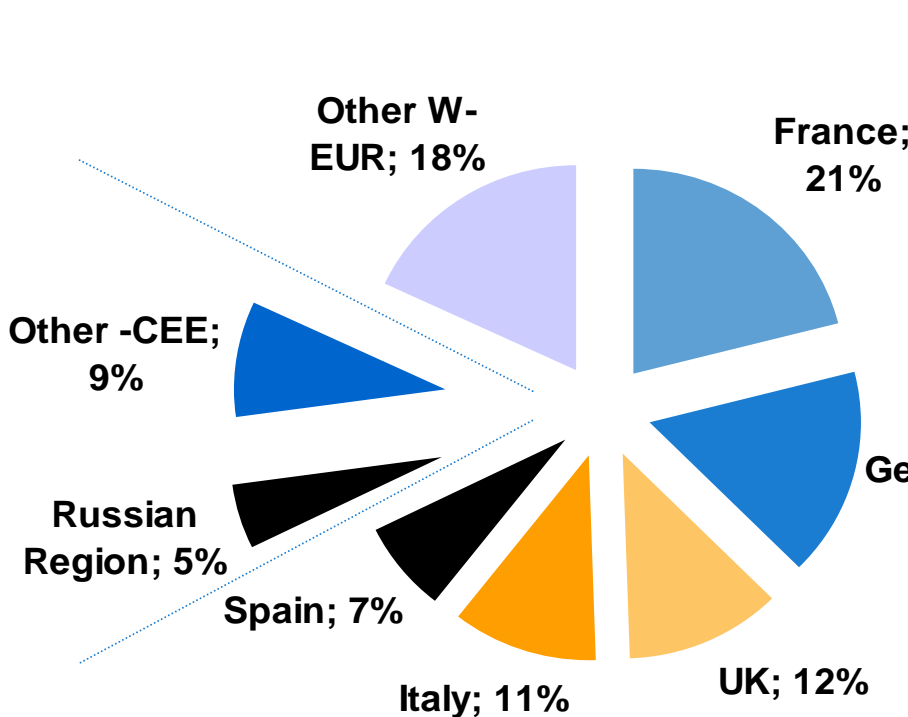
This presentation contains forward looking statements which reflect Management's current views and estimates. The forward looking statements involve certain risks and uncertainties that could cause actual results to differ materially from those contained in the forward looking statements. Potential risks and uncertainties include such factors as general economic conditions, foreign exchange fluctuations, competitive product and pricing pressures and regulatory developments.



Nestlé in Europe



	<u>Europe</u>	<u>Western Europe</u>	<u>Eastern Europe</u>
<u>Population:</u>	820 M.	395 M.	425 M.
<u>Turnover</u>	40 Bio. CHF	34.4 Bio. CHF	5.6 Bio. CHF
<u>Factories:</u>	184	148	36



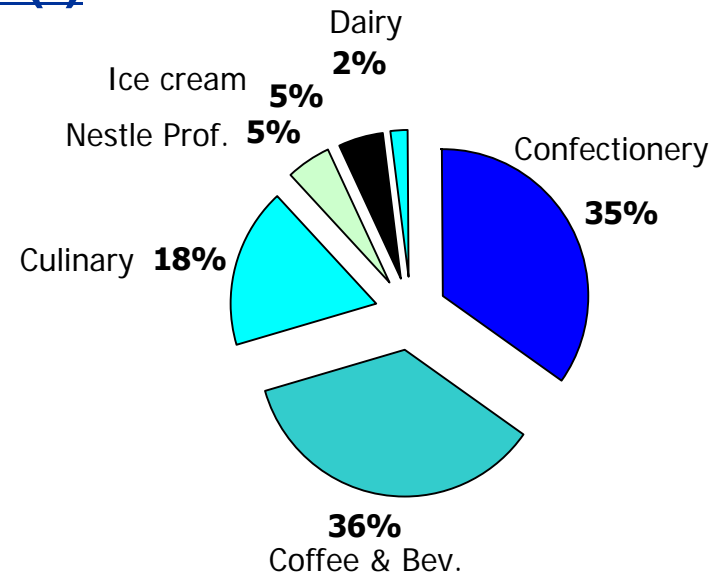
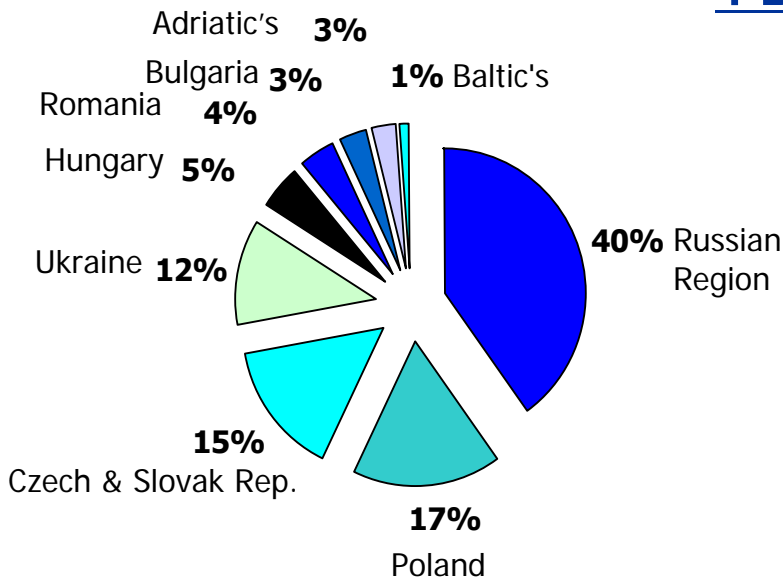
CEE the growth engine



- Double digit Organic Growth for the past several years and will continue
- Above average profitability vs. W-EUR
- Strong positions established across the region
 - Presence in all countries with key categories

Z-EUR in CEE

4 Bio CHF (*)



(*) exclude Waters, Nutrition, Pet Food, Alcon, CPW

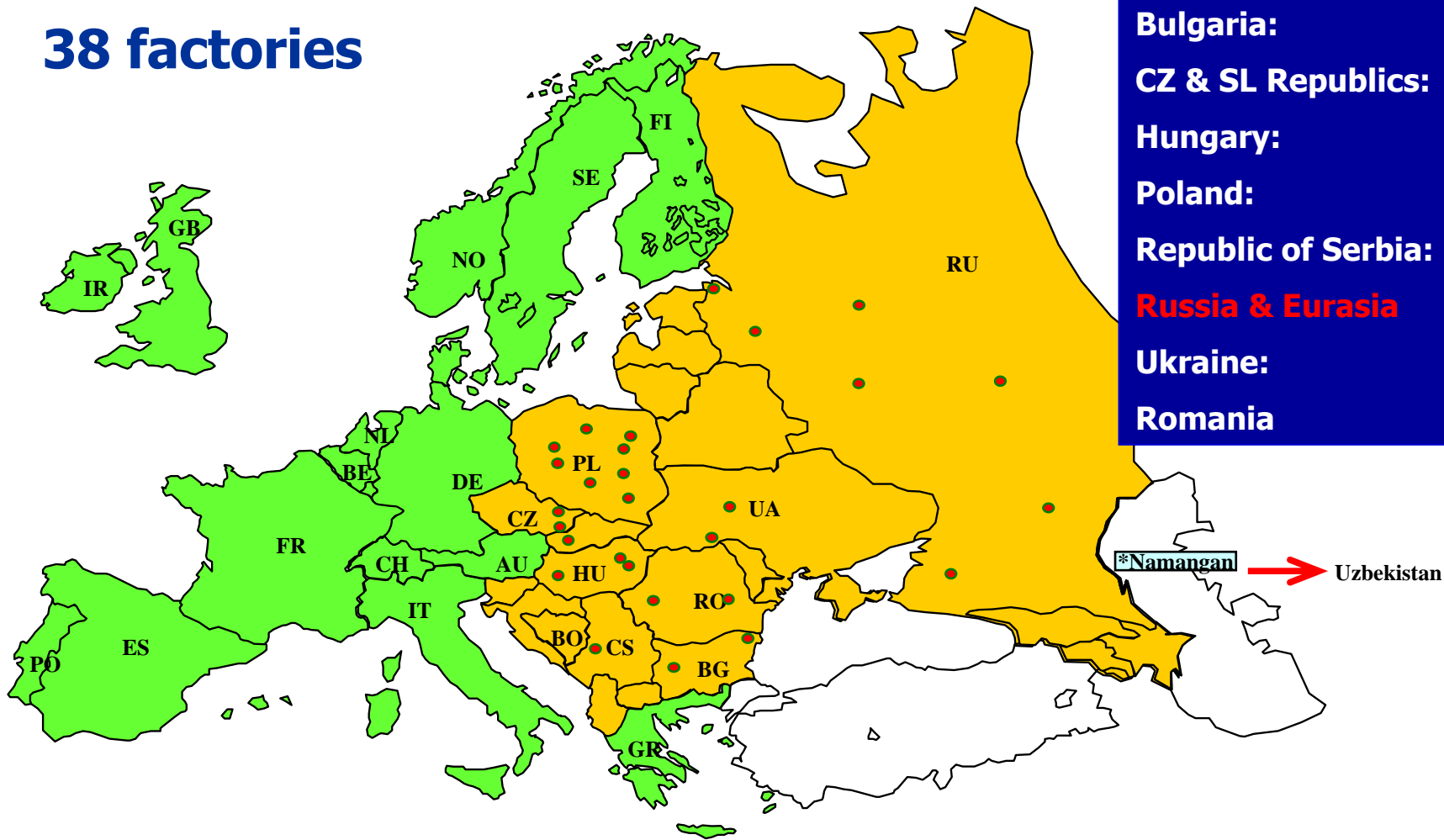


A Strong Industrial Set Up in CEE



CAPEX over the last 5 year in CEE: 750 Mio. CHF

38 factories





Well balanced portfolio of local heartland and international brands



Confectionery:



Culinary:



Coffee & Beverages:





CEE the growth engine



Strategy fully aligned with Nestlé Strategy

- **NHW - 60/40+**
- **PPP - Bottom of the Pyramid**
- **Well Established Mainstream Pillars**
- **Premium / Super Premium**
(Nespresso, NDG, Mövenpick of Switzerland...)
- **Strong Teams (Locals and Expatriates)**



Z-EUR in CEE: Our Ambition



We plan an accelerated Growth in the coming years from $>10\%$ to $>15\%$ CAGR to reach 20% of Z-EUR with above average margin.



Welcome to Nestlé in Russia & Eurasia Region



Nestlé in Russia & Eurasia

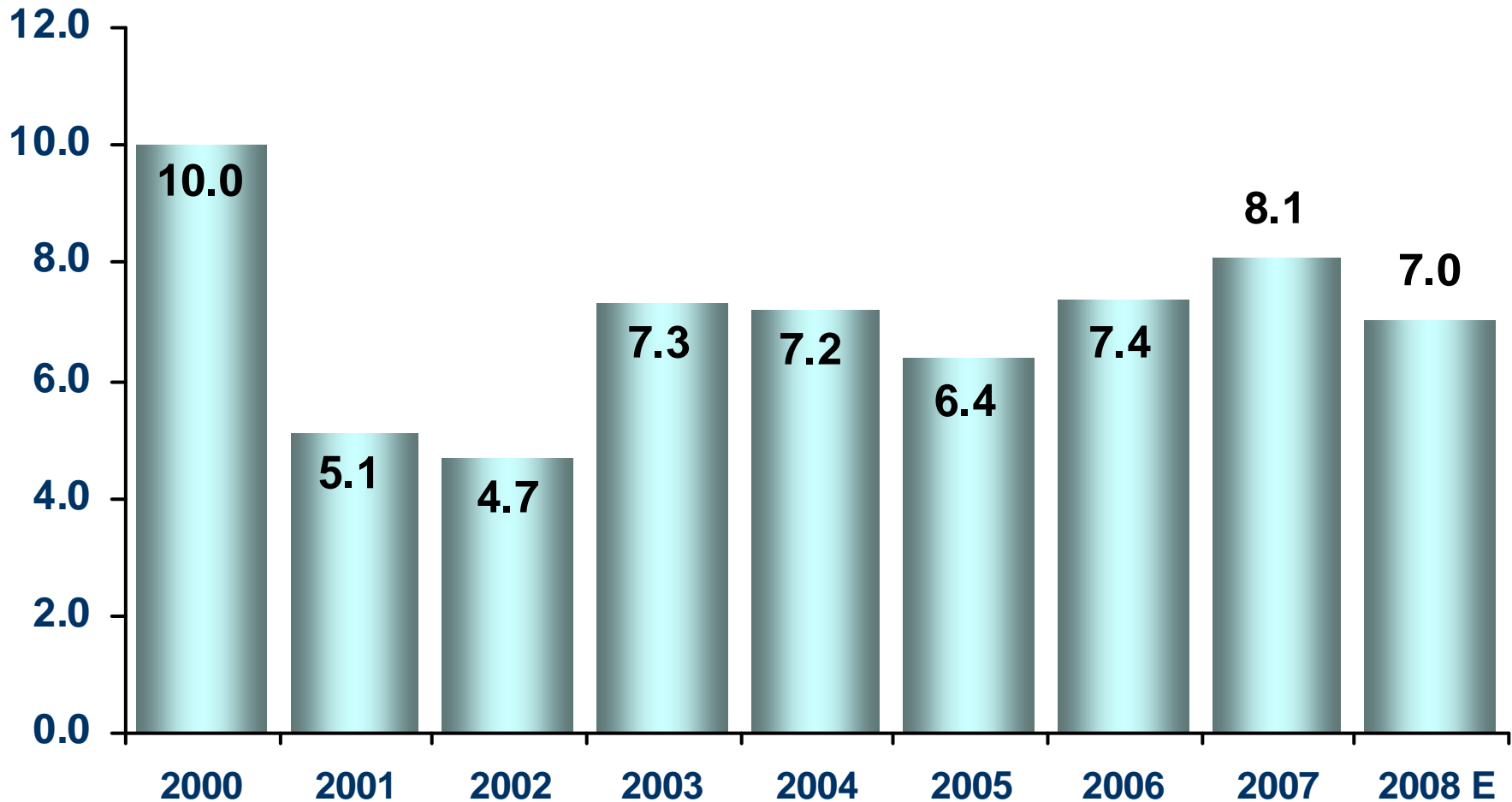




Why are we bullish on Russia?



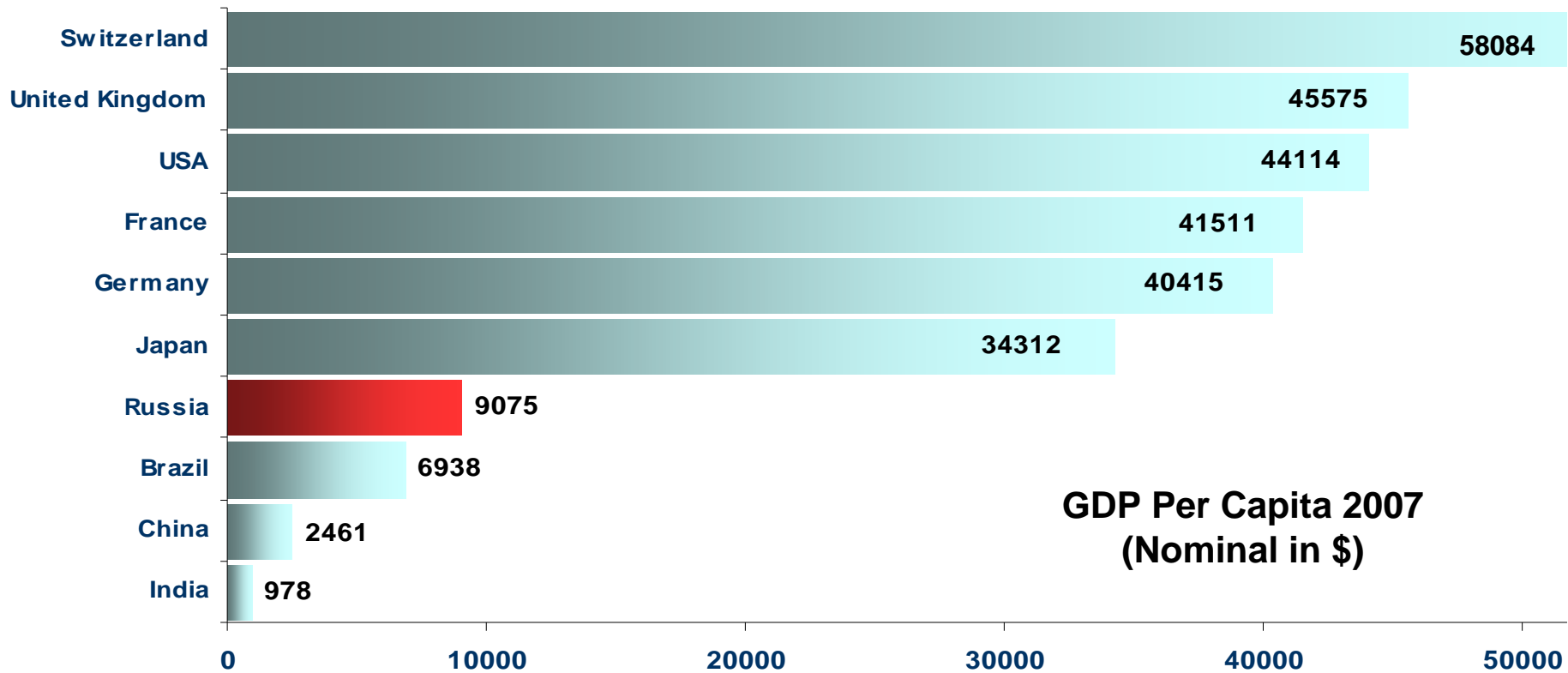
Continuous GDP growth...



2008 E: Analysts consensus



Why are we bullish on Russia?



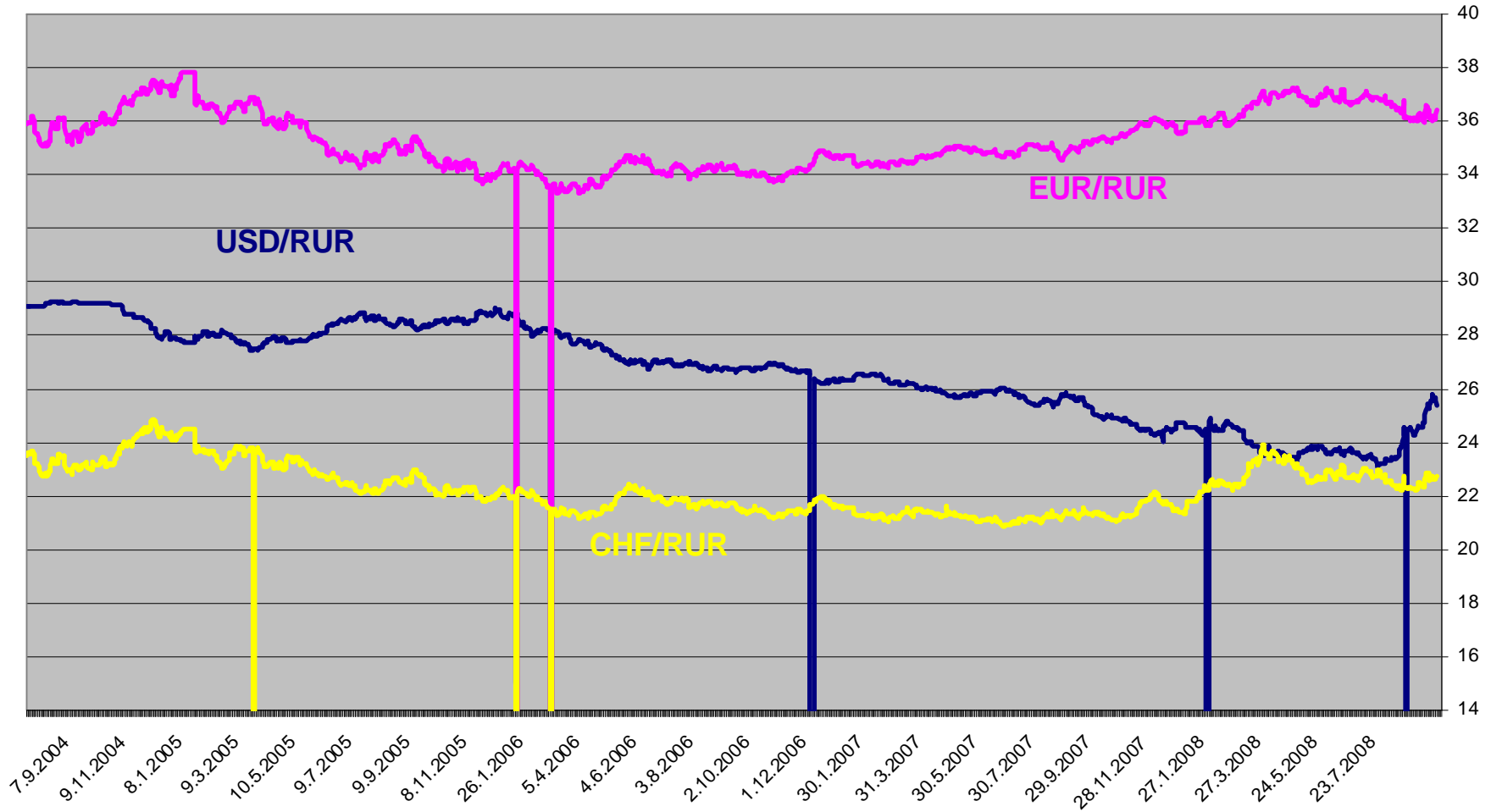
The fastest GDP growth in BRIC Zone...

Source: Euromonitor International from International Monetary Fund (IMF)

September, 2008



Ruble keeps appreciating vs dollar... until recently!





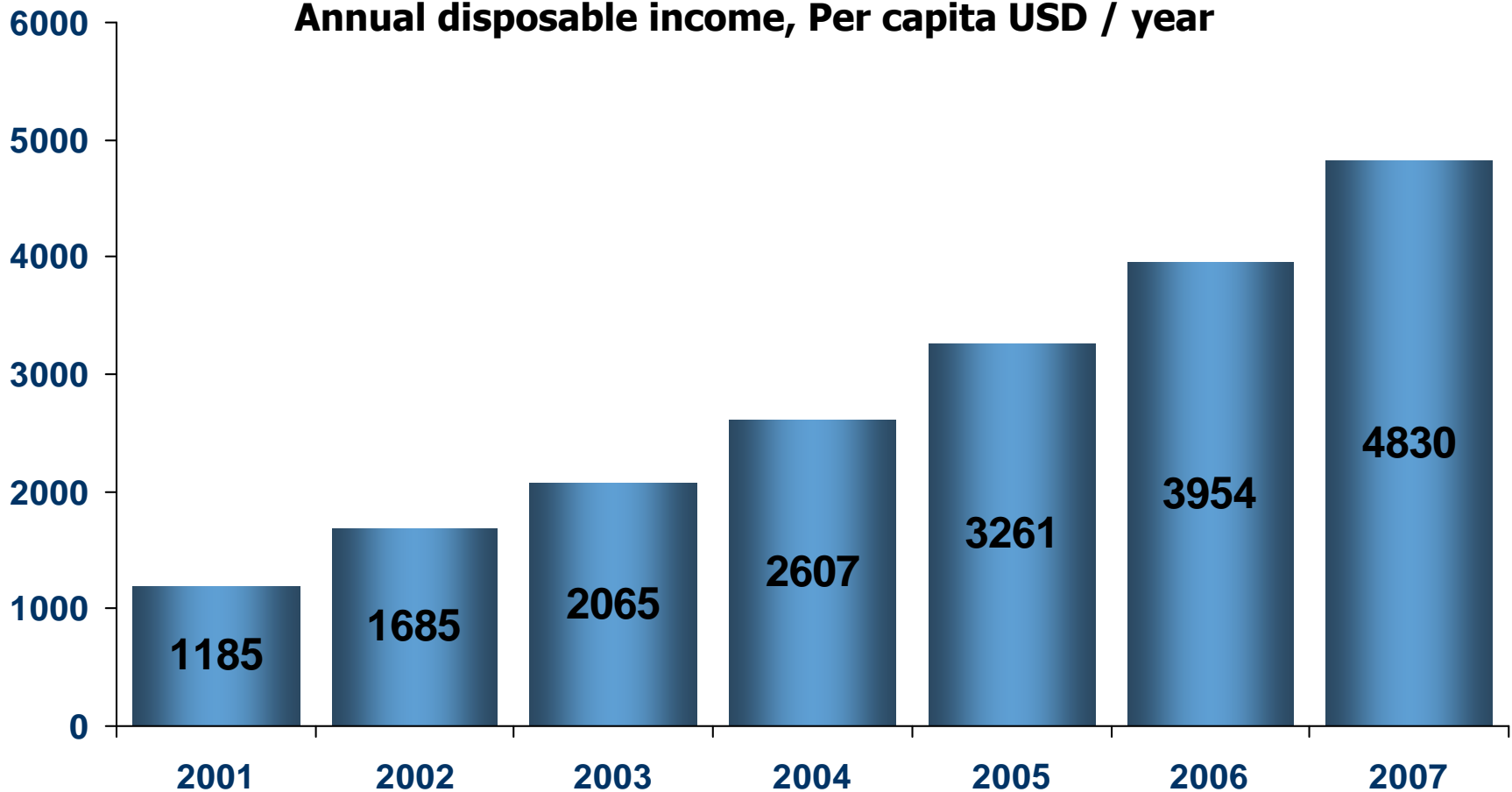
Why are we bullish on Russia?



Fast growth of incomes:

the Russian consumer is 4 times richer than right after crisis

Annual disposable income, Per capita USD / year



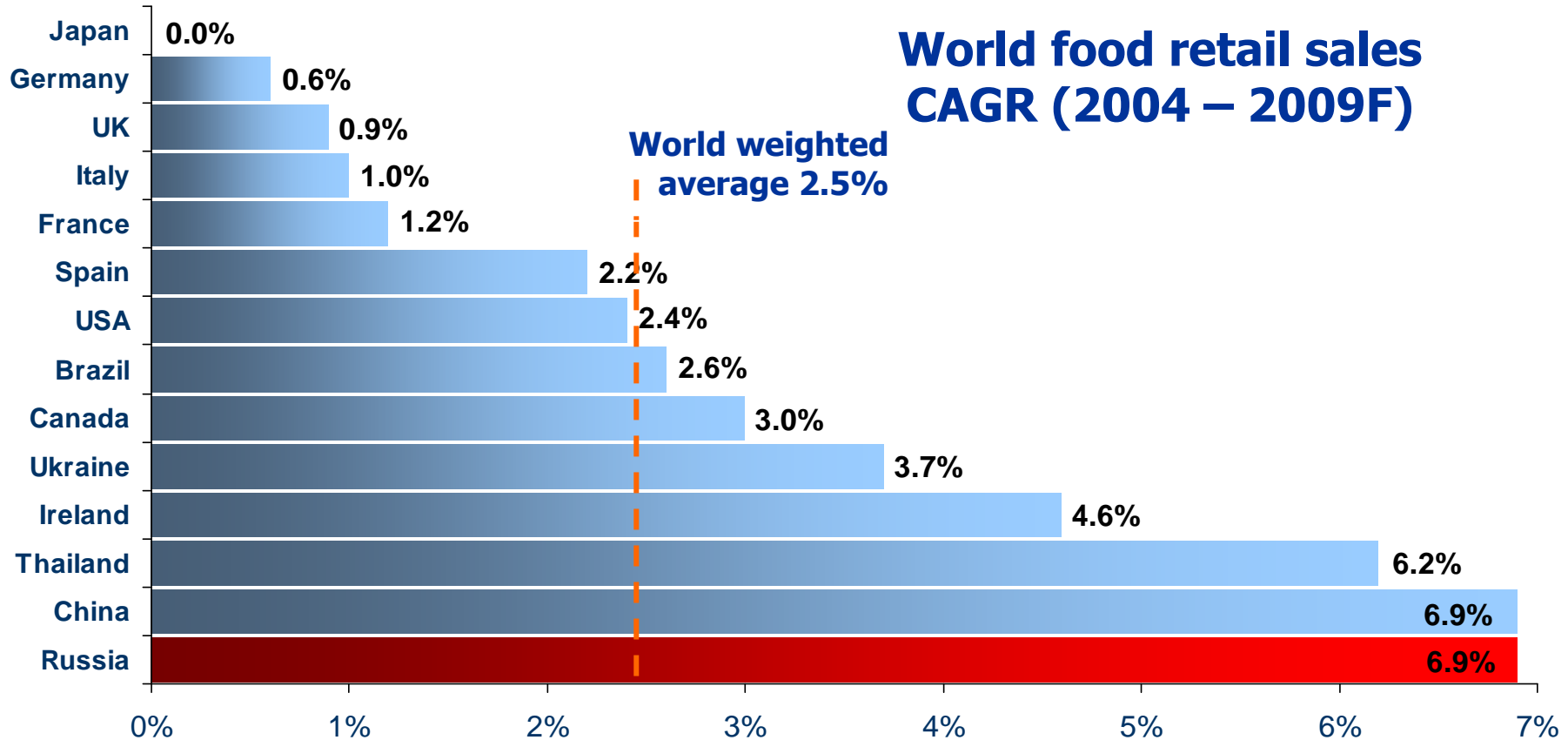
Source: Euromonitor International from national statistics



Why are we bullish on Russia?



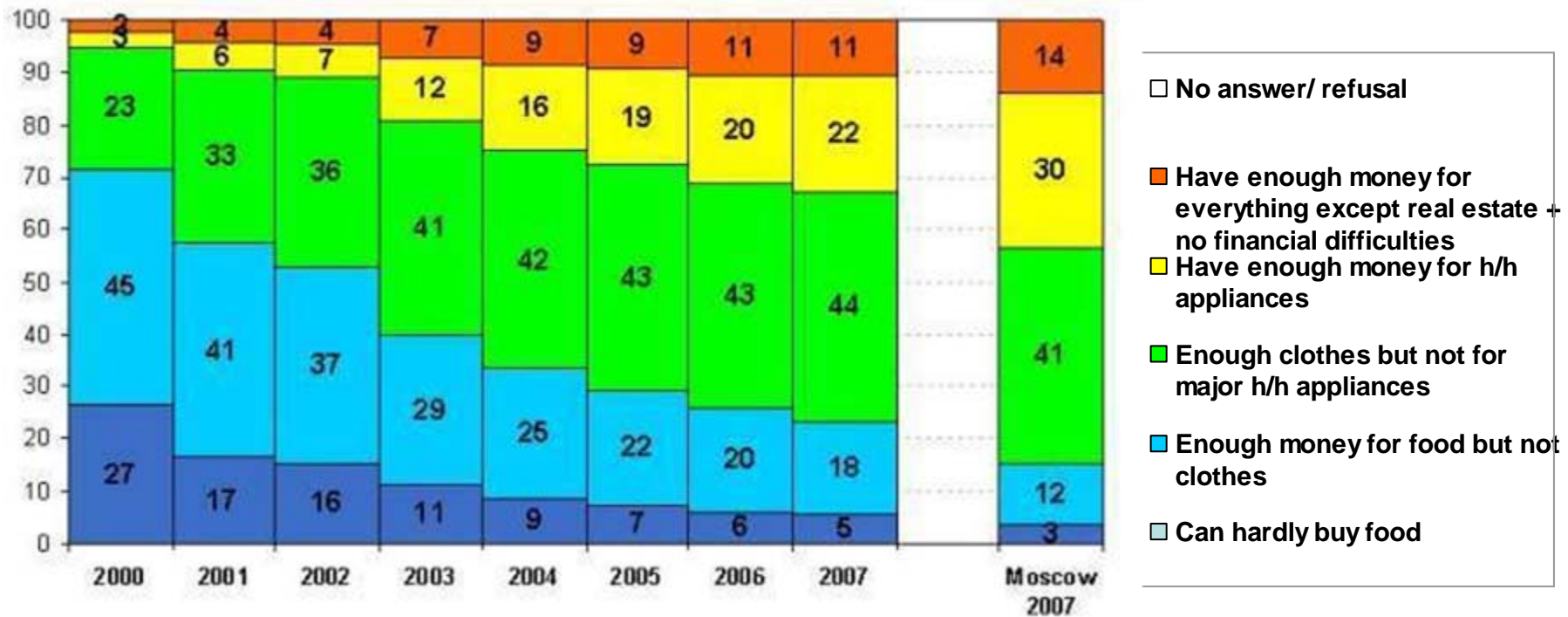
Russian Food market benefits from the macro-economic growth



Source: DBUFG research



Self-estimation of financial situation, Russia, all households in cities with 100 thousand+ population



People can start spending beyond food

Source: TGI-Russia



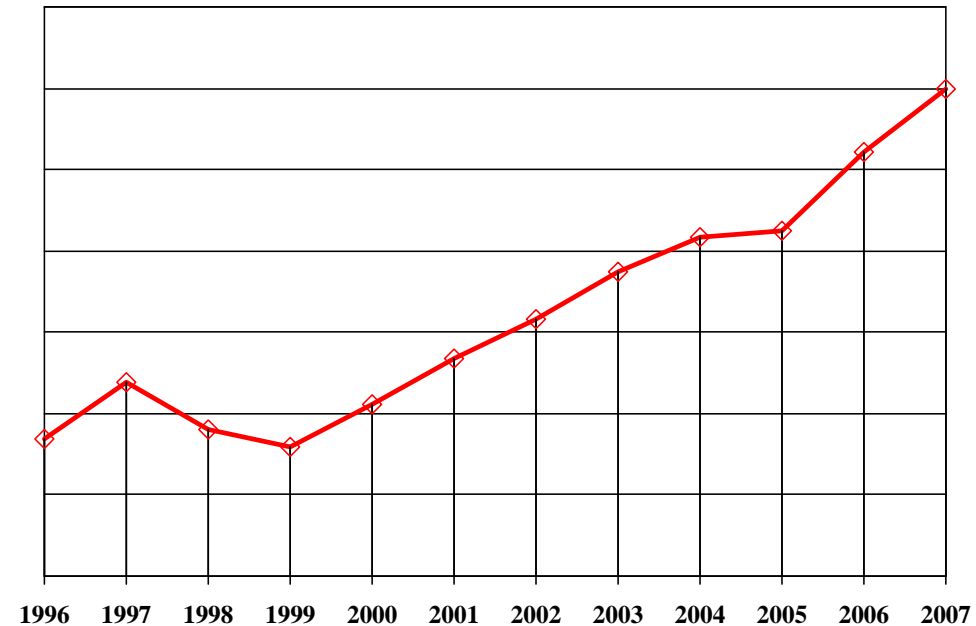
Nestlé in Russia & Eurasia.

Key figures



- **1.9 billion USD of sales**
- **15 factories**
- **11 000 employees**
- **15 sales offices**
- **700 million USD of investments**

Fast growth in sales

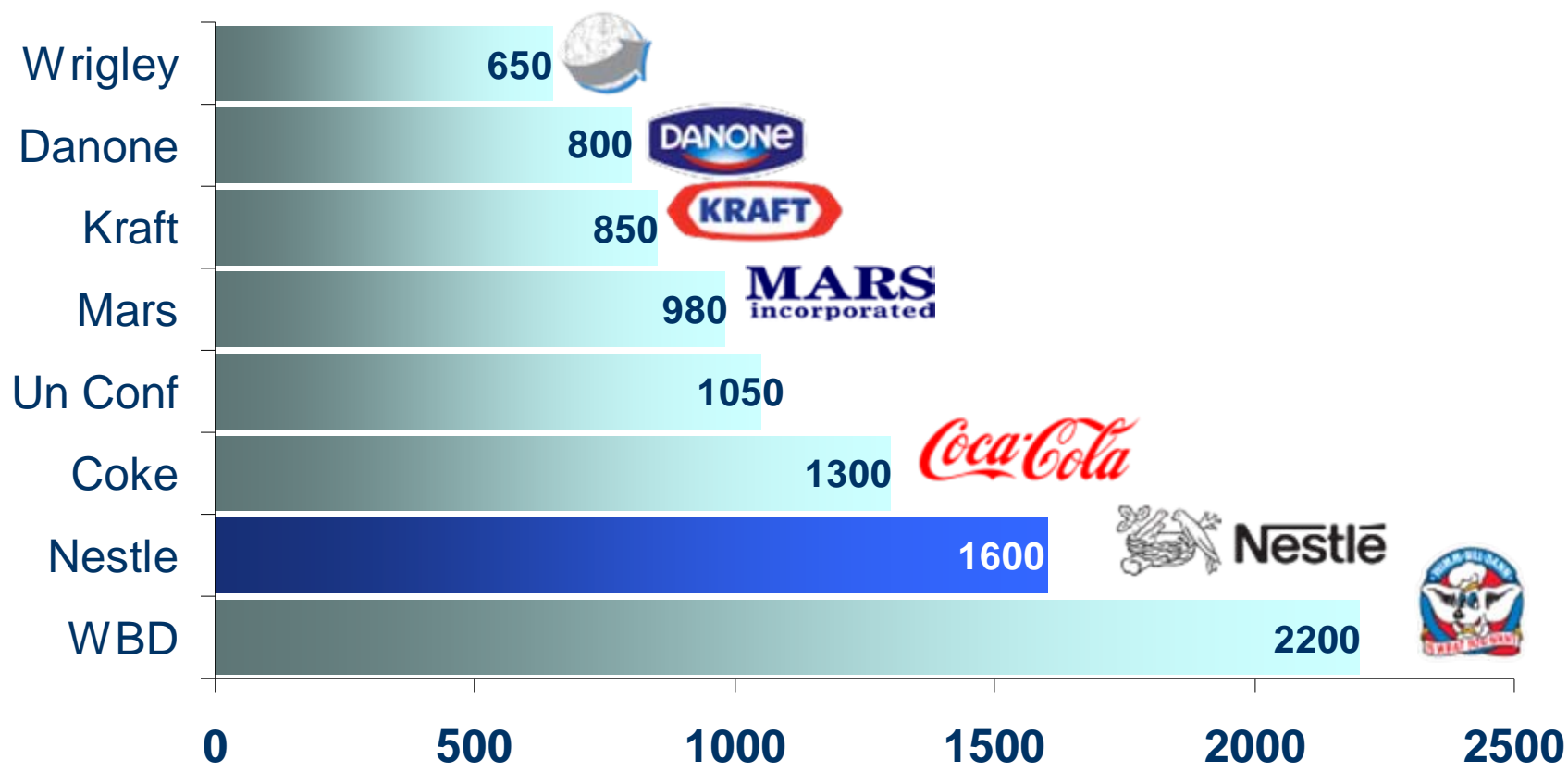




Our Competition in Russia



Nestle is # 2 in Russia



Sales in mio \$ 2007

Source: Expert Top 400
Nestlé estimates



Milestones of Nestlé in Russia



Opening years:
Nestlé starts export
of Nuts® and Nescafe® to Russia

1992

1995

Acquisition of Rossia
factory in Samara



1998

Acquisition of Kamskaya
and Altay confectionery factories
Economic crisis in Russia



2002

Nestlé Waters acquired the Kostroma based
“Saint Springs” bottled water company



2005

Nestlé opens the 1st full cycle
coffee factory in Timashevsk



2007

Nestlé has started to merge numerous
legal entities of Nestlé in Russia into
one company Nestlé Rossiya LLC



Nestlé opens a green field
manufacturing facility in Vorsino,
Kaluga region

1994

Nestlé opens first
representative office in Moscow



1996

Foundation of Nestlé Food LLC



2001

Cereal Partners Worldwide, Nestlé’s
joint venture with General Mills, acquired a
breakfast cereal plant in Perm



2003

Infant cereals factory
In Vologda was acquired
“Clear Water”, a leader in home
and office water delivery



2006

Acquires a majority stake in Bistროff
company



Acquires RKF chocolate factory with the
leading positions in premium segment





Nestlé has strong market positions in Russia:



#1 in soluble coffee market with



#1 in chocolate market with



and



#1 in infant nutrition with



#1 in culinary aids with



#1 in breakfast cereals with



#1 in Home & Office Delivery Water with



#2 in ice cream with



#2 in pet food with





Nestlé Sales Offices



September, 2008



Nestlé factories in Russia and Eurasia





Besides Russia, our Region comprises Central Asia, Caucasus and Belarus



227 million consumers!



OUR AMBITION IS:

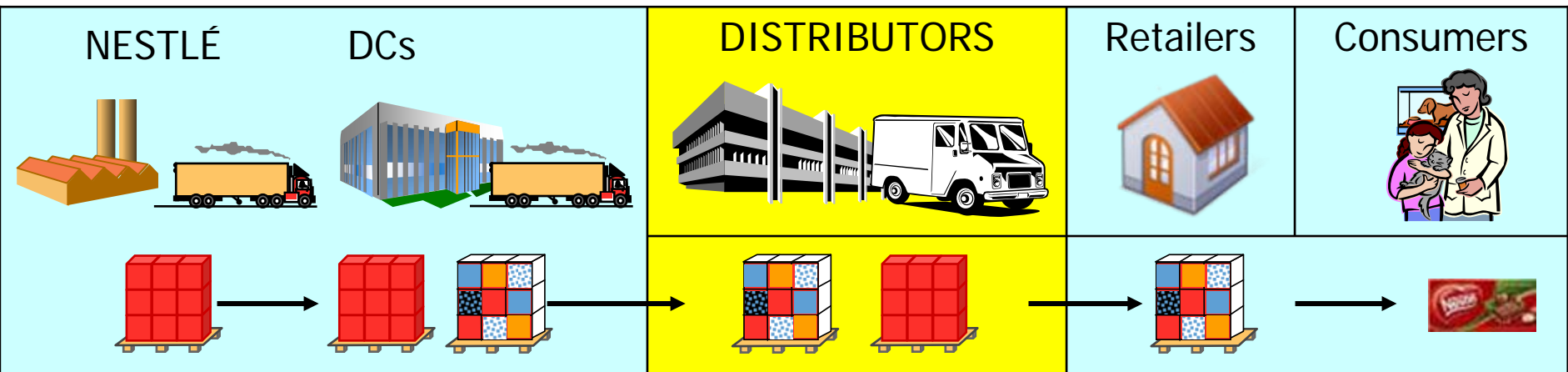
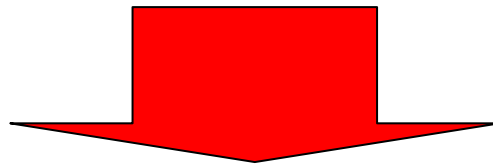
**To be the engine growth in Europe
for Nestle and a centre of
competence for the group within
the BRIC markets**



To realize this ambition we have to ensure that our products reach our consumers in the best quality...



Storage and transportation conditions are important. Distributors as a part of supply chain should provide us with required quality of their services to ensure the quality of the products on the shelves.





Key deliverables



- **Network of 35 distribution providers who ensure best in class supply chain services to modern trade, traditional and impulse**
- **Optimized coverage of trade channels and numerical distribution of our products**
- **4 Sales Forces visiting 115, 000 outlets in more than 500 cities**



Nestlé distributors



● Distributors

▲ Nestlé DC

September, 2008



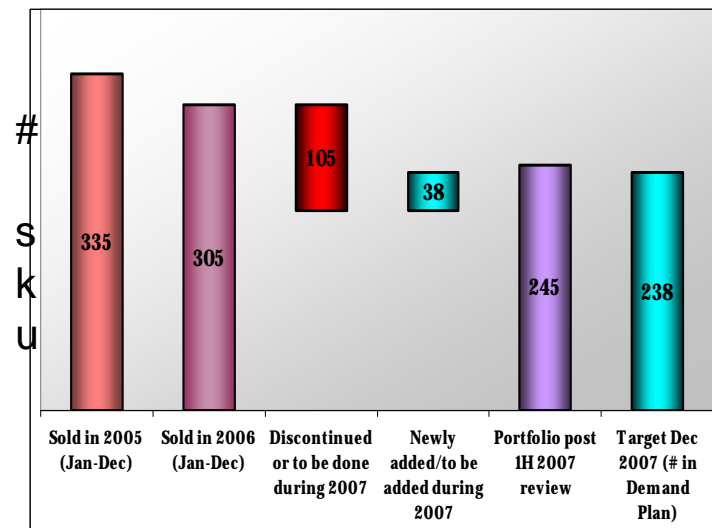
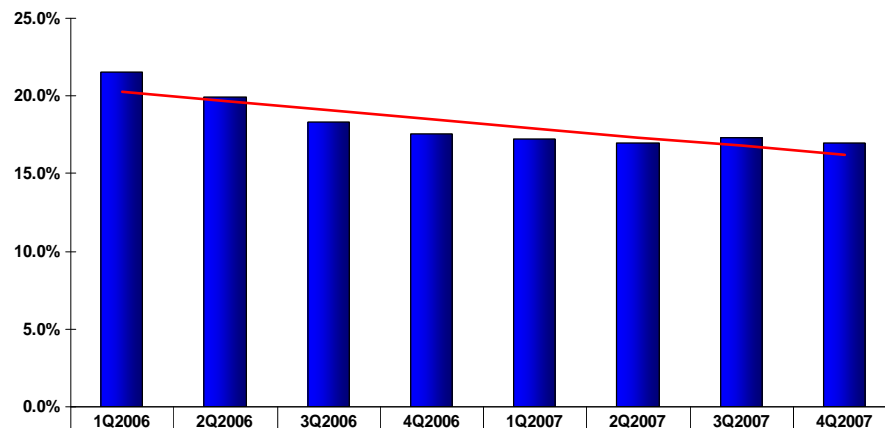
Besides, Nestlé is actively realizing several important initiatives aimed at strengthening its leading positions in the Region...



Nestlé financial priorities



- Reduction in our working capital
- Sustainable improvement in our EBIT
- Focus on the categories where we can lead and grow profitably
- Reduction of the number of SKUs we handle in each category



Confectionery: Average MC (before royalty) 2006: 36.3%
 Target MC (before royalty) 2007: 37.9%



Transformation into a Nutrition, Health & Wellness Company



- **Quality 60/40+:**
Key strategic transformation tool around which all projects evolve
- **Good Nutrition Programme:**
Improves children's eating habits
2.4 million kids in 30 regions
- **Nutritional Compass:**
Encourages and empowers consumers to make informed choices
- **Wellness promo campaign in Summer 2007**
- **Acquisition of Bistროff:**
Step toward innovative Health & Wellness solutions
- **A new communication campaign on "Good Food – Good Life" for some of our best selling brands. Starting August till the end of the year**

60/40+





Introduction of Popularly Positioned Products - PPP



Our objective is to offer nutritious quality food products to the 13 mio low income families of Russia and the many more in other countries of the Region.

Our key Battlegrounds:

- **To reach these consumers (living in small towns and villages) through a specific Route to Market**
- **To launch specific formats and recipes of our brands**



NPS per month is already > 2.5 mio CHF



Introduction of more Premium and Super Premium products



Zolotaya Vershina



NAN HA Premium



Mövenpick of CH



We must do more to fulfill this consumer need!

New Nescafé Super Premium – CapColombie/AltaRica/Kenjara/Espresso





Thus Nestlé Rossiya reinforces its position in the chocolate premium segment with a company with:

- Sales of USD 72 million in 2007 (+42% vs 2006)
- The high-quality image of the *Comilfo* and *Ruzanna* brands which ideally complements the Nestlé chocolate brand portfolio in Russia
- A manufacturing basis in Moscow region





What is RKF?



Impressive growth story in Premium Market

- CAGR 05-07: 15% Volume; 36% Value

Know-how in production:

- Modern production facilities
- Frozen cone Technology
- Brand new souffle production

Strong and experienced team

- 100 people in Head Office
- 143 sales people (incl. ESRs and merchandisers)
- 700 people in production

Impressive brand portfolio



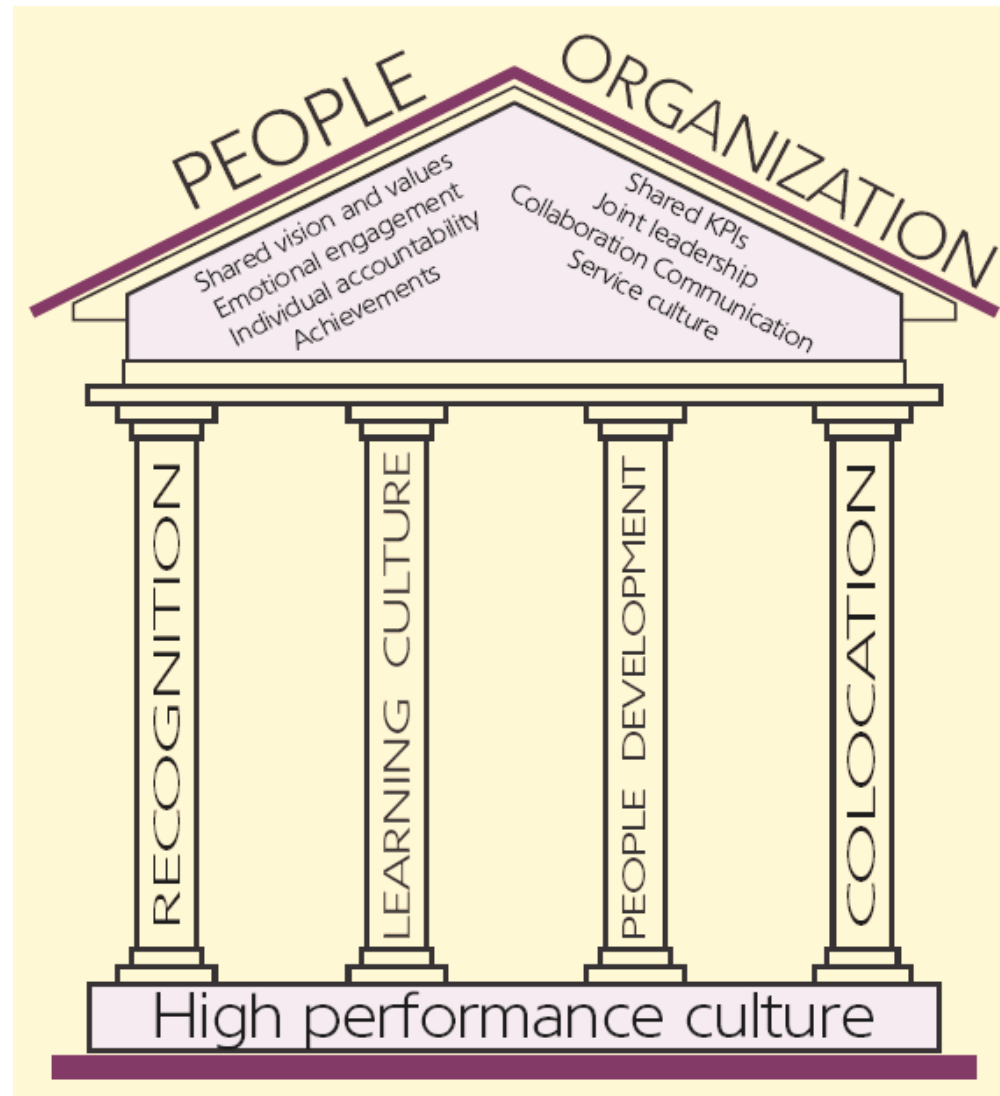


Building a High Performance Culture Company



HR remains the #1 challenge in Russia:

- Recruitment
- Retention
- Recognition
- Career development





Delivery of the Nestlé Model Fast Growth – Faster EBIT



EBIT Margin



**Russia & Eurasia contributes to the Nestlé Model
with an EBIT above Group average and growing**

September, 2008



All our initiatives are aimed at providing our consumers with high quality products and being the preferred and most respected Food, Nutrition, Health and Wellness Company in Russia & Eurasia Region