

Nestlé to enter partnership with Chinese confectionery company Hsu Fu Chi

Vevey, 11 July 2011 – Nestlé today announced that it has entered into a partnership agreement with the founding family of Hsu Fu Chi, a leading manufacturer and distributor of confectionery products in China, listed in Singapore (HFCI:SP). Under the proposed agreement, Nestlé intends to acquire 60% of Hsu Fu Chi whilst the Hsu family will own the remaining 40%. Hsu Fu Chi's current CEO and Chairman, Mr. Hsu Chen, will continue to lead the company in the new partnership.

Consequently, Nestlé proposes to acquire the shares of Hsu Fu Chi's independent shareholders, representing 43.5% of the shares in Hsu Fu Chi, by way of a scheme of arrangement. Nestlé offers a cash price of SGD 4.35 per Hsu Fu Chi share which represents a premium of 24.7% over the volume-weighted average share price over the last 180 days. If the scheme is approved by the independent shareholders, Nestlé will acquire in addition a 16.5% stake in Hsu Fu Chi from the Hsu family's current holding of 56.5%. Nestlé has secured irrevocable undertakings from the two largest independent shareholders - Arisaig Partners Holdings and subsidiaries of the Baring Asia Private Equity Fund which hold 9.0% and 16.5% respectively - to vote in favour of the scheme. The total price to be paid by Nestlé to acquire 60% of Hsu Fu Chi is approximately SGD 2.1 billion (CHF 1.4 billion).

The completion of the transaction is subject to regulatory approval in China and certain other conditions related to the scheme of arrangement.

Hsu Fu Chi's portfolio includes sugar confectionery, cereal-based snacks, packaged cakes and the traditional Chinese snack sachima. Hsu Fu Chi's products are tailored to Chinese consumers' needs and habits, and complement Nestlé's existing product portfolio in China, which includes culinary products, soluble coffee, bottled water, milk powder and products for the foodservice industry. Hsu Fu Chi's large portfolio of affordable products, with the potential for enhanced nutritional value, fits perfectly into Nestlé's global portfolio.

In 2010, Hsu Fu Chi reported sales of CHF 669 million and an EBIT margin of 17.3%. The company operates four large-scale factories in China, has excellent route-to-market capabilities and employs 16,000 people.

Nestlé CEO Paul Bulcke: "This proposed partnership will greatly reinforce our presence in China. It combines Hsu Fu Chi's strong brands, its large portfolio of products at affordable price points, its efficient operations and entrepreneurship with our proven innovation and renovation capabilities, supported by our R&D Centres in China. It also demonstrates our long-term commitment to China and enhances our ability to grow our portfolio of international and local brands in this dynamic market."

Hsu Fu Chi's CEO and Chairman Hsu Chen: "We are delighted to partner with Nestlé. Their offer is a recognition of the strength and quality of our company and a very attractive proposition for our shareholders. Together with Nestlé, we will accelerate the development of the Hsu Fu Chi brand, its production and distribution capabilities and ensure Hsu Fu Chi's continued growth momentum and brand legacy for the future."

Nestlé has been present in China for over twenty years and today operates 23 factories, two R&D Centres and employs 14,000 people. Its China region achieved sales of CHF 2.8 billion in 2010. Main Nestlé brands in China include *Nescafé*, *Nan* and *Maggi* as well as local brands such as *Totole*, *Haoji* and *Dashan*. Nestlé has established several technical assistance initiatives for milk and coffee farmers in China. For example, Nestlé buys fresh milk from thousands of farmers and assists them in increasing the quality, quantity and efficiency of their production. In Yunnan province, Nestlé has been encouraging and supporting coffee cultivation for almost twenty years and providing local farmers with direct training on planting, quality control and processing techniques.

Further details of the terms, conditions and statements relating to the transaction and the scheme of arrangement are set out in the Joint Announcement of Nestlé and Hsu Fu Chi filed earlier today with Singapore Exchange Securities Trading Limited (SGX).

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