

**Questions by Minority Shareholder Watchdog Group (MSWG)  
For AGM of Nestlé (Malaysia) Berhad of 28<sup>th</sup> April, 2016**



**Strategy/Financials**

**Question 1:**

As reported in the Business Review section, for the financial year ended 31 December 2015, the Group delivered a solid performance, recording a turnover of RM4.8 billion, a 0.6% increase compared with the previous year.

- a) Despite a challenging market condition, how would the Board foresee that the growth in revenue is sustainable for the next few years?
- b) What is the mix revenue contribution from the domestic and export market in future that Nestlé targeted for?
- c) Is the increase in revenue recorded also meaning that Nestlé had captured more market share for certain products? What is the current market share data of Nestlé products?

## **Nestlé's reply to Question 1a):**

Leveraging on the growing Malaysian economy, we are very confident that we will show a sustainable growth in the next few years. We put measures in place to keep the Company on the growth path:

- Strong Innovation and Renovation:

A significant number of strong new products developed in the recent years and already in the pipeline will attract new consumers and help us to increase the penetration of the Nestlé portfolio even further.

- Strong Consumer Promotions:

We will continue with our impactful Consumer promotions with which we will give our shoppers and consumers high value for their money.

- Competitive Pricing:

Efficiency increases in all our internal processes as well as synergies in our purchasing activities will help us to further improve our competitiveness. We will pass these improved cost-structures on to our shoppers and consumers by maintaining our attractive selling price position, including the above strong consumer promotions.

### **Nestlé's reply to Question 1b):**

The Export business is important to us because it helps to generate growth and revenues for the Company, as well as to use our existing production capacities, providing better economies of scale.

Independent hereof, we still see a lot of growth-potential for the domestic market. This is something what we can directly influence, in contrast to the Export business which depends also on global supply decisions. This is the reason why we will continue to invest in Trade and Marketing activities for the domestic market to expand and strengthen our positions in all product categories.

### **Nestlé's reply to Question 1c):**

While we are not disclosing detailed market share data, we can confirm that the Company as a total, continues to gain the market shares in the year 2015, after an already very strong increase in 2014. We are the Market leader in most of the categories.

## **Strategy/Financials**

### **Question 2:**

Please update on the progress of the Supply Chain Transformation programme implemented by Nestlé and how much costs have been saved out of the initiative? How is the Nestlé Continuous Excellence (NCE) able to drive internal improvements? Please share with shareholders.

### **Nestlé's reply to Question 2:**

The Supply Chain Transformation programme is progressing very well and showed already in 2015 the first improvements: higher service level in the customer deliveries leading to an increase in turnover, better forecast accuracy as well as improved purchasing activities resulting in cost savings and higher competitiveness.

Nestlé Continuous Excellence (NCE) is the Company-wide approach to increase efficiency and effectiveness in a sustainable manner. It encompasses all the single improvement projects from purchasing, via manufacturing to Sales/Marketing and Administration. The identified savings are reinvested to drive our growth of the future via Innovations/Renovations, Consumer promotions as well as extension of Distribution.

## **Strategy/Financials**

### **Question 3:**

Product innovations, pricing strategy and cost management remain critical to sustain the revenue and bottom-line. Please brief on the continuous measures taken to effectively manage and address these issues.

**Nestlé's reply to Question 3 is the same as the reply to Question 1a)**

## **Strategy/Financials**

### **Question 4:**

How does the Company manage its new product offerings and the “risk of acceptance” by the consumers?

### **Nestlé’s reply to Question 4:**

We see Innovation & Renovation (I&R) as an important growth driver for the future. This is the main reason why we have established a very structured and speed-oriented I&R processes. This I&R process starts with a deep understanding of the needs of the consumers (consumer insight) in order to guarantee that we launch products which the consumers really want. Another step in the I&R process is our consumer test known as “60/40+”. Passing this test will indicate that the majority of consumers prefer our new product vs. an already existing competitor’s product. Both approaches together help us to manage the “risk of acceptance”.

## **Strategy/Financials**

### **Question 5:**

We noted that the positive export business performance was derived from the Philippines and Indonesia. Please brief on the business climate in these countries for FY 2016.

### **Nestlé's reply to Question 5:**

The increase of our Export business comes on the one side from the Philippines and Indonesia, but on the other side also from many other countries. This is in alignment with our projections from one year ago and represents a very good starting point for a sustainable growth in the future because it is based on many countries and wider geographical areas. An important reason for the recovery in our Export business are the various new projects/products which we have launched during the last few years.

The specific increase in our business to the Philippines and Indonesia is partially also driven by the fact that these two countries have reached capacity constraints in their own production facilities and re-routed the surplus demand to Malaysia.



THANK YOU!