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 Brazil: 2013 sales by product category

Sales 2013: CHF 5.1 bn

- Confectionery and Beverages
  - 19%
- Milk products and ice cream
  - 43%
- Other (incl. Nutrition & HealthCare, PetCare and Prepared dishes & cooking aids)
  - 38%

(1) Including Waters
Brazil continues to be a country of opportunities

Nestlé 93 years in Brazil and recent performance

Our vision and strategies to win in the new reality
Agenda

- Brazil continues to be a country of opportunities
- Nestlé 93 years in Brazil and recent performance
- Our vision and strategies to win in the new reality
Brazil is the 7th largest consumer market

BRAZIL
- 200 m inhabitants (84% urban)
- 8.5 m km² - world’s #5 (47% South America)
- 25 years of political stability
- 20 years of economic stability
- GDP per capita CHF 9,500

Source: IBGE
1 CHF = R$ 2.51 (average 2013)
Large growing market, with fiercer competition

F&B Market\(^1\)

- CHF 217 bn (2013)
- 8.5% F&B Inflation\(^3\)
  250bps > consumer inflation

Food Industry Consolidation\(^2\)

- 2008:
  - Top 5: 19%
  - Others: 81%
- 2013:
  - Top 5: 23%
  - Others: 77%

Source: (1) ABIA, (2) Euromonitor Package Food
(3) 2012-2013, BRL currency devaluation leads to a zero growth in CHF
Winning in Brazil requires deep local insights

Consumers: Evolving demographics, needs and aspirations

- **High** 22%
  - CHF 1,000+ per capita
  - 45 m people
  - 40% consumption
  - Purchasing power ~ Europe

- **Middle Class** 54%
  - CHF 450 per capita
  - 110 m people
  - 41% consumption
  - Over 40 m new people

- **Low** 24%
  - CHF 125 per capita
  - 45 m people
  - 19% consumption
  - Shop in small retailers

Shoppers

- Brazil is #1 developing country for retail investment
  
- Preference for small retailers: convenience
  
- 46% of sales in modern trade
  
- Pharmacies growing in importance
  
- Bars losing relevance, but still responsible for 22% of sales

(1) Global Retail Development Index 2013: score of 69.5
Brazil’s journey to become a developed economy

**BRAZIL DEVELOPMENTS**

- **38%** increase GDP per capita
  - 2003: 6.9
  - 2013: 9.5

- **Doubled** government incentives to families
  - 2003: 6.5
  - 2013: 14.1

- **Halved** unemployment
  - 2003: 12.3
  - 2013: 5.4

- World’s **largest** exporter
  - Beef, poultry, coffee, sugar, orange juice, soy and tobacco

**CHALLENGES AHEAD**

- Cost of doing business in Brazil is **36%** higher than in developed countries and **28%** higher than in emerging markets

- Reduction of **0.9%** in total productivity in 2013
  - Negative productivity changes in the last decade

- **65x** longer to comply with fiscal regulations

- **5.4x** higher bank spread

- **15%** currency devaluation

- **7.5x** longer to unload and custom clearance

- **19%** paved roads
  - 1.7 km total

- São Paulo has **18%** of London Subway (km)

- **75%** functional illiteracy

- **19%** reduction of 0.9% in total productivity in 2013

- **7.5x** longer to unload and custom clearance

Source: Brazilian Central Bank and IBGE (1) CHF '000; (2) Numbers of families; (3) 2013 vs. USD; (4) In comparison with Switzerland; (5) Brazil compared with Rotterdam
Agenda

- Brazil continues to be a country of opportunities
- Nestlé 93 years in Brazil and recent performance
- Our vision and strategies to win in the new reality
Nestlé has 93 years in Brazil with presence in 99% of the households
**Brazil is the 4\textsuperscript{th} largest Nestlé market**

<table>
<thead>
<tr>
<th>WITHIN NESTLÉ</th>
<th>FOR BRAZIL</th>
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<tbody>
<tr>
<td><strong>EMPLOYEES</strong></td>
<td><strong>23,000</strong> employees</td>
</tr>
<tr>
<td>Brazil</td>
<td>Brazil:Group</td>
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<tr>
<td>23 k</td>
<td>1:14</td>
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<tr>
<td><strong>FACTORIES</strong></td>
<td><strong>220,000</strong> indirect jobs</td>
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<td><strong>SALES</strong></td>
<td><strong>117</strong> brands in</td>
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<td>CHF 5.1 bn</td>
<td><strong>16</strong> categories for</td>
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<td>1:18</td>
<td><strong>200</strong> m people</td>
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<td><strong>VOLUME</strong></td>
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<td>1.9 m</td>
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<td>tonnes/year</td>
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<td>1:27</td>
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Source: Company report 2013
Strong market positioning

- 1st or strong 2nd in the largest majority of our portfolio
- Undisputed leadership in several NHW carrier categories – infant nutrition, cereals, dairy, breakfast cereals
Relentless in offering healthier and tastier options to consumer through innovations

**Superior Portfolio**

- 80% Healthier
- 77% Tastier

**Innovations**

- 14 bn of fortified servings per year
Nestlé Brazil superior reputation

**NESTLÉ BRAND IMAGE:** recognized by 41% as expert and leader in Nutrition (2nd player with 17%)

Trust  
![Bar Chart](#)

Advocacy  
![Bar Chart](#)

Tastier and Healthier Choices  
![Bar Chart](#)

Source: Corporate Equity Monitor (CEM) 2013

**SELECTED AWARDS**

- **Top of Mind** in Food, Chocolate and Milk
- **Respect** to our consumers
- "Brands of the Brazilian middle class heart"
- #1 most admired Company in F&B
- 6x Most Reliable Brand

Source: Global Rep Trak; Modern Consumer and Shopper Experience; Marketing Best Award; Readers Digest/IBOPE; Data Popular Consulting; Folha Newspaper (SP)
Agenda

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Driving our performance

Roadmap

Priorities

Focus areas
Making choices

SIMPLIFICATION

- Focus on top 20% SKUs
- Flawless execution

CLEAR PORTFOLIO STRATEGY

- In confectionery, biscuit portfolio transformation towards NHW brought NESFIT from 6th to 2nd brand
- Focused efforts for performance improvement and capital efficiency
- Cost-savings compensation plans over CHF 100 m

# SKUs
25% REDUCTION

2011 2013
Grasping opportunities

**COFFEE**
- Brazil is the second coffee market in volume
- Already 1st market in Latam
- Largest coffee exporter

**COFFEE**

**CHOCOLATE**

- KIT KAT – Market Share
  - 2012: 10%
  - 2013: 15%

**LIQUIDS**
- Growth and Profitability
- 3rd largest category in Brazil
- New mindset & model

**3 focus brands**

**NUTRITION JOURNEY**
- Strengthen nutrition territory
- Pharma channel growth
- Enhanced nutritional benefits under a bolder communication

Source: Internal data
Strengthening our foundation

**COMMUNICATION**

Strengthen our brands with consumers (BBNW)

Preserve strong position of Nestlé Faz Bem and positively impact kids’ lives

**DIGITAL**

Rich & relevant proprietary content w/ 2 m visits/month

GAROTO is Brazil #1 fan page

#NegrescoDesenrola

Over 1 m views in a single day

1st chocolate co-created on fan-page

**ROUTE-TO-MARKET**

Leverage our size into scale

Best in Class Broker model to traditional trade

Focused & simplicity in commercial planning

**PORTFOLIO**

Premium

Mainstream

Popular

Source: Internal data

1 #1 of Food Companies in Brazil;
Creating Shared Value

1.7 m children impacted

Nestlé Course is the largest event for pediatricians

Sustainability Awards

Food Quality certification in Araras (DPA), Goiânia and Vila Velha

CSV

4,000 tonnes of certified coffee

10% increase milk producer productivity

15 years of continuous efforts – reduction is equivalent to the consumption of a city with:
- Water: 310 k population
- CO₂: 115 k population
- Energy: 125 k population

SUSTAINABILITY

NHS Young Nutritionist Program: 120 new/year

94% of employees feel proud to work at Nestlé

COMPLIANCE

9 m quality tests
Having and developing the best people

**Development**

- Career Acceleration Programs
- Company of the dreams for youngest

**Recognition**

- Formal Recognition Programs
- N-Cards

**Gender Balance**

- 34% Women in succession plan for management position

**International Mobility**

- 71 Expats
- 64 Inpats
- Website to Expats/Inpats

**Favorability Index**

- At top quartile

**People at the center of everything we do**

**Favorability Index**

- Over 23,000 employees

**Education & Training**

- Over 440k training hours (half week per employee)
- Tailor to diversity and special needs

**Nestlé Corporate Business Principles**

- IR System
- Strong Commitment Campaign & Training

**Deveopment**

- #1 F&B company for leadership (Hay Group)
- 98% aligned with succession plan
Nestlé in Brazil financial figures

**Sales (in local currency)**

- **2011:**
- **2012:**
- **2013:**

**Trading Operating Profit (in local currency)**

- **2011:**
- **2012:**
- **2013:**

**CAGR (1)**

- **+12%**
- **+14%**

(1): 2011 to 2013 change
Winning proposition: build on our heritage to accomplish even more