



Nestlé

Investor Seminar 2014

Food Nestlé USA

J. Hamilton - Prepared Foods President
J. Carmichael - Pizza President

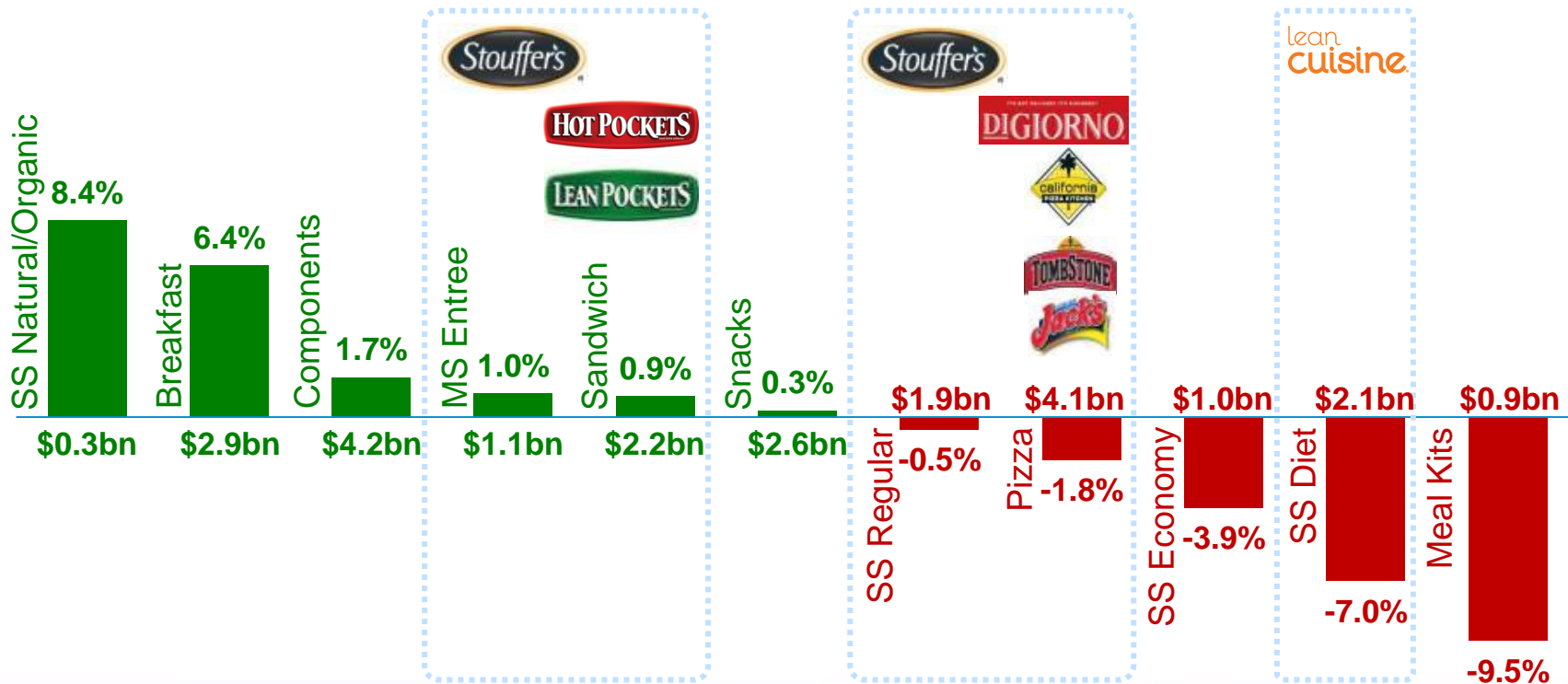
June 3rd & 4th, Liberty Hotel, Boston, USA

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.

Frozen meals is not an homogeneous category

2 Year \$ CAGR: -1.8%



Nestlé leads share position across all key segments



2013 Sales of **\$4.1 bn** with **-2% CAGR**₂₀₁₁₋₂₀₁₃

The consumer landscape is ever evolving



Negative consumer perception of **freshness** and **quality** of frozen foods

Rising demand for products to support **speed scratch** cooking



Consumers want to associate with **healthy weight** not hard diet

Rise of **pure, natural and better-for-you** products



Rapid expansion of **snacking** over the last years



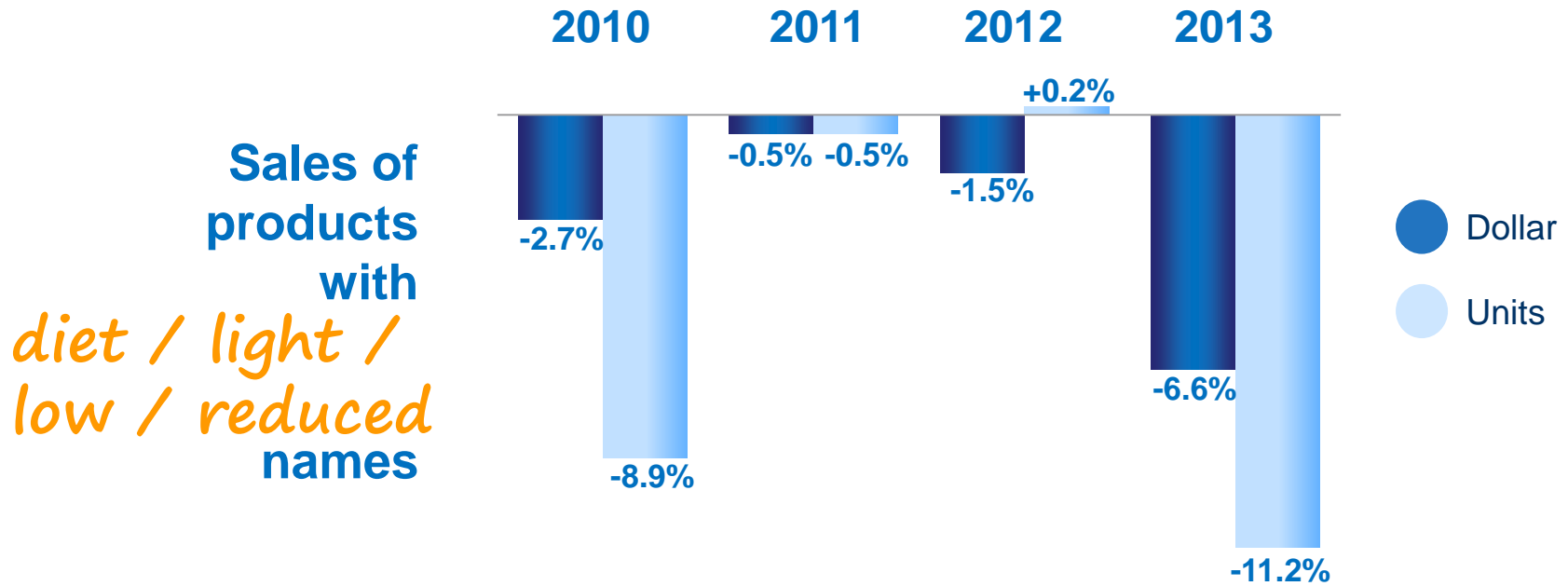
Increasing **competitive intensity** both in and out of aisle



Falling consumption as government subsidies shrink



Attitudes to DIETING have significantly changed



“Consumers want to eat healthily not diet”

Yet, frozen food remains very relevant for consumers...

97%

Frozen Foods
household
penetration

67%

Nestlé household
penetration in
Frozen Foods

+3.9%

Euromonitor
growth forecast
2013-2018*

... as it delivers on fundamental consumer needs



Perfect preservation –
**frozen at the peak of
freshness**

Provides simple management
of **portion control**



Helps consumers understand
and ensure **nutritional balance**



Supports controlled
intake of **sodium**
and **calories**

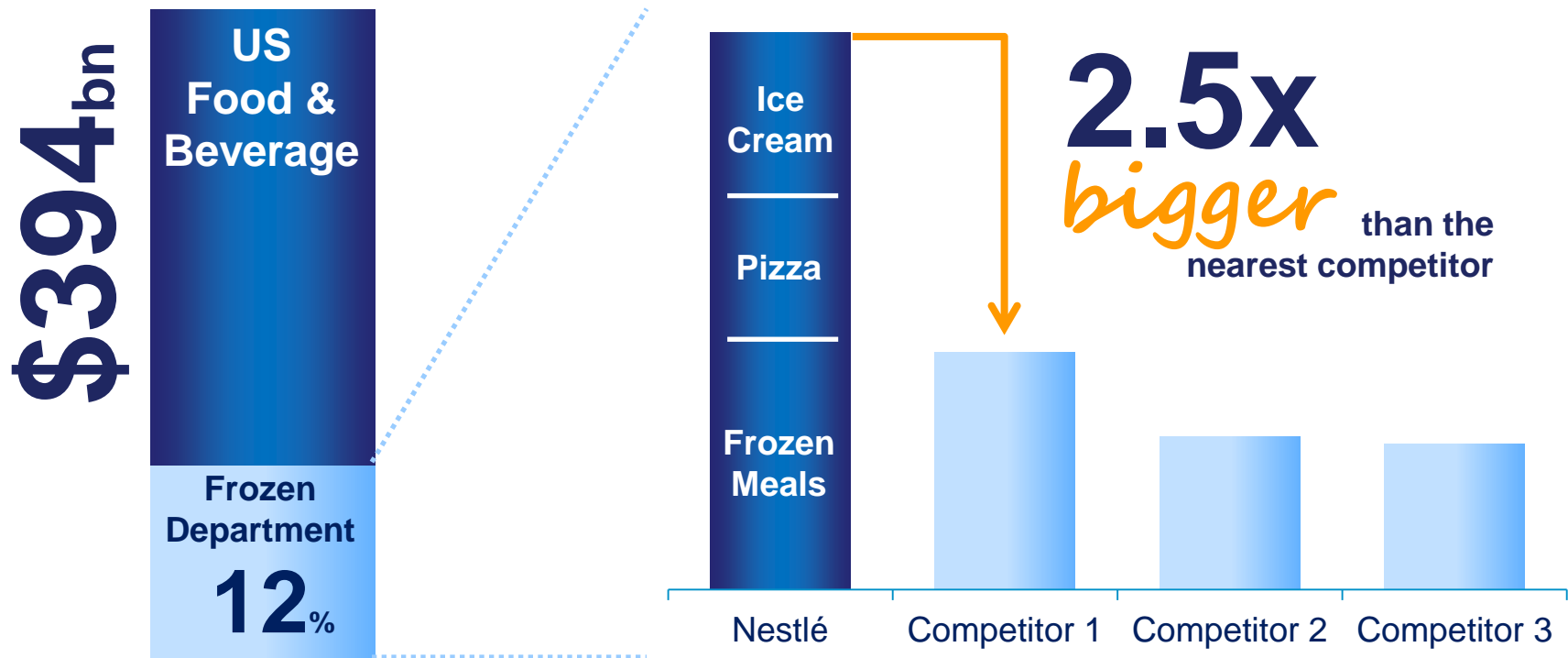


Increases
convenience and
eases hectic
lifestyles

Reduces
**food
waste**

**LOVE
FOOD
NOT WASTE**

Nestlé will lead the way as the largest frozen player



We have the core competitive strengths to win



Leading
iconic
brands

8 Big
Kitchens
“Cooking
the way
you
cook”



Largest

frozen centre of
excellence in
America based
in Solon, OH



*make it
where we
sell it*

leveraging the
largest frozen supply
chain in the USA

A robust strategic plan is in place to win in the USA



Make choices

- Disciplined portfolio management
- Invest in strategic growth drivers
- Fix or divest underperformers



Grasp opportunities

- Nutrition, Health & Wellness
- B³ Innovation
- New channels & integrated P2P



Value what consumers value

- Remove waste to reinvest
- Operate as ONE Nestlé in NA
- Master complexity



Engage with the community and stakeholders

- Embodying Nestlé in Society
- Create Shared Value
- Strengthen Nestlé brand equity



Embrace digital















- Best-in-class Digital capabilities
- Step up on Digital Media
- Leverage e-commerce



Have the best people

- Reflect our Consumer diversity
- Best-in-class new capabilities
- Accelerating career development

Brand portfolio aligned with evolving consumer needs...

Core Consumer Needs	 Making healthful choices	 Good Food, Good Times	  Snacking / Immediate energy	   Easy, tasteful food that allows you to relax and spend time with others			  Convenient, reliable, fun
 Breakfast	✓		✓	✓	✓	✓	✓
 Snacking	✓		✓	✓			
 Meals	✓	✓		✓	✓	✓	✓
	 Historic strongholds			 New territory			

...and with clear business priorities

lean
cuisine®

- Modernize positioning from diet to healthy lifestyle
- Contemporize brand architecture
- Expand into new growing categories

Stouffer's®

- Strengthen brand equity
- Drive the core
- Innovate for new users & occasions

HOT POCKETS®

- Heat up brand equity
- Innovate for incremental occasions
- Winning at retail

IT'S NOT DELIVERS. IT'S DIGIORNO.
DIGIORNO®

- Elevate the consumer proposition
- Breakthrough I&R
- Optimize portfolio strategy

Drive cost structure optimization and business simplification

lean cuisine®



Consumer is moving from “dieting” to “healthy eating”

From: Dieting for weight loss



Low calorie
and
Low fat

product with
diet/light/
low/reduced
claims

-11%
in 2013

To: Healthy eating for
holistic health

New Health,
balance
and
maintaining
weight



eco organic natural

Consumer expectations are changing

Food is enjoyable

I eat foods I *feel good*
about eating



And that don't
deny me the
pleasure
of eating

Personalized Solutions



↑
48M
wearers by
2017



I control *my own*
personal diet

However, modern eating has some unhealthy effects

69%

*Overweight
or obese*

US adults

(23% increase since 1960)

36%

*Adult
Obesity*

prevalence

(more than double since 1960)

17%

*Child
Obesity*

prevalence

(nearly triple since 1980)

Our Challenge:

lean
cuisine. = Diet

Very relevant consumer need ...

... but outdated brand positioning

Our Opportunity:

lean
cuisine. = Healthy
Lifestyle

Very relevant consumer need ...

... and on-trend brand positioning

Modernize positioning from Diet to Healthy Lifestyle

From: Diet Food Expert
for weight loss



Deprivation Food
(Low Fat, Low Cal)



"80s" brand



Functional



To: Modern Wellness Partner
for a healthy lifestyle



Satisfying Cuisine



On-trend and talking
to today's *Modern*
Woman



Her *Supportive*
Partner, leveraging
technology

Innovate and expand into growing categories

Breakfast

+20% BFY Breakfast growth
Latest 52 Weeks



Snacking



86% of snackers trying to find
healthier snacking options



Stouffer's

made for you to love™

Stouffers is well positioned for growth



Leading Brand
30% \$ share
(+120 bps
2011-2013)

>1%
brand \$
growth 2011-2013
with high
margins

Brand
Heritage
synonymous of
quality comfort
food since
1922

Leading NHW
credentials

Extending
the brand
beyond its
core

Helping America enjoy a 'Real Dinner' every night

1

Strengthen brand equity



“Working to enhance and expand our *voice*”

2

Drive the core

Delivering *relevance* & *reassurance*



3

Innovate for new users & occasions



Servicing the “*untapped*” spaces



Strengthening brand equity, a new voice

1

Made for you to **LOVE**

Great *ingredients* and *care*



Real dinners and *family & friendship* connections

CONNECTING with the Hispanic consumer

Hispanic consumers are looking for

American Brands

for everyday use



\$1.5tn

Hispanics' spending power in 2015

Driving our core

2

Improving relevance through **QUALITY**

Recipe
evolution for
new generations



Quality
ingredients



Expansion of
*flavor
profiles*



DELIVERING reassurance through NHW

↓
-6.4%
Sodium in
2013



100%
SKUs free of
artificial flavors



Innovating for new occasions and users

3

Snacking



48%

of eating occasions are now snacking

Breakfast



+12%
Frozen breakfast growth*

Expanding into new occasions



IRRESISTIBLY HOT®



Hot Pockets is well positioned for long term success

Strong Business Fundamentals

SNACKING
48%
snack 2x or
more per day

CONSUMERS
**Millennial
& lifestyle
Hispanic
index**

PROFIT
**Significant
profit pools are
available**



Short Term Hurdles



Continue to elevate the brand beyond convenience

IRRESISTIBLY HOT®

2013: sales & penetration *growth*
behind *new campaign*

1

Heat up brand equity



**BETTER TASTE.
BETTER QUALITY.™**

2

Innovating for
incremental occasions



3

Winning at retail



Heat up brand equity

1

DRIVE perceptions through Quality & Nutrition Improvements



Premium Ingredients
(e.g. 100% Angus Beef in Philly Steak SKU)

Sodium Reduction

Cleaner Label

**BETTER TASTE.
BETTER QUALITY.™**

INCREASE share of voice impact

Millennials

30% of marketing dedicated to digital, better targeting



Hispanics

23% of business done with fastest growing consumer



Innovating for extra occasions

2

Ethnic opportunities



7.4%*

Leveraging flavor
trends to capture
Millennials

Snacking

“manage
my hunger”
need state

3.2%*



Breakfast



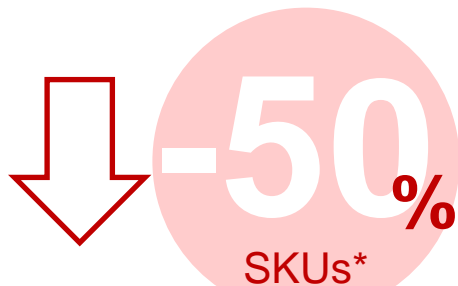
8.1%*

Build off current
business

Winning at retail

3

Optimized portfolio



Delivering value

Help
struggling
customers



Through
larger
packs

And
targeted
promotions



Modern path to purchase

Digitally Savvy
Consumer



Pre-store

In-
Store

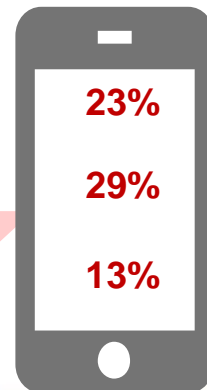
Aisle

Checkout

23%

29%

13%



IT'S NOT DELIVERY. IT'S DIGIORNO.®

DIGIORNO.®

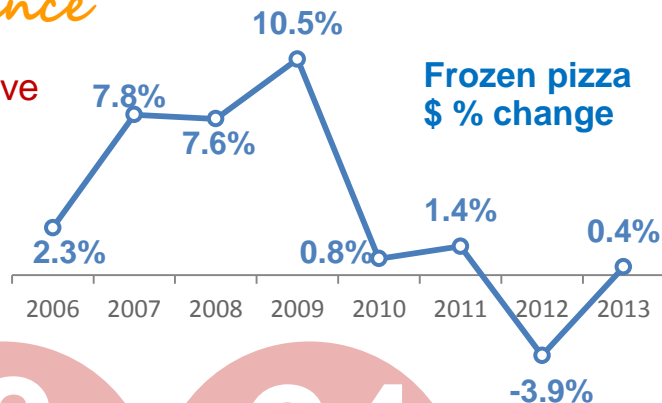
Recognizing the challenges

Facing the CHALLENGES

relevance

vs.

competitive
options ?



+3%

CO/D
growth since
2009

+24%

Private label
growth since
2009

Embracing the OPPORTUNITIES

The most
iconic
non-holiday
eating occasion



93%

Eat pizza
once per
month

41%

Growth in
last two
decades

Nestlé pizza
offers
superior
taste &
nutrition

Strategic pillars for growth & profit

1

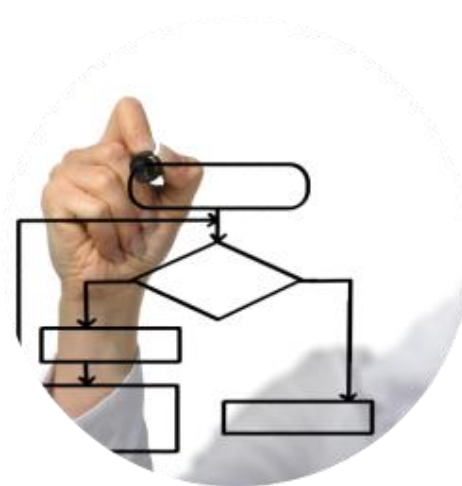
**Elevating the
consumer proposition**



optimizing the consumer
message

2

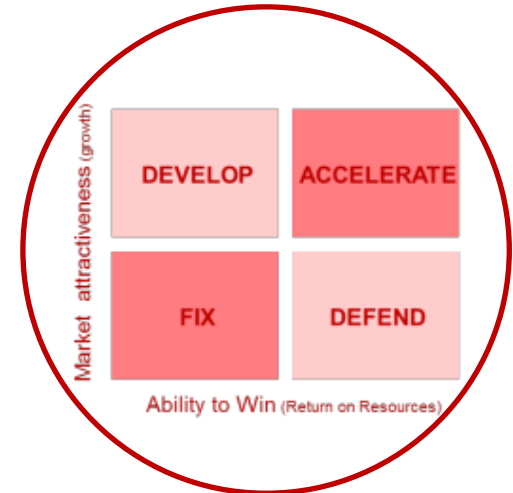
**Breakthrough
innovation & renovation**



bringing continued *added
value* to the category

3

Portfolio strategy



increasing *incrementality*
while *optimizing* margin
structure

Elevating the consumer proposition

1

Adding emotive true value



Increase the *emotional* connection and *role* in consumer lives

Connect with consumers



Increasing
Working media
in digital

Grow with growing cohorts

Millennials
through
mobile

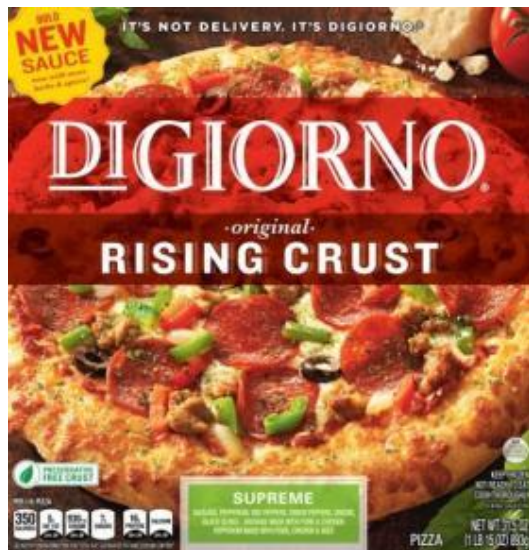


dedicated
hispanic
communication

Breakthrough innovation & renovation

2

INCREASE preference
through taste



New, consumer-preferred
more flavorful sauce.

DEVELOP platforms for
growth & new occasions



1st

Customizable pizza
in category history

CHANGE consumer
perception of frozen pizza



10%
Sodium
reduction in
Rising Crust

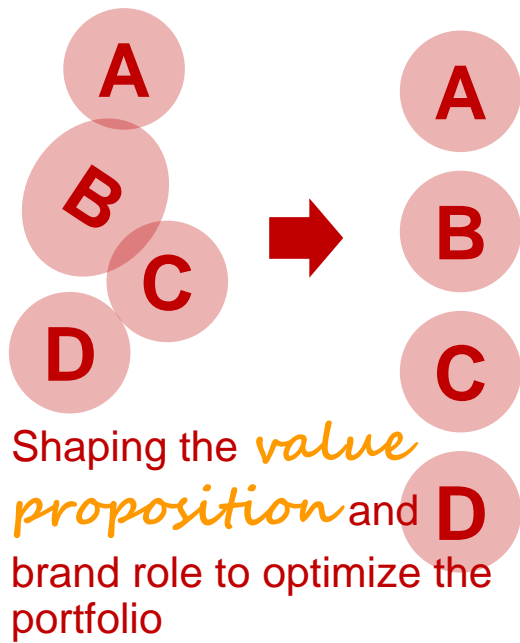
Preservative
Free Crust & No
Artificial Flavors



Portfolio optimization

3

Clear & distinct brand propositions



Strategically manage the portfolio

Implementing the Nestlé *strategic pricing* model...



...combined with distinct *merchandizing strategies*

Improving shelf productivity



Integrated path to purchase

Embracing **OPPORTUNITIES**

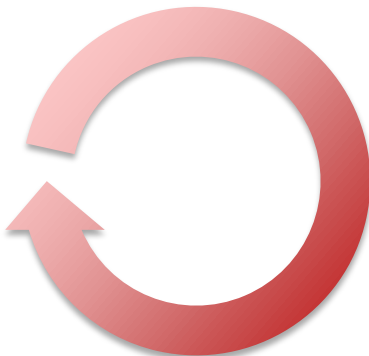
and

WINNING in-store



+6% Market share increase during Super Bowl week

Dominate the drive times for this *iconic american* food



Build *compelling* stories and invest in *growing* channels



51% Increase in value channel sales

Clear business priorities to win in the new reality

lean
cuisine®

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Drive cost structure optimization and business simplification

Driving cost optimization and business simplification

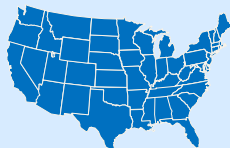
Driving value chain *efficiency*

-7% Reduction in fixed *manufacturing costs*⁽¹⁾
2014E vs 2011

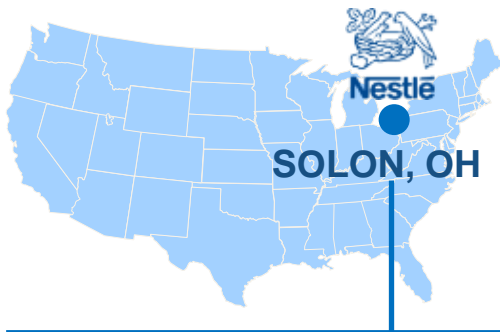


Implementing *continuous runs*

“Make it where we sell it”



Creation of the largest Frozen *Center of Excellence*



- Meals: Stouffers, Lean Cuisine, Buitoni
- Hot Pockets (relocated from Denver)
- Pizza (relocated from Chicago)
- Baking
- Nestlé Professional
- Product Technology Center

Optimizing the *shelf* and eradicating *waste*

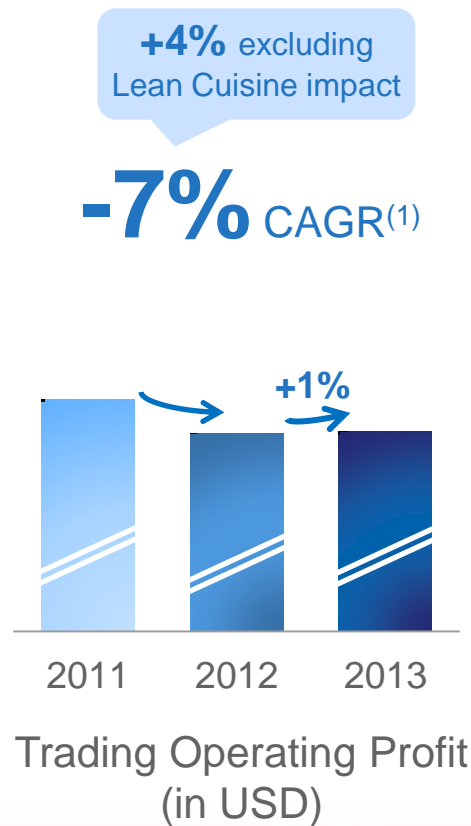
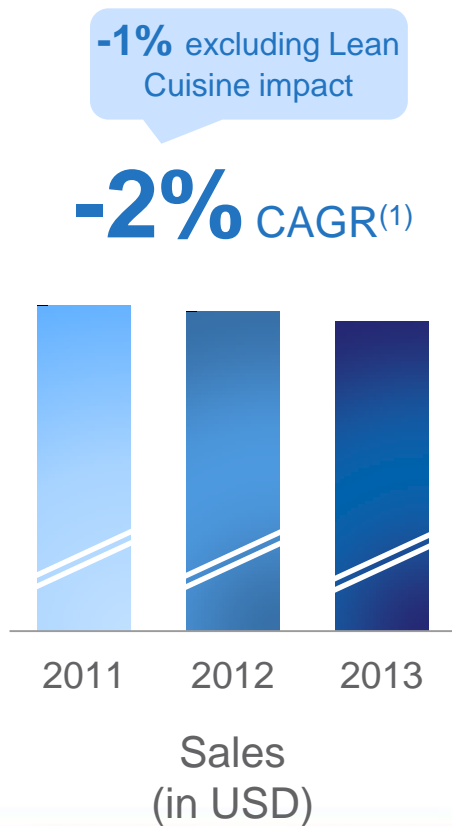


-39% SKU count⁽²⁾
2013 vs 2012

-31 bps Pizza's Bad Goods



A revitalized strategy to turnaround current performance





In summary...

- ✓ Frozen Foods **remain an attractive category**, despite the challenges experienced in the last years
- ✓ A **robust strategic plan** has been designed to win in the new reality, capitalizing on leading iconic brands
- ✓ The **portfolio strategy** is aligned with evolving consumer trends and focuses on enhancing margins and ROIC
- ✓ Nestlé has **world-class capabilities** to drive innovation and create competitive gaps
- ✓ A leading edge **Frozen Center of Excellence** was created in Solon, Ohio