



Nestlé

Investor Seminar 2014

Nestlé in Mexico

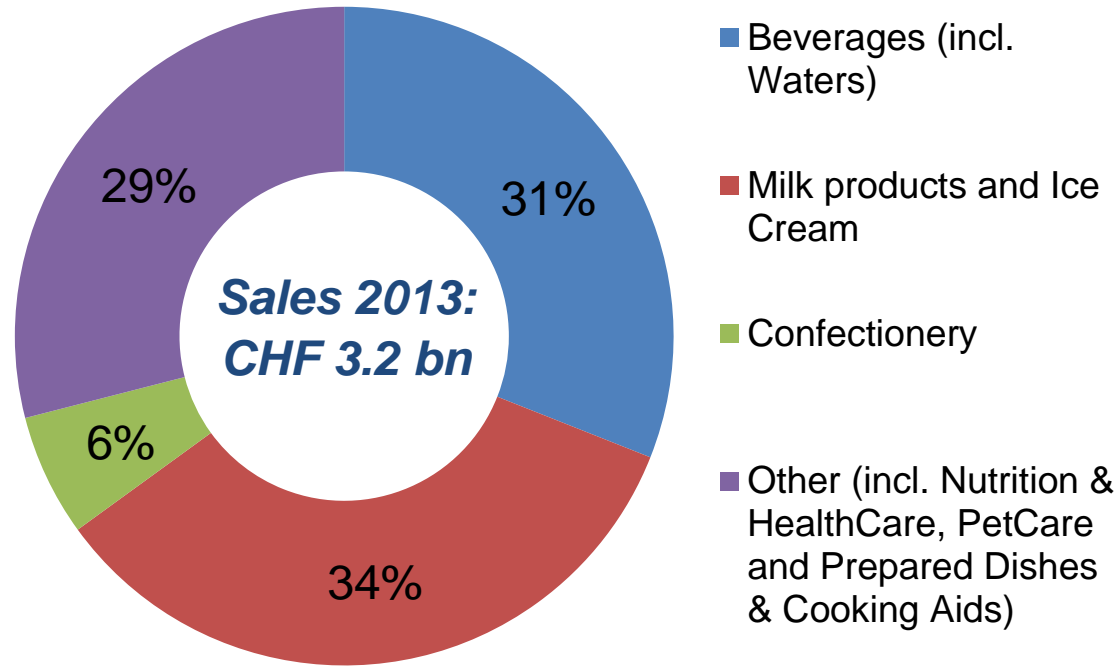
Marcelo Melchior, President & CEO
Grupo Nestlé Mexico, S.A. de C.V.

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.

Nestlé in Mexico: 2013 sales by product category



Where do we play?

What have we achieved?

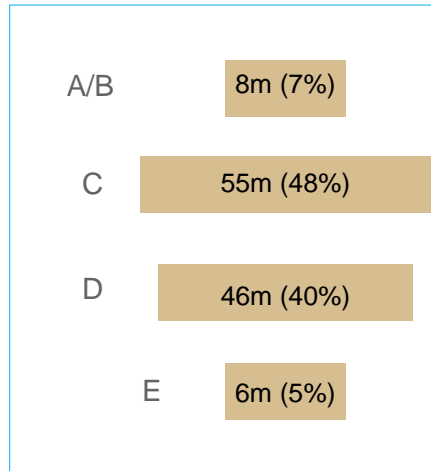
What are we going to do?

Mexico is a country of contrasts...

DEMOGRAPHICS

- **Population:** 115m and still increasing (+1% p.a. to 2020)
- **Young country** (60% below 35 years)
- **High Urban pop.:** 78%
- **World's #1 overweight & obese pop.:** 70%
- **High anemia:** 23% of kids under 5 years

WIDE SOCIO-ECONOMIC DIVIDE



MAJOR REGIONAL DIFFERENCES



Source: EIU, AMAI

... undergoing major economic & political reforms

ECONOMICS

■ GDP: CHF 1.127 tn

Oil



Remittances



USD 22bn – 33m people of Mexican descent in the US

Tourism

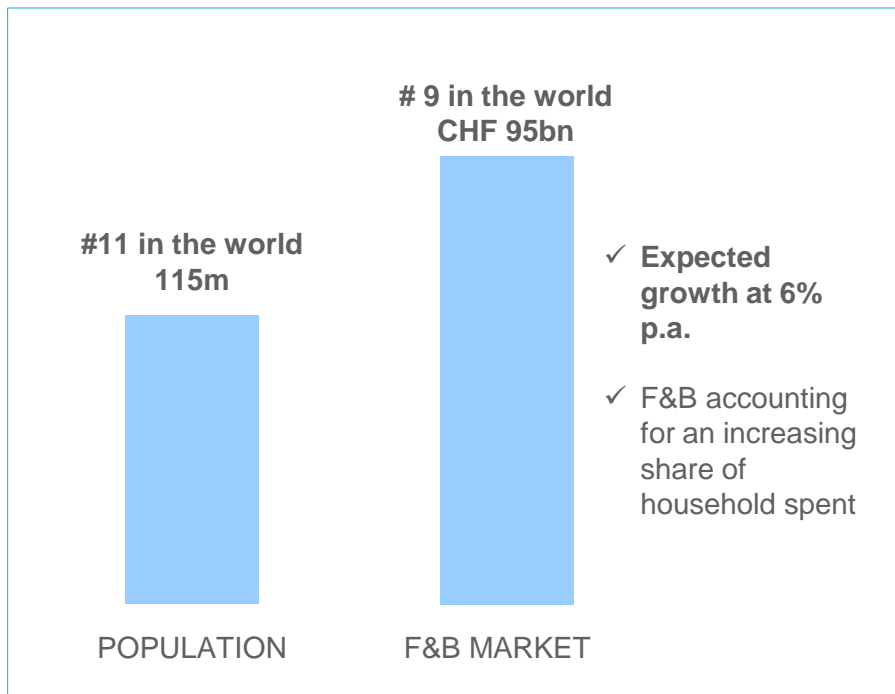


- GDP per cap.: CHF 9,700
- GDP per cap. PPP: CHF16,220
- **Strong dependence on the US economy:** 80% of exports
- 60% of employees in the **informal sector**
- **GDP growth:**
 - 2012: 3.7%
 - 2013: 1.1%
 - 2014 (f): 2.7%
- **Inflation**
 - 2012: 4.1%
 - 2013: 3.8%
 - 2014 (f): <4%

STRUCTURAL CHANGES

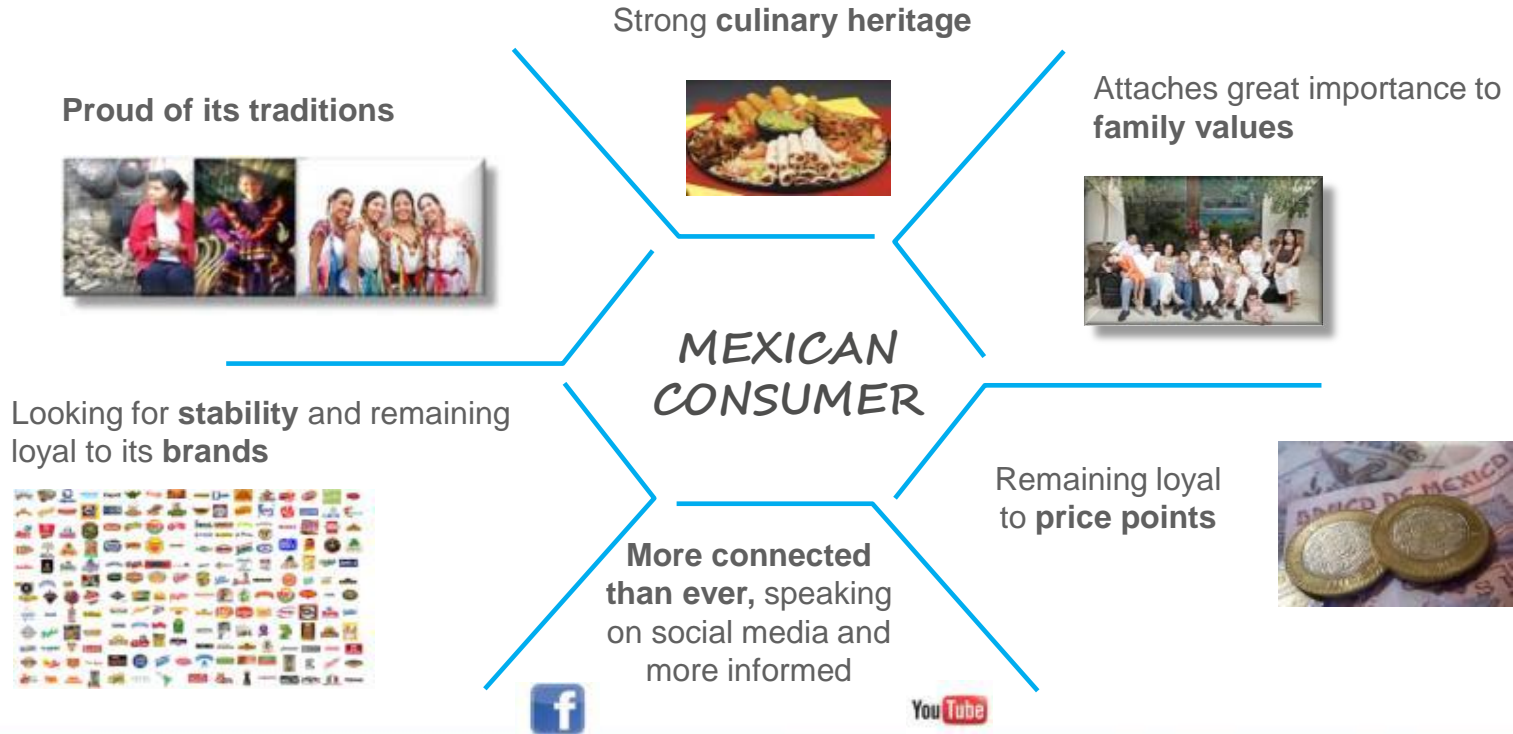
- **New government focusing on implementation of structural reforms**
 - Energy
 - Fiscal
 - Education
 - Labor
- **External investors' confidence growing**

The F&B universe is worth CHF 95 bn; Nestlé is the 2nd largest player in the market



Source: Nielsen, Euromonitor, company reports, trade press

The Mexican consumer is genuine, grasping modernity but staying true to their roots



The retail environment is polarized



**Modern
Channel**



48% of the Market

19,000 Outlets



**Traditional
Channel**



52% of the Market

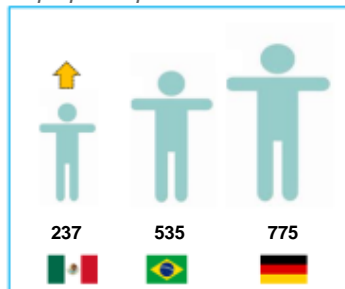
700,000 Outlets

We see great opportunities...

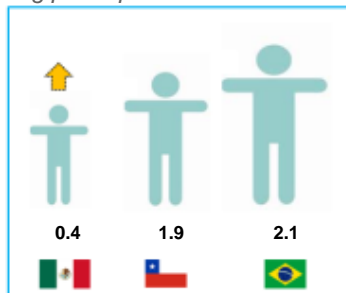
OPPORTUNITIES

- Further room for **growth**

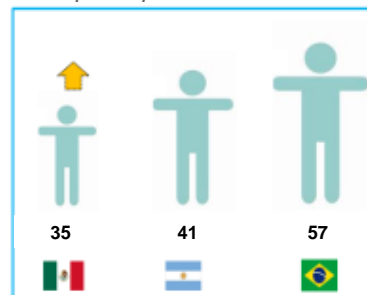
Coffee consumption
Cups per capita



Chocolate consumption
Kg per capita



Milk consumption
Liters per capita



- Expected long term **category growth**
- **Growing** and **enriching** consumer base
- **Polarized** consumer base (premium & PPP)
- Increasing awareness for **better nutrition**
- **Regionalization**
- **Digital**
- Structural **economic reforms**

...but some challenges need to be overcome

CHALLENGES

- 2013 **with low GDP** (1.1%), economy slow to pick up in 2014
- Consumers' **disposal income challenged**
 - Higher than average food inflation
 - New income tax rules
 - New taxes impacting F&B
- Short term **low consumer confidence**
- **Increased competition**
- **Insecurity** & organized crime
- **Corruption**

Source: INEGI, Worldaudit

Where do we play?

What have we achieved?

What are we going to do?

We have been operating for more than 80 years, growing our business and impacting society...

80 years of presence...

... strong footprint...

... un-matched portfolio...

... for all occasions...

... for all consumers...

... leading to strong market positions...

... and results

1930

1930: Starts as importer



1935: First dairy factory in Ocotlan

Starts CSV programs in Dairy

40's

1942: launched



1944: launched



Factory in Lagos de Moreno

Starts CSV programs in Cocoa & Coffee

50's

1956: factory in Coatepec



60's

1960: launched



Setting up of coffee & culinary factories

70's

1970: Factory in Chiapas



80's

1985: Global acquisition of Carnation



1988: Acquisition of Danesa 33 ice creams



90's

1995: Acquisition of La Atzeza:



1999: Acquisition of Santa Maria



New factories



2000's

2000: Acquisition of Consomate



2002: Acquisition of Purina Mexico



2006: JV between Santa Maria & Modelo



2006: launched



2007: launched



2007: Acquisition of Gerber



2013: inaugurated world largest coffee factory in Toluca



2014



...and now have a strong footprint throughout the country

80 years of presence...

... strong footprint...

... un-matched portfolio...

... for all occasions...

... for all consumers...

... leading to strong market positions...

... and results

- 13 factories
- ▲ 36 distr. centers
- ▲ 42 sales offices
- ★ 1 R&D center



- 2013 Sales of CHF 3.2 bn
- 6th largest market for Nestlé Group

We have an un-matched portfolio of strong local and global brands, in which we invested over time

80 years of presence...

... strong footprint...

... un-matched portfolio...

... for all occasions...

... for all consumers...

... leading to strong market positions...

... and results

Local brands



Global brands perceived as locals



Global aspirational brands



Our products are entrenched into Mexican consumers' lives...

80 years of
presence...

... strong
footprint...

... un-matched
portfolio...

... for all
occasions...

... for all
consumers...

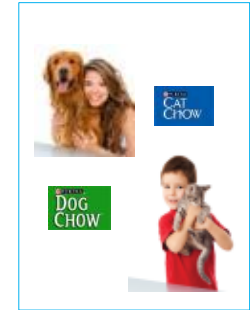
... leading to
strong market
positions...

... and results

FOR EVERY LIFE STAGE



FOR PETS



FOR EVERY OCCASION



... and reach all layers of socio economic classes

80 years of
presence...

... strong
footprint...

... un-matched
portfolio...

... for all
occasions...

... for all
consumers...

... leading to
strong market
positions...

... and results



As such, we lead most of our categories and have been continuously gaining market share

80 years of
presence...

... strong
footprint...

... un-matched
portfolio...

... for all
occasions...

... for all
consumers...

... leading to
strong market
positions...

... and results

#1



#1



#2



#1



#1



#2



#1



#1



#2



#1



#1



#2



#1



#1



(impulse)

#2



This translates into solid sales and TOP growth for Nestlé in Mexico

80 years of
presence...

... strong
footprint...

... un-matched
portfolio...

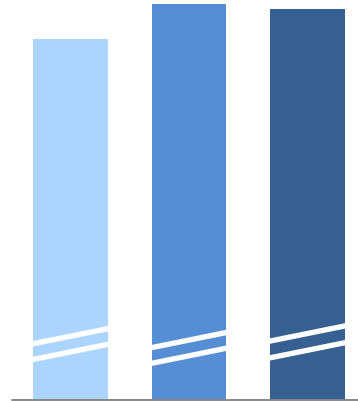
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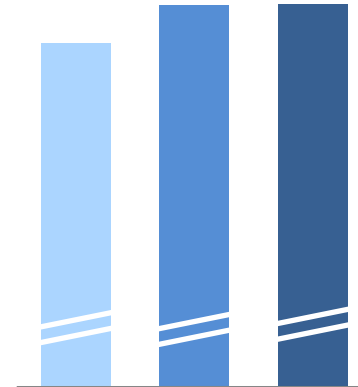
+4.0%
CAGR⁽¹⁾



2011 2012 2013

Sales
(in local currency)

+5.6%
CAGR⁽¹⁾



2011 2012 2013

Trading Operating Profit
(in local currency)

Where do we play?

What have we achieved?

What are we going to do?

Our vision

“... Ser reconocida como la empresa líder en nutrición, salud y bienestar, teniendo la confianza de los grupos de interés

*Be recognized as the leading **nutrition, health and wellness** Company, trusted by all its stakeholders...”*

Our mission

“... Deleitar a las familias mexicanas con productos nutritivos que les brinden salud y bienestar durante toda su vida, ofreciendo precio/calidad superior y creando valor compartido

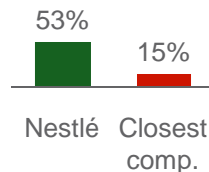
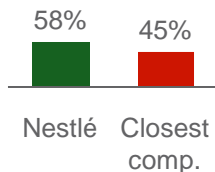
*Delight Mexican families with **nutritious products** that provide **health** and **wellbeing** throughout their life, offering **superior price/quality** and **creating shared value...**”*

Creating Shared Value is not just a statement, we live with it daily

Strengthening leadership in Nutrition

Nestlé perceived as a leader in NHW by consumers...

... and KOLs



Key initiatives:

- ✓ Reaching 3 million kids with Nutrir initiative
- ✓ United for Healthier Kids



Driving best in class rural development programs



#1 buyer in the country
20% of domestic production



#1 buyer in the country
20% of domestic production



#3 buyer in the country
8% of domestic production

Pioneering CO2 and water reduction programs



- 80% of Nestlé's energy comes from renewable energy



- Treatment plant & usage of rain water

Our strategy is articulated around 5 must win battles

Strengthen our pillar businesses



Increase availability and improve visibility in traditional channel

Balance portfolio creating new stars and resolving value destroyers

Train, align and empower our people to become a high performance organization

Increase operational efficiency throughout the value chain to accelerate growth



Driving growth of our pillar businesses where we have the greatest ability to win

Drive consumption towards one cup per capita a day, while **maintaining leadership** of NESCAFÉ



Nutrition that best supports a mother's love for her child throughout the growing years



To help next generation to develop their full potential and live **healthier lives**



Invest in the 4th pillar





Balance portfolio

Fix or exit challenged businesses...

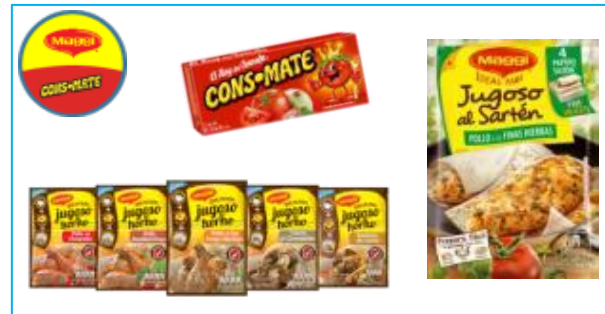
2013: Licensed our chilled dairy business to a **strong local partner** and **keeping our brands in the market**





Balance portfolio

... and re-invest in stars



- Grasp opportunities
- High growth, high marginal contribution
- Leverage high ability to win
- Investing in long term brands
- Balancing portfolio



Balance portfolio

Support growth by accelerating Digital



Growing Digital Media Investment

- Digital media spend: 10% in 2014 to 18% in 2016

Using digital to support innovation

- E-shopping on Facebook



Setting up a dedicated team

- 1st “DAT” in LATAM
- Performance KPI's tied to digital media investment

Education + Training

- Digital Academy + 150 marketers trained
- Silicon Valley visits



Availability &
visibility

Excel in RTM and POS execution

Adapt sales strategy and structure to regional differences



**Increased Availability
Better Visibility**





Put capital behind strategic priorities: USD 1 bn in capital investment



New factory for **Nutrition**

New factory for **PetCare**

Major factory expansion
for **Breakfast Cereals**

700 direct new jobs and
3,500 indirect jobs created



Nestlé anuncia inversión millonaria en Ocotlán con construcción de nueva planta

24 enero, 2014 | Categoría: Nacional, portada | 2. Escrito por: Lucía Castillo

Anuncia Nestlé inversión millonaria en el país

Paulina Gómez | El Universal
11:00 CIUDAD DE MÉXICO | Viernes 24 de enero de 2014

El director general de Nestlé a nivel mundial, Paul Buleke, indicó que dicho capital se destinará en un proyecto en infraestructura para la construcción de dos fábricas

México, clave para inversiones de Nestlé

La transnacional ha destinado 500 mdd en los últimos 5 años al que es ya su quinto mercado global. Marcelo Melchior será el nuevo presidente ejecutivo de la compañía en el país desde el 1 de julio.

Por: Jesús Ugarte | Jueves, 14 de junio de 2012 a las 06:02

Source: El Universal, La Jordana Jalisco, CNNexpansion



Optimize operational efficiency to accelerate growth

- Simplification of our planning and distribution model



- Simplification of industrial setup
- Capacity utilization improvements
- SKUs reductions
- Factory overheads reductions



People fully committed and supporting the market's must win battles



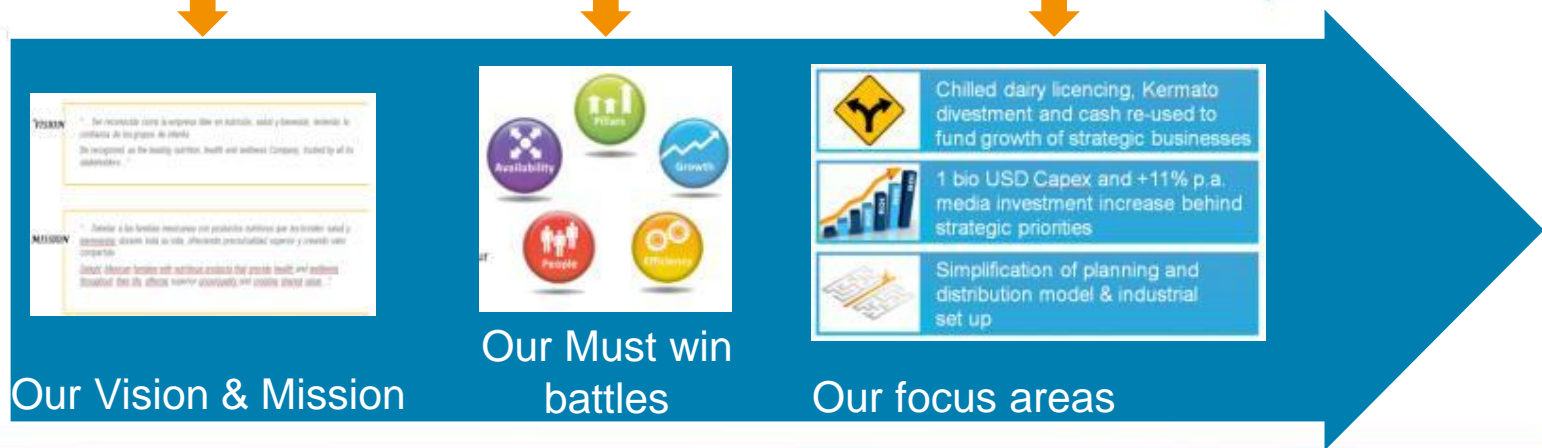
- **People:** Train, align and empower our people to become a high performance organization
- **Efficiency/ availability:** Increase productivity and operational efficiency throughout competitive structures and functional capability building
- **Growth:** Excel in compliance throughout competitive working conditions, evolving leadership and wellness mindset

Our strategy is fully aligned

Nestlé
Group



Nestlé
Mexico



Nestlé Mexico deeply rooted in the country and committed to the long term



- **strong portfolio** with products entrenched in consumers' lives
- **leading market** positions
- **very deep** consumer reach
- making the **right choices to sustain performance**
- **impacting society**



Nestlé

Nescafé Plan Movie