

Nestlé

Investor Seminar 2014

Good Food
Good Life



Nestlé in the USA

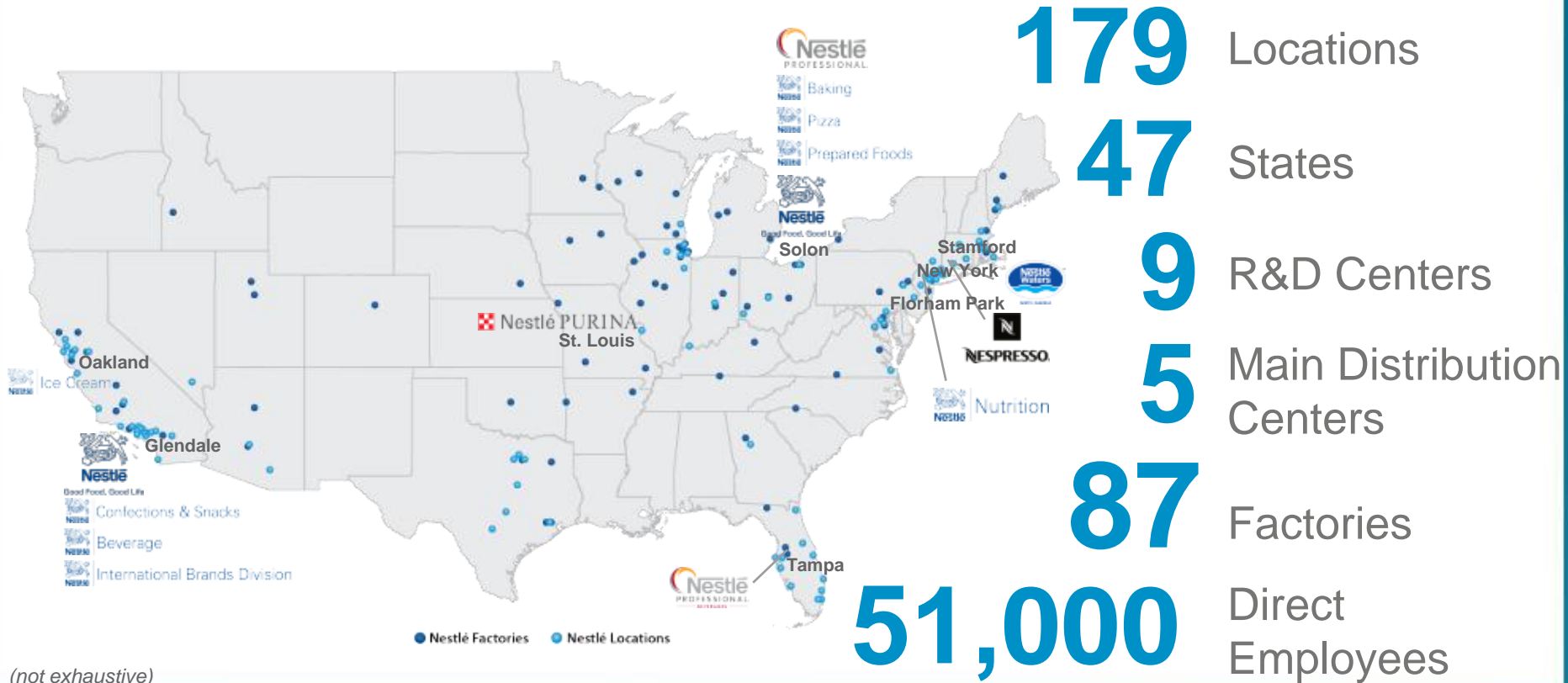
Paul Grimwood
Chairman & CEO Nestlé USA

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 is a fully scaled operation in the USA



We operate in growth categories with leading brands





Top-2 supplier

Category
Size 2013

Category
\$ CAGR ('11-'13) Market Share

Nestlé

(not exhaustive)

	Petcare	\$25.7 ^{bn}	+4.6%	33%
	Confections	\$19.3 ^{bn}	+4.5%	6%
	Frozen Food	\$15.9 ^{bn}	-1.8%	33%
	Waters	\$9.4 ^{bn}	+3.8%	38%
	Ice Cream	\$9.2 ^{bn}	+1.4%	25%
	Nutrition	\$6.7 ^{bn}	+3.5%	34%
	Coffee & Creamers	\$3.5 ^{bn}	+5.1%	49%
	Baking	\$1.8 ^{bn}	+0.9%	45%
	RTD Milk	\$1.6 ^{bn}	+4.3%	19%



Nestlé in the USA has the penetration depth...

97%

of US households
consume Nestlé
products

78⁽¹⁾m

households bought
4 or more Nestlé brands
in the last 52 weeks

29.9bn

Nestlé consumer
units sold each
year in the USA

(not exhaustive)



HEALTH NEEDS



PETS

BREAKFAST



SNACKING



LUNCH



DINNER



OUT OF HOME



The US economic environment remains subdued



Depressed economy, with high **unemployment** and **under-employment**
(13% combined, Bureau of Labor Statistics)



Low inflation, below the Fed's target of **2%**



GDP growth projected **below 3%** for 2014-2015



Low consumer confidence

(Consumer confidence index 80 March 2014 versus 93 historic average)

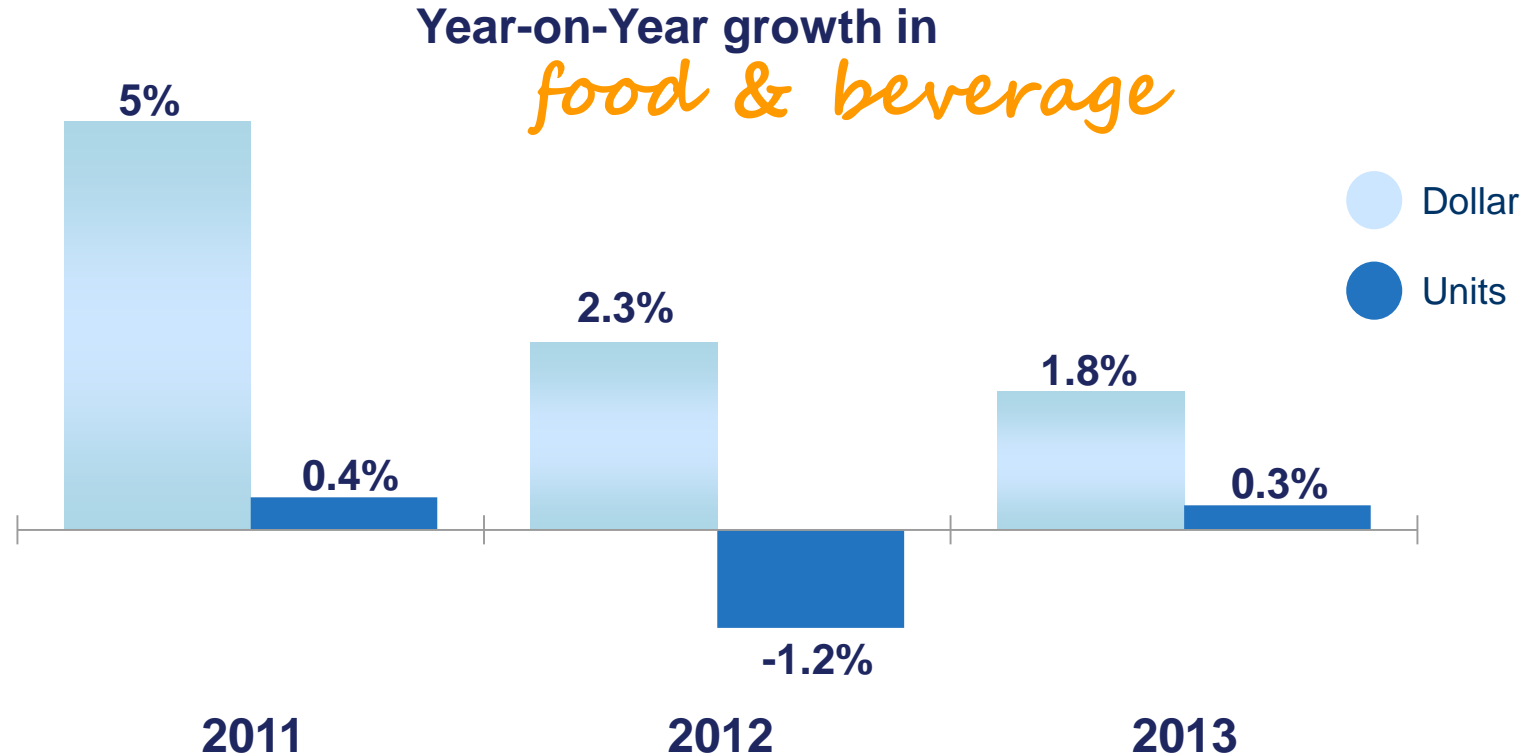


Private Label gaining share with the **value-conscious consumer**
(+18.2% \$ growth 2009-2013, Nielsen Scantrack)



Declining **household income**, squeezing consumer budgets
(-8.3% from 2007-2011, Census Bureau)

The growth of US Food & Beverage has slowed down



Consumer trends pose challenges and opportunities



Healthy
Lifestyles



The rise of the value
conscious consumer



"Pure" Foods



Cultural relevance
of products



More fluid way of
eating and shopping



Mega Consumer
Segments
(Boomers, Millennials,
Hispanics)



Speed-scratch
cooking & flavor
exploration



The Digital
Revolution

Nestlé in the USA has the strengths to win

Strengths



Multi-category **execution** power



Leading **global resources**
and **capabilities**



Strong **brands**



Category expertise, leveraging
diverse portfolio



Culture of **continuous excellence**

Leverage **matrix organization**



Focus **I&R** and drive
portfolio management



Capitalize on leading **NHW**
and **sustainability** credentials



Optimize **cost-to-serve**
as **ONE Nestlé**



Reignite the growth of **Frozen**



Opportunities

We are driving our performance...



...with a robust strategic plan to win in the USA



Make choices

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



Grasp opportunities

- Nutrition, Health & Wellness
- Bigger, Better, Bolder 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

- Embody 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
- Accelerate career development

Grasping opportunities: Nutrition, Health & Wellness

The No. 1 global consumer concern after the economy is HEALTH

Delivering outstanding product quality & NHW



Commitment to 60/40+ testing



10% reduction by 2016



100% PHO* free by end 2016



100% of products with portion guidance by 2015

Communicating nutritional competitive advantage



Leading the industry's NHW agenda



Combating obesity in children



Leading the sodium reduction efforts



Founding sponsor of the AAP Institute for Healthy Childhood Weight



Obesity solutions roundtable

Grasping opportunities: Bigger, Better, Bolder Innovation



“pure, fresh,
natural,
simple”



“attain and
maintain good
health”



“adventure
and
discovery”



“choosing
socially
responsible
products”



“snackification”

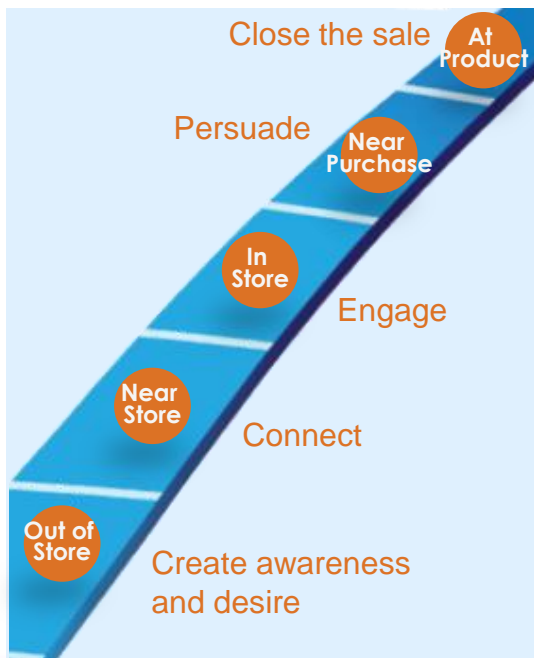


26%

of total 2013 sales originated from products
innovated or renovated in the prior 36 months*

Grasping opportunities: Winning with Retailers

Designing commercial plans that reflect an integrated path-to-purchase



Driving joint business planning with key retailers



Addressing alternative channel opportunities

FAMILY DOLLAR
my family, my family dollar.

DOLLAR GENERAL

DOLLAR TREE

99¢ only

+16% Nestlé growth in the Dollar channel*

Sam's CLUB

COSTCO WHOLESALE

BJ's WHOLESALE CLUB

+8% Nestlé growth in the Club channel*

Valuing what consumers value

Driving the “Virtuous Circle” (NUSA example)

Streamlining the
cost structure



Operating as
ONE Nestlé



Mastering
complexity



+6%

INVESTMENT
IN MEDIA AND
TRADE IN 2013

Valuing what consumers value

Streamlining the
cost structure



Project “Invest” (NUSA examples)



Organizational Structure

- Matrix organization structure to drive synergies
- Solon as the Frozen Food Center of Excellence
- ONE Face to the Customer



Total Delivered Cost

- DSD optimization, ONE Supply Chain
- Factory efficiency and footprint optimization
- Leveraging N.A. aggregated scale in Procurement



Marketing Optimization

- Consolidated media buy in North America
- Marketing investment optimization
- Research and digital content optimization

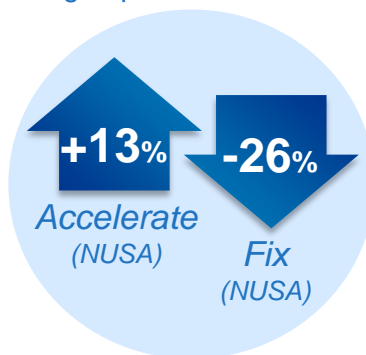
Making choices through portfolio management

Market attractiveness (growth)

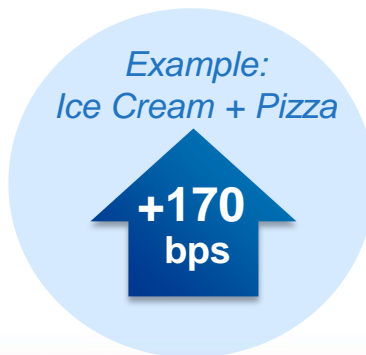


Ability to Win (RoR*)

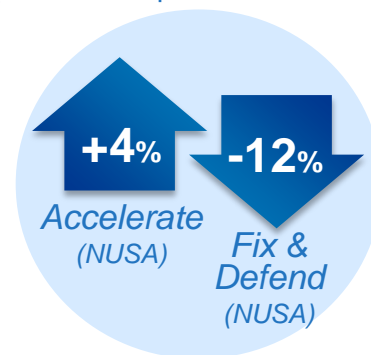
Investing selectively
(Marketing Expenses⁽¹⁾ 2013 vs. 2012)



Improving Margins



Allocating Capital effectively
(Invested Capital 2013 vs. 2012)



Reshaping the Portfolio



Embracing digital

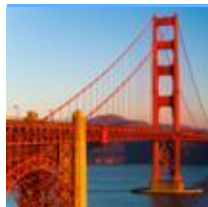
Building best-in-class
digital capabilities



Best-in-class
Digital
Acceleration
Team



Insights
Center in
Solon, OH



Incubator
group in
San Francisco

Engaging with
consumers digitally



>47M
friends

500,000
followers



113M
views (2014 YTD)

25% spend on
digital media⁽¹⁾



Leveraging online
business models



60%
of Nespresso sales
through the Internet



50%
of US pet adoptions
are with Petfinder



600k
Users of Nestlé
Waters e-service



Nestlé branded
trucks

Having the best people

Reflecting our
consumer diversity



Building best-in-class
new capabilities



Accelerating career
development



Engaging with the community & stakeholders

Embodying Nestlé in Society



- New Corporate Affairs Team in DC, representing Nestlé SA
- Focus on NHW and CSV
- Engaging 350+ organizations

Communicating the CSV agenda



First US report coming this summer, increasing *transparency* and *awareness*

Enhancing the equity of the Nestlé parent brand



Good Food, Good Life

- Strengthening investments
- NHW positioning

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



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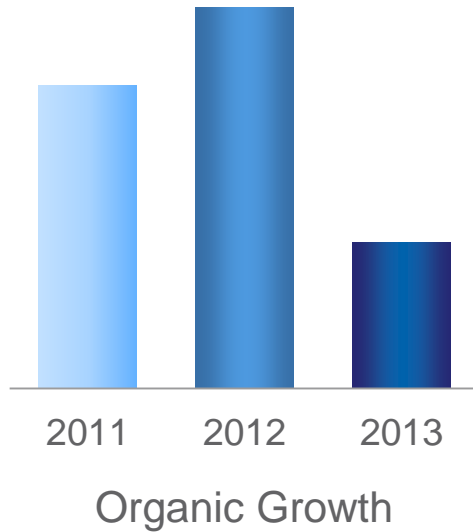


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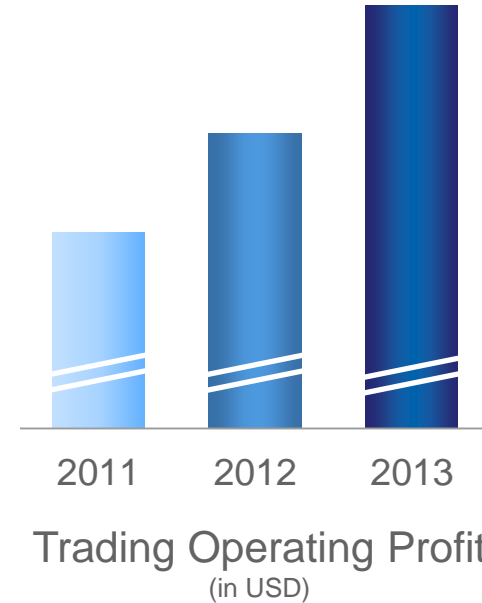
- Reflect our consumer diversity
- Best-in-class new capabilities
- Accelerate career development

The strategy is delivering resilient financial results

+2.5%
Yearly Average



+3%
CAGR (1)





In summary...

- ✓ **Uniquely positioned** in growth categories, with a portfolio of **leading brands**
- ✓ A **robust strategic plan** to win in the new reality
- ✓ Disciplined **portfolio management** and **resource allocation**
- ✓ **World-class capabilities** to drive innovation and fuel growth
- ✓ A passionate, experienced **leadership team**

Driving growth *and* enhancing margins & ROIC