Chocolate

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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 position in the face of consolidation

3rd parties’ acquisition rationale

A growth category
Leverage distribution
Leverage scale
Address portfolio mix
Emerging markets
Confectionery competitive landscape

Nestlé is growing faster than the category

Source: Euromonitor

Source: Euromonitor and internal records
Confectionery
Chocolate faster growing than Sugar & Gum in emerging markets

Chocolate

The biggest category overall and in the emerging markets

The fastest growing category in the emerging markets

Nestlé well-positioned as the leader in chocolate in emerging markets

Source: Euromonitor. RSV is Retail Sales Value
Key trends in chocolate

- Lighter eating
- Intrinsic goodness of ingredients
- Premium/Premiumisation
- Affordability
- Gifting & Sharing
- Sustainability

Pleasure
Creating Shared Value in Chocolate
A holistic approach

Nutrition, Health & Wellness

What’s in my food?

Consumer preference

Where does it come from?

How was it made?

Sustainable Sourcing

Environmental Sustainability
Chocolate competitive landscape

Chocolate global market share

<table>
<thead>
<tr>
<th>Company</th>
<th>Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kraft/Cadbury</td>
<td>15.5%</td>
</tr>
<tr>
<td>Mars</td>
<td>14.6%</td>
</tr>
<tr>
<td>Nestlé</td>
<td>12.8%</td>
</tr>
<tr>
<td>Ferrero</td>
<td>7.4%</td>
</tr>
<tr>
<td>Hershey</td>
<td>6.7%</td>
</tr>
<tr>
<td>Lindt</td>
<td>3.6%</td>
</tr>
</tbody>
</table>

Source: Euromonitor

Nestlé Chocolate growing faster than the category

Chocolate is 80% of Nestlé Confectionery and has 44% of sales in Emerging Markets

Nestlé Chocolate Growth v Category

<table>
<thead>
<tr>
<th>Category</th>
<th>CAGR 2006-09</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>5.3%</td>
</tr>
<tr>
<td>Established</td>
<td>2.7%</td>
</tr>
<tr>
<td>Emerging</td>
<td>13.1%</td>
</tr>
</tbody>
</table>

Source: Euromonitor and internal records

Nestlé 10.8% 13.1%
Nestlé: the leader in Chocolate in emerging markets

- Emerging markets are 44% of our business
- High growth (13.1% CAGR versus category 10.8% in EMs) with above average profit margins
- No 1 or 2 positions in 24 emerging markets
- Lighter eating focus with wafer and extruded snacks plays to Nestlé strength
- Portfolio focus on affordability with CHF 700 million sales in PPP format
- Strong local brands
- Strong distribution
Growing affluence & retail development will drive consumption in emerging markets

- Nestlé well positioned in emerging markets to benefit from economic growth
- Chocolate consumption grows with purchasing power
- Affordable treat for emerging consumers
Light eating in India and China: MUNCH and Nestlé “Shark” Wafer

Munch Sales growth
Sales value CAGR 2001-09 18.0%
value increased 4x

Shark Sales growth
Sales value CAGR 2001-09 19.9%
value increased 4.7x

Munch Volume growth
Volume CAGR 2001-09 15.3%
Volume increased 3x

SHARK Volume
Volume CAGR 2001-09 21.1%
Volume increased 4.5x
Strengthening position in established markets

- Focus on core brands
- Regional innovations: local brands
- Back to Basics: Focus on Quality
- KIT KAT innovation: driving force behind improvements
- Industrial footprint consolidation

Profitability improved by 210bps in last 3 years
KIT KAT – innovation driving growth of CHF1.4 billion brand

BACK TO BASICS APPROACH AND LAUNCH OF SENSES

- Re-focused on core of the brand
- Strong consumer promotion programme
- Light eating unique positioning
- PPP formats launched 2009
- CAGR 2007-09: Volume +4% pa
- CAGR 2007-09: Value +7.4% pa
- Growing market share year on year
- Global No 2 Confectionery countline
Significant improvement in profitability

Driven by strong margin improvement in established markets (2006-2009 210bps)

Our performance is favourably comparable to our competitors (Chart not adjusted for differences in accounting)
Nestlé strengths in the face of consolidation

3rd parties’ acquisition rationale

A growth category

Leverage distribution

Leverage scale

Address portfolio mix

Emerging markets
## Nestlé strengths in the face of consolidation

<table>
<thead>
<tr>
<th>3rd parties’ acquisition rationale</th>
<th>Nestlé’s Position Today</th>
</tr>
</thead>
<tbody>
<tr>
<td>A growth category</td>
<td>Nestlé is achieving above category growth</td>
</tr>
<tr>
<td>Leverage distribution</td>
<td>Nestlé already has global reach</td>
</tr>
<tr>
<td>Leverage scale</td>
<td>Leveraging Nestlé in the Market (scale of total Nestlé F&amp;B)</td>
</tr>
<tr>
<td>Address portfolio mix</td>
<td>Nestlé’s balanced portfolio, countlines, tablets, gifting</td>
</tr>
<tr>
<td>Emerging markets</td>
<td>Nestlé has most global coverage &amp; leadership in Emerging Markets</td>
</tr>
</tbody>
</table>
Conclusion: Nestlé Confectionery

Scale

- Sales of CHF 12 billion

Access to emerging markets

- 44% sales, above average EBIT

Established markets

- Solid business with improving performance

Growth

- Faster than category especially in emerging markets

Well-positioned to drive market shares and continue to improve performance