Cereal Partners Worldwide:
A World of Opportunity

Ian Friendly
President & CEO

Nestlé Investor Seminar
Vevey, Switzerland
8 June 2005
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.
Agenda

1. The Past

2. The Present
   - Global Cereal Market
   - CPW 2004 Performance

3. The Future
   - Long-Term Outlook
   - Growth Strategies
The Past
Nestlé + General Mills = A Winning Combination

• Established in 1990

• 50/50 ownership

• Separate legal entity

• Headquarters in Switzerland

• Global scope (excluding U.S. and Canada)

• Sales in more than 130 markets
Each partner brings distinct strengths

**General Mills**
- Proven cereal marketing expertise
- Technical excellence in products and processes
- Broad portfolio of successful brands

**Nestlé**
- World's largest food company
- Strong worldwide organization
- Deep market and distribution knowledge
Key milestones in CPW's history

1991
CPW launched in U.K., SW Europe

1992
Entered Mexico

1993
Entered SE Asia

1994
Entered Poland, South America

1997
Entered Russia

1998
Became profitable

1999

2002
Entered China

2003
Entered Australia

2005
CPW is in 6 continents, but white space remains
The Present
Cereal is a large and growing category

2004 Global Cereal Market (Value)

Rest of World
48% of total
+4% vs. 2003

U.S. / Canada
52% of total
0% vs. 2003

11.7 billion Euros total
+2% vs. 2003

Note: ROW includes active CPW markets plus South Korea. Source: AC Nielsen, IRI.
# Category growth spans all major regions

<table>
<thead>
<tr>
<th>Region</th>
<th>2004 Value (000 Euros)</th>
<th>+/- 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Kingdom</td>
<td>1,654</td>
<td>3%</td>
</tr>
<tr>
<td>Western Europe</td>
<td>2,372</td>
<td>3%</td>
</tr>
<tr>
<td>Eastern Europe</td>
<td>193</td>
<td>11%</td>
</tr>
<tr>
<td>Latin America</td>
<td>824</td>
<td>4%</td>
</tr>
<tr>
<td>Southeast Asia</td>
<td>65</td>
<td>10%</td>
</tr>
<tr>
<td>Australia / NZ</td>
<td>447</td>
<td>14%</td>
</tr>
</tbody>
</table>

Note: active CPW markets. Source: AC Nielsen, IRI.
CPW volume has grown steadily from the start

- 21% CAGR from 1991 to 1997
- 8% CAGR from 1998 to 2004

Metric Tons

+7%
EBITA has grown since achieving profit in 1998...
...and profit margins have expanded steadily
Declining supply-chain costs help margin expansion
In 2004, CPW growth outpaced the category...

Value Growth

- Total Cereal: 4%
- CPW: 7%

Note: active CPW markets plus South Korea. Source: AC Nielsen, IRI.
...resulting in share gains for the 13th straight year

Note: active CPW markets, adjusted for trend. Source: AC Nielsen and IRI, adjusted to coverage, plus estimation.
CPW is a strong #2 and closing the gap

2004 Global Market Share (Value)

- CPW 25%
- Global Leader 43%
- Private Label 15%
- Other 17%

CPW +0.5 share point vs. 2003

Note: active CPW markets (traditional cereal), excluding new entries. Source: AC Nielsen, IRI.
CPW outpaced the global leader in major markets

2004 Value Growth

- **CPW**
- **Key Competitor**

<table>
<thead>
<tr>
<th>Country</th>
<th>CPW</th>
<th>Key Competitor</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>3%</td>
<td>1%</td>
</tr>
<tr>
<td>France</td>
<td>2%</td>
<td>1%</td>
</tr>
<tr>
<td>Italy</td>
<td>17%</td>
<td>7%</td>
</tr>
<tr>
<td>Spain</td>
<td>12%</td>
<td>10%</td>
</tr>
<tr>
<td>Portugal</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Germany</td>
<td>2%</td>
<td>1%</td>
</tr>
<tr>
<td>Mexico</td>
<td>7%</td>
<td>.9%</td>
</tr>
</tbody>
</table>

Source: AC Nielsen, IRI.
CPW leads in some markets, solid #2 in others

<table>
<thead>
<tr>
<th>Market Leader</th>
<th>2004 Value Share</th>
<th>Solid #2</th>
<th>2004 Value Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>82</td>
<td>United Kingdom</td>
<td>25</td>
</tr>
<tr>
<td>Poland</td>
<td>78</td>
<td>Italy</td>
<td>25</td>
</tr>
<tr>
<td>Turkey</td>
<td>74</td>
<td>France</td>
<td>24</td>
</tr>
<tr>
<td>East/Cent Europe</td>
<td>58</td>
<td>Mexico</td>
<td>17</td>
</tr>
<tr>
<td>Southeast Asia</td>
<td>57</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chile</td>
<td>56</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Portugal</td>
<td>54</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>49</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Greece</td>
<td>39</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: AC Nielsen, IRI.
The Future
Long-term outlook

• Continued category growth

• Continued share gains

• Continued margin acceleration
Risks

• **Growth of low-price retail formats**
  – innovation and quality are critical
  – value-added brands via consumer insights

• **Health and nutrition issues**
  – criticism of cereal is misplaced
  – health and nutrition are key to category growth
A World of Opportunity

Per capita consumption

Source: www.geographic.org, used with permission.
Per capita consumption is still low in most markets

Note: active CPW markets. Source: AC Nielsen, IRI, U.S. Census Bureau.
A World of Opportunity

Per capita consumption

Well-positioned infrastructure
Nestlé provides a gateway into emerging markets

CPW's 5 most populous markets...

...have 31% of the world's population...

...but only 11% of the world's cereal consumption.

Source: AC Nielsen, IRI, U.S. Census Bureau.
A World of Opportunity

Per capita consumption

Well-positioned infrastructure

Accelerating margins
Efficiencies extend to the marketing plan

• Global advertising
  – creative ideas that travel well

• Media purchasing
  – participation in Nestlé media review

• Promotion synergy
  – bundling markets; partnering with General Mills

• Committed sales force
  – selling in combination with Nestlé
A World of Opportunity

- Per capita consumption
- Well-positioned infrastructure
- Focus on brand-building
- Accelerating margins
Consumer-focused growth strategies

• Deliver health news on all brands

• Strengthen and globalize core brands

• Execute geographic and channel expansion

• Introduce innovative new products
Health & Nutrition: Whole Grain

• Starting in 2005, all Nestle breakfast cereals will have whole grain

• Scientifically proven to reduce risk of cancer, diabetes, heart disease
Health & Nutrition: *Shredded Wheat Franchise*

100% whole grain, no added salt, no added sugar

**Male Target**
'Help look after your heart'

**Female Target**
'100% good for you'
Health & Nutrition: *Shreddies*

- School Fuel: 'Shreddies helps give kids mental energy to stay involved'
- Packed with whole-grain carbohydrates
Health & Nutrition: *Fitness Franchise*

- 'The sensible way to keep your line'

- Made with whole grains, low in fat
Strengthening Core Brands: *Nesquik & Chocapic*

- CPW's oldest and biggest brands
- 13 years of uninterrupted growth
Globalizing Brands: *Milo & Cheerios*

Instant winner in Australia; now in N.Z.

Expanding into Mexico and Australia
Innovative New Products: *Fitness & Yoghurt*

- Real yogurt: live and active cultures
- Successful launch in Mexico
- Global expansion forthcoming
Innovative New Products: 2005 Launches

Chokella
France
Germany

Strawberry Milk Stars
China

Choca Minis
Czech/Slovak

Fitness Bars - Chocolate & Pear
France, U.K.

Corn Flakes Bars
Poland
A World of Opportunity

Per capita consumption

Well-positioned infrastructure

Focus on brand-building

Accelerating margins
A World of Opportunity

- Dynamic global cereal category
- Strong partners with distinct strengths
- CPW well-positioned to grow
- Significant leverage remains
Cereal Partners Worldwide:
A World of Opportunity

Nestlé Investor Seminar
Vevey, Switzerland
8 June 2005