Nestlé Investor Seminar 2014

Beverage Nestlé USA

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Nestlé Beverage Division 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.
Nestlé Beverage Portfolio

Coffee Creamer

Coffee

Flavored Milk

Juice

**High single-digit growth**

**High single-digit growth**

**Mid single-digit growth**

*category declining*

2013 Sales of **$2bn**, with **+4% CAGR** 2011-2013
Nestlé Beverage provides consistent growth

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>$1.91 bn</td>
</tr>
<tr>
<td>2012</td>
<td>$1.99 bn</td>
</tr>
<tr>
<td>2013</td>
<td>$2.04 bn</td>
</tr>
</tbody>
</table>

6% CAGR (Strategic)*

4% CAGR

*Strategic defined as Nescafé, Coffee-mate, and Nesquik
Beverage is focused on Coffee and Dairy Beverages…

<table>
<thead>
<tr>
<th>Segment</th>
<th>Segment Size*</th>
<th>Segment $ CAGR&lt;sub&gt;2011-2013&lt;/sub&gt;</th>
<th>Segment Dynamics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coffee Creamer</td>
<td>$2.7 bn</td>
<td>+7%</td>
<td>On-trend, high growth, high margins</td>
</tr>
<tr>
<td>Soluble Coffee &amp; Mixes</td>
<td>$0.9 bn</td>
<td>+1%</td>
<td>Concentrated, high margins</td>
</tr>
<tr>
<td>Flavored Milk</td>
<td>$2.1 bn</td>
<td>+3%</td>
<td>Highly fragmented, balanced margins (RTD &amp; Powder)</td>
</tr>
<tr>
<td>Shelf Stable Juice</td>
<td>$7.3 bn</td>
<td>-3%</td>
<td>Highly fragmented, lower margins</td>
</tr>
</tbody>
</table>

Source: Nielsen 3 year end 2011 - 2013
… with leading market share in the strategic segments

<table>
<thead>
<tr>
<th>Coffee Creamer</th>
<th>Coffee</th>
<th>Flavored Milk</th>
<th>Juice</th>
</tr>
</thead>
<tbody>
<tr>
<td>56.2% 54.7% 54.8%</td>
<td>29.6% 30.2% 31.3%</td>
<td>20.7% 21.3% 21.2%</td>
<td>4.6% 4.2% 3.9%</td>
</tr>
</tbody>
</table>

Source: Nielsen, December Last 52 weeks
The competitive environment continues to evolve

<table>
<thead>
<tr>
<th>Coffee Creamer</th>
<th>Coffee</th>
<th>Flavored Milk</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Highly indulgent</strong> category where I&amp;R is accretive</td>
<td><strong>Single serve</strong> coffee on demand</td>
<td>Active <strong>new channel</strong> expansion and development</td>
</tr>
<tr>
<td>Increased demand for products with <strong>cleaner</strong> labels</td>
<td>Greater demand for <strong>artisanal and premium</strong> blends</td>
<td><strong>Sugar reduction</strong> is #1 NHW opportunity</td>
</tr>
<tr>
<td><strong>Dairy-based</strong> creamer showing ability to <strong>grow category</strong></td>
<td>Desire for <strong>mobility</strong></td>
<td><strong>Lactose intolerant</strong> families are currently underserved</td>
</tr>
<tr>
<td>Desire for <strong>mobility</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Nestlé has the capabilities to continue above category growth

**Leading category brands**

**RTM flexible to drive distribution**

**Consistent ability to lead with innovation**

Largest capacity of aseptic dairy in the U.S.

Broad distributor network of 155,000 points of distribution

#1 Market Position in All Segments
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

**Embrace digital**
- Have the best people
Driving effective portfolio management

Making Choices

Driving highly margin accretive growth

- Increased marketing investment focused on high growth, high margin brands
- Platform-based innovation to optimize risk vs. return
- Next generation distribution build, leveraging aseptic advantage
Coffee-mate: A growth engine

Leading Brand 55% $ Share

Strong Growth

Accretive Margin

On-Trend Segment

Demand Generation Scale

Grasping Opportunities

Strong Growth

Scale On-Trend Segment

Accretive Margin

Demand Generation Scale

Leading Brand 55% $ Share
Bigger, better, bolder innovation platforms

- 0 Trans fat & saturated fat
- Best-in-class Portability
- Proprietary flavors
Engaging our consumers across all media

Paid Media

Owned Media

Earned Media

Exclusive customer and celebrity partnerships

Reaching Hispanic and Millenial segments

Fans generate content, celebrating our brands
Nescafé: Investing to drive growth

- Leading Brand 31% $ Share
- Strong, Consistent Growth
- Strong I&R for Next Generation Consumers
- On-Trend Benefit Single Serve
- Proven Best Tasting Coffee

Grasping Opportunities
Innovating around quality

Transition to Glass

Launch Reserve Blends

Launch Ready Cup with Coffee-mate

Launch Coffee 2 Go

Grasping Opportunities
A new line for the next generation

Grasping Opportunities

Everyday Premium

Everyday Mainstream
Nesquik: Growing with families through NHW

- Leading Brand 21% $ Share
- Benefit Driven I&R Platform
- Strong, Single Serve - RTD Growth
- On-Trend Segment “Early Nutrition”
- Growing Reach of Brand via Distributors

Grasping Opportunities

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Innovating around NHW and proprietary flavors

25% less sugar & maintained taste preference

Proprietary flavors
Nesquik RTD: Presence Marketing

155 brand ambassadors

5k live activations per year

+15k points of distribution since 2011

45M impressions in 2013

10 markets

Grasping Opportunities
Driving highly value-accretive growth

+4% CAGR\(^{(1)}\)

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales (in USD)</th>
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<tbody>
<tr>
<td>2011</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td></td>
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+10% CAGR\(^{(1)}\)

<table>
<thead>
<tr>
<th>Year</th>
<th>Trading Operating Profit (in USD)</th>
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</thead>
<tbody>
<tr>
<td>2011</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td></td>
</tr>
<tr>
<td>2013</td>
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+730 bps\(^{(1)}\)

<table>
<thead>
<tr>
<th>Year</th>
<th>Return on Invested Capital(^{(2)})</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td></td>
</tr>
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\(^{(1)}\): 2011 to 2013 change
\(^{(2)}\): excludes Goodwill
In summary…

✓ **Leading brands**, growing share in all strategic categories

✓ **High growth and high margin** business that is very accretive to Nestlé

✓ A **powerful aseptic operation and distributor RTM**, extending reach of brands

✓ **World-class capabilities** to drive innovation and create competitive gaps

✓ Disciplined **portfolio management** to drive growth and hold high margin

✓ A **global team focused and trained to win**