Nestlé Investor Seminar 2014

Confections & Snacks
Nestlé USA

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Confections & Snacks 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.
### An attractive category

<table>
<thead>
<tr>
<th>$19 \text{ bn}^{(1)}</th>
<th>\text{LARGEST CATEGORY IN WHICH NUSA COMPETES}</th>
</tr>
</thead>
<tbody>
<tr>
<td>+5.2%^{(1)}</td>
<td>\text{CONSISTENT GROWTH (2009-2013 CAGR)}</td>
</tr>
<tr>
<td>1 OF 5 RECESSION \text{PROOF CATEGORIES}^{(2)}</td>
<td>\text{RESILIENT CONSUMPTION BEHAVIOR}</td>
</tr>
<tr>
<td>\text{SEAFOOD, BEER, CONFECTIONERY, DRY PASTA, PASTA SAUCES}</td>
<td></td>
</tr>
<tr>
<td>3.8%^{(1)} vs. 17%</td>
<td>\text{LOW PRIVATE LABEL PENETRATION}</td>
</tr>
<tr>
<td>$5.8 \text{ bn}^{(3)}</td>
<td>\text{FUTURE GROWTH (OVER NEXT 5 YEARS)}</td>
</tr>
</tbody>
</table>

(1) Source: Nielsen Scantrack
(2) Source: Nielsen Predictive Macroeconomic Impact System
(3) Source: National Confectioners Association / Euromonitor 5-year outlook
Understanding the confectionery environment

**Consumer**

- Expandable consumption
- **Multiple brands** in the consideration set
- Most purchases are **unplanned**
- Highly **emotional**
- Increasing awareness of **nutrition** and **health**

**Marketplace**

- **Multiple** points of interruption
- **Heavy media** advertising and extensive **product portfolio** from competitors
- **Displays** and **distribution** are critical
- **New products** are essential for survival and driving growth
- Confectionery is a **special** treat
Two distinct segments, both growing above 4%

<table>
<thead>
<tr>
<th>Segment</th>
<th>Size</th>
<th>$ CAGR_{2011-2013}</th>
<th>Dynamics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chocolate</td>
<td>$13bn</td>
<td>+4.6%</td>
<td>• Top 2 represent 70% • Long-standing brands dominate</td>
</tr>
<tr>
<td>Sugar</td>
<td>$6bn</td>
<td>+4.2%</td>
<td>• More fragmented • Skews younger while appealing broadly</td>
</tr>
<tr>
<td>Total</td>
<td>$19bn</td>
<td>+4.5%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Nielsen year end 2011 - 2013
Nestlé Confections represents over $900 million in sales

Strategic Chocolate

Butterfinger
Skinny Cow
CRUNCH

Double-digit growth

Strategic Sugar

SweetTARTS
Randoms
Nerds
Levy’s Tafty

High single-digit growth

All Other

Oh Henry!
Runs
100 Grand
Gobstopper

Flat to declining

Total Division +3% CAGR_{2011-2013} ; Strategic Brands +9% CAGR_{2011-2013}
Growing market share across our strategic brands

**Chocolate**
- 2011: 5.5%
- 2012: 5.6%
- 2013: 5.5%
- **STRATEGIC**
  - 2011: 3.0%
  - 2012: 3.2%
  - 2013: 3.3%
  - **+30bps since 2011**

**Sugar**
- 2011: 7.6%
- 2012: 7.5%
- 2013: 7.5%
- **STRATEGIC**
  - 2011: 4.0%
  - 2012: 4.1%
  - 2013: 4.2%
  - **+20bps since 2011**

Source: Nielsen, December Last 52 weeks
A robust strategic plan is in place 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
Accelerating growth

Driving highly margin accretive growth

- Maintaining a focused & disciplined portfolio approach
- Investing in strategic brands
- Delivering platform-based innovation
- Executing business simplification
Breaking rules to drive transformational innovation
New Rule: “confectionery can be better-for-you”

SKINNY COW LAUNCHED IN 2011

- Less than 130 calories
- Brought new buyers to the category
- 62% Growth in 2 years

LEVERAGING GLOBAL R&D

- Created an extendable platform
- New technologies

AWARD WINNING INNOVATION

- 2013 Nielsen Breakthrough Innovation Award

Growth in 2 years: 62%

Higher repeat rate than recent competitive launches

Grasping Opportunities – B³ Innovation

10 | June 3rd & 4th, Boston | Nestlé Investor Seminar 2014
New Rule: “we can create a 5th season”

CREATING THE 5TH SEASON

EXPANDING THE CATEGORY

Satisfying Consumers

90% of buyers were new to the Crunch franchise

2013 Consumer voted product of the year

Drove significant growth in the category

25% growth in year 2

Thin mints outsold key competitor in 1st month

Grasping Opportunities – B³ Innovation
**New Rule:** “we make confectionery permissible”

**PORTION GUIDANCE**
- Appropriate serving sizes
- Recloseable packaging

**NATURAL COLORS & FLAVORS**
- All natural flavors
- All natural colors & flavors

**BETTER-FOR-YOU OFFERINGS**
- Utilizing our proprietary technology & leveraging the R&D network

**Communicating nutrition facts**

**Grasping Opportunities – NHW**
New Rule: “leaders can be challenged”

**NEW RULES:**

- **REDEFINING A CLASSIC**
- **The Cup Just Got Crunchy!**

**market share**

- 2x of total Butterfinger franchise during Super Bowl month

**repeat rates**

- 2x category average

**Higher shelf turn than competitor**

- #1 in first 12 weeks
Connecting emotionally with consumers

CREATING SHARED VALUE

EMBRACING DIGITAL & SOCIAL

Sales coverage of sustainable cocoa greater than top 2 competitors

24% of media spend is on digital

(1) Source: Nielsen
### Driving value-accrative growth...

**Sales (in USD)**

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
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<tbody>
<tr>
<td>Growth</td>
<td>+3.0% CAGR&lt;sup&gt;(1)&lt;/sup&gt;</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CAGR</td>
<td></td>
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**Trading Operating Profit (in USD)**

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth</td>
<td>+2.4% CAGR&lt;sup&gt;(1)&lt;/sup&gt;</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CAGR</td>
<td></td>
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**Return on Invested Capital**

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<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2013</th>
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<tbody>
<tr>
<td>Change</td>
<td>+350 bps&lt;sup&gt;(2)&lt;/sup&gt;</td>
<td></td>
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<sup>(1)</sup> 2011 to 2013 change  
<sup>(2)</sup> Asset base was combined with Baking prior to 2012  
<sup>(3)</sup> excludes Goodwill
… leveraging the turnaround from 2009
In summary…

✓ Our strategic brands are growing faster than the category

✓ Highly successful transformational innovation strategy

✓ Nestlé is taking a leadership position in NHW helping consumers make good decisions

✓ Leveraging our R&D expertise to deliver more permissible products

✓ The future for Nestlé Confectionery is bright