Nestlé Investor Seminar 2014

Nestlé in the USA

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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 is a fully scaled operation in the USA

- **179** Locations
- **47** States
- **9** R&D Centers
- **5** Main Distribution Centers
- **87** Factories
- **51,000** Direct Employees

(not exhaustive)
We operate in growth categories with leading brands

<table>
<thead>
<tr>
<th>Category</th>
<th>Size 2013</th>
<th>CAGR ('11-'13)</th>
<th>Nestlé Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Petcare</td>
<td>$25.7bn</td>
<td>+4.6%</td>
<td>33%</td>
</tr>
<tr>
<td>Confections</td>
<td>$19.3bn</td>
<td>+4.5%</td>
<td>6%</td>
</tr>
<tr>
<td>Frozen Food</td>
<td>$15.9bn</td>
<td>-1.8%</td>
<td>33%</td>
</tr>
<tr>
<td>Waters</td>
<td>$9.4bn</td>
<td>+3.8%</td>
<td>38%</td>
</tr>
<tr>
<td>Ice Cream</td>
<td>$9.2bn</td>
<td>+1.4%</td>
<td>25%</td>
</tr>
<tr>
<td>Nutrition</td>
<td>$6.7bn</td>
<td>+3.5%</td>
<td>34%</td>
</tr>
<tr>
<td>Coffee &amp; Creamers</td>
<td>$3.5bn</td>
<td>+5.1%</td>
<td>49%</td>
</tr>
<tr>
<td>Baking</td>
<td>$1.8bn</td>
<td>+0.9%</td>
<td>45%</td>
</tr>
<tr>
<td>RTD Milk</td>
<td>$1.6bn</td>
<td>+4.3%</td>
<td>19%</td>
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(not exhaustive)

Source: AC Nielsen
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
- **29.9\(^{\text{bn}}\)** Nestlé consumer units sold each year in the USA

(1): out of 115 million US households
… and the breadth to continuously touch consumer lives

(not exhaustive)
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%**

**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)

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

**Declining household income**, squeezing consumer budgets
(-8.3% from 2007-2011, Census Bureau)
The growth of US Food & Beverage has slowed down

Year-on-Year growth in food & beverage

- 2011: 5% (Dollar), 0.4% (Units)
- 2012: 2.3% (Dollar), -1.2% (Units)
- 2013: 1.8% (Dollar), 0.3% (Units)

Note: figures exclude ice, liquor and vitamins
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**

**Opportunities**
- 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**
We are driving our performance...
...with a robust strategic plan to win in the USA

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<th>Make choices</th>
<th>Grasp opportunities</th>
<th>Value what consumers value</th>
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<tr>
<td>Disciplined portfolio management</td>
<td>Nutrition, Health &amp; Wellness</td>
<td>Remove waste to reinvest</td>
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<tr>
<td>Invest in strategic growth drivers</td>
<td>Bigger, Better, Bolder Innovation</td>
<td>Operate as ONE Nestlé in NA</td>
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<td>Fix or divest underperformers</td>
<td>New channels &amp; integrated P2P*</td>
<td>Master complexity</td>
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<th>Engage with the community and stakeholders</th>
<th>Embrace digital</th>
<th>Have the best people</th>
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<td>Embody Nestlé in Society</td>
<td>Best-in-class Digital capabilities</td>
<td>Reflect our consumer diversity</td>
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<td>Create Shared Value</td>
<td>Step up on Digital Media</td>
<td>Best-in-class new capabilities</td>
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<td>Strengthen Nestlé brand equity</td>
<td>Leverage e-commerce</td>
<td>Accelerate career development</td>
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* integrated path-to-purchase
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

* Partially Hydrogenated Oil
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

- Partner with key customers to enable strategic initiatives
- Leverage scale and outstanding category management

Nestlé growth in the Dollar channel* +16%

Nestlé growth in the Club channel* +8%

* 3 year CAGR (2010-2013)
Valuing what consumers value

Driving the “Virtuous Circle” (NUSA example)

Streamlining the cost structure

-110 bps*
2013 vs. 2012

Operating as ONE Nestlé

Mastering complexity

-37% SKU count
2013 vs. 2012

+6% INVESTMENT IN MEDIA AND TRADE IN 2013

* Includes Overheads, Total Delivered Cost and Media Buy
Valuing what consumers value

Project “Invest” (NUSA examples)

- Matrix organization structure to drive synergies
- Solon as the Frozen Food Center of Excellence
- ONE Face to the Customer
- DSD optimization, ONE Supply Chain
- Factory efficiency and footprint optimization
- Leveraging N.A. aggregated scale in Procurement
- Consolidated media buy in North America
- Marketing investment optimization
- Research and digital content optimization

Streamlining the cost structure

-110 bps* 2013 vs. 2012

* Includes Overheads, Total Delivered Cost and Media Buy
Making choices through portfolio management

Investing selectively
(Marketing Expenses\(^{(1)}\) 2013 vs. 2012)

- +13% Accelerate (NUSA)
- -26% Fix (NUSA)

Allocating Capital effectively
(Invested Capital 2013 vs. 2012)

- +4% Accelerate (NUSA)
- -12% Fix & Defend (NUSA)

Improving Margins

Example: Ice Cream + Pizza

+170 bps

Reshaping the Portfolio

Market attractiveness (growth)

DEVELOP

ACCELERATE

FIX

DEFEND

Ability to Win (RoR\(^{*}\))

DEVELOP

ACCELERATE

FIX

DEFEND

* Return on Resources
(1): consumer-facing marketing expenses
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

(1) % of NUSA’s Media spend
Having the best people

Reflecting our consumer diversity

Building best-in-class new capabilities

Accelerating career development

Nutrition, Health & Wellness

Communications

Digital

Insights

Multicultural

Broadening roles

Int’l and domestic exposure

Flat structures
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

- Strengthening investments
- NHW positioning
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

* integrated path-to-purchase
The strategy is delivering resilient financial results

**Organic Growth**

- 2011: +2.5% Yearly Average
- 2012: +2.5%
- 2013: +2.5%

**Trading Operating Profit (in USD)**

- 2011: +3% CAGR (1)
- 2012: +3%
- 2013: +3%

(1): 2010 to 2013 change
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