



Chocolate

Marcelo Melchior
Head of Confectionery SBU

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

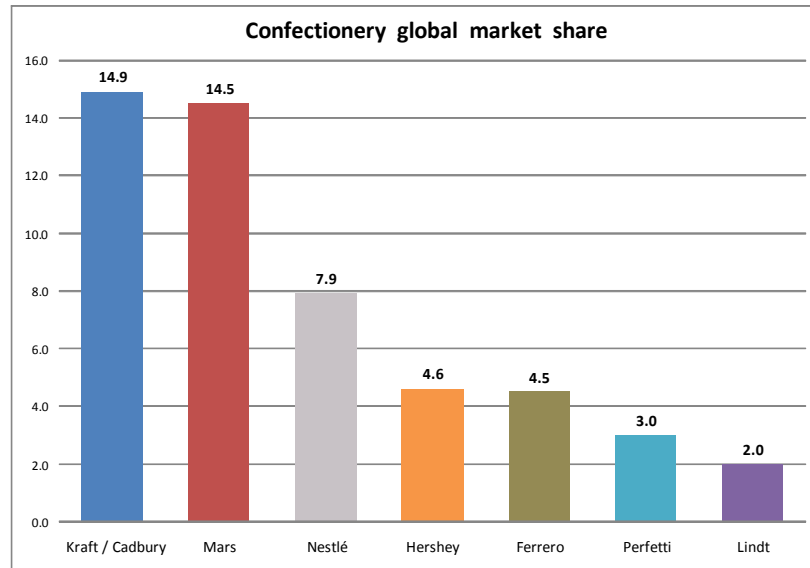
Leverage distribution

Leverage scale

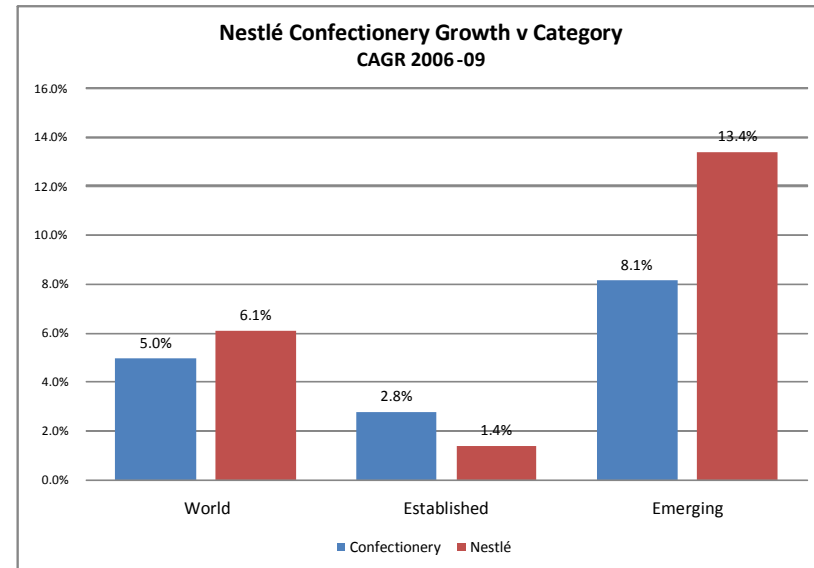
Address portfolio mix

Emerging markets

Confectionery competitive landscape



Source: Euromonitor

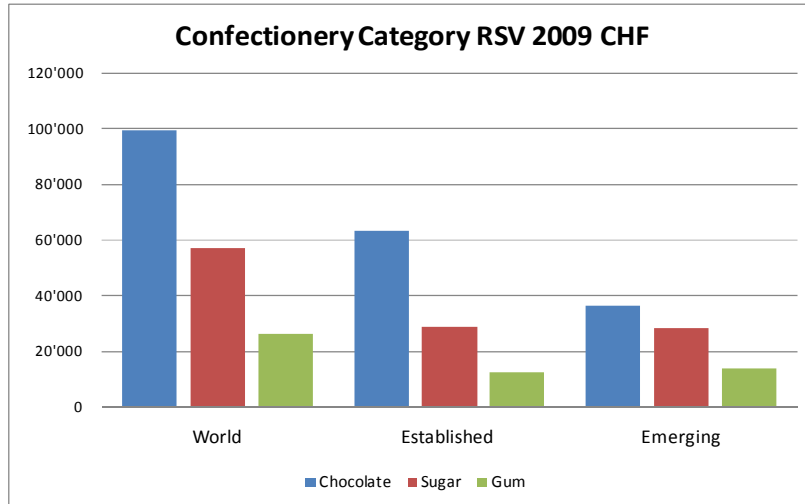


Source: Euromonitor and internal records

Nestlé is growing faster than the category

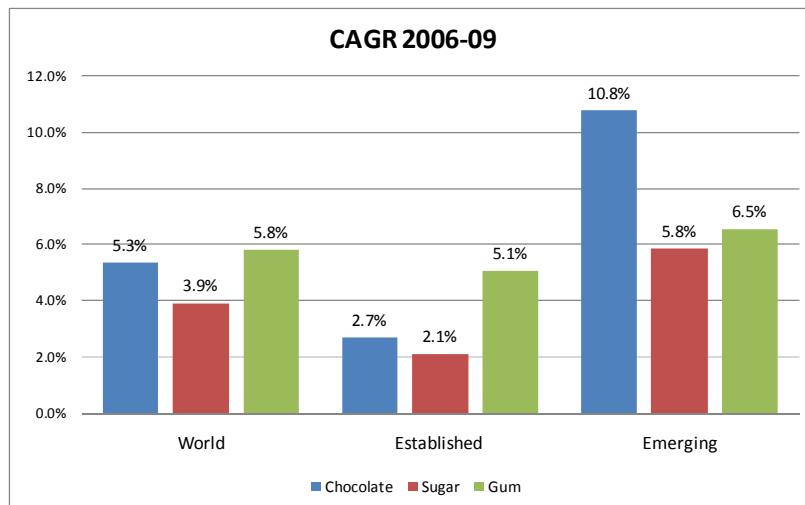
Confectionery

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

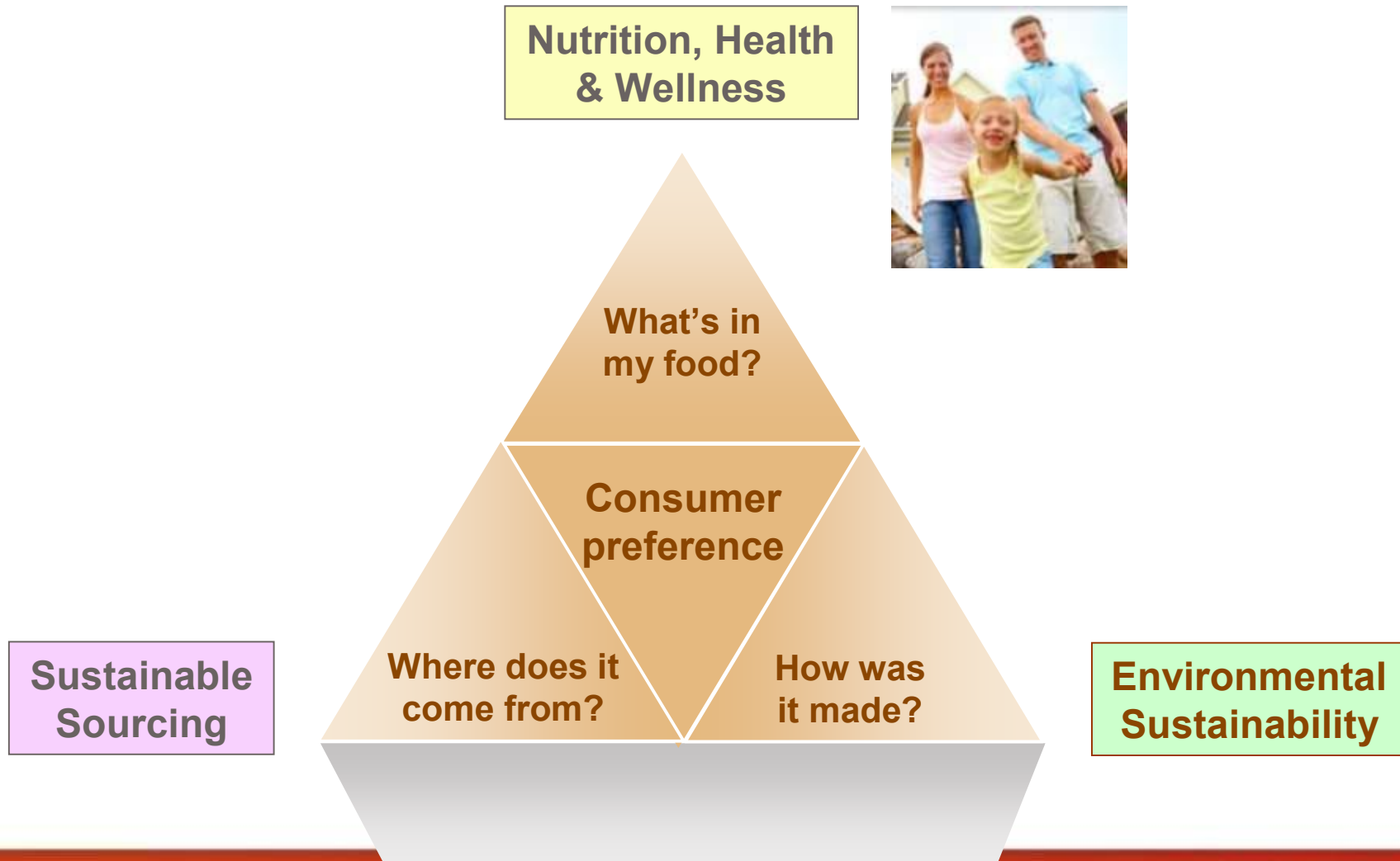
Source: Euromonitor: RSV is Retail Sales Value

Key trends in chocolate

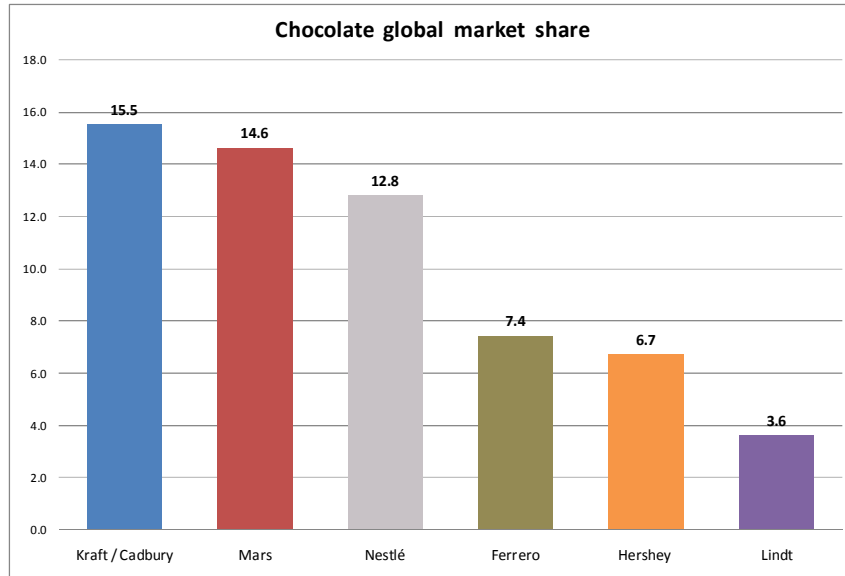


Creating Shared Value in Chocolate

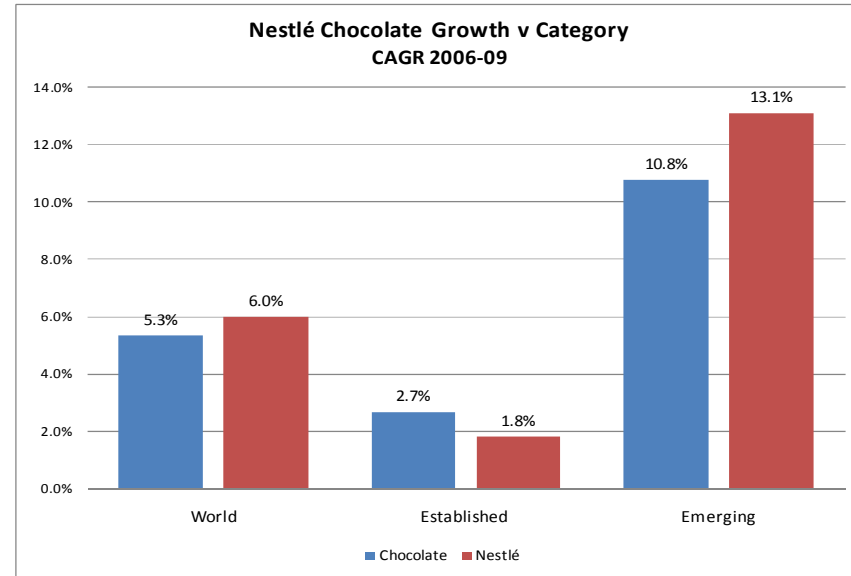
A holistic approach



Chocolate competitive landscape



Source: Euromonitor

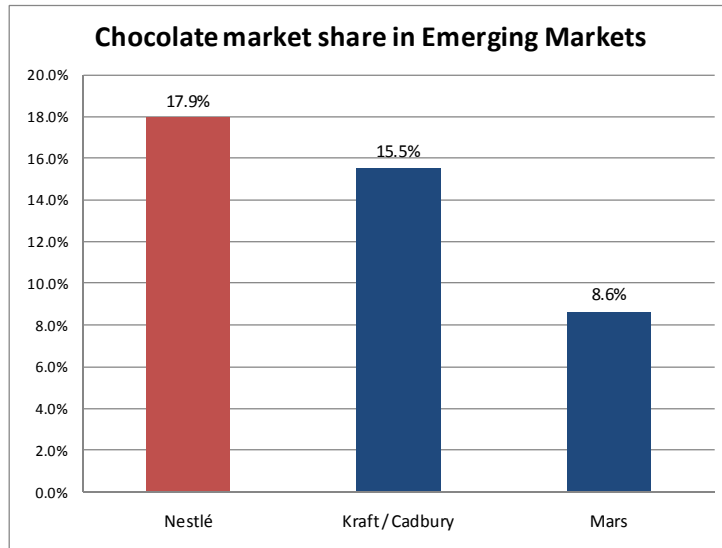


Source: Euromonitor and internal records

Nestlé Chocolate growing faster than the category

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

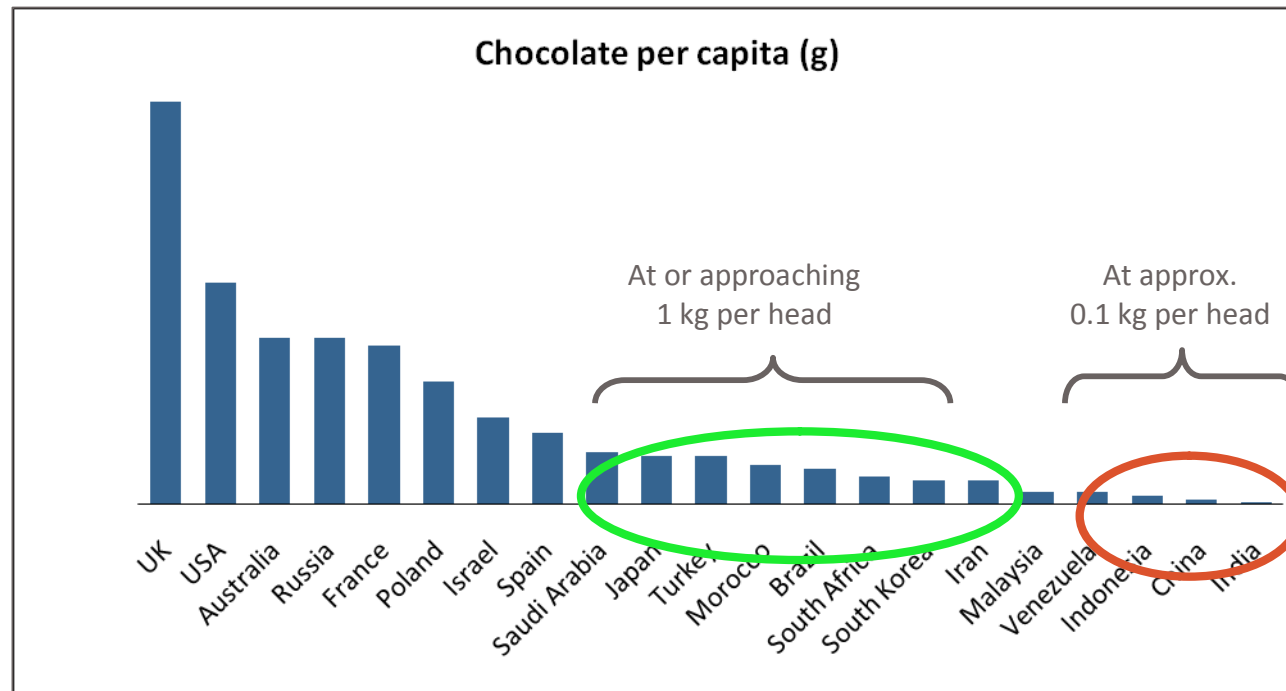
Nestlé: the leader in Chocolate in emerging markets



Source: Euromonitor

- ✓ 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

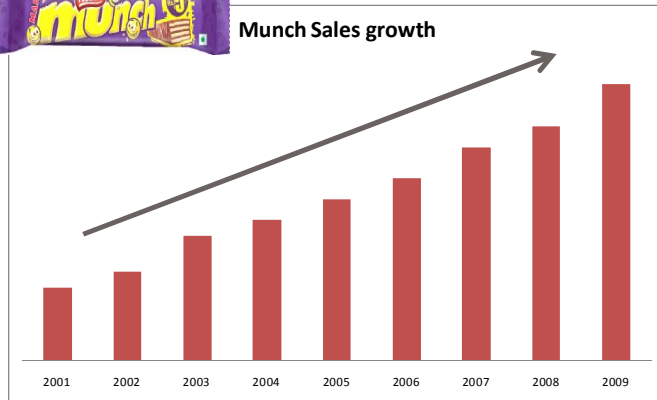


- ✓ Nestlé well positioned in emerging markets to benefit from economic growth
- ✓ Chocolate consumption grows with purchasing power
- ✓ Affordable treat for emerging consumers

Light eating in India and China: MUNCH and Nestlé “Shark” Wafer



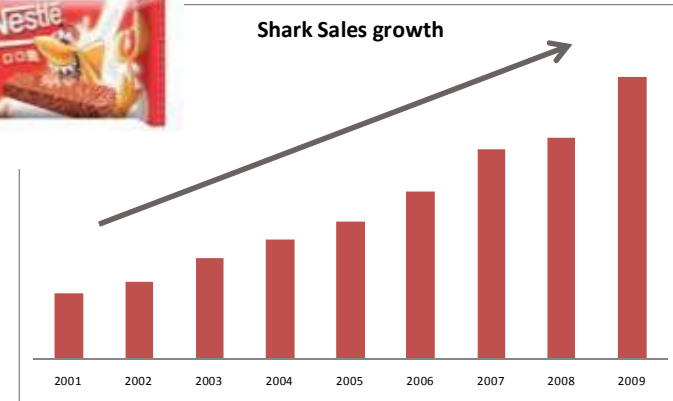
Munch Sales growth



Sales value CAGR 2001-09 **18.0%**
value increased 4x



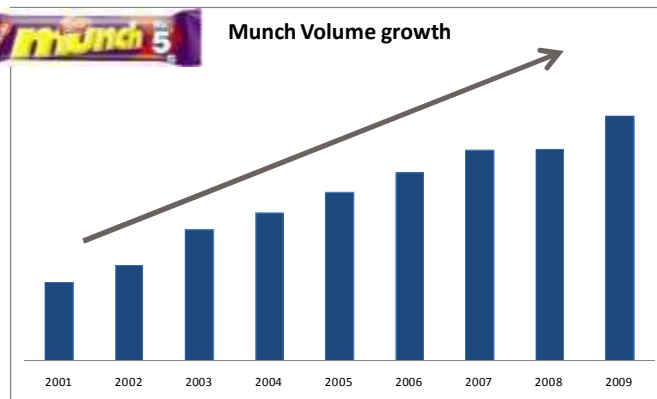
Shark Sales growth



Sales value CAGR 2001-09 **19.9%**
value increased 4.7x



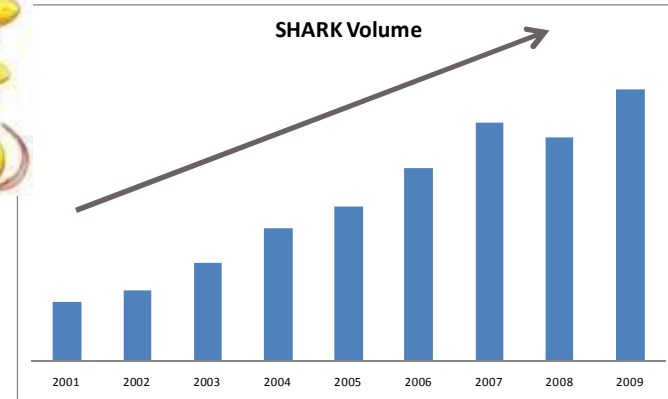
Munch Volume growth



Volume CAGR 2001-09 **15.3%**
Volume increased 3x

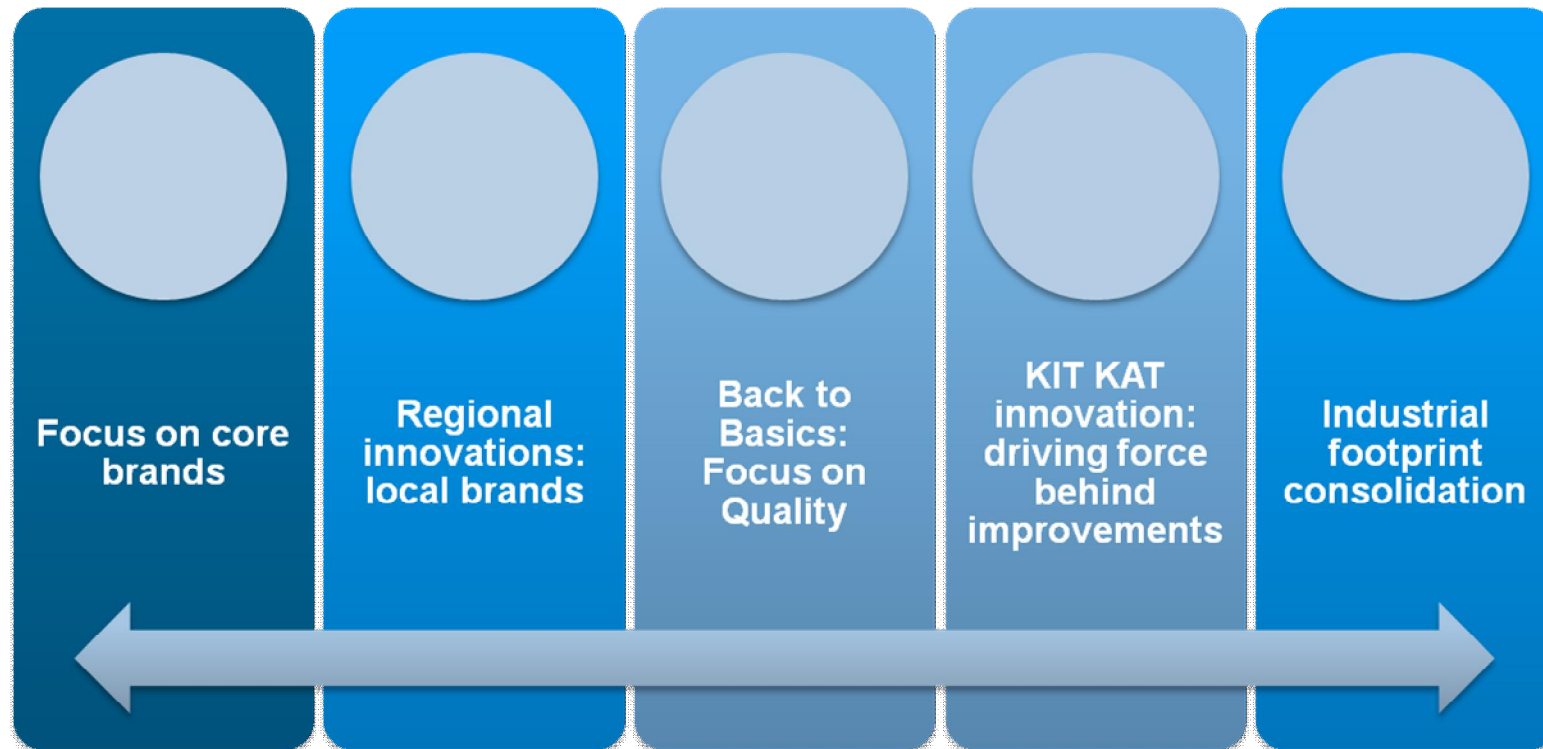


SHARK Volume



Volume CAGR 2001-09 **21.1%**
Volume increased 4.5x

Strengthening position in established markets



Profitability improved by 210bps in last 3 years

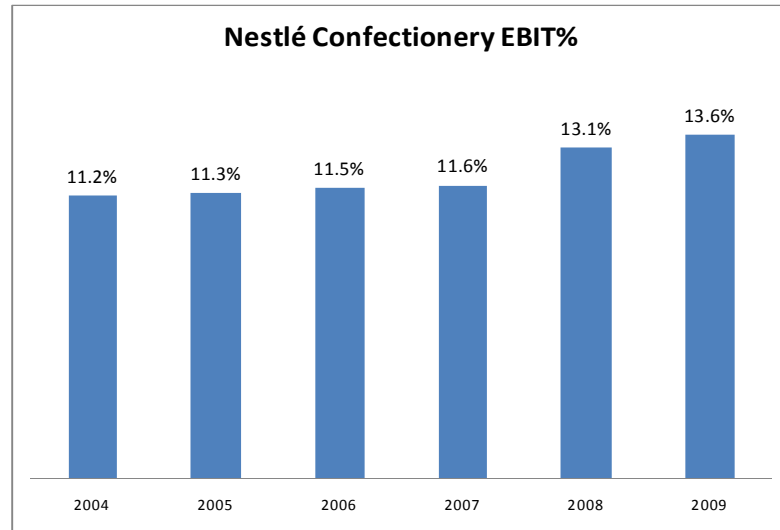
KIT KAT – innovation driving growth of CHF1.4 billion brand

BACK TO BASICS APPROACH AND LAUNCH OF SENSES

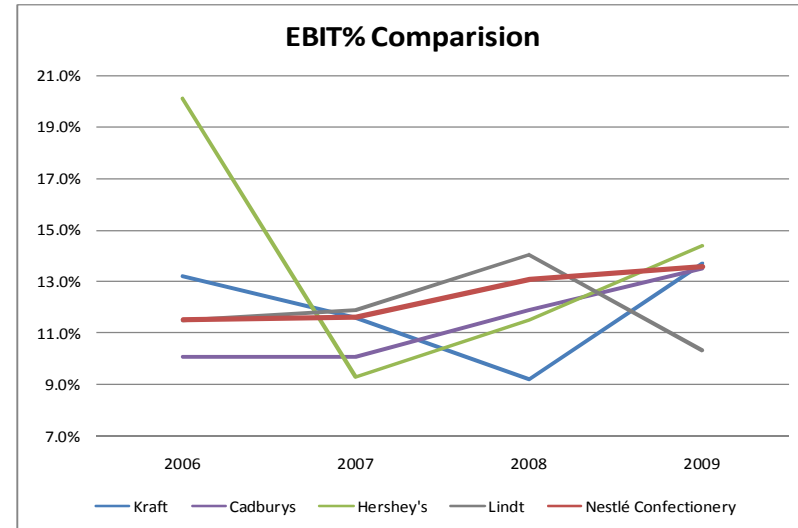
- ✓ Re-focused on core of the brand
- ✓ Strong consumer promotion programme
- ✓ Light eating unique positioning
- ✓ FPP formats launched 2009
- ✓ CAGR 2007-09: Volume +4% pa
- ✓ CAGR 2007-09: Value +7.4% pa
- ✓ Growing market share year on year
- ✓ Global No 2 Confectionery countline



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

3rd parties' acquisition rationale

A growth category

Leverage distribution

Leverage scale

Address portfolio mix

Emerging markets

Nestlé's Position Today

Nestlé is achieving above category growth

Nestlé already has global reach

Leveraging Nestlé in the Market (scale of total Nestlé F&B)

Nestlé's balanced portfolio, countlines, tablets, gifting

Nestlé has most global coverage & leadership in Emerging Markets

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



Good Food, Good Life



Chocolate

Marcelo Melchior
Head of Confectionery SBU