

Acquiring an Iconic Brand with Leading Positions in the High Growth, High Margin Baby Food Category



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.

- ▶ Acquisition of Gerber for \$5.5bn
- ▶ 2.8x 2007E Sales of \$1.95bn⁽¹⁾; 15.7x 2007E EBITDA of \$350m
- ▶ 18% EBITDA Margin⁽¹⁾
- ▶ Cost synergies of \$95m in 2011 (5% of 2007E sales)
- ▶ Underlying EPS neutral in first full year; EPS accretive in second full year
- ▶ Expected closing in H2 2007

(1) Net Sales as per Nestlé accounting standards.

- ▶ **Global, growing brands with iconic status**
 - 7% organic growth with opportunities for higher growth
 - Global leadership in Meals & Drinks
- ▶ **#1 position in Baby Food in the U.S. with 82% market share**
 - 100% awareness, 97% purchase level
 - Creates a focused nutrition organisation with dedicated sales force
- ▶ **Leading positions outside the U.S.**
 - Mexico, Central America and Poland
- ▶ **Strong skills and capabilities**
 - Pioneered the development of nutritional snacks for toddlers
 - Successfully converted to aseptic technology
 - Product and service model including care and insurance
 - Critical mass with retailers in baby aisle

- 1. Build on a strong Nestlé Nutrition business**
- 2. Good strategic fit with Nestlé Nutrition**
- 3. Leadership in key markets and categories**
- 4. Competencies that reinforce existing capabilities**



Shareholder Value Creation

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Shareholder Value Creation

STRONG NESTLÉ
NUTRITION BUSINESS

STRATEGIC FIT

LEADERSHIP IN KEY
MARKETS

COMPETENCIES



- 1. Global leadership with a broad geographic reach and presence in all key nutrition categories**
- 2. Stand-alone organisation with critical mass**
 - Leading global R&D network to drive pipeline
 - Focused business yet benefiting from Nestlé Group scale
 - Track record of delivering meaningful, claim-based innovation
 - Strong partnership with the medical and scientific community
- 3. On track to deliver longer term objective of 10% organic growth and 20% EBIT margin**

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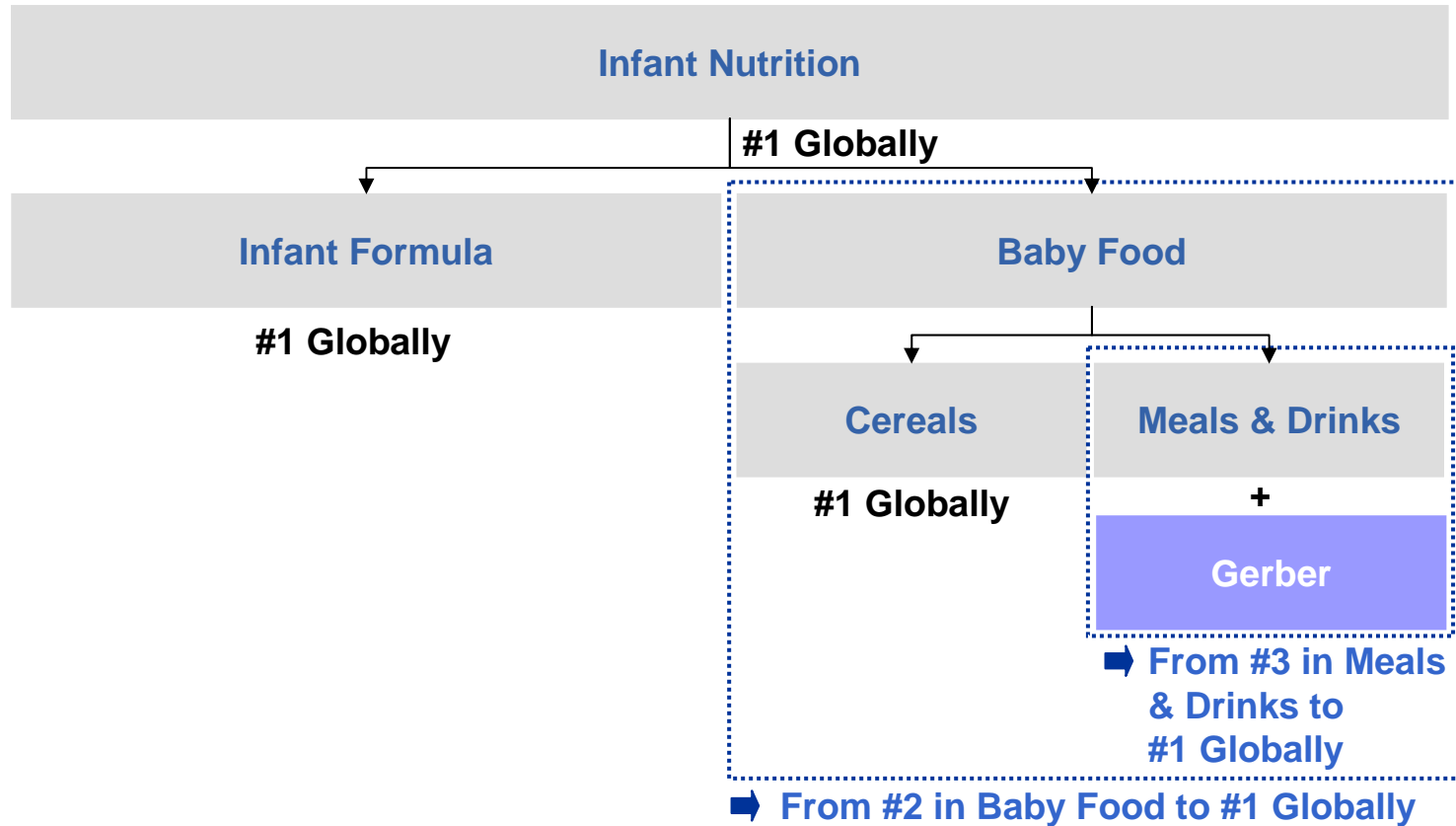
Shareholder Value Creation

STRONG NESTLÉ NUTRITION BUSINESS

STRATEGIC FIT

LEADERSHIP IN KEY MARKETS

COMPETENCIES



- ▶ Extends global leadership in infant nutrition
- ▶ Materially strengthens position in the U.S., the world's largest market

STRONG NESTLÉ NUTRITION BUSINESS

STRATEGIC FIT

LEADERSHIP IN KEY MARKETS

COMPETENCIES

#1 globally in Infant Nutrition

#1 globally

#2 globally

- ▶ #1 globally
- ▶ Sales \$2.1bn

- Gerber**
- ▶ #1 in U.S.
- ▶ #1 in Meals & Drinks
- ▶ Sales \$1.9bn

- ▶ #2 globally⁽¹⁾
- ▶ Sales \$1.6bn
- ▶ No U.S. presence in Baby Food

- Novartis Medical Nutrition**
- ▶ #2 globally
- ▶ Sales \$1.0bn
- ▶ Significant U.S. presence

- ▶ #4 globally
- ▶ Sales \$0.4bn

- ▶ #1 in North America (energy bars)
- ▶ Sales \$0.3bn

- ▶ #1 in personalised center-based weight management in North America
- ▶ Sales \$0.4bn

Infant Formula

Baby Food

HealthCare Nutrition

Performance Nutrition

Weight Management

Infant Nutrition

Nestlé Nutrition

(1) Cereals and Meals & Drinks.

STRONG NESTLÉ
NUTRITION BUSINESS

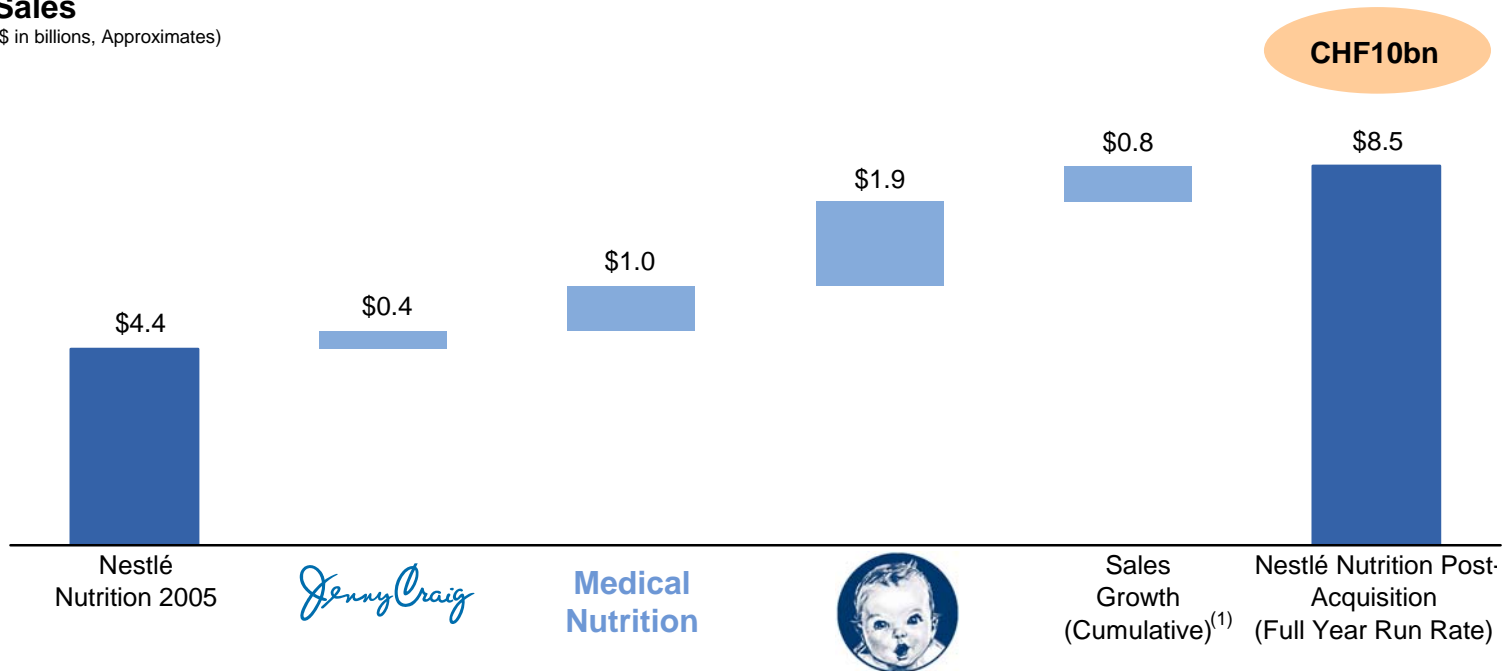
STRATEGIC FIT

LEADERSHIP IN KEY
MARKETS

COMPETENCIES

Sales

(\$ in billions, Approximates)



Nestlé Nutrition in 2007:

- ▶ Nestlé Nutrition 2x larger than next competitor
- ▶ Increased presence in the largest nutrition market
 - U.S. represents 37% of 2007 pro-forma sales vs. 16% in 2005
- ▶ Unrivalled scale in R&D to invest in ground-breaking innovation
- ▶ Exploit Nestlé's unique global reach to rapidly deliver innovation to key markets

Long Term Objective:

- ▶ 10% growth
- ▶ 20% margin

(1) Nestlé Nutrition and Jenny Craig only.

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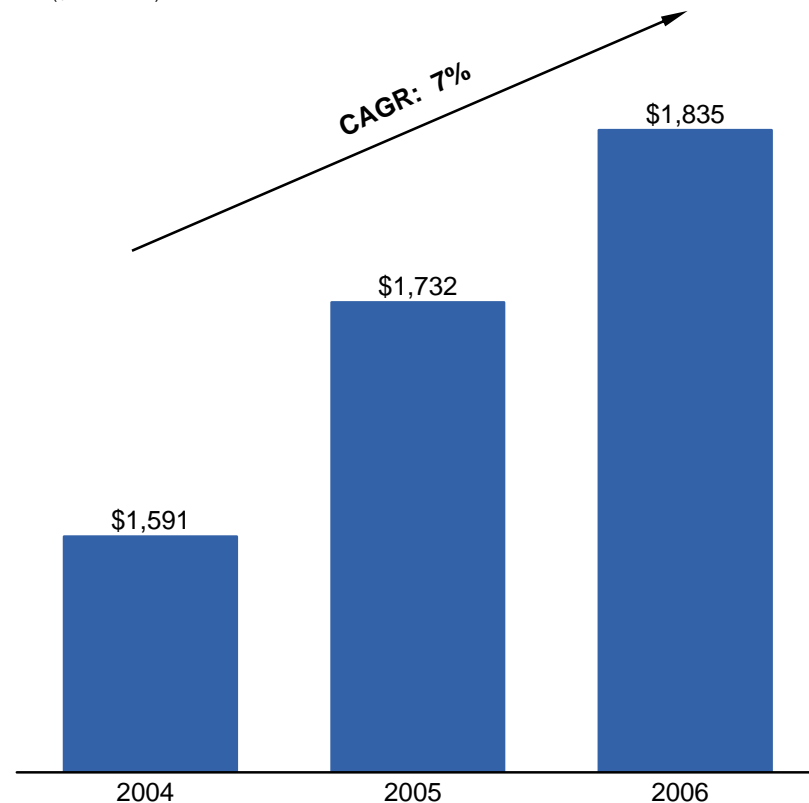


Shareholder Value Creation

- ▶ Among most trusted brands in the U.S.
 - 100% brand awareness
 - 97% purchase level
- ▶ Global leader in Baby Food
 - Market share of 82% in the U.S. in 2006
 - Leading positions in Mexico, Central America and Poland
- ▶ #1 provider of juvenile life insurance in the U.S.
 - Leverages the trust and well-being reputation of the Gerber brand
 - 2.8 million policyholders
 - 22% of total sales

Gerber - Organic Sales Growth

(\$ in millions)



STRONG NESTLÉ NUTRITION BUSINESS
STRATEGIC FIT
LEADERSHIP IN KEY MARKETS
COMPETENCIES



Supported Sitter



Baby Food Products



Textures

Thin puree

Baby Care Products



Independent Sitter



Thicker puree



Crawler



Thick mash
Thick mash with lumps
Small meltable
Meltable / gumable
Soft cubes



Beginning Walker



Soft bitable
Soft chewable
Meltable / chewable
Thick spoonable



Independent Toddler



Spearable
Thin spoonable
Hard chewable



Business Overview

- ▶ Leading provider of juvenile life insurance in the U.S., and competing in a niche segment:
 - ~70% share in direct-to-consumer juvenile life segment
- ▶ Investment in financial well-being of children
 - Product automatically transfers to the children at the age of 21
- ▶ Business deeply intertwined with Gerber brand
- ▶ Successfully expanded into complementary adult life insurance products
- ▶ 2.8 million policyholders representing \$31 billion in face coverage

Key Highlights

- ▶ Strong balance sheet / financial rating
 - “A” (Excellent) *A.M. Best* Rating
- ▶ Established direct-to-consumer model
- ▶ Low cost business model
- ▶ National distribution footprint
- ▶ New York State registration
- ▶ Only 10% of all newborns are covered by individual life insurance

Leveraging the trust and well-being reputation of the Gerber brand.

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Shareholder Value Creation

- ▶ **Consumer focus**
 - Sensory Center: evaluating mothers and babies' needs (nutrition and taste)
- ▶ **Partnering with customers**
 - New Retail Innovation Center: demonstrate “aisle of the future” concept and Gerber’s category expertise
- ▶ **Product innovation / speed to market**
 - Robust product pipeline
 - Recent renovation of product portfolio (aseptic filling)
 - Launch of *Graduates* and *Organic* product lines

- ▶ **Parent Resource Center**
 - Provides assistance 24h a day, 365 days a year

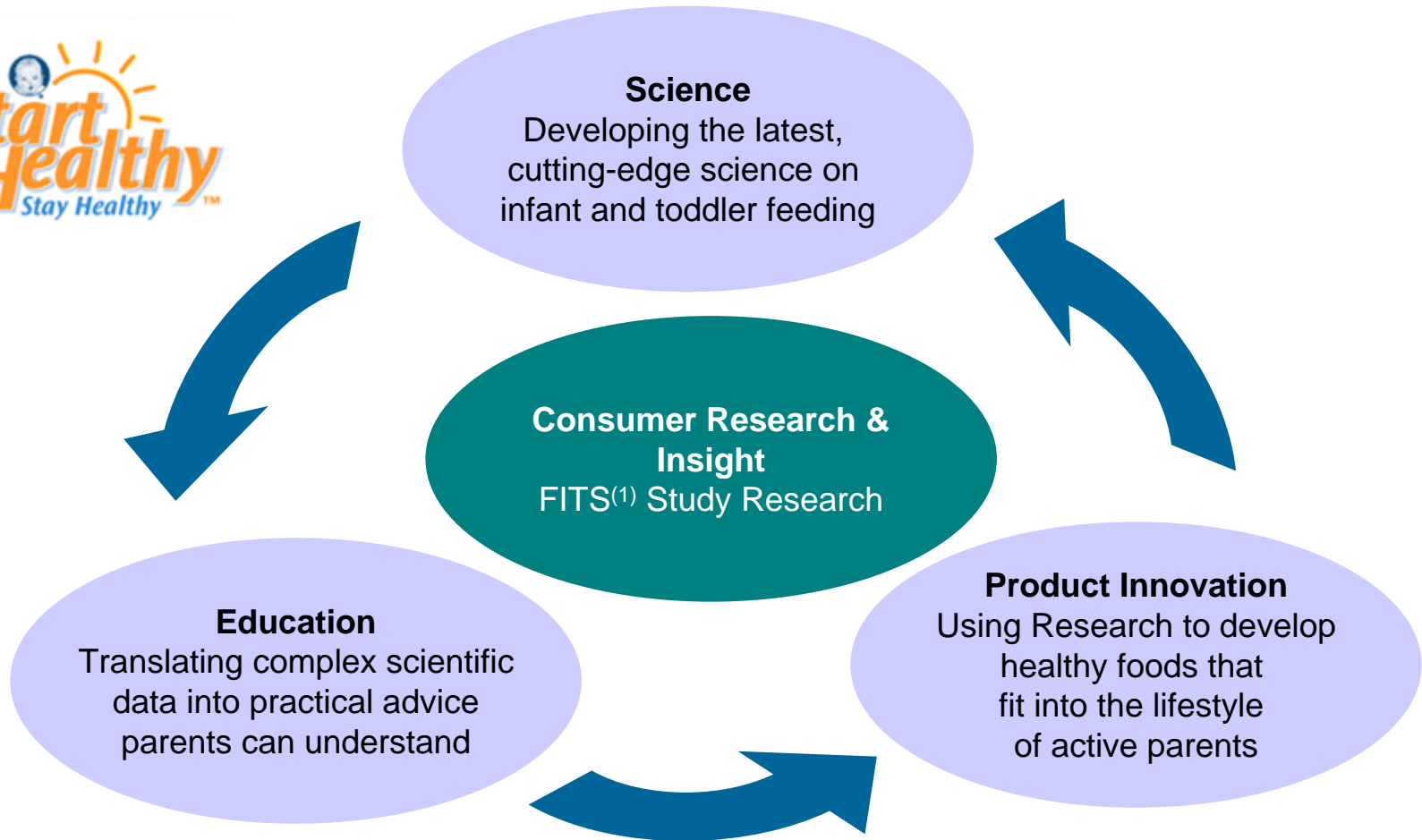
- ▶ **Gerber.com**
 - Provides in-depth feeding and care information

- ▶ **Anglo and Hispanic Advertising**
 - Specific geographically targeted campaigns

- ▶ **Direct Mail**
 - Access to over 90% of new mothers



Contact with every mother several times a year.



Important consumer research has led to science based innovation and communication and the “Start Healthy, Stay Healthy” programme.

(1) Feeding of Infant and Toddler Study.

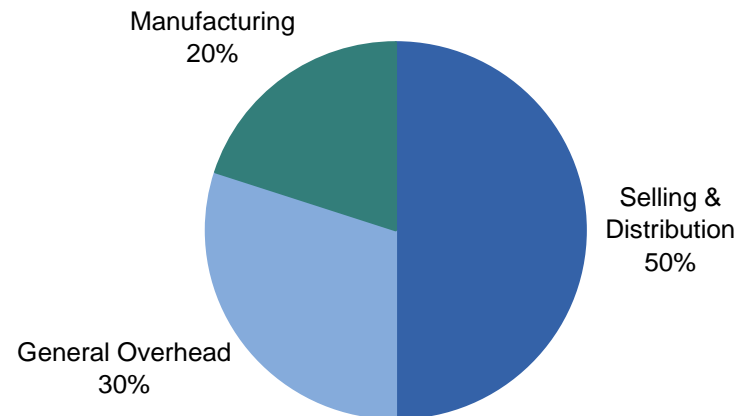
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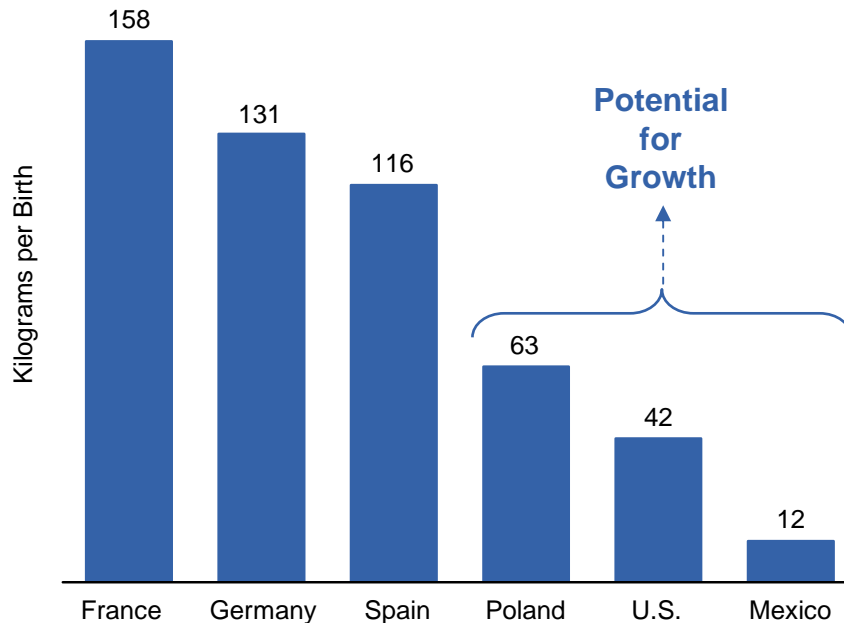
Shareholder Value Creation

- ▶ **Identified cost synergies of:**
 - **\$80m in 2010**
 - **\$95m in 2011 (5% of 2007 Gerber sales)**
- ▶ **Costs to achieve synergies of \$70m over 2 years**

Synergies Split



Baby Food Consumption (per Birth)



▶ **#1 in Baby Food in the U.S.**

- But with prepared baby food representing only a 8% share of stomach in the U.S.

▶ **Room for further innovation to drive category growth**

- Introduction of science-based, proven nutrition concepts, e.g. use of active ingredients
- Expand age of consumption; Grow toddler category
- Tackle obesity amongst babies and toddlers

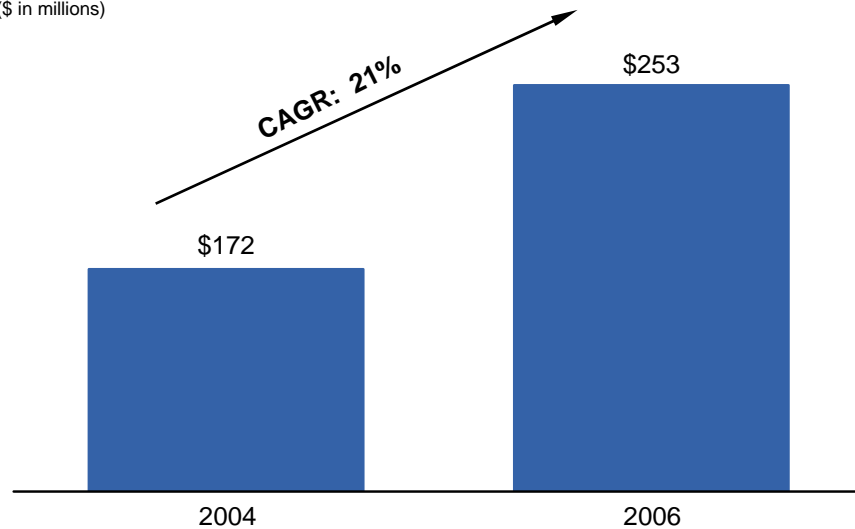
▶ **Gerber moves to the core of a global nutrition player**

Leveraging Nestlé's science and nutrition focus to drive category growth.

- ▶ Launched in 1990, now a c.\$250m brand
- ▶ Clear U.S. leader with 91% share in 2006
- ▶ Keeps consumers longer with Gerber Nutrition products
- ▶ Emerging category with significant further growth

Graduates - Organic Growth

(\$ in millions)



Source: Company Information.



Lil'Entrées



Fruit Splashers



Lil'Entrées



Crackers



Cookies



Mini Fruits and Veggies

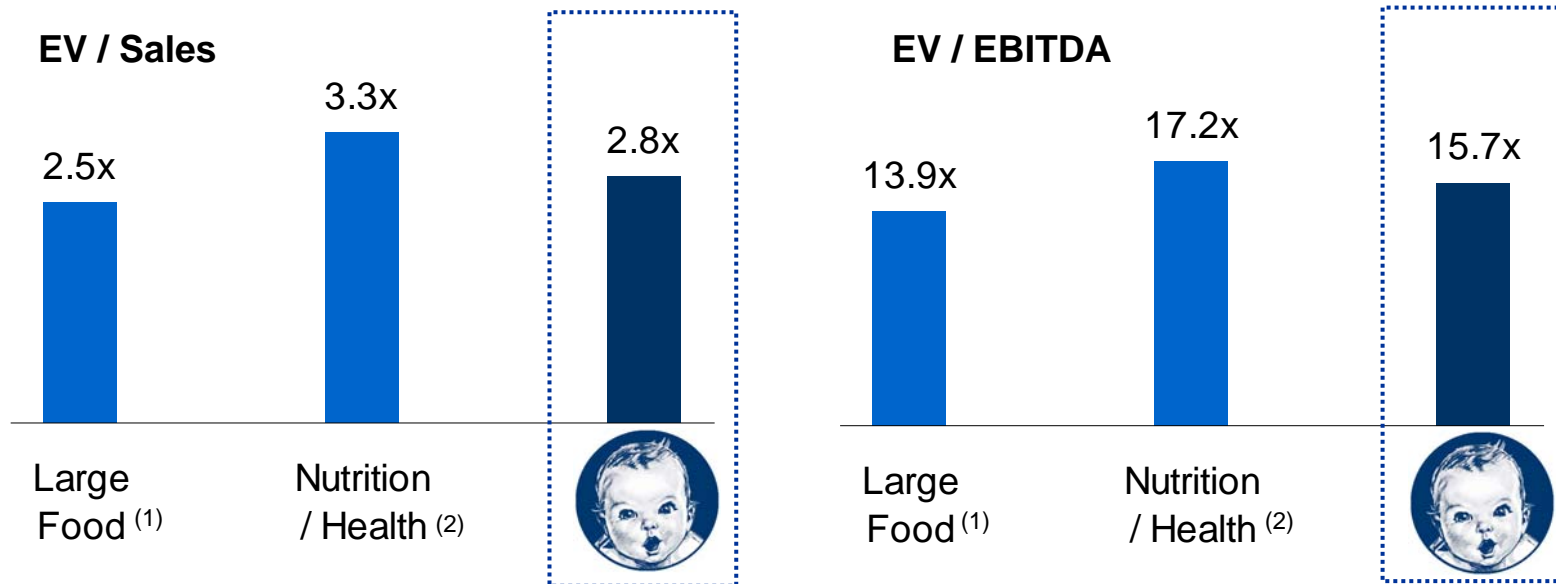
Leader in a fast growing category.

Conclusion



► Acquisition of Gerber for \$5.5 billion

- Sales (2007E) \$1.95 billion
- EV / Sales 2.8x
- EBITDA (2007E) \$350 million
- EV / EBITDA 15.7x

► Multiple in line with precedent transactions:



(1) Large food transactions include: Adams/Cadbury Schweppes, Ralston Purina/Nestlé, QuakerOats/Pepsi, Keebler Foods/Kellogg, Pillsbury/General Mills, Nabisco/Kraft and Bestfoods/Unilever.
 (2) Nutrition / Health transactions include: Mellin/Numico, Novartis Medical Nutrition/Nestlé, Pfizer OTC/J&J, BHI/Reckitt Benckiser, Roche/Bayer and Slimfast/Unilever.

- | | | |
|--|---|--|
| ▶ To be category No. 1 or strong No. 2 |  | # 1 in North American Baby Food |
| ▶ Generate value for shareholders |  | NPV positive |
| ▶ Focused approach on value-added growth categories |  | R&D driven category:
7% CAGR |
| ▶ Strong brands in leadership positions |  | Iconic, trusted brand with #1 position in the U.S. |
| ▶ RIG, cash flow and earnings enhancing |  | Second full year |
| ▶ High degree of certainty of successful integration |  | Highly complementary to current nutrition operations |
| ▶ Maintain strong credit ratings and financial flexibility |  | Strong credit ratings maintained |

Gerber acquisition meets Nestlé's strategic criteria.

- ▶ **Nestlé Nutrition to become a CHF 10bn business (full year run rate)**
- ▶ **Gerber and Nestlé a winning combination with unparalleled scale**
- ▶ **Good strategic and geographic fit with complementary businesses and skills**
- ▶ **Strong management and good cultural fit with Nestlé Nutrition**
- ▶ **Growth, EBIT and EPS enhancing for Nestlé**
- ▶ **10% organic growth and 20% margin long term objectives reconfirmed for Nestlé Nutrition**



