



## Frozen Pizza:

A great enhancement to  
Frozen Food in North America









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# Disclaimer

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# Nestlé Frozen Food US

	Prepared Meals	Sandwich & Snacks
<b>Mkt size USD</b> CAGR 06-08	8.0 Billion 5.4%	3.6 Billion 5.8%
<b>CHF Sales</b>	2.8 Billion	0.9 Billion
<b>Key Brands</b>	 	 
<b>MS val. meals % / Position</b>	36% / No. 1	23% / No. 1
<b>Key Competitors (MS / Position)</b>	  24% / No. 2    11% / No.3	  10% / No. 2    7% / No.3

§ 2008 Frozen Food retail sales in North America CHF 4.0 Bio, with CHF 3.8 Bio in US

§ Successful acquisition and integration of Chef America (2002) and Joseph's (2005)

# Strategic Highlights

## 4 Perfect fit with Nestlé global Frozen Food vision

- § To deliver tasty, convenient, premium, wholesome and nutritious foods

## 4 Growing national brands

- § Double digit growth over the last four years, outperforming category
- § Strong brands, particularly in the growing premium segment
- § Di Giorno brand approaching \$1 billion in annual sales

## 4 No.1 category positions in the US and Canada

## 4 A great enhancement to US portfolio

- § Nestlé lacks a meaningful presence in Pizza
- § Frozen Pizza will enhance growth profile

## 4 Achieving No.1 position in Frozen Pizza worldwide

- § Strong CHF1 billion in Europe
- § Combined sales of over CHF3 billion

## 4 Excellent Route-to-Market capabilities

- § Complements Nestlé's existing Direct Store Delivery distribution system

## 4 Strong R&D capabilities for continued I&R success

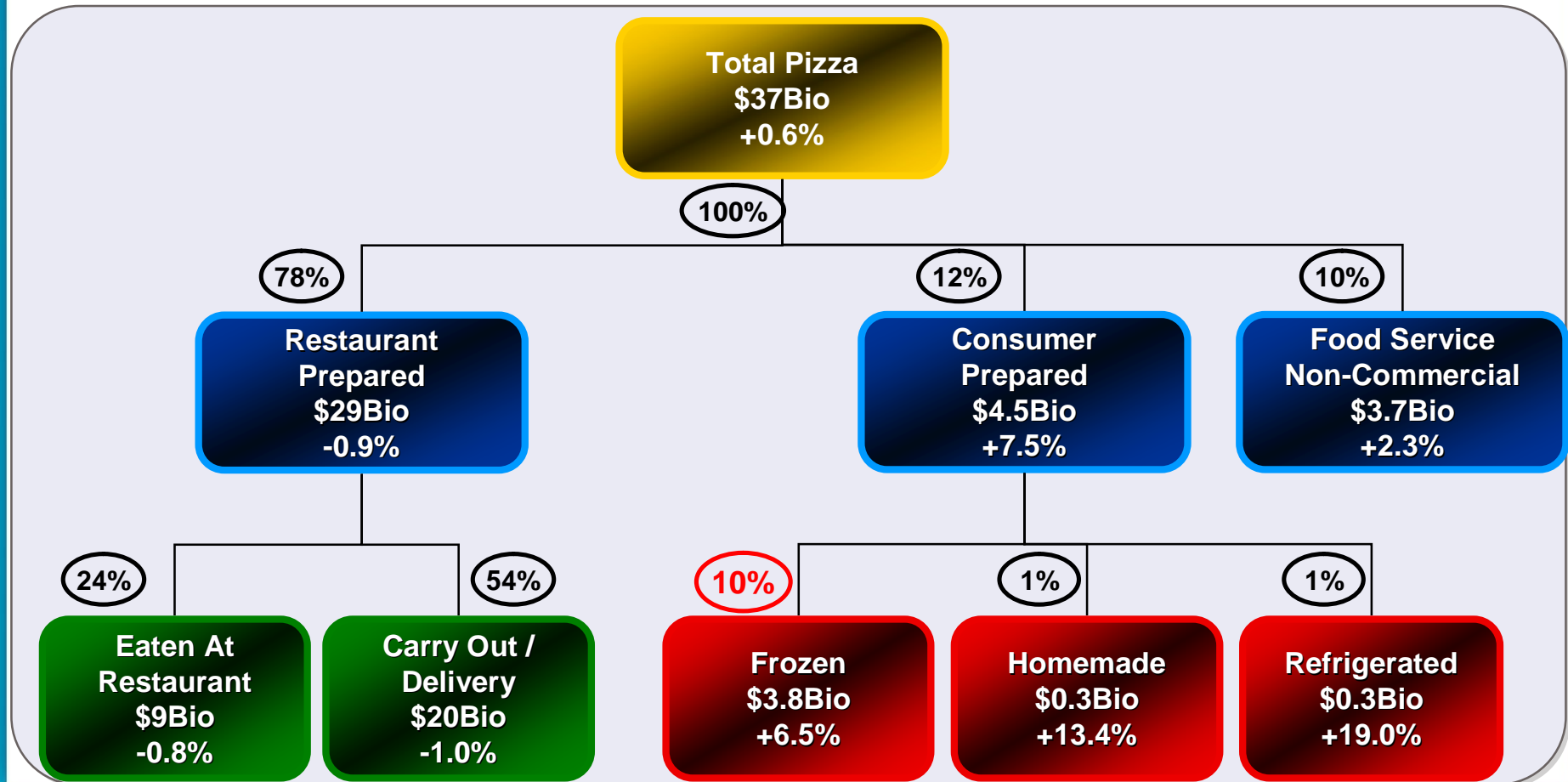
- § Ability to combine dough competency with culinary capabilities
- § Lean Cuisine & Lean Pockets demonstrate Nestlé's execution in nutrition, health & wellness in Frozen - an opportunity in Pizza

# U.S. Total Pizza Industry\*

§ Pizza is a \$37 billion industry

§ Frozen pizza represents ~10% or ~\$4 billion of total pizza

§ Household penetration is 95% for the industry and 71% for frozen



\*All data 2008. Source: NET data, Power Pizza BCG, Nielsen (FDMx) & WalMart Panel database

# Kraft Frozen Pizza Business Highlights

- § Headquartered in Northfield IL
- § About 3'400 employees
- § 2 plants



Acquired by Kraft in 1986



Acquired by Kraft in 1992



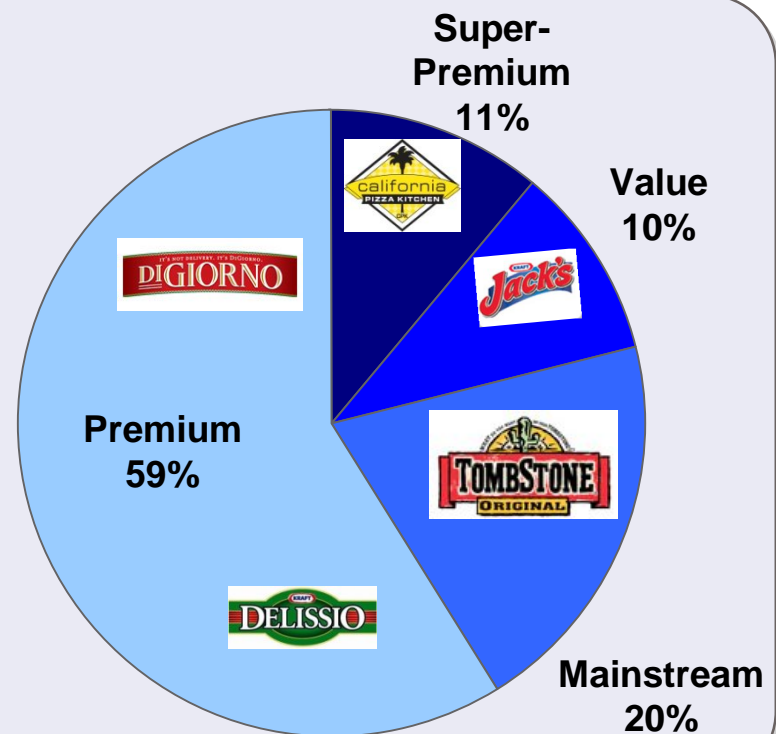
Introduced by Kraft in 1995



Licensed by Kraft in 1999



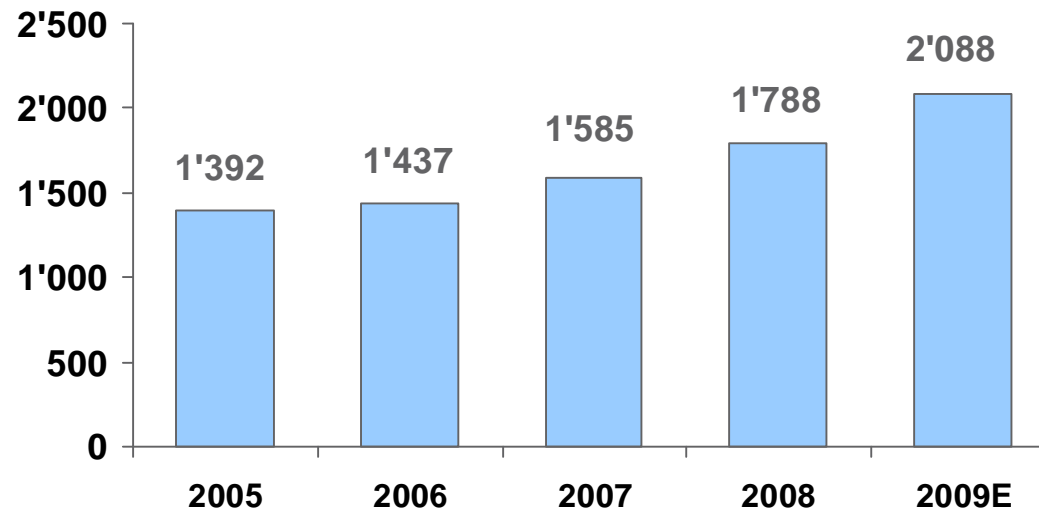
Introduced by Kraft in 2000



# Financial Highlights

## Higher than Category Sales Growth

USD Millions



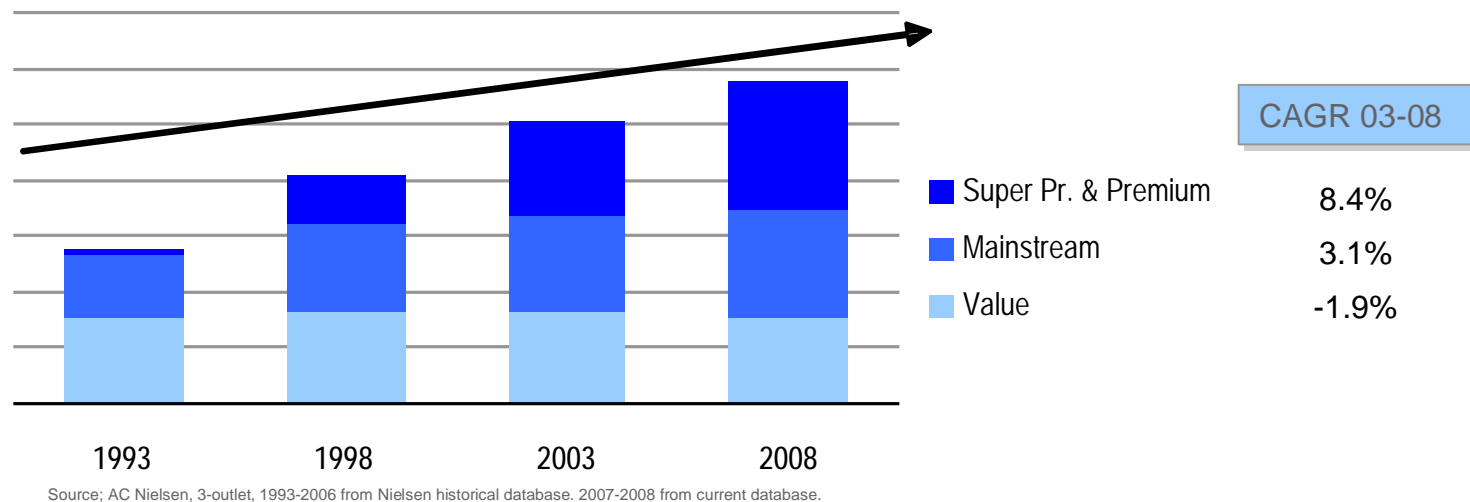
Growth	2006	2007	2008	2009
	3.2%	10.3%	12.8%	16.8%

§ CAGR of 10.7% between 2005 and 2009

§ Accretive to Nestlé Model going forward

# Business Overview

- § Multi-tiered product offer from Value to Super-Premium, covering various price points and consumer needs
- § Undisputed leader in the premium segment, key growth driver in the latest 15 years – driven by DiGiorno launch



- § Strongest frozen pizza franchise based on household penetration
- § DiGiorno is the leading pizza brand in North America (most often purchased, highest loyalty rates)



# Financial Highlights

- 4 Acquisition for US\$ 3.7 billion in cash
  - Structured as a purchase of assets: amortisation fully tax deductible
  - Net present value of related tax benefits approximately USD 0.5 billion
  
- 4 Multiples:
  - 4 1.8x 2009E Sales of USD 2.1 Bio
  - 4 Before tax benefits: 12.5 times 2009E EBITDA
  - 4 After tax benefits: 10.6 times 2009E EBITDA
  
- 4 14.2% 2009 EBITDA margin
  
- 4 Identified synergies of at least USD 147 million
  
- 4 Enhancing Nestlé earnings in the first full year
  
- 4 Reaches Nestlé cost of capital in 4 years
  
- 4 Expected closing in 2010

# Nestlé Acquisition Strategy

4 To be category No. 1 or strong No. 2

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No.1 position in US and Canada, both markets combined representing almost 50% of worldwide Frozen Pizza sales

4 Focused approach on added value growth categories

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Innovation & Renovation driven growth  
10.7% CAGR over the last 5 years

4 Strong brands in leadership positions

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Strong brands across the multi-tiered portfolio, particular strength in premium DiGiorno approaching 1 billion annual sales

4 Integration and Synergies

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Highly complementary to current Frozen Food businesses in US and Canada  
Strong synergies in the DSD system with Dreyer's Ice Cream Business in US

4 RIG, cash flow and earnings enhancing

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Strengthens growth profile of Frozen Foods North America, having proven particularly resilient also in times of economic downturn

4 Maintain strong credit ratings and financial flexibility

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Strong credit ratings maintained

**Pizza acquisition meets Nestlé criteria**



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