



Ralston Purina Company

CREATING A MAJOR INTERNATIONAL PETCARE BUSINESS

January, 17th 2001

This presentation contains certain “forward-looking” statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on management’s current expectations and are naturally subject to uncertainty and changes in circumstances. Actual results may vary materially from the expectations contained herein. The forward-looking statements contained herein include statements about future financial and operating results and benefits of the pending merger between Nestlé and Ralston Purina. Factors that could cause actual results to differ materially from those described herein include : the inability to obtain Ralston Purina shareholder or regulatory approvals; actions of the U.S., foreign and local governments; the inability to successfully integrate the businesses of Nestlé and Ralston Purina; costs related to the merger; the inability to achieve cost-cutting synergies resulting from the merger; changing consumer or marketplace trends; the general economic environment; and the economic environment of the pet food industry. Neither Nestlé nor Ralston Purina is under obligation to (and expressly disclaims any such obligation to) update or alter its forward-looking statements, whether as a result of new information, future events, or otherwise.

We urge investors to read the proxy statement and any other relevant documents that Ralston Purina has filed and will file with the Securities and Exchange Commission (“SEC”), because they contain important information.



AGENDA

Nestlé in Pet Care

Ralston Purina

Pet Care industry

Clear strategic logic

Compelling financial logic

Conclusion

Nestlé in Pet Care

History of pet care at Nestlé

- 1932 → Carnation enters pet care market
- 1985 → Acquisition of Carnation including Friskies Petcare
- 1994 → Acquisition of Alpo
- 1998 → Acquisition of Spillers

Ralston Purina

Ralston Purina : a high performance business

Sales⁽¹⁾: \$2,763M
EBITDA⁽¹⁾ : \$657M

NORTH AMERICAN PET FOOD

Sales: \$2,068M

- Largest producer of dry dog food and dry and soft moist cat foods

INTERNATIONAL PET FOOD

Sales: \$447M

- Operations in Europe, Latin America, Asia and Oceania

GOLDEN PRODUCTS

Sales: \$248M

- Cat litter business in North America

⁽¹⁾ Year ended 30/09/00



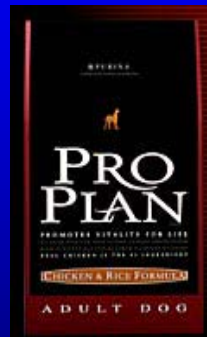
Ralston Purina : solid market positions and excellent management

- **World's largest producer of dry dog and dry and soft-moist cat foods**
- **Leader in North America, No. 2 in Latin America**
- **Leading manufacturer of cat litter in the U.S. and Canada**
- **Management with proven track record in innovation, operational efficiency and brand building**

Ralston Purina : excellence in operations, brands and communication

- **30 manufacturing facilities worldwide, including low cost industrial structure in North America**
- **Strong brands and position in each channel and dry food segment including premium and super premium**
- **Pet care professional (vet and breeder) credibility and communication competence**

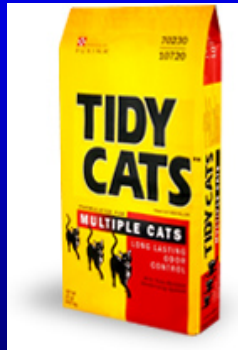
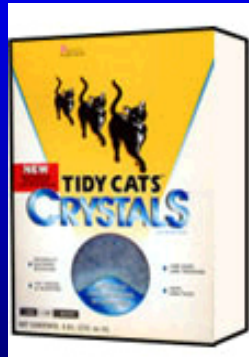
Ralston Purina : strong brand equity in dog food



Ralston Purina : strong brand equity in cat food



Ralston Purina : strong brand equity in cat litter



The Pet Care industry

Pet care is a major global product category

	USD bio.
Chocolate confectionery	41
Pet care	33
Sugar confectionery	31
Bottled water	30
Ice cream	24
Soluble coffee	21
Breakfast cereals	16

Source : Nestlé internal estimates (1999)



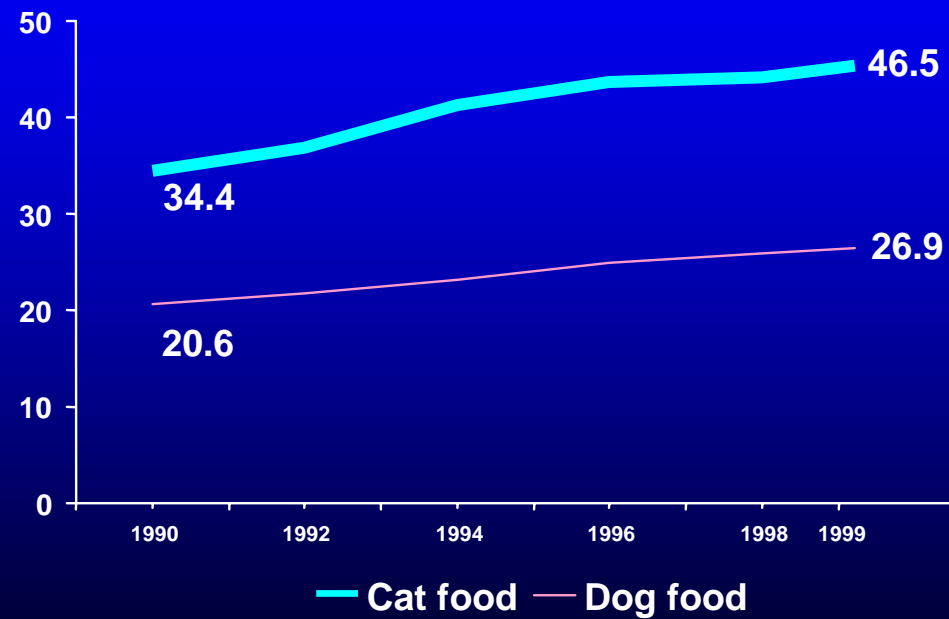
Pet care market growth potential

Pet care spend per household		Commercial pet food penetration
U.S.	\$115/year	67%
Brazil	\$28/year	20%

- Significant further potential in both developed and emerging pet care markets

Source : Nestlé internal estimates - 1998

Global pet care market Growth in commercial pet food penetration (%)

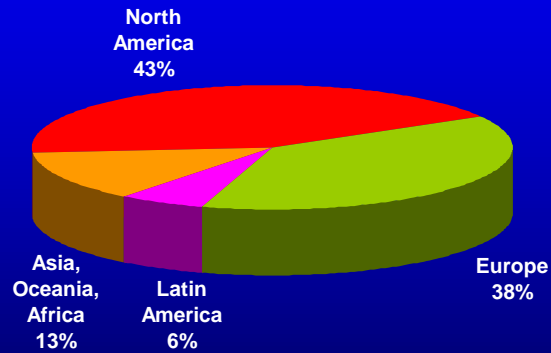


Source : Nestlé internal estimates - 1999

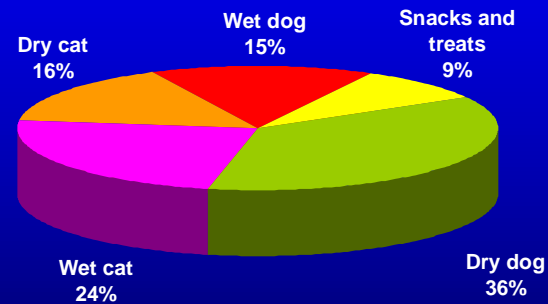


The global dog and cat food market : \$25 bio.

By region



By product type



■ Dog and cat food accounts for 75% of the global pet care market

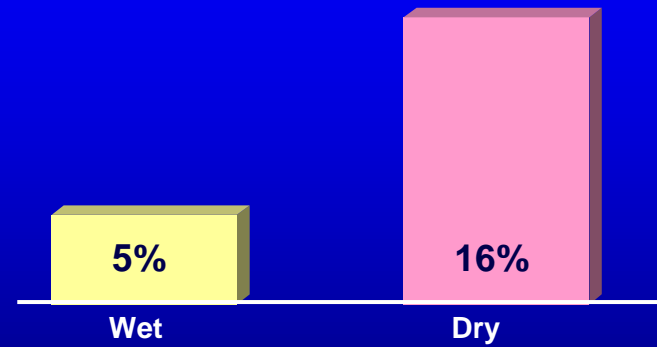
Source : Nestlé internal estimates for 1999



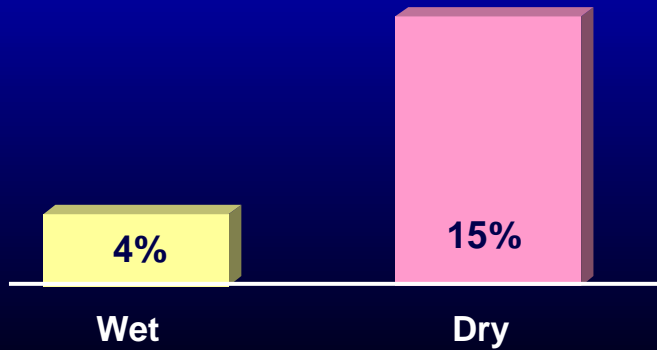
Global shift from wet to dry food

Total volume growth 1996 -1999

Dog



Cat

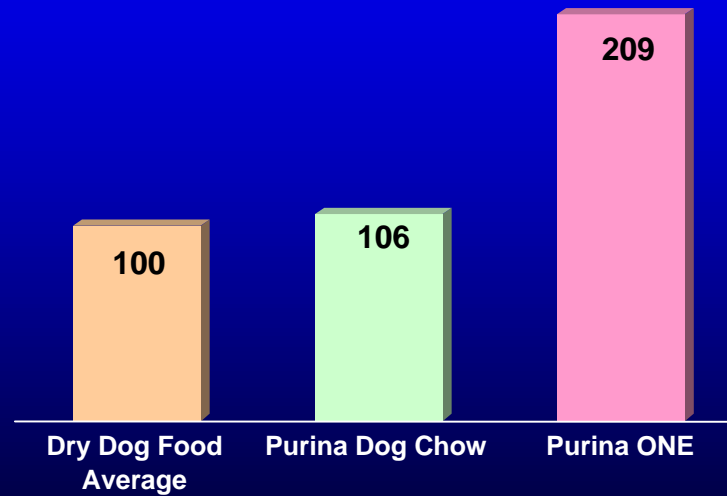


Source : Nestlé internal estimates



Customers value quality

Retail price per ton index - U.S.

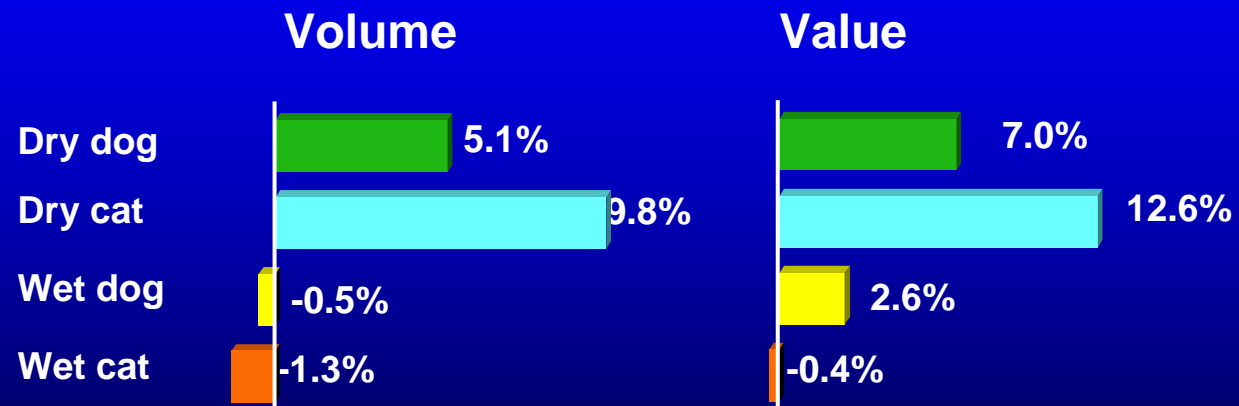


Source : A.C. Nielsen, Grocery + mass merchandisers



Shift to premium food adds value to U.S. volume growth engine

% Change 12 months to Dec. 2000



Source : A.C. Nielsen, Grocery + mass merchandisers



Clear strategic logic

Key success drivers

1. Strength in both dog and cat food

- Marketing and R&D synergy
- Industrial efficiency

2. Strength in both dry and wet food

- Enhanced customer delivery of nutrition and pleasure
- Enhanced sales and margin per serving
- Required for leadership across regions
(Europe 60/40 wet/dry, Latin America 13/87 wet/dry)

Key success drivers (cont.)

3. Strength globally

- Marketing and R&D synergy
- Developed markets for scale and R&D innovation leadership
- Emerging markets for rapid growth

4. Strength in both grocery and non grocery

- Required to reach customers wherever, whenever, however
- Required for scale economies

5. Strength in both standard and premium

- Standard for scale economies
- Premium for margin, growth and credibility among influencers

Friskies & Ralston Purina : fast track integration

- **Implementation plan to be finalised before closing**
- **St. Louis to be headquarters for North America Pet Care (US + Canada)**
- **Combined North America management team under Pat McGinnis committed to achieving business objectives**
- **John Harris, President Friskies U.S., to be global integration manager to bring speed to integration**
- **International (non N. Am.) operations to be integrated rapidly within existing structures**

Friskies & Ralston Purina : superior R&D expertise

Nestlé

- Wet food core competence
- Human food technology and nutrition expertise

Ralston Purina

- Dry food and treats core competence
- Heska strategic alliance for functional foods

Shared expertise

- Pet nutrition expertise
- Palatability / flavor expertise

 Assures long term, proprietary product innovation

Friskies & Ralston Purina : complementary global manufacturing presence



Source: Ralston Purina, Annual report



Friskies and Ralston Purina

- **World class pet care brand portfolio**
- **Strong credibility with pet owners and key influencers**
- **Excellent geographic fit**
- **Broad coverage of the key pet care segments with strong market positions**
- **Low cost, global product supply base**
- **Strong management with proven track records**
- **Significant financial upside**

Compelling financial logic

Key transaction terms

- Definitive merger agreement approved by Nestlé's and Ralston Purina's Board of Directors
- Merger consideration \$33.50 per Ralston Purina share in cash
- Enterprise value of \$10.3 billion
- Closing expected before the end of 2001
- Subject to Ralston Purina shareholder vote and customary regulatory consents

Financial implications

- Deal has a positive net present value even on conservative assumptions
- Cash EPS positive at end of first full year
- Solid single digit cash EPS accretion after full synergies
- Positive impact on Group profit margins
 - Nestlé 1999 EBITDA margin 14.7%
 - Ralston Purina 2000 EBITDA margin 23.8%
- \$10 billion (CHF16 billion) in goodwill and intangibles⁽¹⁾ to be amortised over 20 years

⁽¹⁾ Including existing \$0.4 billion from Ralston Purina

Friskies & Ralston Purina : significant synergy potential

- Minimum \$260 million annual cost savings identified, representing about 4% of combined pet food sales
 - Revenue synergies from sales expansion outside North America through Nestlé / Friskies global organisation
 - “Soft” synergies include brand extensions, transfer of industry know-how, patents and R&D expertise
- ➔ Compelling synergy story compared to recent industry acquisitions

Friskies & Ralston Purina : cost savings

Source	Savings driver	Contribution
Shift Nestlé dry food to Ralston Purina supply chain	Lower conversion costs Lower distribution costs	15%
Consolidate dry factories	Reduced factory overheads	15%
Reduce production costs	Reduced SG&A costs, including sales/ marketing, R&D, fixed distribution and administration	70%



- \$260 mio. annual savings fully achieved in three years (25%, 50%, 100%)
- Costs to achieve estimated at \$250 mio. over 2 years

Valuation parameters

- Transaction value \$10.3 billion (CHF 16.5 billion)
 - \$10.0 billion equity value
 - \$1.2 billion net debt and other liabilities
 - \$(0.9) billion of financial investments⁽¹⁾
- Multiples in line with precedent transactions
 - 15.7x EBITDA pre-synergies, 11.2x after full synergies ⁽²⁾
 - 18.6x EBIT pre-synergies, 12.6x after full synergies ⁽²⁾
- Superior growth trend to continue
 - Ralston Purina stand-alone sales growth 6-7%

⁽¹⁾ Ralston Purina investments in DuPont, Conoco and Interstate Bakeries

⁽²⁾ Pro forma 2000

Financing the transaction

- Acquisition initially financed through use of existing cash and bank bridge financing facility
 - Refinancing through commercial paper and bonds
 - Group net debt / EBITDA ratio falls to less than one at the end of the second year
 - EBITDA / Interest ratio moves up to the high teens in the second year
- ➔ Seek to maintain best of breed credit rating

Reinforcing Nestlé pet care

- Pet care increasing from 7% to 12% of Nestlé Group sales⁽¹⁾
- Pet care increasing from 5% to 13% of Nestlé Group EBITA⁽¹⁾
- Pet care increasing from 5% to 16% of Nestlé Group EBITA⁽¹⁾ after achieving the cost savings

⁽¹⁾ Based on 1999 figures as reference

Conclusion

Nestlé's strategic evolution

STRATEGIC EXPANSION

- Broadened product range and geographical scope - acquisitions of Carnation, Friskies, Buitoni, Rowntree, Perrier, Spillers Petfood

CONSOLIDATION

- Focus on financial returns and value creation
- Development of framework for strategic direction and operational efficiency

LEADER IN GROWTH AREAS

- Excellent strategic fit
- Focus on internal growth and strong financial rationale
- Ralston Purina: complementary and transforming

1980s – early 1990s

1997 – 2000

2001



Nestlé acquisition strategy

- To be category No. 1 or a strong No. 2
- Generate positive value for shareholders
- Focused approach
- Value-added growth categories, e.g. health-oriented / wellness
- Strong brands in leadership positions
- RIG, cash flow and earnings enhancing
- High degree of certainty of successful integration
- Maintain strong credit ratings and financial flexibility



Ralston Purina meets these criteria

Low business risk

- Nestlé/Carnation - over 60 years experience in pet care
- Ralston Purina - over 100 years in pet care
- Ralston Purina - 100% pet care
- Friendly deal - highly regarded Ralston Purina management committed to the combined business
- High quality, predictable growth

Nestlé and Ralston Purina market leadership

100% of Ralston Purina contributes to Nestlé's core business

Nestlé Global Number One Market Positions

- **Pet care**
- Soluble coffee
- Mineral water
- Chocolate drinks
- Chocolate & confectionery
- Powder and condensed milk
- Frozen prepared dishes
- Dehydrated seasonings
- Infant nutrition

Nestlé is the leading processed food Group

1999 food & beverage sales
(alcoholic beverages excluded)
(\$ in millions)

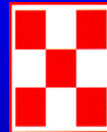


Source: Annual reports /
estimates



Nestlé & Ralston Purina : A major player

- Global leadership in the pet care market
- Stronger, more balanced product portfolio
- Geared for faster growth
- Significant cost savings
- Proven management team
- NPV positive on conservative assumptions



Ralston Purina Company

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