



**Nestlé** Good Food, Good Life

## Half Year Results 2016

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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.

# Sustained growth momentum and margin improvement

*Growth*

**OG +3.5%**  
**RIG +2.8%**

*Trading  
Operating Profit\**

**+ 30 bps**  
(+30 bps reported)

*Free  
Cash Flow*

**CHF 3.3 bn**  
(+ 41 %)

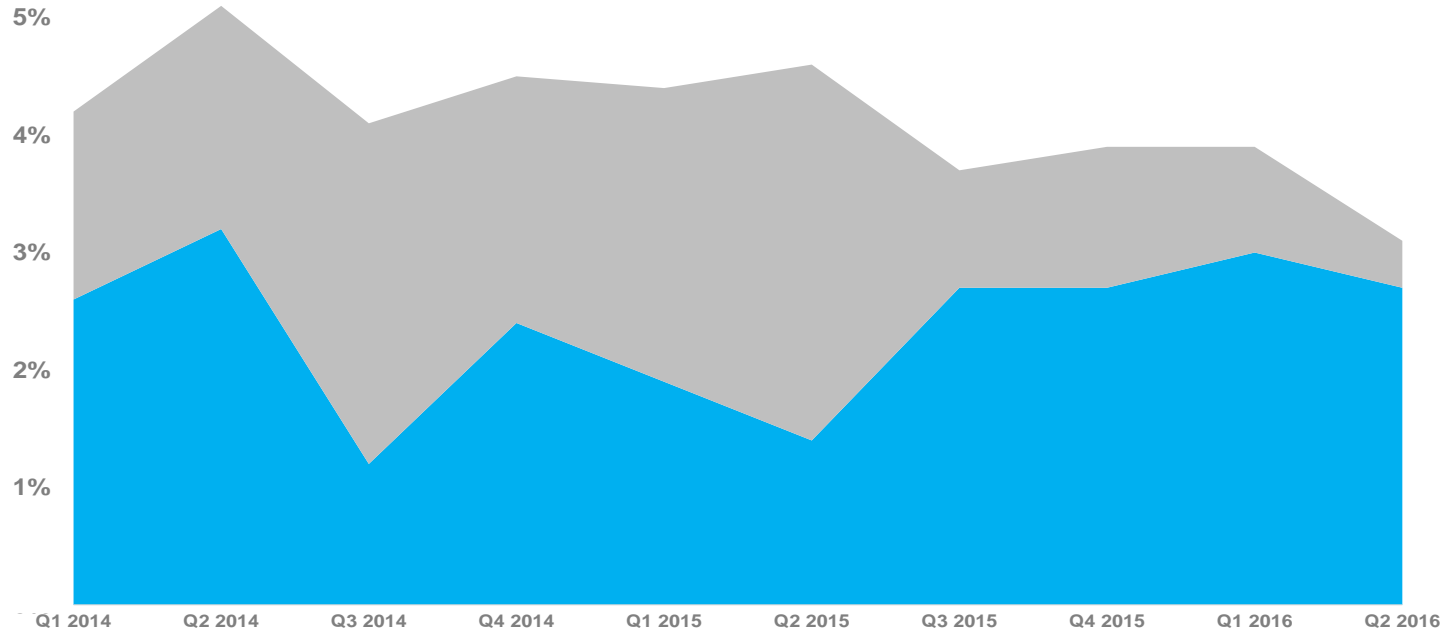
*Underlying  
Earnings Per Share\**

**+ 5.7 %**  
(+ 5.5 % reported)

*\*in constant currency*

# OG driven by sustainable strong RIG with low pricing

■ % Real Internal Growth  
■ % Pricing



# Broad-based OG and RIG

**AMS**

**EMENA**

**AOA**

Sales  
(in CHF)

**18.7 bn**

**13.4 bn**

**11.1 bn**

RIG

**+2.8%**

**+2.8%**

**+2.9%**

OG

**+4.7%**

**+2.5%**

**+2.3%**

*Each geography includes Zones, Nestlé Waters, Nestlé Nutrition, Nestlé Professional, Nespresso, Nestlé Health Science, and Nestlé Skin Health*

# Increasing RIG in Developed *and* Emerging Markets

Developed

Emerging

**Sales** (in CHF)  
% of Group sales

**24.8 bn**  
58%

**18.4 bn**  
42%

**Real Internal Growth**  
HY 2015

**2.6%**  
1.8%

**3.1%**  
1.6%

**Organic Growth**  
HY 2015

**1.9%**  
2.2%

**5.4%**  
7.3%

# Growth through innovation

## Natural & Organic



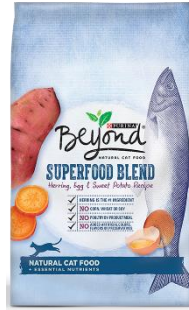
Coffee-mate  
Natural Bliss

+53% OG



Lean  
Cuisine

+19% OG



Purina  
Beyond

+42% OG

## Nutrition & Added Value Science



Boost Simply  
Complete

Boost range  
+17% OG



Wyeth Illuma  
*upgrade*

+30% OG



Soolantra

+36% OG

# Zone AMS

Sales: CHF 12.1 bn			
RIG %	2.5	OG %	5.1

Trading Operating Profit			
TOP %	17.8	vs. LY	-20 bps



- Good growth momentum and market share gains across the Zone
- **North America** had volume-driven growth
  - US Frozen Foods continued to sustain positive performance
  - *Coffee-mate* and petcare continued to do well
- **Latin America** had positive RIG and pricing
  - Brazil accelerated, despite volatile macroeconomic environment
  - Mexico was resilient with broad-based growth
- Margin: benefits from pricing and operational savings outweighed by negative forex in Latin America and increased marketing investment across Zone





# Zone EMENA

Sales: CHF 8.1 bn			
RIG %	3.0	OG %	2.6

Trading Operating Profit			
TOP %	16.9	vs. LY	+70 bps



- Good RIG momentum and market share gains across the Zone
- **Western Europe** had soft pricing in deflationary environment
  - Spain/Portugal, Nordics, and France had solid RIG
  - *Nescafé Dolce Gusto*, petcare, and pizza grew well
- **Central & Eastern Europe** had double-digit OG
  - Russia sustained good growth, led by *Nescafé*
  - Petcare, coffee, and chocolate were highlights across the region
- **Middle East and North Africa** were positive despite instability
  - Coffee drove growth while Dairy remained challenged
- Margin: active portfolio management, improved product mix and lower input costs allowed increased brand investment

# Zone AOA



Sales: CHF 7.1 bn			
RIG %	2.4	OG %	2.3

Trading Operating Profit			
TOP %	19.6	vs. LY	+140 bps

- Improving momentum across Zone and India recovering, however overall performance weighed down by Yinlu
- **China** was supported by strong *Nescafé* and confectionery, while Yinlu turnaround will take more time
- **India** was positive with *Maggi* noodles gaining momentum
- **ASEAN** had high single-digit growth, led by *Milo* and dairy
- **Sub-Saharan Africa** grew with double-digit OG in ambient culinary, dairy, and *Milo*
- **Japan** did well, **Oceania** was challenged
- Margin: benefits from efficiency savings, lower input costs, and fewer costs related to Maggi withdrawal of 2015

# Nestlé Waters



Sales: CHF 3.9 bn			
RIG %	4.7	OG %	4.2

Trading Operating Profit			
TOP %	12.4	vs. LY	+90 bps

- Volume-driven growth in all geographies
  - **Developed markets** had good performance despite deflationary environment and poor weather conditions
  - **Emerging markets** had double-digit organic growth
- Premium brands *Perrier* and *S.Pellegrino* had high single-digit growth
- Local brands *Poland Spring*, *Ice Mountain*, *Erikli*, and *Zephyrhills* were among highlights
- Margin: improvements from more premium mix, operational cost efficiencies, and lower PET costs

# Nestlé Nutrition



Sales: CHF 5.2 bn			
RIG %	1.1	OG %	1.3

Trading Operating Profit			
TOP %	23.2	vs. LY	+20 bps

- Category affected by limited pricing
- US and China were soft, overshadowing good momentum in other markets:
  - US: continued to be affected by exit from certain regional contracts and transition to new packaging
  - China: slower demand for mainstream brands due to softer overall market, however super-premium remained a growth driver
- Other emerging markets performed well:
  - Brazil, Mexico, Philippines, Pakistan, and Indonesia
- Margin: mix and lower input costs supported increased brand investment

# Other Businesses

Sales: CHF 6.8 bn			
RIG %	4.2	OG %	4.2

Trading Operating Profit			
TOP %	16.4	vs. LY	+60 bps



## ■ Nespresso

- Good broad-based growth which was supported by geographic expansion
- *VertuoLine* drove positive results in North America

## ■ Nestlé Professional

- Growth was driven by emerging markets
- Beverage solutions and flavor solutions continued to perform well

## ■ Nestlé Health Science

- Consumer Care maintained its double-digit growth
- Medical Nutrition had good performance, led by allergy portfolio

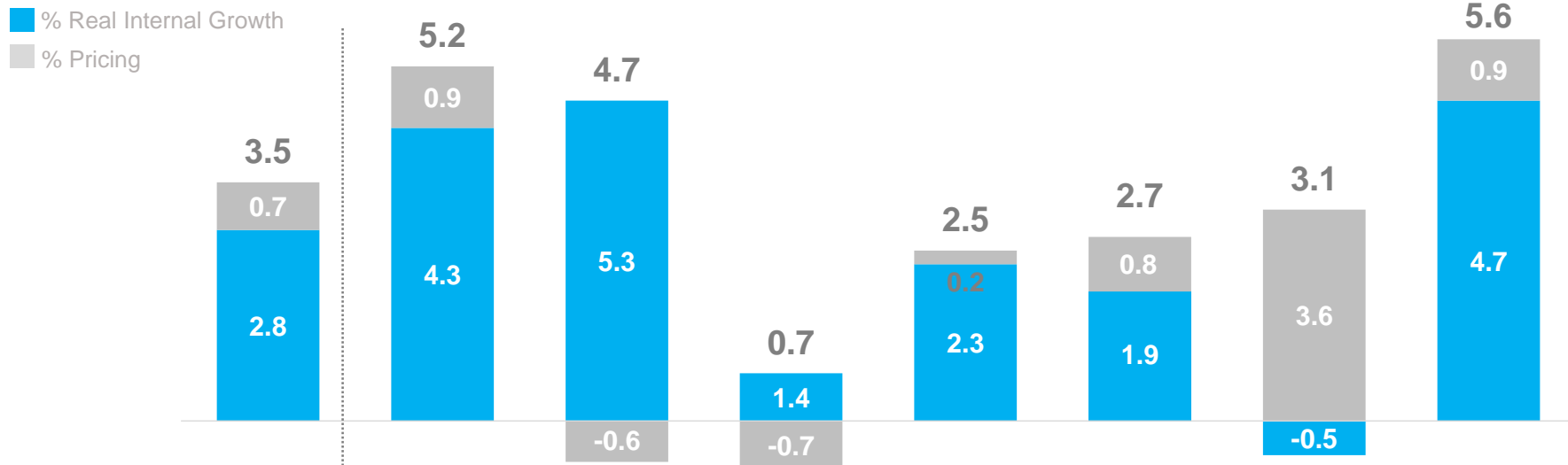
## ■ Nestlé Skin Health

- Growth came from RIG and strong Prescriptions business

- Margin: lower input costs, portfolio management, and cost discipline, allowing increased marketing spend



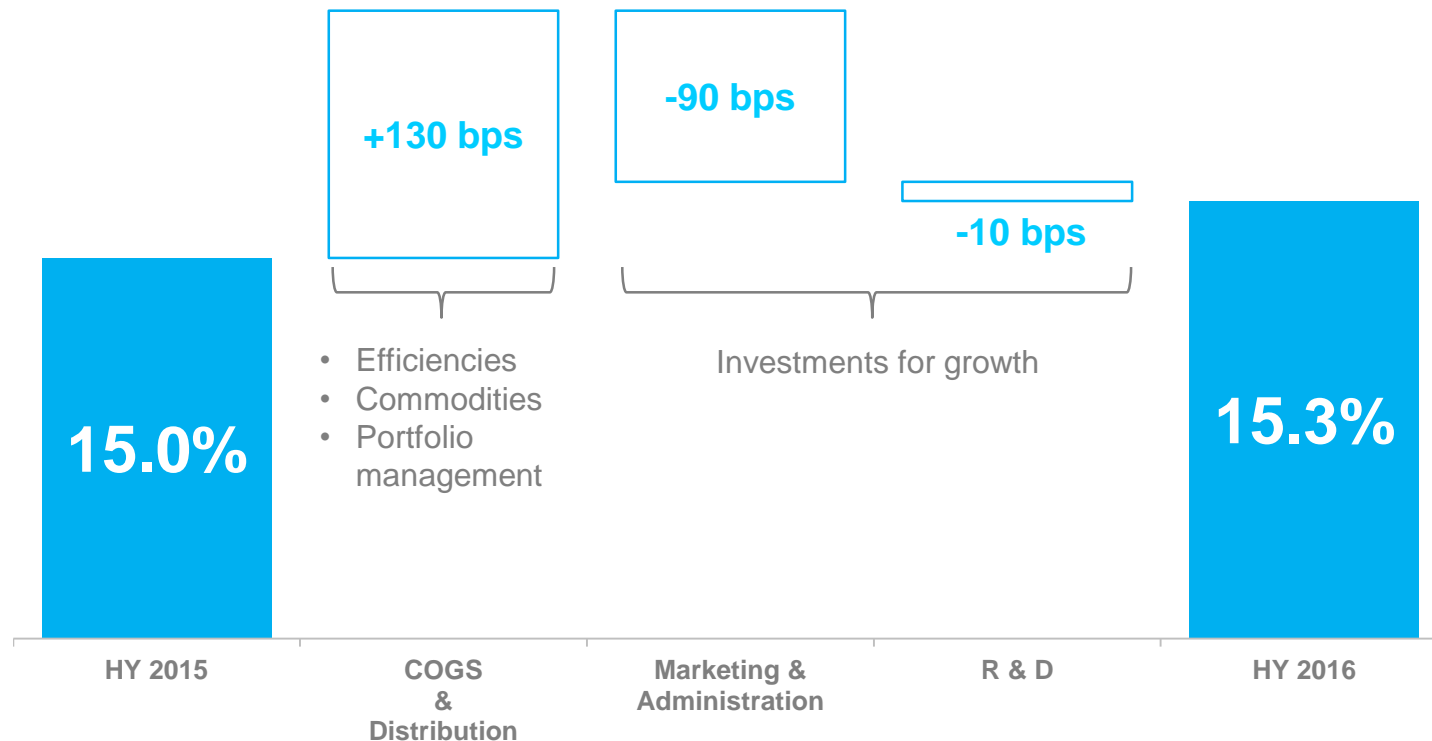
# Broad-based growth across product groups



	TOTAL GROUP	Powdered and Liquid Beverages	Water	Milk products and Ice cream	Nutrition and Health Science	Prepared dishes and cooking aids	Confectionery	PetCare
<b>Sales</b> <i>(CHF bn)</i>	43.2	9.7	3.7	7.0	7.4	5.9	3.7	5.8
<b>TOP %</b> <i>(in bps)</i>	15.3 +30	22.7 +20	12.5 +60	17.4 +70	18.5 -50	15.1 +300	10.3 -80	20.6 -40



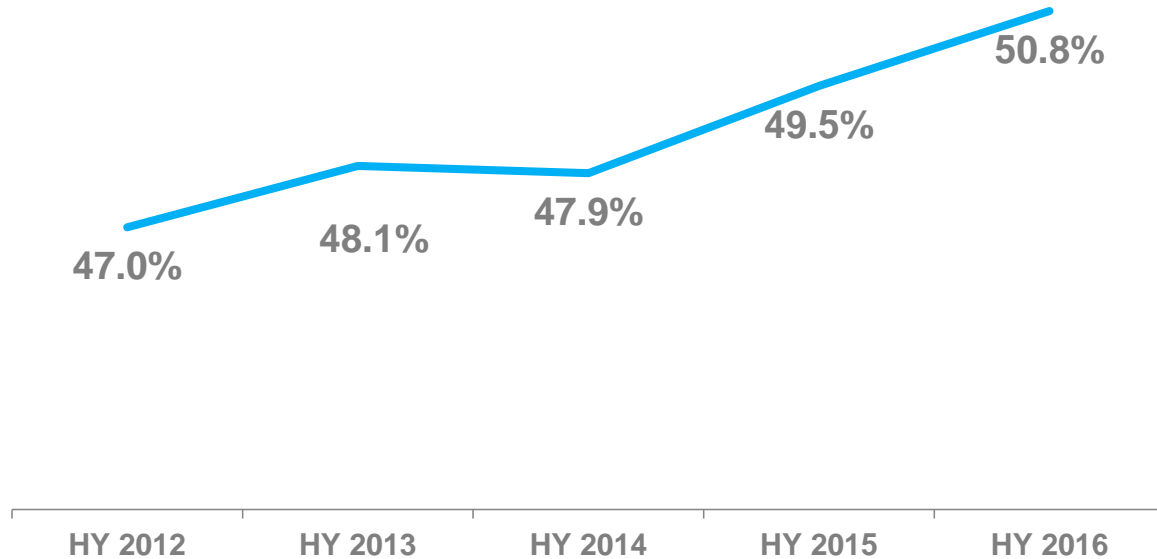
# Trading Operating Profit +30 bps



+30bps in both reported and constant currency

# Cost efficiencies and portfolio management driving gross margin evolution

*Gross margin as a % of sales*





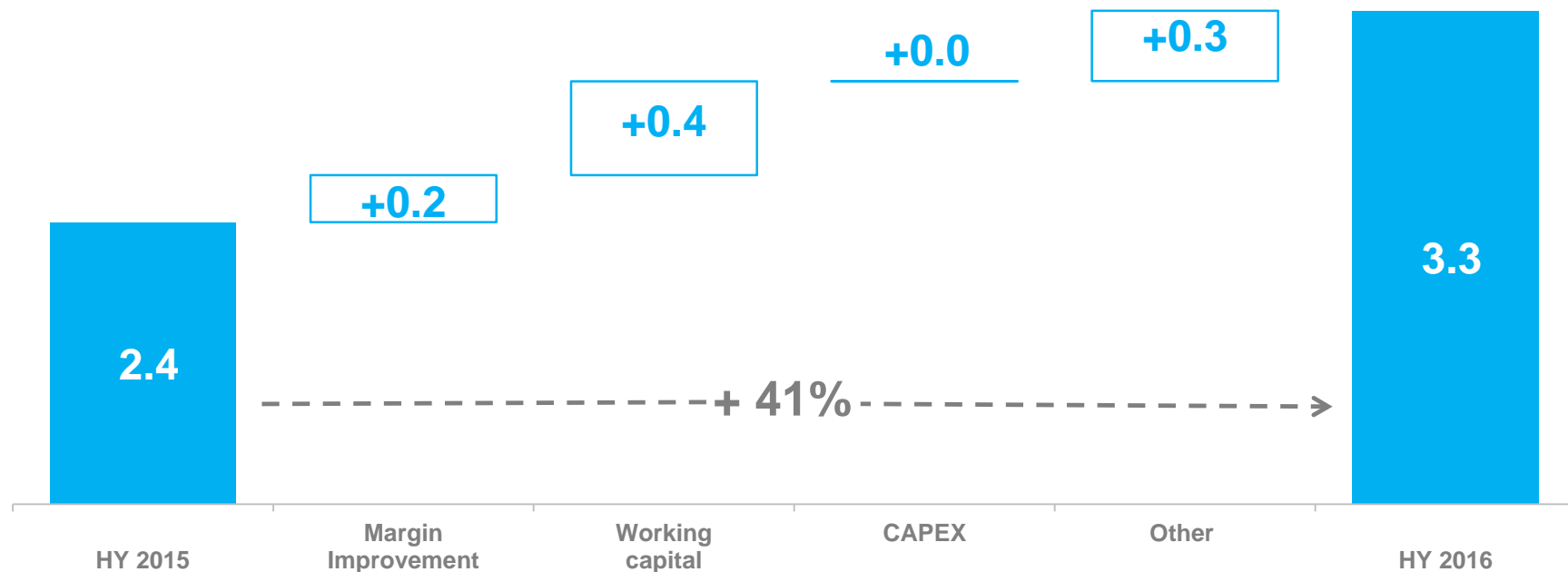
# Underlying EPS +5.7% in constant currency

Total Group	HY 2015	HY 2016	Difference
	% of sales	% of sales	bps
<b>Trading Operating Profit</b>	<b>15.0</b>	<b>15.3</b>	<b>30</b>
Net other operating income/expenses	(0.8)	(0.3)	50
Net financial income/expenses	(0.8)	(0.7)	10
Taxes *	(3.5)	(5.4)	-190
Income from associates and JVs	1.2	1.0	-20
Non-controlling interests	(0.6)	(0.4)	20
<b>Net profit</b>	<b>10.5</b>	<b>9.5</b>	<b>-100</b>
<b>Earnings per share</b>			
	CHF	CHF	%
Underlying EPS	1.56	1.65	+5.5%
<b>Underlying EPS <i>in constant currency</i></b>			<b>+5.7%</b>

\* CHF 0.5 bn from one-off due to change in tax legislation in Vaud canton

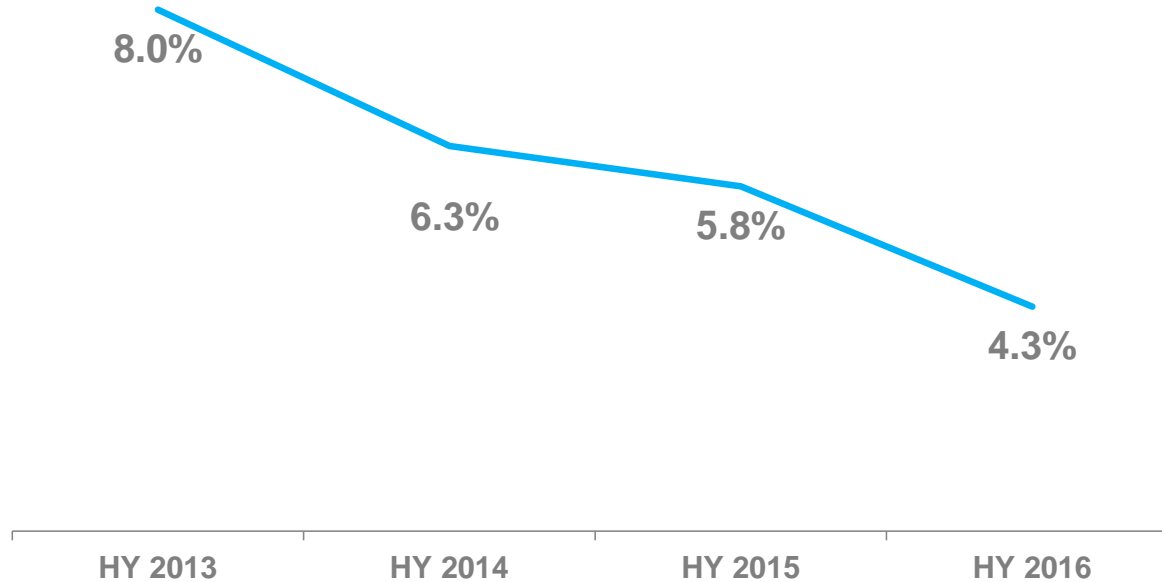
# Cost / CAPEX control, and working capital improvement drove strong free cash flow

In CHF bn



# Continued focus on working capital

*Average working capital as a % of sales*



# Summary

- Strong real internal growth momentum continued
- Pricing at historical low but expected to improve
- Further gains in market share
- Strong gross margin improvement, partly re-invested in Marketing
- Operating profit improvement reflecting cost discipline
- Industry leading Free Cash Flow, improved Working Capital
- Full-Year Outlook confirmed:

**Organic growth in line with 2015, with improvements in margins and underlying earnings per share in constant currencies, and capital efficiency.**



# Half Year Results 2016

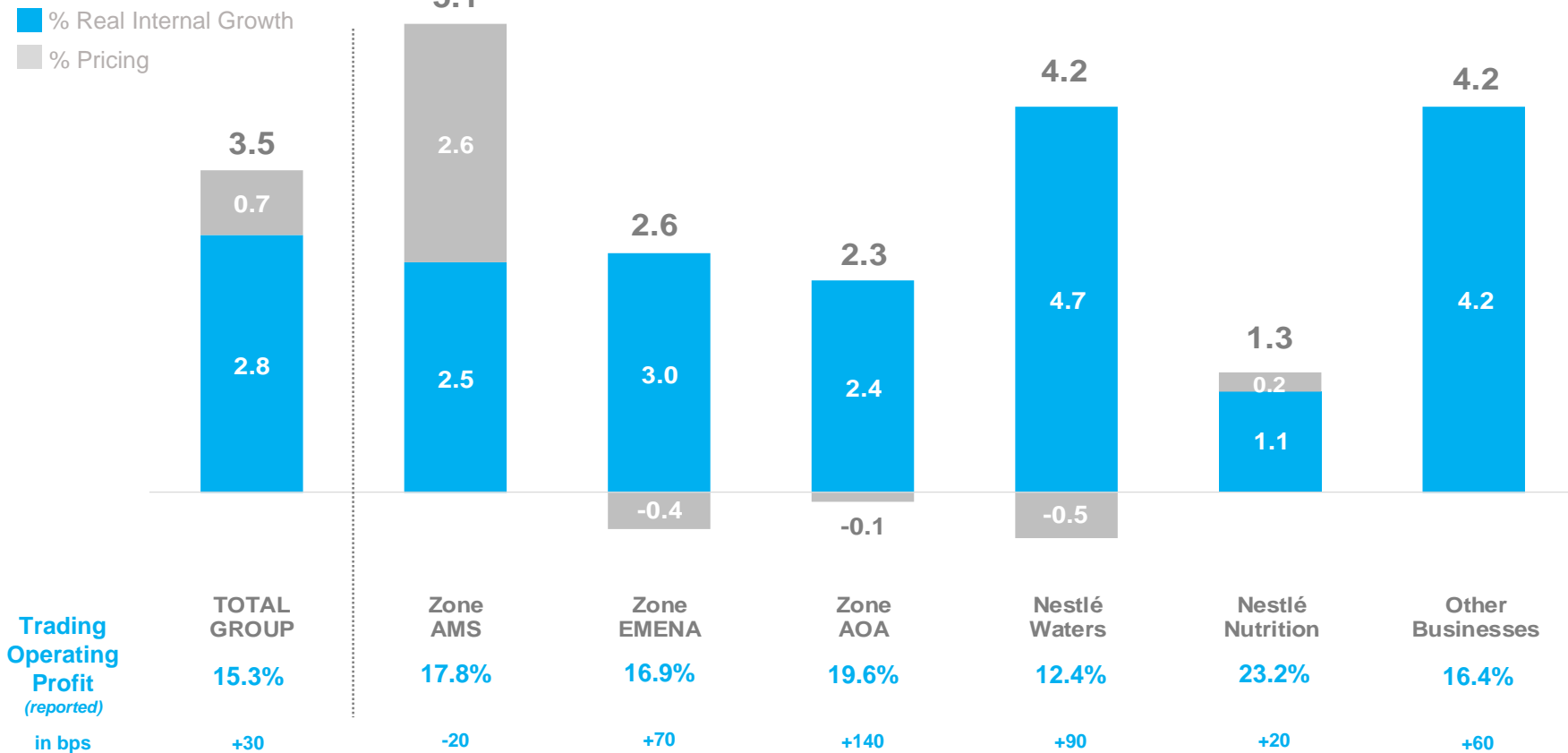
## Discussion



# Half Year Results 2016

## Supporting Slides

# Operating Segments



# Currency Overview

				Weighted average rate		
				HY 2015	HY 2016	Variation
US Dollar	1	USD	0.95	<b>0.98</b>	<b>+3.6%</b>	
Euro	1	EUR	1.06	<b>1.10</b>	<b>+3.7%</b>	
Chinese Yuan Renminbi	100	CNY	15.24	<b>15.04</b>	<b>-1.3%</b>	
Brazilian Reais	100	BRL	31.82	<b>26.68</b>	<b>-16.1%</b>	
UK Pound Sterling	1	GBP	1.44	<b>1.41</b>	<b>-2.5%</b>	
Mexican Pesos	100	MXN	6.26	<b>5.44</b>	<b>-13.2%</b>	
Philippine Pesos	100	PHP	2.13	<b>2.10</b>	<b>-1.5%</b>	
Canadian Dollar	1	CAD	0.77	<b>0.74</b>	<b>-3.5%</b>	
Russian Ruble	100	RUB	1.66	<b>1.407</b>	<b>-15.4%</b>	
Australian Dollar	1	AUD	0.74	<b>0.72</b>	<b>-2.7%</b>	
Japanese Yen	100	JPY	0.79	<b>0.88</b>	<b>+11.7%</b>	



# FX Impact

	<b>FX Impact</b>
	<b>HY 2016</b>
Zone AMS	<b>-4.9%</b>
Zone EMENA	<b>0.0%</b>
Zone AOA	<b>-1.7%</b>
Nestlé Waters	<b>+1.0%</b>
Nestlé Nutrition	<b>-3.2%</b>
Other Businesses	<b>-0.3%</b>
<b>Total</b>	<b>-2.0%</b>

# Quarterly Summary – by operating segment

	Second Quarter 2016		
	Sales (CHF bn)	RIG %	OG %
Zone AMS	6.3	2.3	5.1
Zone EMENA	4.1	3.0	2.0
Zone AOA	3.5	3.0	2.5
Nestlé Waters	2.1	3.8	3.3
Nestlé Nutrition	2.6	0.1	0.1
Other Businesses	3.6	3.9	3.3
<b>TOTAL GROUP</b>	<b>22.2</b>	<b>2.7</b>	<b>3.1</b>

# Quarterly Summary – historical 10 quarters

Period	RIG %	Pricing %	OG %
Q1 2014	2.6	1.6	4.2
Q2 2014	3.2	1.9	5.1
Q3 2014	1.2	2.9	4.1
Q4 2014	2.4	2.1	4.5
Q1 2015	1.9	2.5	4.4
Q2 2015	1.4	3.2	4.6
Q3 2015	2.7	1.0	3.7
Q4 2015	2.7	1.2	3.9
Q1 2016	3.0	0.9	3.9
Q2 2016	2.7	0.4	3.1

# Glossary & Footnotes

## Abbreviations

OG            *Organic Growth*

RIG           *Real Internal Growth*

TOP           *Trading Operating Profit*

FCF           *Free Cash Flow*

COGS        *Cost of Goods Sold*

AMS           *Zone Americas*

EMENA       *Zone Europe, Middle East, and North Africa*

AOA           *Zone Asia, Oceania, and sub-Saharan Africa*