



Nestlé

Good Food, Good Life



Full-year results 2017 Conference

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

Good Food, Good Life



Full-year results 2017

Mark Schneider, CEO

Key messages



- Organic growth at the higher end of industry, at lower end of our guidance
- Solid improvement of underlying trading operating margin puts us on track for our 2020 margin target
- Continued focus on organic sales growth and operating efficiencies
- Encouraging progress with our portfolio management strategy
- 2020 growth and margin targets confirmed

2017 performance highlights



Sales

CHF

89.8 bn

Organic growth

+2.4%

Real internal
growth

+1.6%

Underlying TOP
margin*

+50 bps

* In constant currency

Delivering on our commitments



Commitments

- Deliver balanced growth with margin improvement
- Optimize portfolio
- Drive speed and simplicity in our global organization
- Commitment to long-term value creation

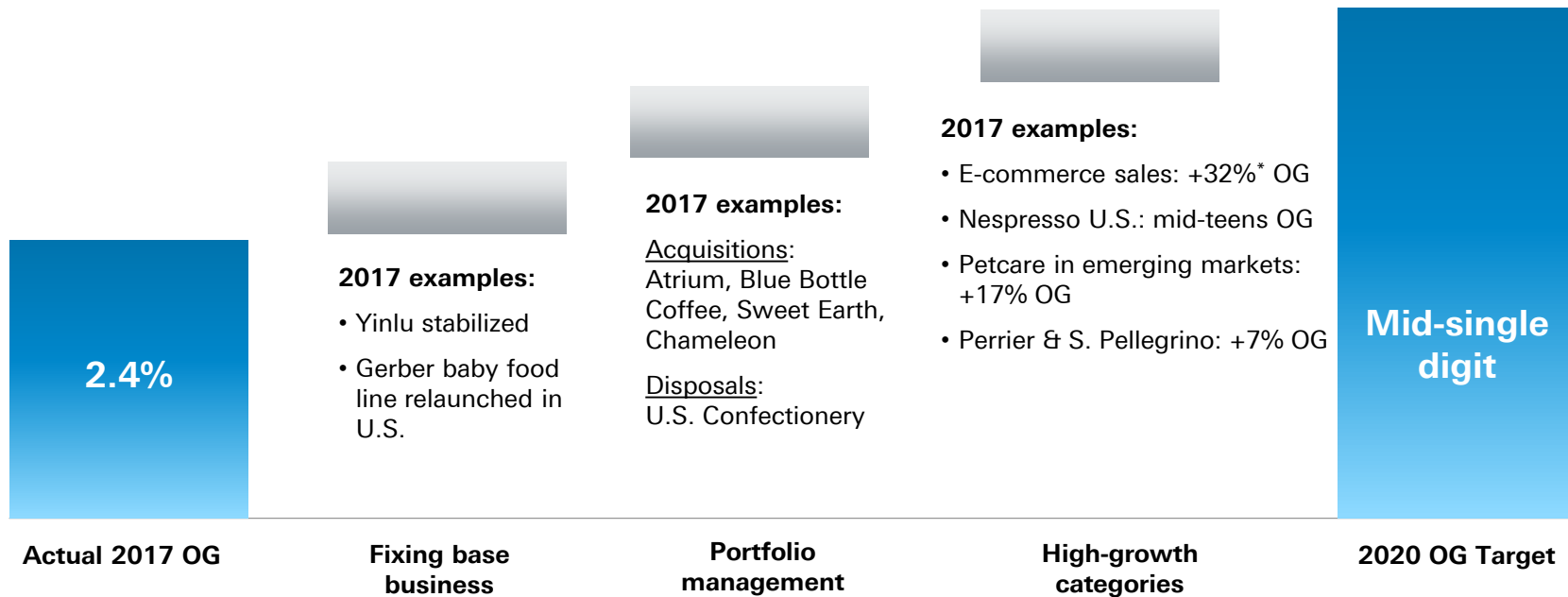
2017 Achievements

- Industry-leading volume growth; all categories with positive sales growth; UTOP +50 bps*
- U.S. Confectionery, Atrium, Blue Bottle Coffee...
- Adjustment of management structures (Nestlé Nutrition, Nestlé Professional)
- 18.2% TSR improvement in 2017**

* In constant currency

** In CHF (Source: Bloomberg)

Clear path to achieving mid-single digit growth by 2020

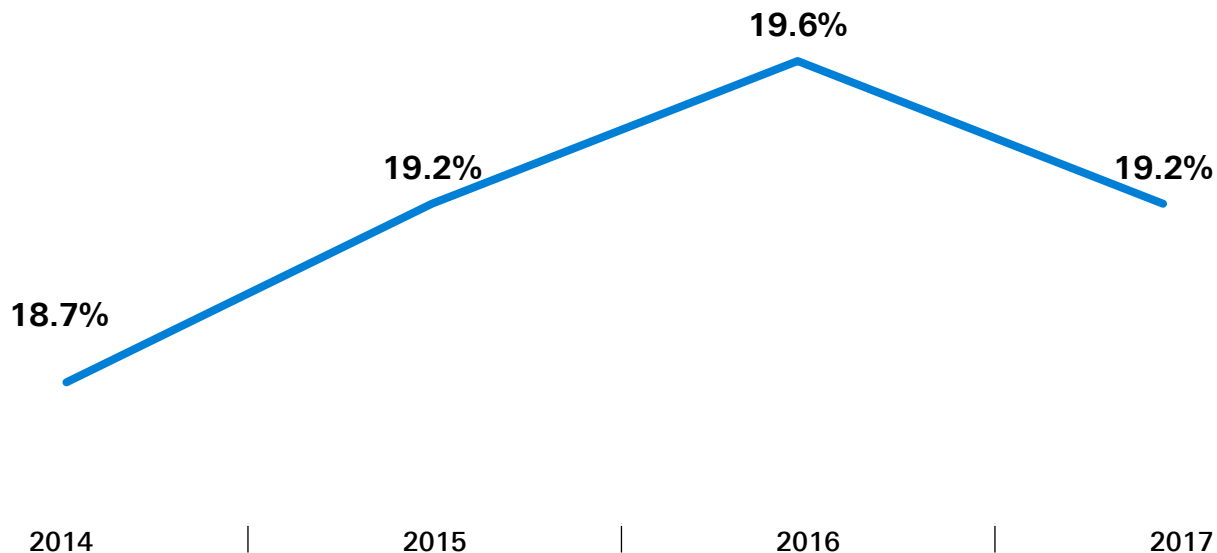


* Excluding Nespresso

Operating efficiencies driving margin improvement



FY structural costs* as a % of sales
(Manufacturing, Procurement, G&A)



* On comparable basis, excluding Froneri

Active portfolio management

U.S. Confectionery/Atrium example



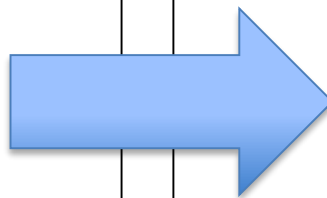
Disposed: USD 2.8 billion

- Sales: ~USD 900 million
- 2015-2017 CAGR: negative sales growth



Acquired: USD 2.3 billion

- Sales: ~USD 700 million
- 2015-2017 CAGR: double-digit sales growth



ATRIUM
INNOVATIONS



2018 outlook



- Organic sales growth of 2% to 4%
- Underlying trading operating margin improvement in line with 2020 target
- Restructuring costs* of around CHF 700 million
- Increase in underlying EPS** and capital efficiency

* Not including impairment of fixed assets, litigation and onerous contracts

** In constant currency



Nestlé Good Food, Good Life



Full-year results 2017

François-Xavier Roger, CFO

2017 performance highlights



Growth

OG +2.4%
RIG +1.6%

Underlying TOP
margin*

+50 bps

+40 bps on a reported basis

Free cash flow

CHF

8.5 bn

9.5% of sales

Underlying EPS*

+4.7%

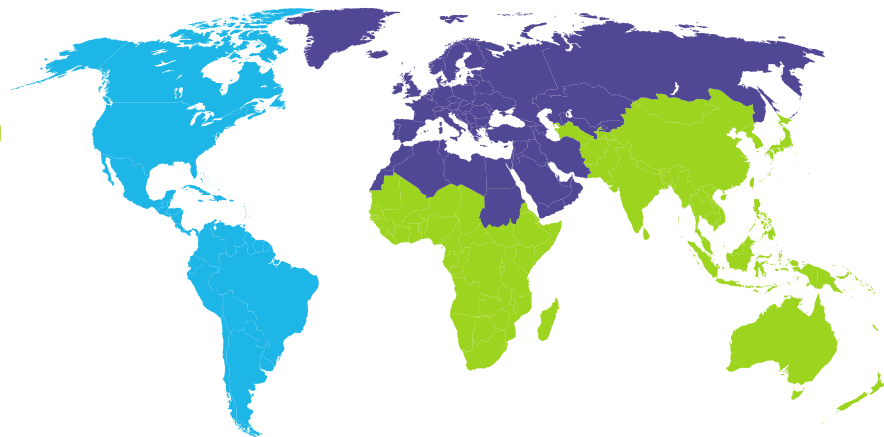
+4.6% on a reported basis

* in constant currency

Broad-based growth across geographies



	AMS	EMENA	AOA
Sales (in CHF)	40.7 bn	26.1 bn	23.0 bn
RIG	0.6%	1.8%	3.3%
OG	1.3%	2.5%	4.3%

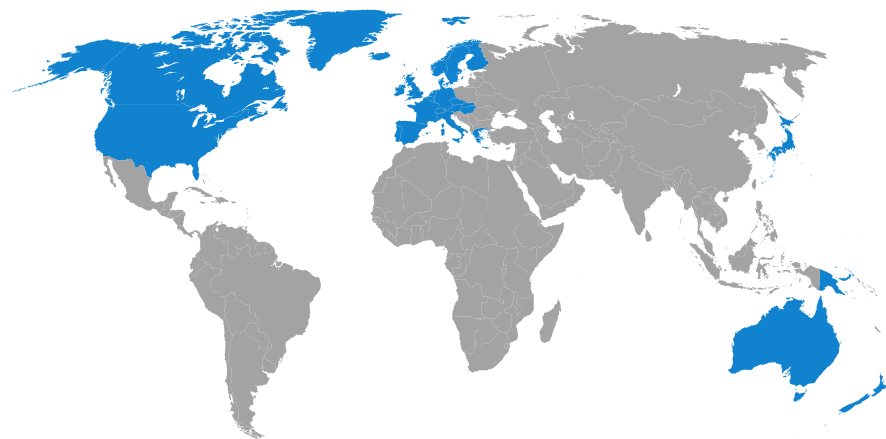


Each geography includes zones, Nestlé Waters, Nestlé Nutrition, Nestlé Professional, Nespresso, Nestlé Health Science and Nestlé Skin Health

Accelerated RIG in emerging markets



	Developed	Emerging
Sales (in CHF) % of group sales	51.3 bn 57%	38.5 bn 43%
RIG	0.7%	3.0%
OG	0.7%	4.8%



Zone AMS



Sales	CHF 28.5 bn
Organic growth	0.9%
Real internal growth	0.2%
Underlying TOP margin vs LY	20.3% +60 bps

- U.S. with flat organic growth (excluding confectionary business) in a context of soft consumer demand
- Brazil with negative organic growth coming from dairy deflation
- Petcare with another strong year in Latin America, with double-digit growth
- Margin supported by efficiency savings and benefits from restructuring projects



Zone EMENA



Sales	CHF 16.5 bn
Organic growth	2.3%
Real internal growth	1.7%
Underlying TOP margin vs LY	18.1% +80 bps

- Good organic growth momentum, with improvement in RIG and pricing
- Western Europe: positive contribution to organic growth with good RIG in petcare and culinary
- Central and Eastern Europe: strong RIG-driven growth
- Middle East and North Africa: mid-single digit growth, led strong performance of *Nescafé*
- Margin supported by pricing, portfolio management, and cost savings, offsetting higher commodities



Zone AOA



Sales	CHF 16.2 bn
Organic growth	4.7%
Real internal growth	2.9%
Underlying TOP margin vs LY	20.1% +20 bps

- China with positive organic growth despite difficult Q4 comparables
- South-East Asia with strong RIG, led by *Milo*
- South Asia region with solid growth
- Oceania and Japan with volume-based growth
- Margin supported by pricing, efficiencies, and structural cost savings, outweighing higher commodities



Nestlé Waters



Sales	CHF 8.0 bn
Organic growth	2.1%
Real internal growth	1.8%
Underlying TOP margin vs LY	12.7% +20 bps

- Organic growth subdued, reflecting softer growth in North America and Europe
- Regional brands in North America with weak demand and pricing pressures
- International premium brands with accretive growth
- Asia and Latin America with strong growth for emerging markets
- Margin supported by efficiencies, cost savings, and favourable mix, more than offsetting higher PET costs



Nestlé Nutrition



Sales	CHF 10.4 bn
Organic growth	1.1%
Real internal growth	0.9%
Underlying TOP margin vs LY	23.0% -10 bps

- Growth in China remained soft, but improved in the second half of the year, led by *illumina* and *NAN*
- The U.S. had slightly positive organic growth, with the Gerber re-launch ongoing and cereals performing well
- Brazil was strongly impacted by milk price deflation
- South Asia and Middle East had RIG-driven growth
- Margin slightly down, mainly due to lower profitability in Brazil



Other Businesses

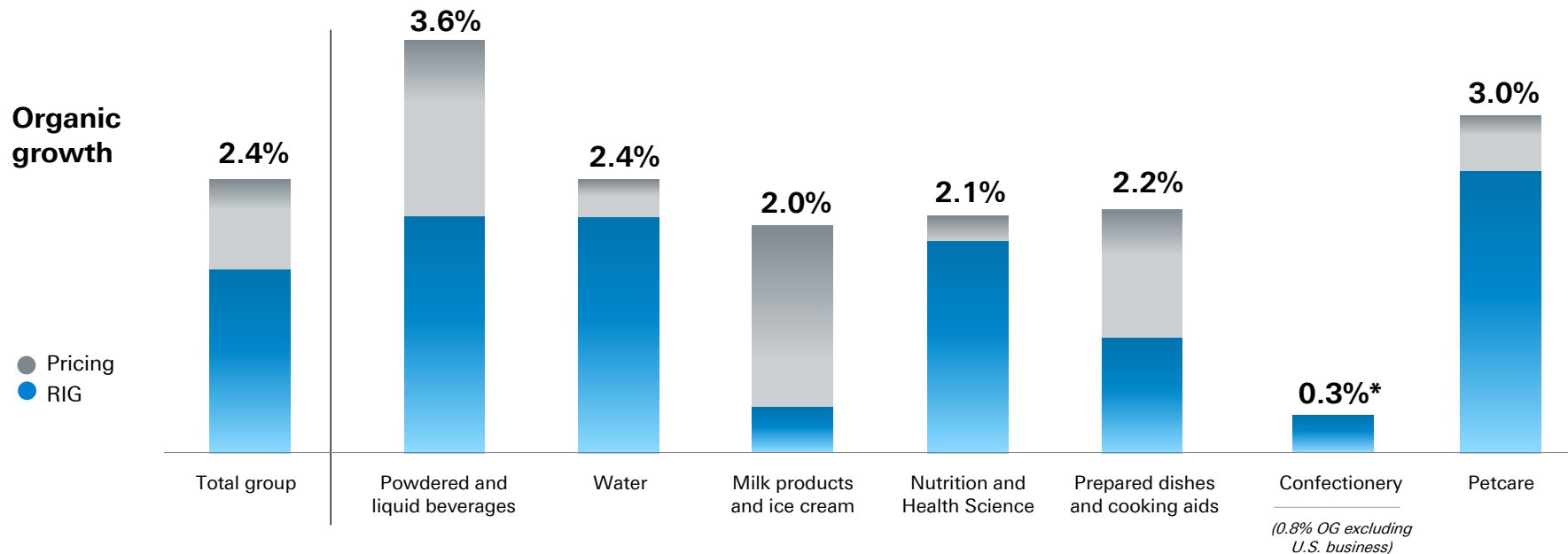


Sales	CHF 10.2 bn
Organic growth	4.8%
Real internal growth	4.5%
Underlying TOP margin vs LY	15.9% +50 bps

- Nespresso held strong organic growth, with all regions positive and even double-digit growth in the Americas
- Nestlé Skin Health returned to accretive growth to the Group
- Nestlé Health Science had mid single-digit organic growth, led by Medical Nutrition
- Margin increase driven by an improvement in Nestlé Skin Health

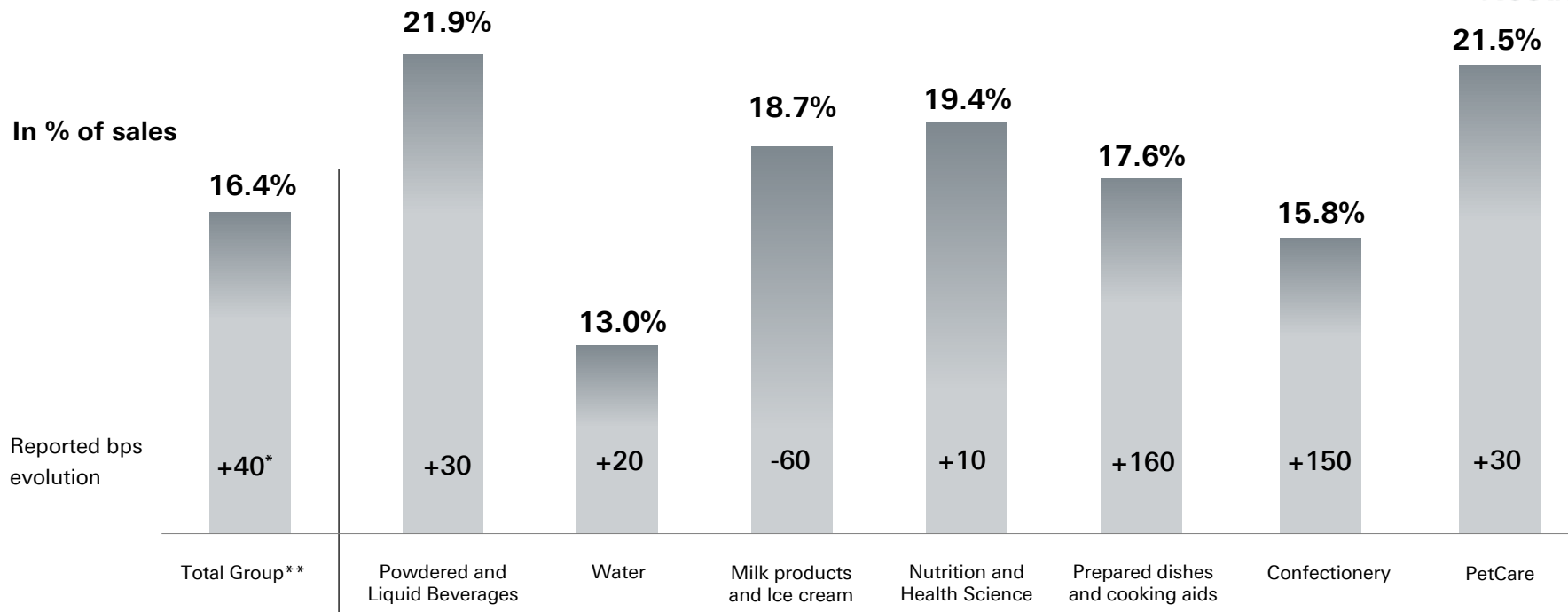


Growth by products



* Comprised of +1.4% RIG and -1.1% pricing

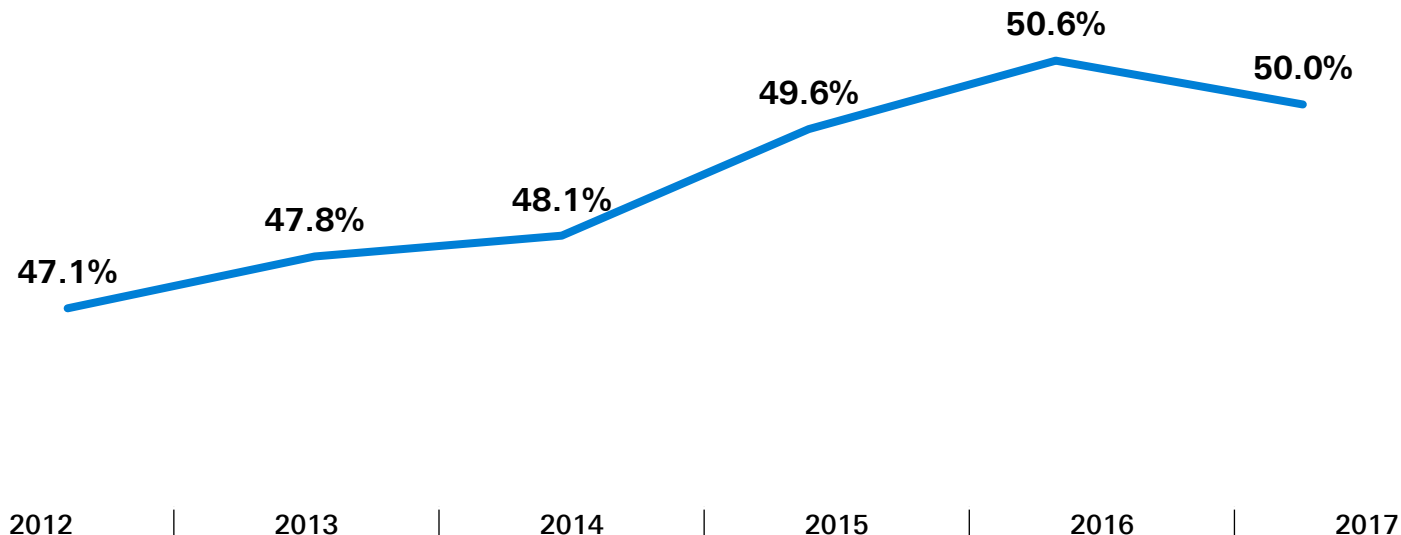
Underlying TOP margin by products



*Underlying TOP +40 bps as reported, +50 bps in constant currency

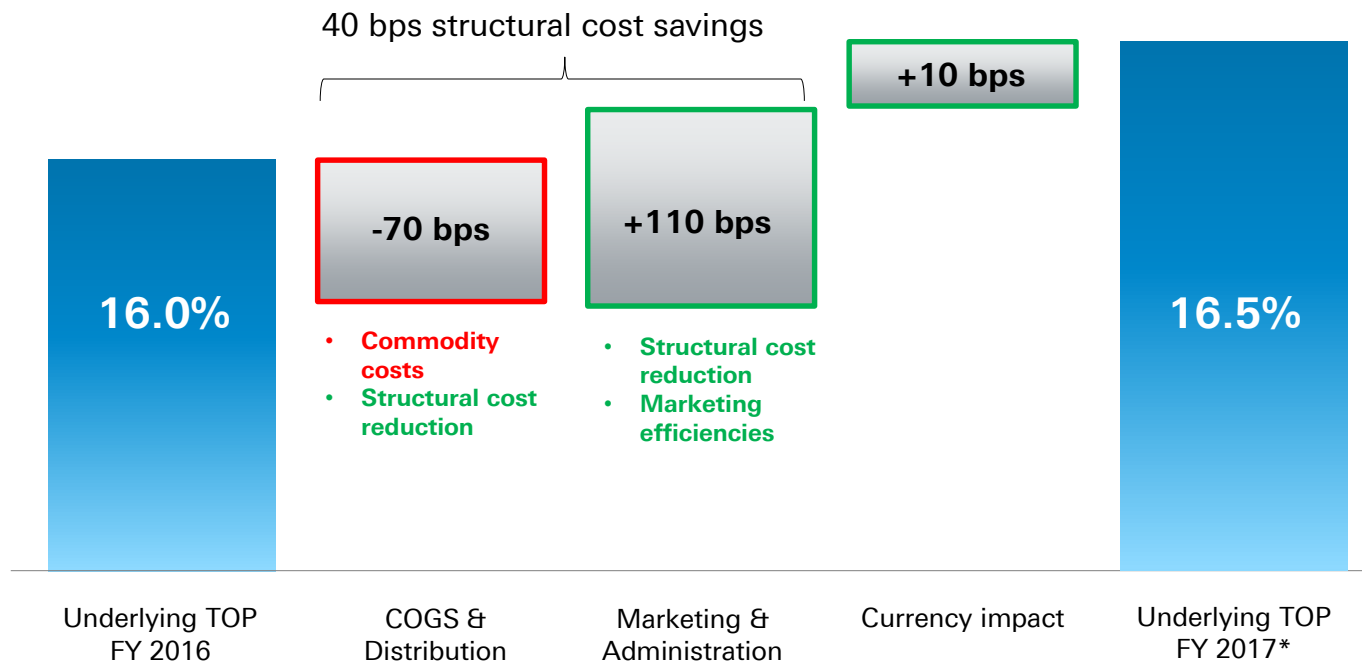
**Includes Central (unallocated) costs

Gross margin* impacted by higher input costs



*Gross margin = (Sales - Cost of good sold) / Sales

Underlying TOP +50 bps* driven by structural cost reduction



*In constant currency

Underlying EPS* +4.7%



2017 vs 2016

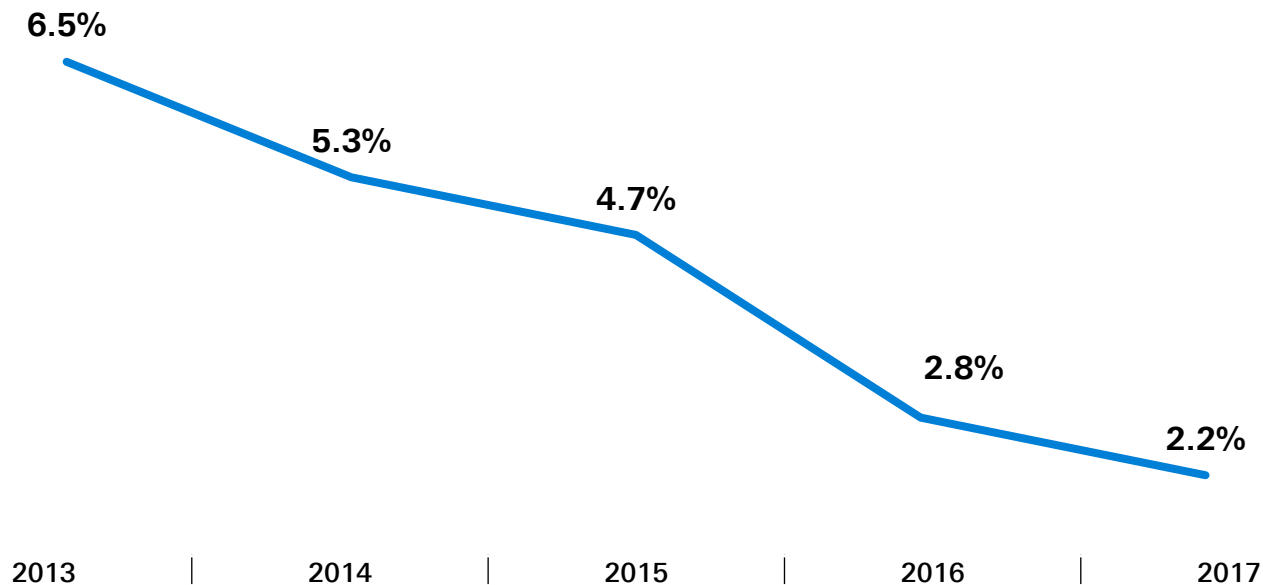
Underlying TOP	16.4%	+40 bps
Restructuring: +40 bps Other items: +60 bps		
TOP	14.7%	-60 bps
Impairment of goodwill and non-commercialized intangible assets: -290 bps Taxes: +180 bps Other items: +20 bps		
Net Profit	8.0%	-150 bps
Underlying EPS (CHF)	3.55	+4.7%*

*In constant currency

Further progress on working capital



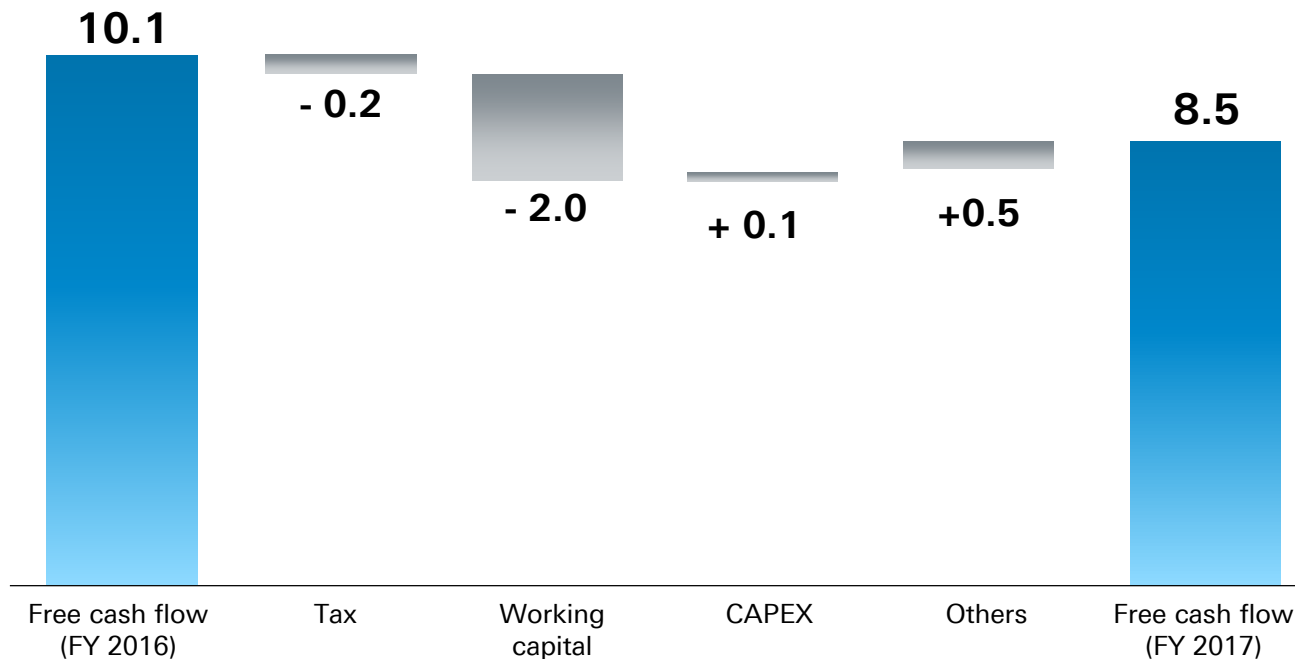
Working capital as a % of sales, calculated on a 5-quarter average



Working capital main driver for FCF reduction



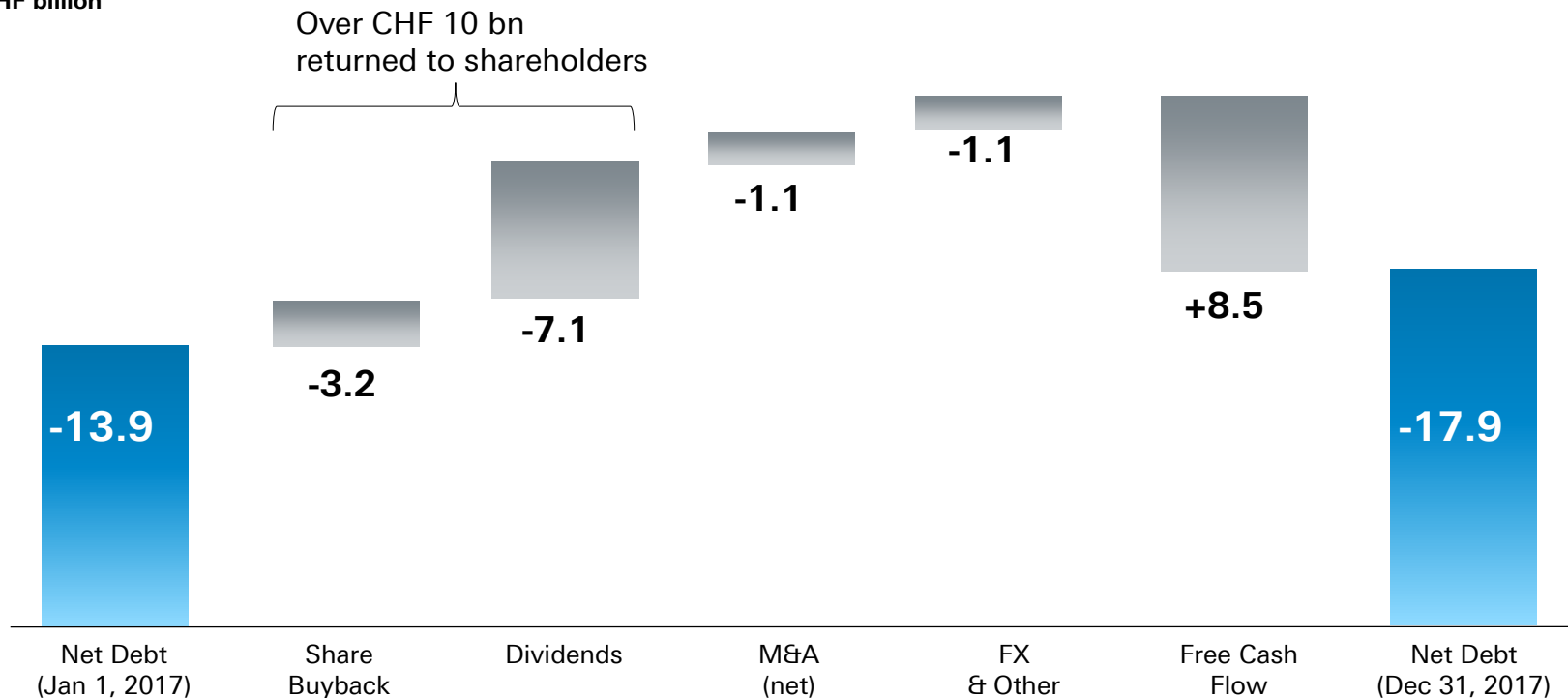
In CHF billion



Net debt increased to support share buyback and dividend



In CHF billion



2018 priorities

- Maintain volume growth
- Margin improvement, in line with our 2020 target
- Continued focus on structural savings program
- Capital efficiency

2018 outlook

- Organic sales growth of 2% to 4%
- Underlying trading operating margin improvement
- Restructuring costs* of around CHF 700m
- Increase in underlying EPS** and capital efficiency

* Not including impairment of fixed assets, litigation and onerous contracts

** In constant currency



Nestlé

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Full-year results 2017

Discussion



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Full-year results 2017

Supporting slides

FY-2017 Operating segments – quarterly summary



	Q4-2017 sales			
	Sales (CHF million)	RIG %	Pricing %	OG %
Zone AMS	7'989	-0.1	0.1	0.0
Zone EMENA	4'714	2.3	1.0	3.3
Zone AOA	4'371	0.9	1.9	2.8
Nestlé Waters	1'805	0.9	0.8	1.7
Nestlé Nutrition	2'650	2.3	-1.0	1.3
Other businesses	2'990	3.0	1.2	4.2
Total group	24'519	1.2	0.7	1.9

FY-2017 Operating segments – topline summary



	FY-2017 sales						Reported sales growth
	Sales (CHF million)	RIG %	Pricing %	OG %	Net M&A %	F/X %	%
Zone AMS	28'479	0.2	0.7	0.9	-0.5	0.8	1.2
Zone EMENA	16'535	1.7	0.6	2.3	-8.0	0.6	-5.1
Zone AOA	16'224	2.9	1.8	4.7	-0.4	-2.3	2.0
Nestlé Waters	7'955	1.8	0.3	2.1	-0.5	-1.4	0.2
Nestlé Nutrition	10'361	0.9	0.2	1.1	-0.4	-0.2	0.5
Other businesses	10'237	4.5	0.3	4.8	-0.8	1.0	5.0
Total group	89'791	1.6	0.8	2.4	-1.9	-0.1	0.4

FY-2017 Products – topline summary



	FY-2017 sales			
	Sales (CHF million)	RIG %	Pricing %	OG %
Powdered and liquid beverages	20'408	2.1	1.5	3.6
Water	7'455	2.1	0.3	2.4
Milk products and ice cream	13'447	0.4	1.6	2.0
Nutrition and Health Science	15'257	1.9	0.2	2.1
Prepared dishes and cooking aids	11'957	1.0	1.2	2.2
Confectionery	8'805	1.4	-1.1	0.3
Petcare	12'462	2.5	0.5	3.0
Total group	89'791	1.6	0.8	2.4

FY-2017 historical eight quarters



Period	RIG %	Pricing %	OG %
Q1-2016	3.0	0.9	3.9
Q2-2016	2.7	0.4	3.1
Q3-2016	1.9	1.3	3.2
Q4-2016	2.0	0.9	2.9
Q1-2017	1.3	1.0	2.3
Q2-2017	1.5	0.9	2.4
Q3-2017	2.6	0.5	3.1
Q4-2017	1.2	0.7	1.9

FY-2017 Operating segments – revenue and results



	In CHF mio						
	Sales	Underlying Trading Operating Profit	Trading Operating Profit	Net other trading income/ (expenses)	Of which impairment of property, plant and equipment	Of which restructuring costs	Depreciation and amortisation
Zone AMS	28'479	5'791	5'459	(332)	(32)	(172)	(781)
Zone EMENA	16'535	2'990	2'768	(222)	(67)	(110)	(531)
Zone AOA	16'224	3'265	3'123	(142)	(89)	(21)	(514)
Nestlé Waters	7'955	1'012	948	(64)	(30)	(21)	(337)
Nestlé Nutrition	10'361	2'384	2'282	(102)	(25)	(34)	(383)
Other Businesses	10'237	1'625	1'174	(451)	(116)	(286)	(492)
Unallocated items	-	(2'338)	(2'521)	(183)	(7)	(29)	(189)
Total Group	89'791	14'729	13'233	(1'496)	(366)	(673)	(3'227)

FY-2017 Products – revenue and results



In CHF mio						
	Sales	Underlying Trading Operating Profit	Trading Operating Profit	Net other trading income/ (expenses)	Of which impairment of property, plant and equipment	Of which restructuring costs
Powdered and Liquid Beverages	20'408	4'461	4'302	(159)	(50)	(56)
Water	7'455	968	905	(63)	(30)	(20)
Milk products and Ice cream	13'447	2'509	2'326	(183)	(65)	(77)
Nutrition and Health Science	15'257	2'961	2'425	(536)	(133)	(319)
Prepared dishes and cooking aids	11'957	2'103	1'933	(170)	(37)	(77)
Confectionery	8'805	1'387	1'237	(150)	(35)	(55)
PetCare	12'462	2'678	2'626	(52)	(9)	(40)
Unallocated items	-	(2'338)	(2'521)	(183)	(7)	(29)
Total Group	89'791	14'729	13'233	(1'496)	(366)	(673)

FY-2017 EPS reconciliation (1 of 2)



From net profit to underlying profit

	In CHF mio	
	FY-2016	FY-2017
Net Profit	8'531	7'183
Restructuring costs	300	673
Impairments of property, plant & equipment, goodwill and int. assets	640	3'557
Net result on disposal of businesses	-	132
Other adjustment in Net other income/(expense)	204	255
Adjustment for income from associates and joint ventures	241	265
Tax effect on above items & adjustment of one-off tax items	610	(1'065)
Adjustment in non-controlling interests	(27)	(21)
Underlying Net Profit	10'499	10'979
Weighted Average number of shares outstanding (in millions)	3'091	3'092
Underlying EPS	3.40	3.55

Underlying EPS is calculated based on: Net profit before results on disposals, restructuring costs, impairment of property, plant & equipment, impairment of goodwill and other items included in net other income/(expense) and material one-off tax items.

The tax charge used for this calculation is adjusted for the tax effect of the excluded items (underlying tax charge).

FY-2017 EPS reconciliation (2 of 2)



From operating profit to underlying net profit

	In CHF mio	
	FY-2016	FY-2017
Operating profit adjusted	14'307	14'729
Net financial income / (expense)	(637)	(619)
Adjusted taxes	(3'803)	(3'844)
Adjusted income from associates and joint ventures	1'011	1'089
Adjusted non-controlling interests	(379)	(376)
Underlying Net Profit	10'499	10'979
Weighted Average number of shares outstanding (in millions)	3'091	3'092
Underlying EPS	3.40	3.55

Underlying EPS is calculated based on: Net profit before results on disposals, restructuring costs, impairment of property, plant & equipment, impairment of goodwill and other items included in net other income/(expense) and material one-off tax items.

The tax charge used for this calculation is adjusted for the tax effect of the excluded items (underlying tax charge).

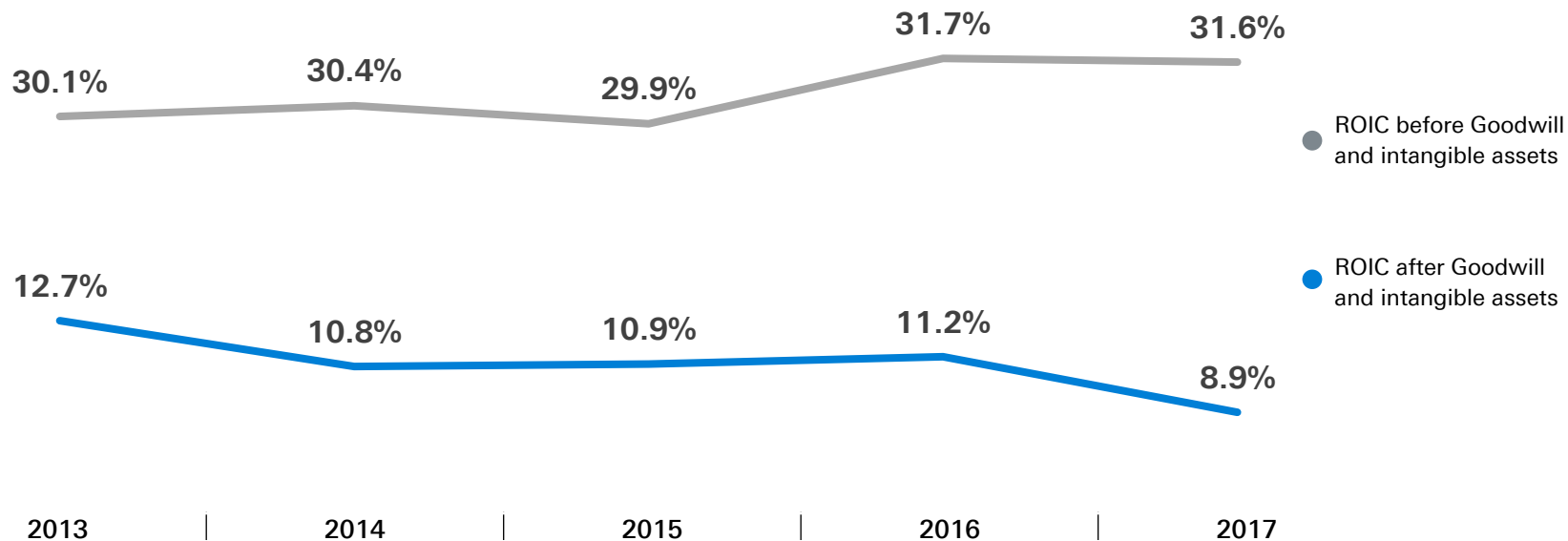
FY-2017 currency overview



US Dollar	1	USD
Euro	1	EUR
Chinese Yuan Renminbi	100	CNY
Brazilian Reals	100	BRL
UK Pound Sterling	1	GBP
Mexican Pesos	100	MXN
Philippine Pesos	100	PHP
Canadian Dollar	1	CAD
Russian Ruble	100	RUB
Australian Dollar	1	AUD
Japanese Yen	100	JPY

Weighted average rate		
FY-2016	FY-2017	Variation in %
0.985	0.984	-0.1
1.090	1.113	+2.1
14.838	14.593	-1.7
28.583	30.796	+7.7
1.331	1.271	-4.5
5.279	5.212	-1.3
2.075	1.953	-5.8
0.745	0.759	+1.9
1.485	1.688	+13.7
0.733	0.754	+2.9
0.907	0.878	-3.2

Return on invested capital



Abbreviations



OG	Organic growth
RIG	Real internal growth
AMS	Zone Americas
EMENA	Zone Europe, Middle East, and North Africa
AOA	Zone Asia, Oceania, and sub-Saharan Africa
EPS	Earnings per share
COGS	Cost of goods sold
FCF	Free cash flow
TOP	Trading operating profit
Underlying TOP/ UTOP	Trading operating profit before net other trading income / (expenses). Net other trading income / (expenses) includes restructuring, impairment and results on disposals of PP&E, onerous contracts and litigations.