

Zone EMENA: focusing on category growth

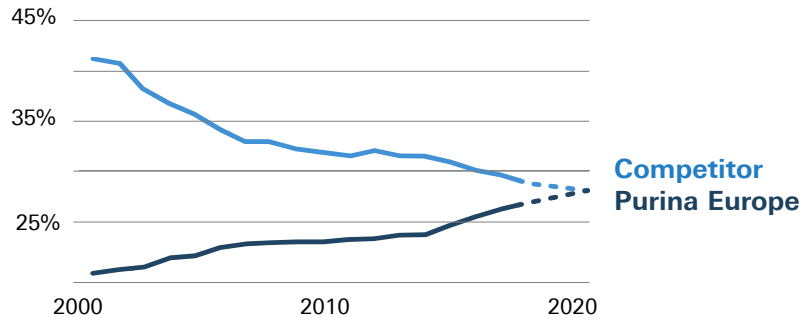
Marco Settembri: CEO Zone Europe, Middle East and North Africa



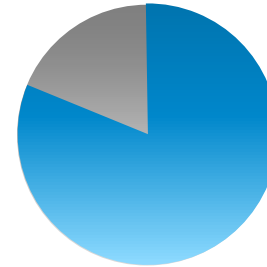
It is about winning in all categories where we decide to play



Winning market share in petcare



Nescafé leadership in 80% of business cells



Unlocking potential in confectionery and food



Focus and reduce costs,
Deploy and grow

Whilst driving efficiencies and reinvesting behind growth platforms



Nestlé in EMENA: #1 or #2 F&B company in 2/3 of countries in the zone



- CHF 26.8 billion sales in 2016
- 69 countries
- 22 markets
- 109'000 employees
- 151 factories



Thanks to our large footprint

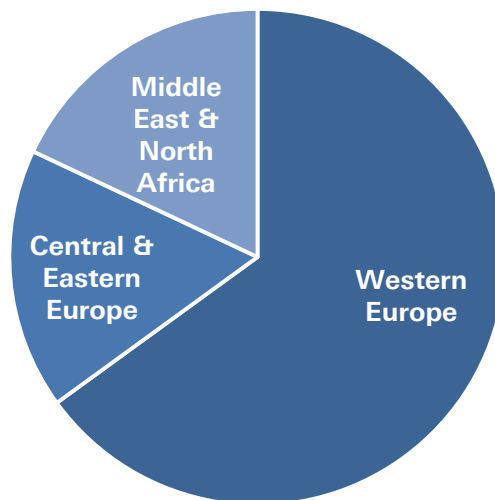


Sales (2016)

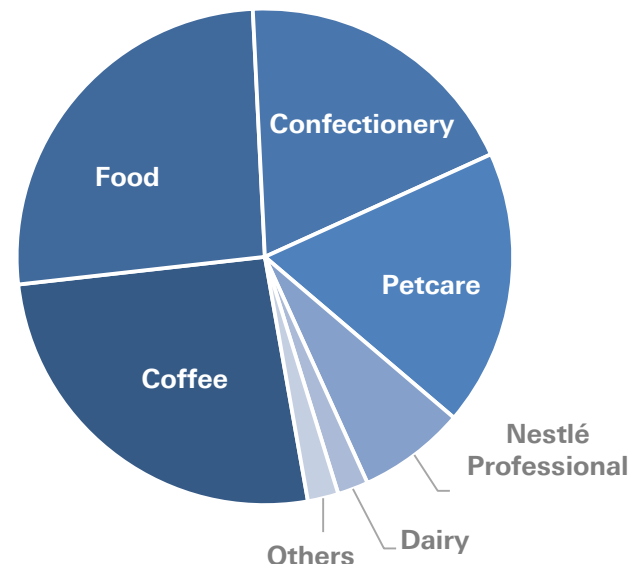
Nestlé sales in
EMENA
CHF **26.8** billion

of which,
zone-managed*
CHF **16.1** billion

Zone EMENA sales
by region*



Zone EMENA sales
by product category*



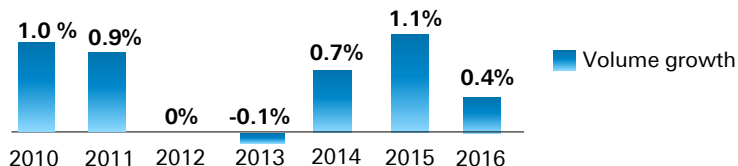
*Excludes January to September 2016 ice cream and frozen food sales (contributed to Froneri as from October 1, 2016)

Recognizing the overall challenges and opportunities



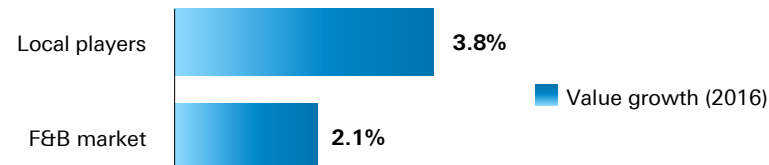
A low volume growth environment

FMCG average volume growth <1% since 2010



Source: Nielsen MAT June 2017

In which local players are winning



Source: Nielsen

Good growth prospects in MENA in particular



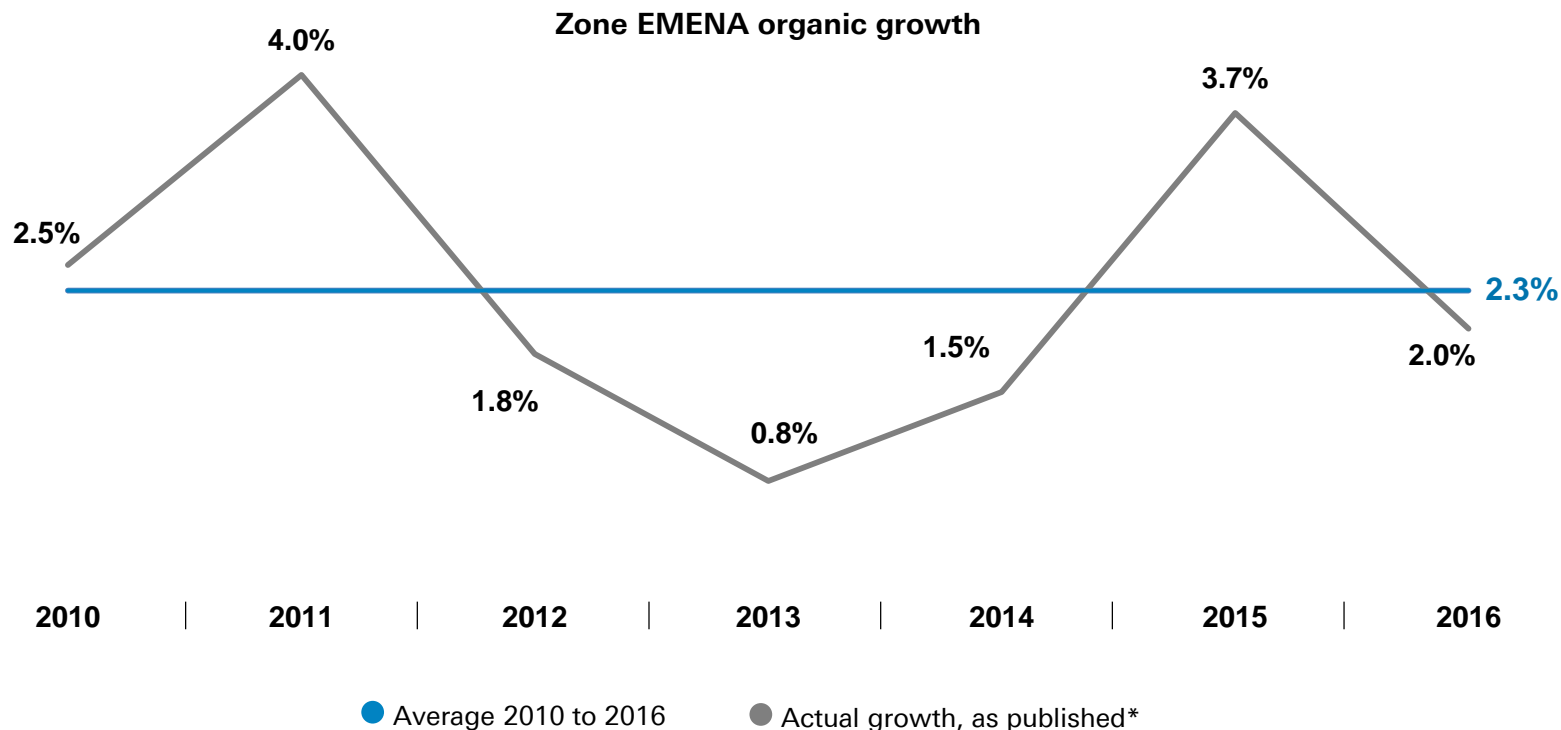
Source: IMF

Confidence on the rise in Europe



Source: Nielsen

Delivering industry leading top line growth

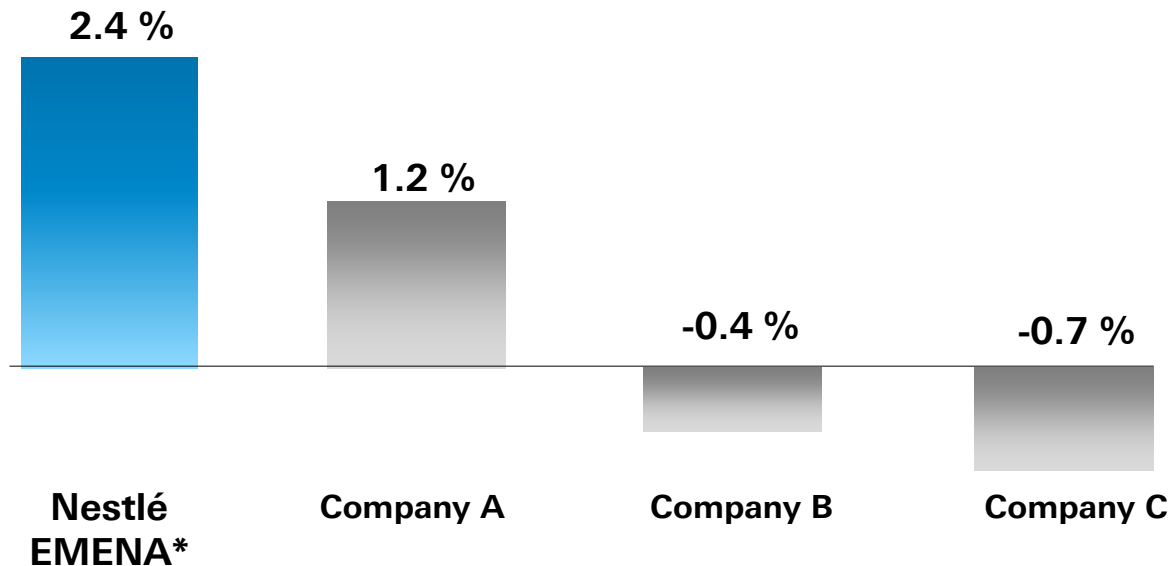


*As from January 1, 2015, Zone Europe was renamed Zone EMENA to include Europe, Middle East and North Africa

Stronger organic growth than industry peers



Average organic growth (2014-2016)



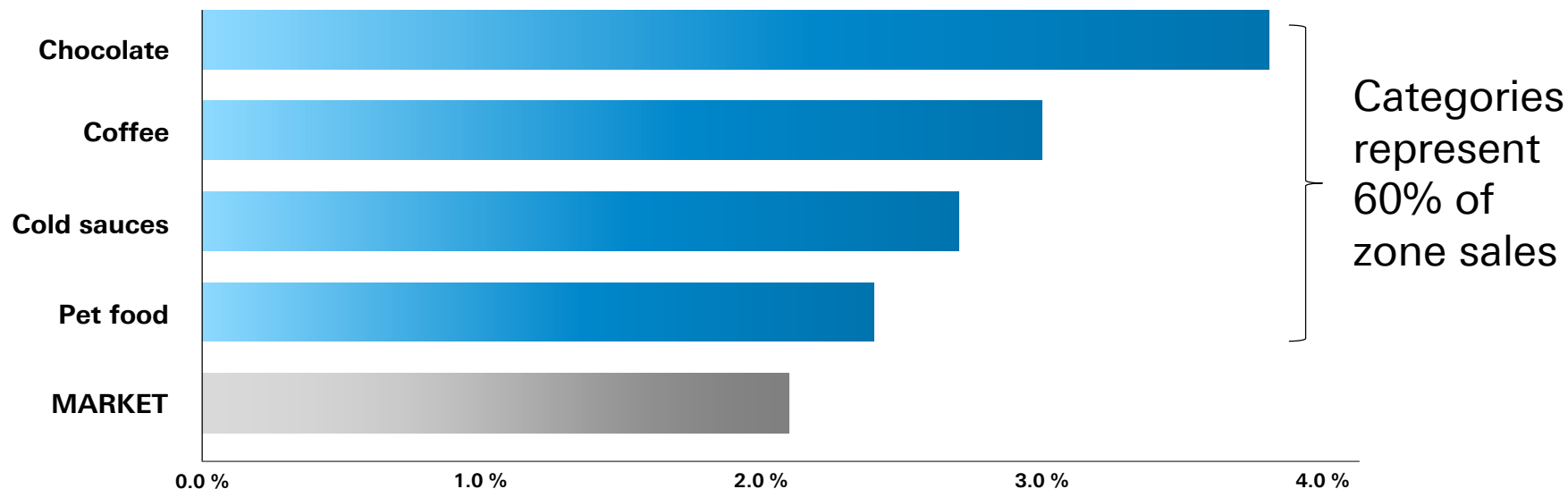
Source: Company reports

*refers to geography (which includes zone, Nestlé Waters, Nestlé Nutrition, Nestlé Professional, Nespresso, Nestlé Health Science and Nestlé Skin Health)

Thanks to our presence in categories growing above market average

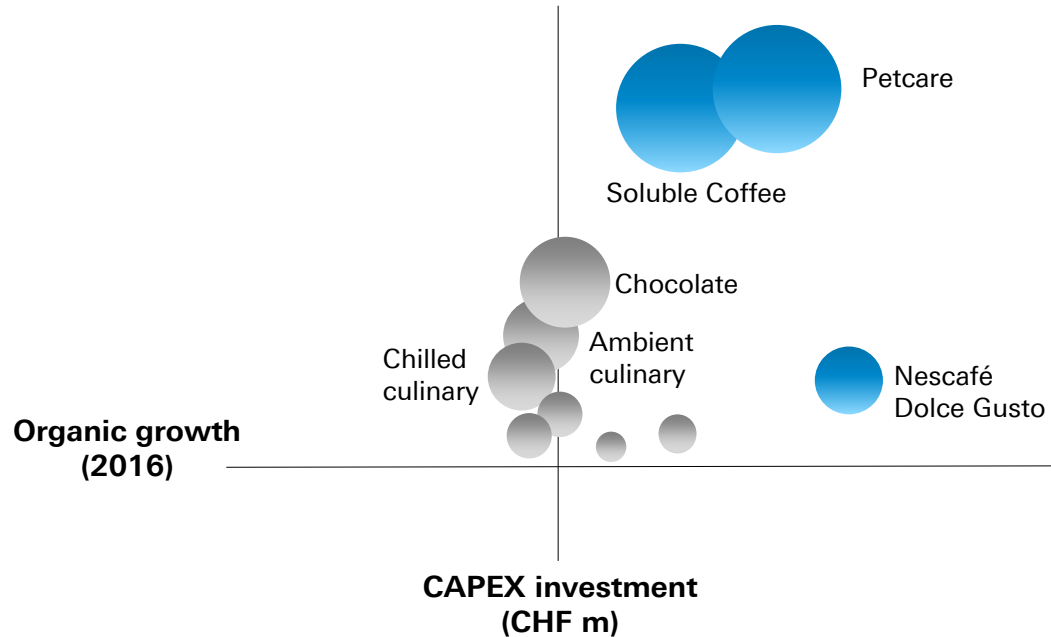


Value growth (2016)



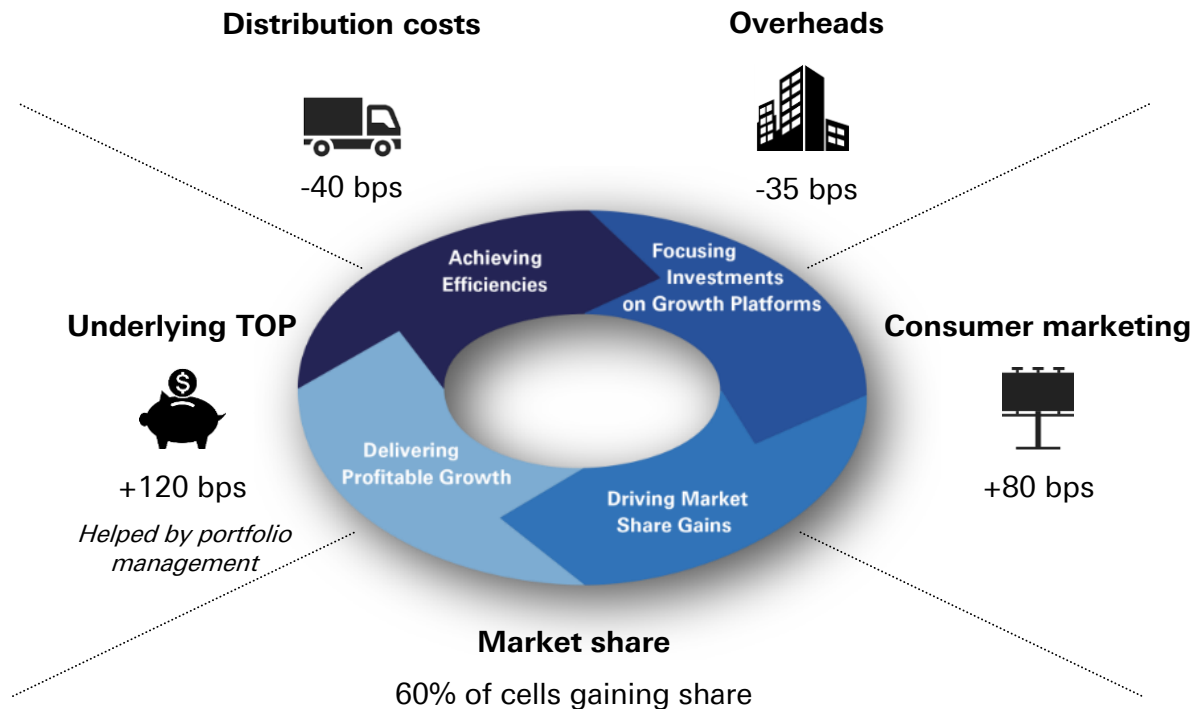
Source: Nielsen

And by making clear choices, focusing 2/3 of zone CAPEX on 40% of sales - Coffee and Petcare



Whilst freeing up resources to fuel growth

2016 vs 2014



Zone EMENA transformation journey



2001

Purina
acquisition



2004

**Nestlé
Nutrition**
creation



2006

Lactalis JV
chilled dairy

Wagner Pizza
acquisition



2014

Creation of
Zone EMENA



2016

Froneri JV
ice cream &
frozen meals



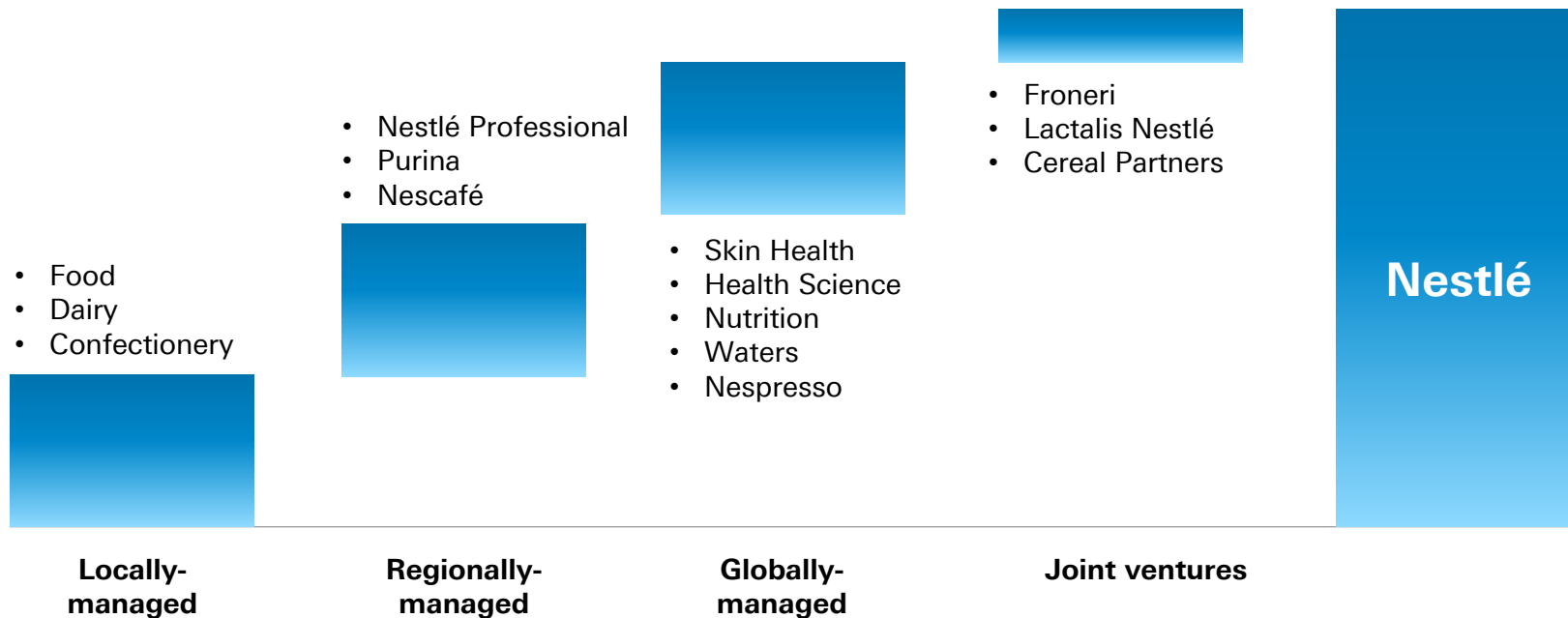
2017

**Nescafé
EMENA**
business unit



**Nestlé
Professional**
regionally-
managed

Nestlé in EMENA: a large product portfolio with specifically designed business models



Creating the conditions to grow in all our categories



Success driven by:

- Active portfolio management
- Stronger and better consumer insights and addressing new route to market opportunities
- Unlocking resources by addressing structural costs
- Putting in place the most efficient organization and governance for categories and markets

Total cost improvements in 2020 over 2016: CHF 400 to 500 million

Our learnings



Purina has established a successful model over the years, based essentially on 3 factors



Category expertise

- Deeper insights
- Innovative product leadership



Regional model

- Integrated supply network



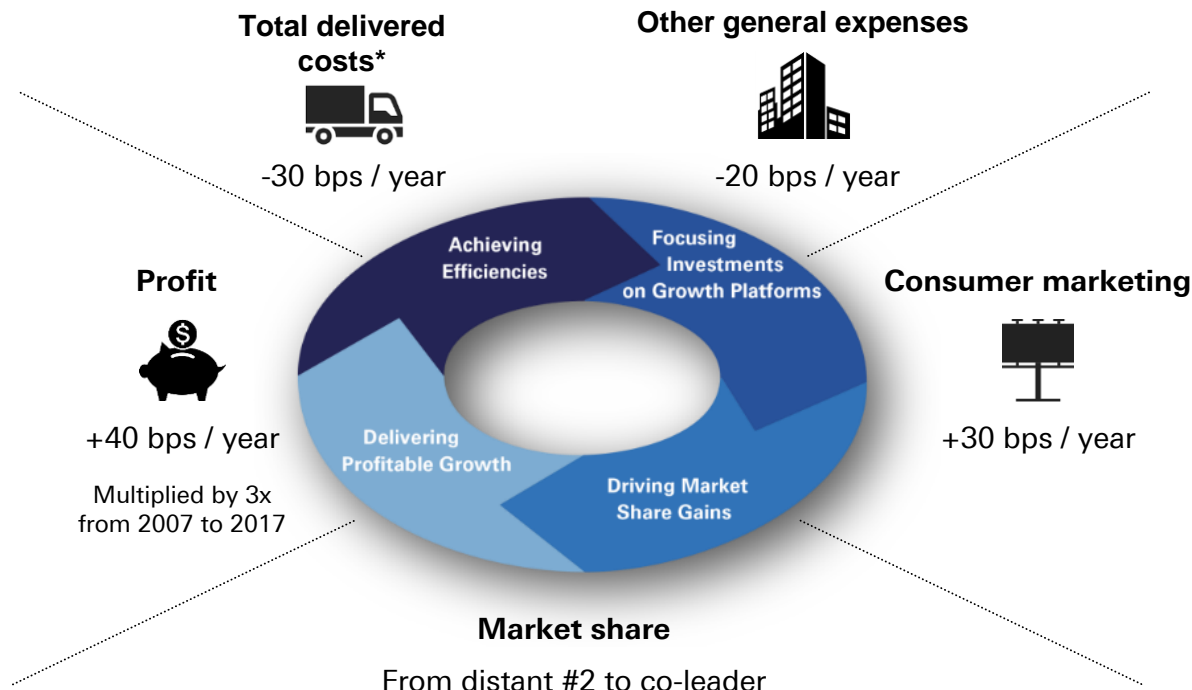
Clear sense of purpose

- Passion and expertise

The Purina model generates operational and structural costs savings that are re-invested in brand building and profit



Yearly improvement from 2011-2016



*Total delivered costs: marketing and other general expenses, fixed factory overheads, variable and fixed distribution, and cost of goods sold

Nescafé EMENA business unit

since January 1, 2017



Innovation and fast rollout



Nescafé EMENA business unit

since January 1, 2017



Make choices in fast and efficient ways

- Addressing competitive intensity through above-market resource allocation decisions

Generating CHF 150 million cost improvements by 2018 over 2016

- Optimizing supply through above-market decisions for the benefit of the total business
- Harmonizing coffee blends
- Leveraging communication platforms through a common approach
- Addressing direct overhead expenses

People

- Building category expertise by focusing on talent management within a Nescafé community

Category focus is the way forward also in confectionery and food



Improving the performance of food



- Recognizing that food innovation is mostly local
- Need to address dilutive business cells
- Opportunity to reduce structural costs
- 2/3 of portfolio with profitability above 20%, 1/3 below 10%

Category focus approach: food



- Streamline and simplify our portfolio focus on growth platforms
- Address industrial and logistics infrastructure
- Leverage our category expertise, in particular unique consumer insights
- Regional approach to innovation
- Address new / high growth segments through selected M&A

Maggi: a brand with enormous impact through home-made cooking



Refreshing our core



Capturing trends



Valuing up



Consumer connection



Meeting consumer demands in food



Authenticity



100% “kitchen cupboard” ingredients

Convenience



Value-up: 25% price premium

Vegetarian



10% organic growth (H1 2017)

Strength of our innovative local brands



2x the share of main competitor



78% market share of mayonnaise and mustard in Switzerland



5% average organic growth 2014-2016

Opportunities to address complexity in confectionery



- Missed opportunity to consolidate past acquisitions
- Address high conversion costs
- Streamline and simplify our portfolio focus on growth platforms
- Leverage our scale vs. “local-for-local” approach
- Above-market sourcing and supply decisions

Leveraging our strengths in confectionery



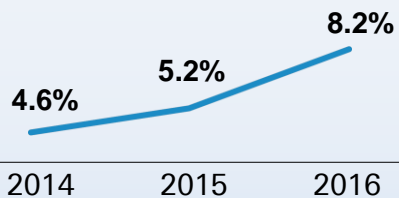
KitKat

#2 countline brand in EMENA



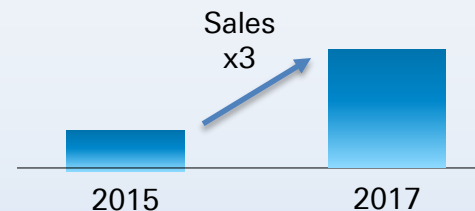
Masterbrands

Deliver strong organic growth



Les Recettes de l'Atelier

#3 premium tablets brand in EMENA



Driving growth through premiumization



Evolving by changing the way we operate



- From “local-for-local” to “regional” approach
- Warehouse network and cross border flows
- End-to-end management of total delivered costs*
- Above-market supply decisions
- Best-in-class execution and customer management

*Total delivered costs: marketing and other general expenses, fixed factory overheads, variable and fixed distribution, and cost of goods sold

Capturing growth opportunities with the discounters



Winning with discounters



Shelf ready packaging



Dedicated SKUs



Capabilities and expertise



H1 2017 organic growth: 9.7%

Driving e-commerce opportunities in EMENA



Winning with e-retailers



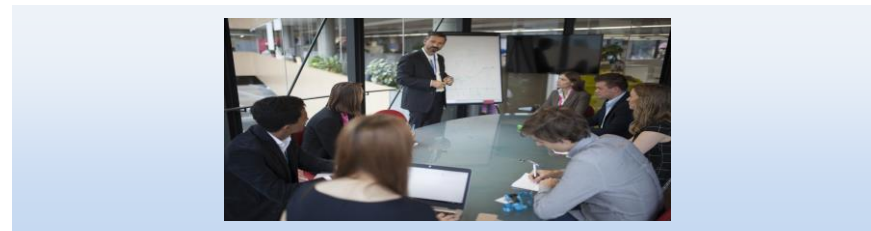
Internet of Things and Voice



Leveraging growth platforms



Capabilities and expertise



Contribution 1/4 of zone OG (H1 2017)
Online market share outperforming offline in all zone-managed categories

Conclusion



- Zone EMENA has delivered industry-leading performance
- Our ambition: win in all categories where we decide to play by leveraging our strength in the market place
- We are winning in Coffee and Petcare
- We have clear strategies to unlock value in Food and Confectionery with local and regional brands
- We will adapt our operating model to extract more value

Thank you!

