



Nestlé Good Food, Good Life

Full-year results 2018

Investor Call



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.

This presentation contains certain financial performance measures which are not defined by IFRS. Management believes that these non-IFRS measures provide additional useful information to assess the financial and operational performance of the Group. Such measures may not be comparable to similar measures presented by other companies and are explained and/or reconciled with our IFRS measures (Consolidated Financial Statements) in the Nestlé Group Alternative Performance Measures (APMs) document available on our Investor Website.

2017 figures have been restated to reflect:

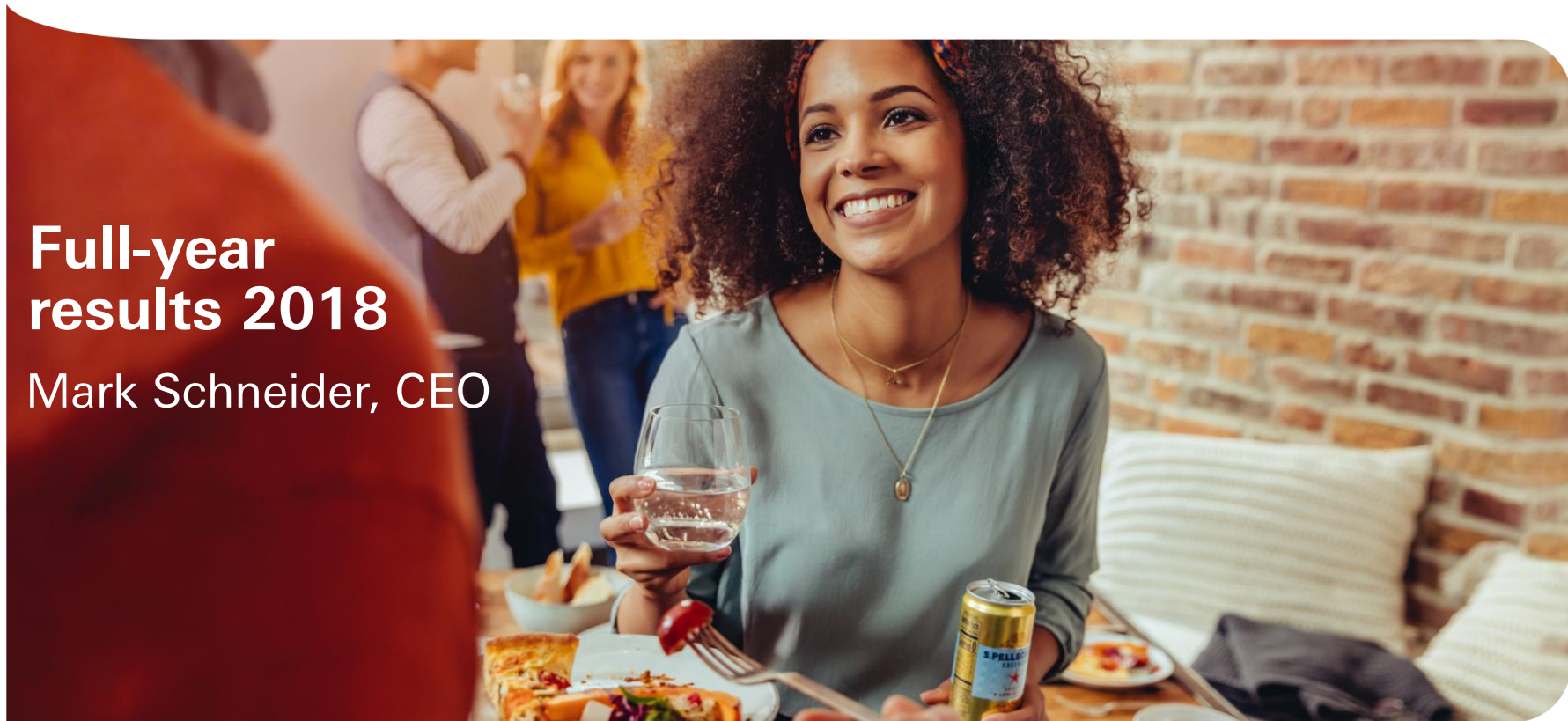
- The implementation of IFRS 15 - Revenue from contract with customers, IFRS 16 - Leases and IFRIC 23 - Uncertainty over income tax treatments as well as other accounting policies and presentation changes; and
- The change in organization of infant nutrition business. Effective January 1, 2018 Nestlé Nutrition is reported in the Zones as a regionally managed business, with Gerber Life Insurance business reported in Other Businesses.



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Mark Schneider, CEO



Key messages

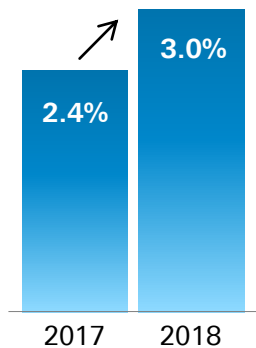


- **Continued progress with our accelerated value creation model**
- **Solid organic growth of 3.0%** led by stronger momentum in the U.S. and China, as well as in infant nutrition
- **Underlying trading operating profit margin expansion of 50 bps** supported by operational efficiencies, structural cost reductions and improved mix
- **Disciplined portfolio development** towards attractive high-growth categories
- **Significant underlying earnings per share growth of +13.9%** in constant currency
- **CHF 13.9 bn cash returned** to shareholders through share buybacks and dividends in 2018

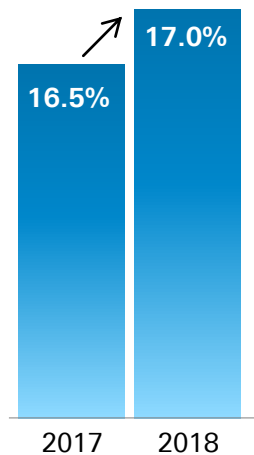
Strong 2018 financial results



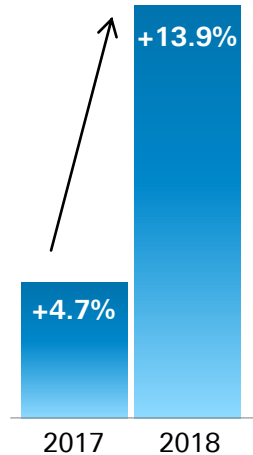
Organic growth



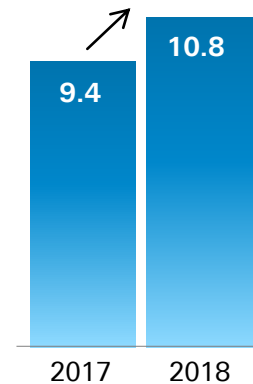
Underlying trading operating profit margin



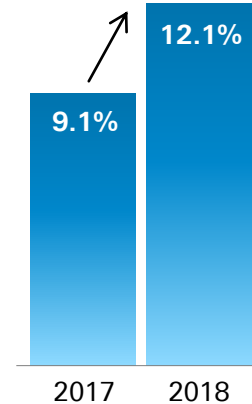
Underlying EPS (% annual increase in constant currency)



Free cash flow (CHF bn)



Return on invested capital



Delivering on our commitments



Sharpen our strategic focus

- Focus on core food & beverage and nutritional health products
- Further portfolio evolution towards attractive high-growth categories

Increase organic growth

- Organic growth of 3.0%, with industry-leading RIG and improving pricing
- Improved momentum in U.S. and China, as well as in infant nutrition

Improve operating margin

- Underlying trading operating profit margin increased +50 bps to 17.0%
- Structural costs decreased to 17.2% of sales (from 18.2% in 2016)

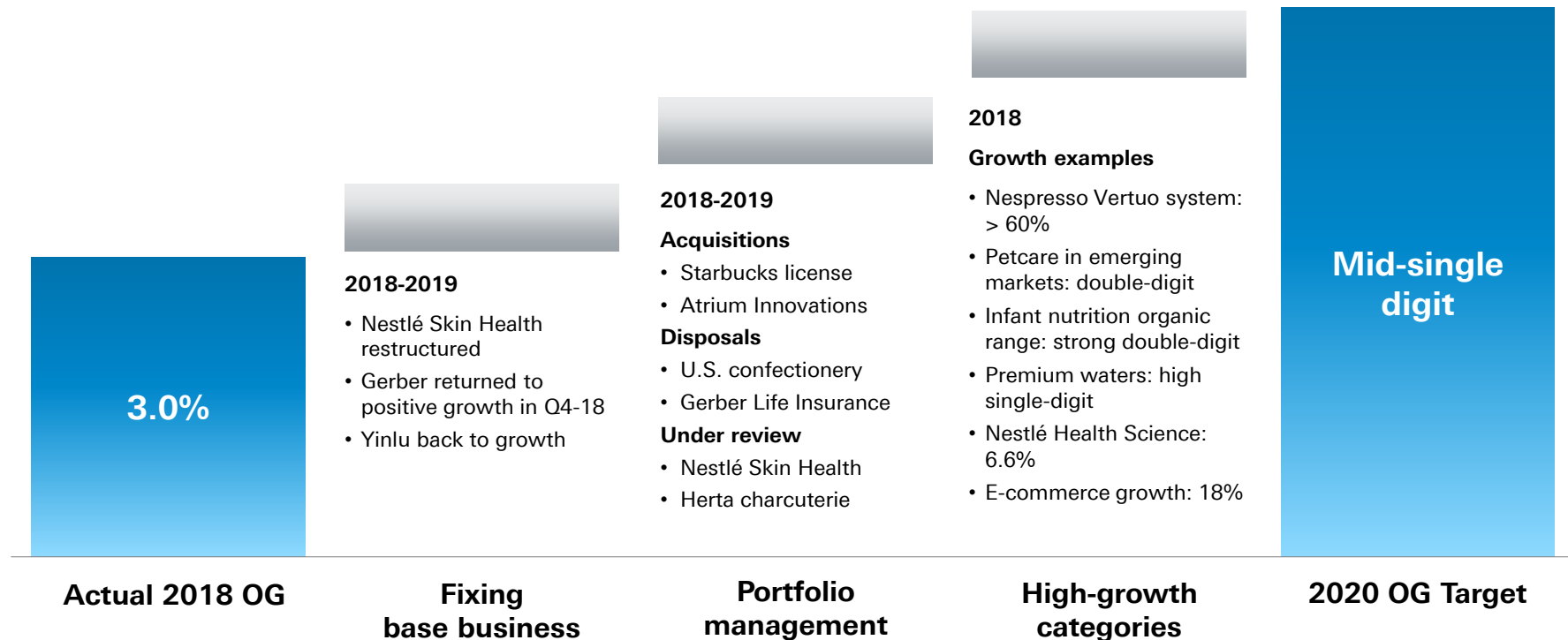
Allocate capital with discipline

- CHF 13.9 bn cash returned to shareholders in 2018
- About CHF 14 bn transaction value of acquisitions and divestments

Create shared value

- Improved Nutrition, Health & Wellness profile of our products
- Leadership role in addressing packaging waste

Clear path to achieving mid-single digit growth by 2020



Fixing base business



Nestlé Skin Health

- Significant progress made in past two years
- Developed convincing growth strategies
- Regained competitive cost structure
- Exploring strategic options



Expansion of organic range

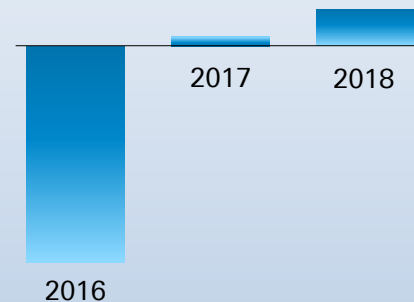


Visual transformation with new campaign "Anything for Baby"



YINLU 银鹭

Organic growth



Developing our portfolio



Sold

Main criteria for divestiture

- Non-core to business
- Limited ability to win

Under strategic review

U.S. Confectionery



Nestlé Skin Health



Herta charcuterie
(cold cuts and meat-based products)



Acquired or invested

Main criteria for acquisitions

- Fit with strategy and culture
- Sound financial model; disciplined and thorough financial valuation

Starbucks – Consumer
& Foodservice products



Tails.com



Atrium
Innovations



Terrafertil



Blue Bottle



Sweet Earth



Chameleon



Exploring strategic options for Herta charcuterie (cold cuts and meat-based products)



Charcuterie business under review

- Sales: ~CHF 680 m in 2018
- Markets: France, Germany, Belgium, Luxemburg, UK, Ireland
- More than 2'100 employees and 3 factories



Focus on high-growth plant-based offerings

- Garden Gourmet in Europe and Sweet Earth in the U.S.
- Plant-based diets are increasingly popular as consumers look to balance their protein intake and lower the environmental footprint of their diets



Supporting growth through innovation



NAN HMO

(Human Milk Oligosaccharides)



Reached ~ CHF 600 m of sales
across 40 markets in the
first year of launch

Nespresso Vertuo System



Reached ~ CHF 400 m of sales
with growth of > 60% in 2018

Coffee-mate natural bliss



Reached ~ CHF 150 m of sales
with growth > 30% in 2018 driven
by plant-based innovation

2019 guidance



- Continued improvement in organic sales growth and underlying trading operating margin towards our 2020 target
- Restructuring costs expected at around CHF 700 m
- Increase in underlying earnings per share in constant currency and capital efficiency

Business as a force for good

Living our purpose and values – 2019 priorities



Contribute to
healthier lives



Lead the way towards
a waste-free future



Foster diversity and
inclusion at Nestlé

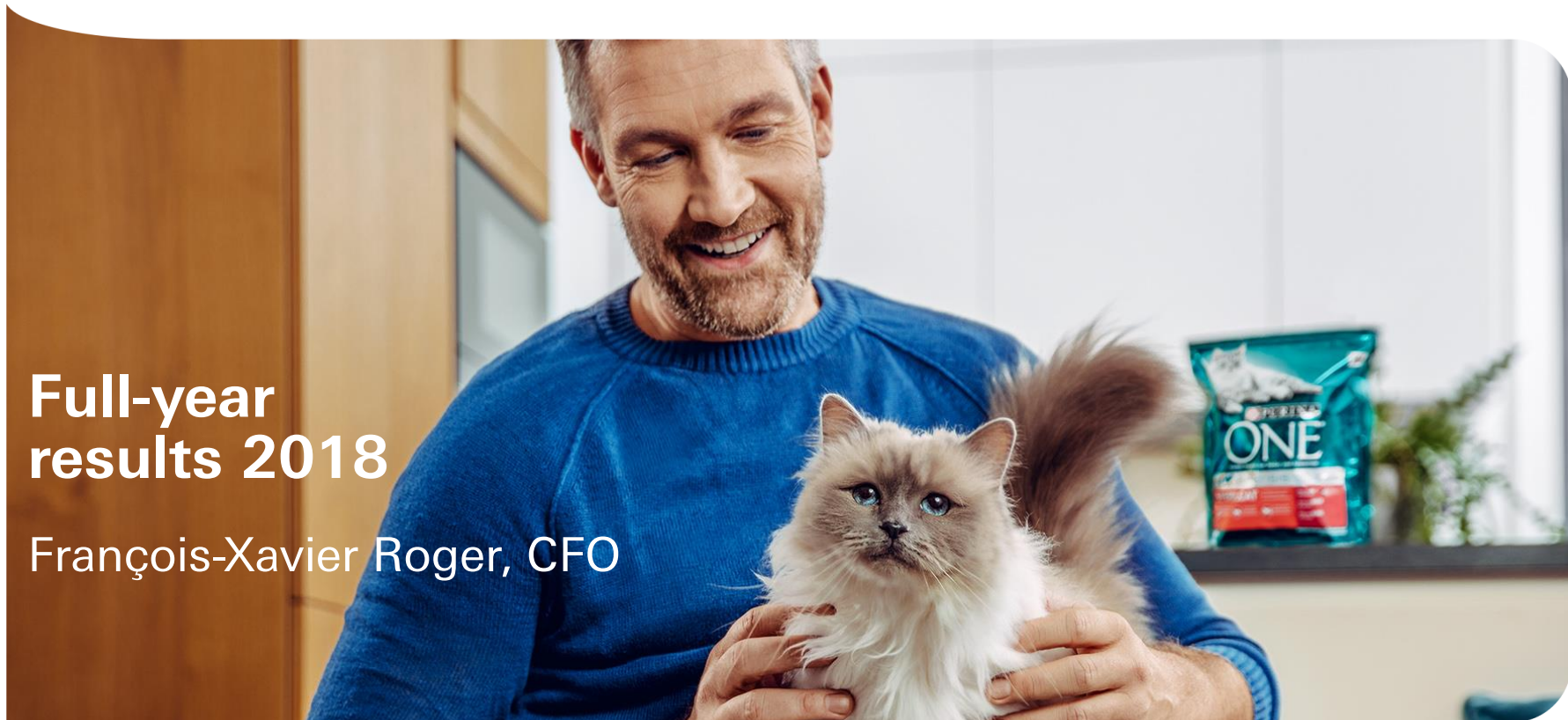




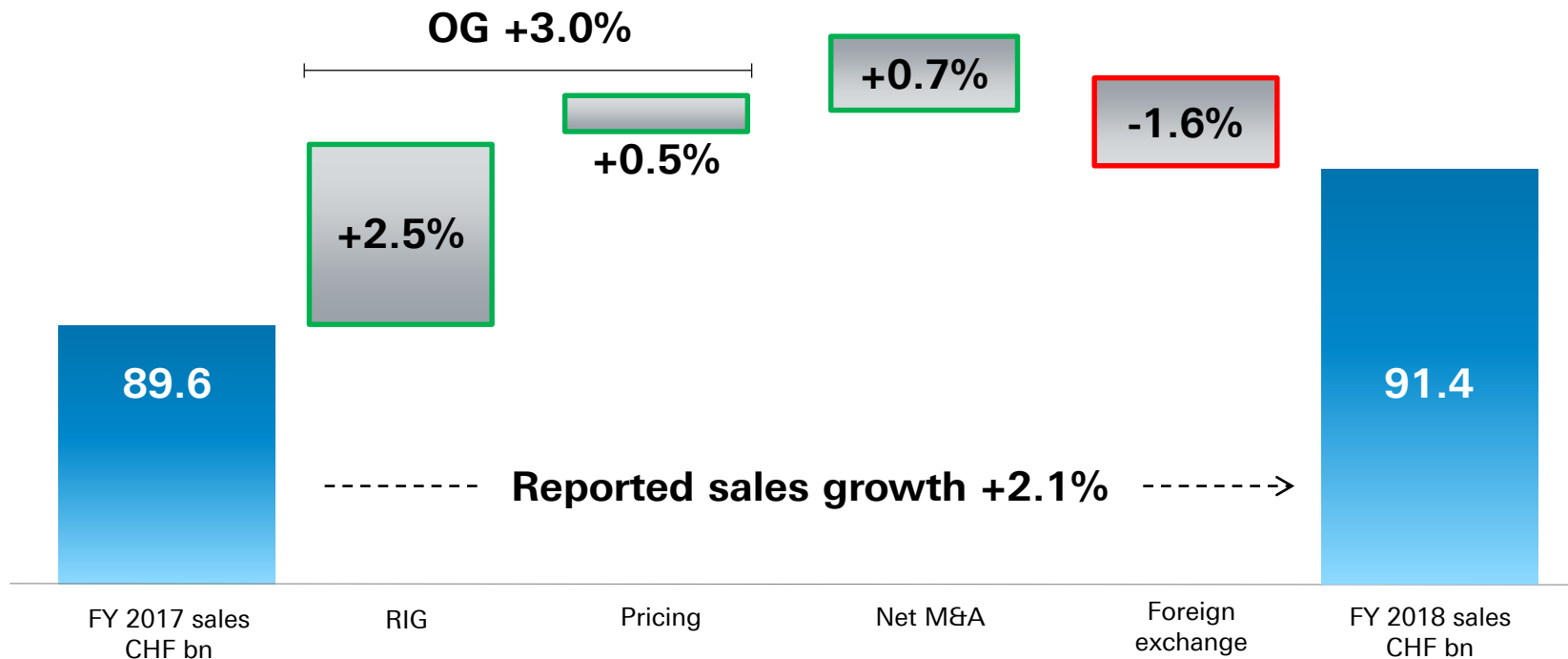
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François-Xavier Roger, CFO



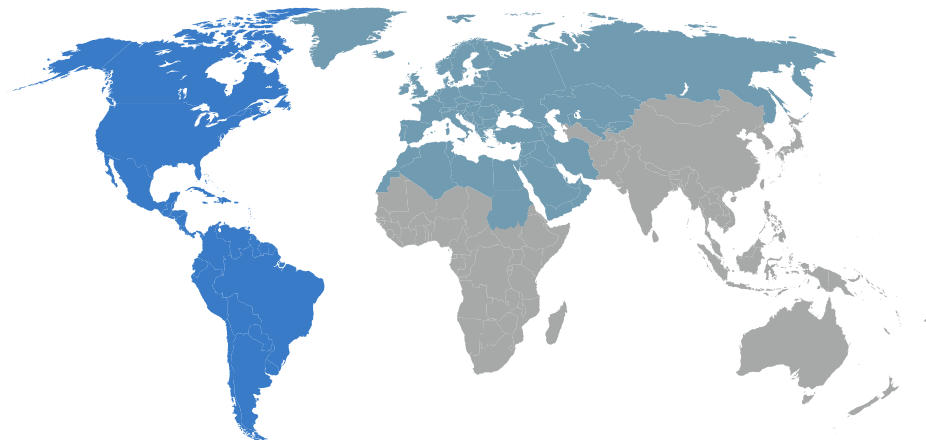
Full-year sales growth



Improved RIG in the Americas



	AMS	EMENA	AOA
Sales (in CHF)	41.0 bn	26.9 bn	23.5 bn
RIG	1.9%	2.2%	3.7%
Pricing	0.9%	-0.1%	0.7%
OG	2.8%	2.1%	4.4%

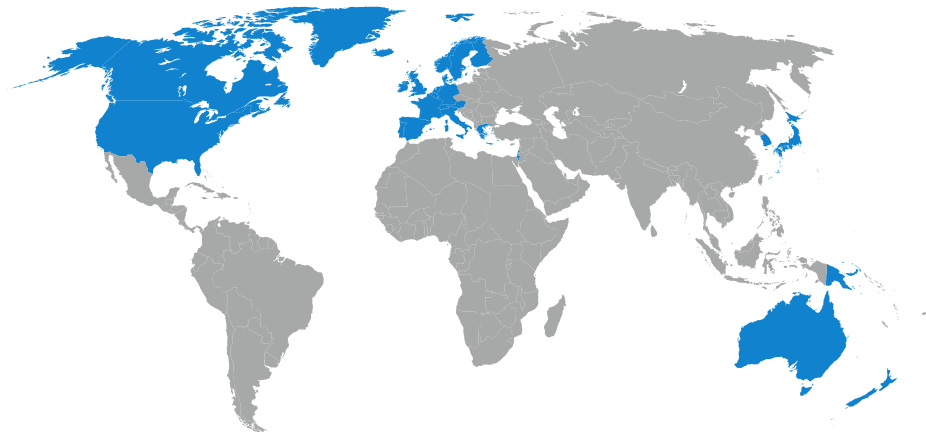


Each geography includes zones, Nestlé Waters, Nespresso, Nestlé Health Science and Nestlé Skin Health

Strong RIG in developed and emerging markets



	Developed	Emerging
Sales (in CHF) % of group sales	53.0 bn 58%	38.4 bn 42%
RIG	1.7%	3.4%
Pricing	-0.1%	1.5%
OG	1.6%	4.9%



Zone AMS



Sales	CHF 31.0 bn
Organic growth	2.0%
Real internal growth	1.3%
Underlying TOP margin vs LY	21.1% +50 bps

- North America returned to positive growth in 2018, with strong momentum in Q4
- Brazil returned to positive growth in H2
- Category highlights were Purina petcare, Nescafé, Nestlé Professional, and confectionery
- Margin increase supported by operational efficiencies



Zone EMENA



Sales	CHF 18.9 bn
Organic growth	1.9%
Real internal growth	2.6%
Underlying TOP margin vs LY	19.0% +80 bps

- Reached solid OG with resilient RIG
- Premium products grew strongly at ~10%, led by Purina Petcare and infant nutrition
- Western Europe saw slightly negative growth with other geographies growing at mid single-digit
- Margin increase supported by product mix, structural cost savings and lower commodity costs



Zone AOA



Sales	CHF 21.3 bn
Organic growth	4.3%
Real internal growth	3.6%
Underlying TOP margin vs LY	22.8% +60 bps

- Delivered consistent mid single-digit organic growth, positive in all geographies and categories
- China's growth improved, supported by innovations and e-commerce
- Key growth drivers for the zone were infant nutrition, Maggi and Milo
- Margin increase supported by operational efficiencies, pricing and volume leverage



Sales	CHF 7.9 bn
Organic growth	2.1%
Real internal growth	-0.6%
Underlying TOP margin vs LY	11.0% -200 bps

- Growth in North America was supported by increased pricing and innovations
- Europe saw good growth in H2, especially the UK and France
- International premium brands S.Pellegrino and Perrier maintained good growth
- Margin impacted by higher PET and distribution costs, partly offset by pricing in H2



Other Businesses

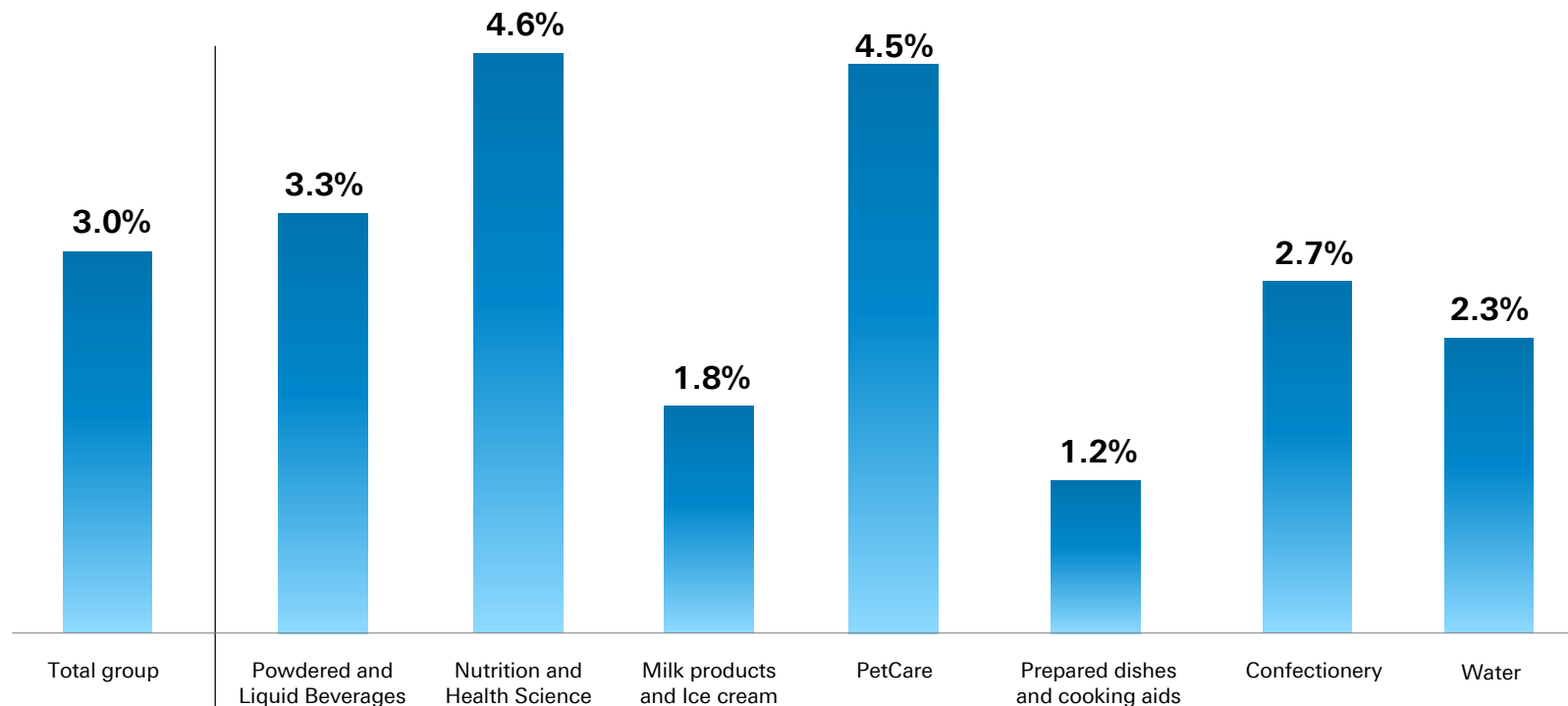


Sales	CHF 12.3 bn
Organic growth	5.7%
Real internal growth	5.4%
Underlying TOP margin vs LY	16.5% +60 bps

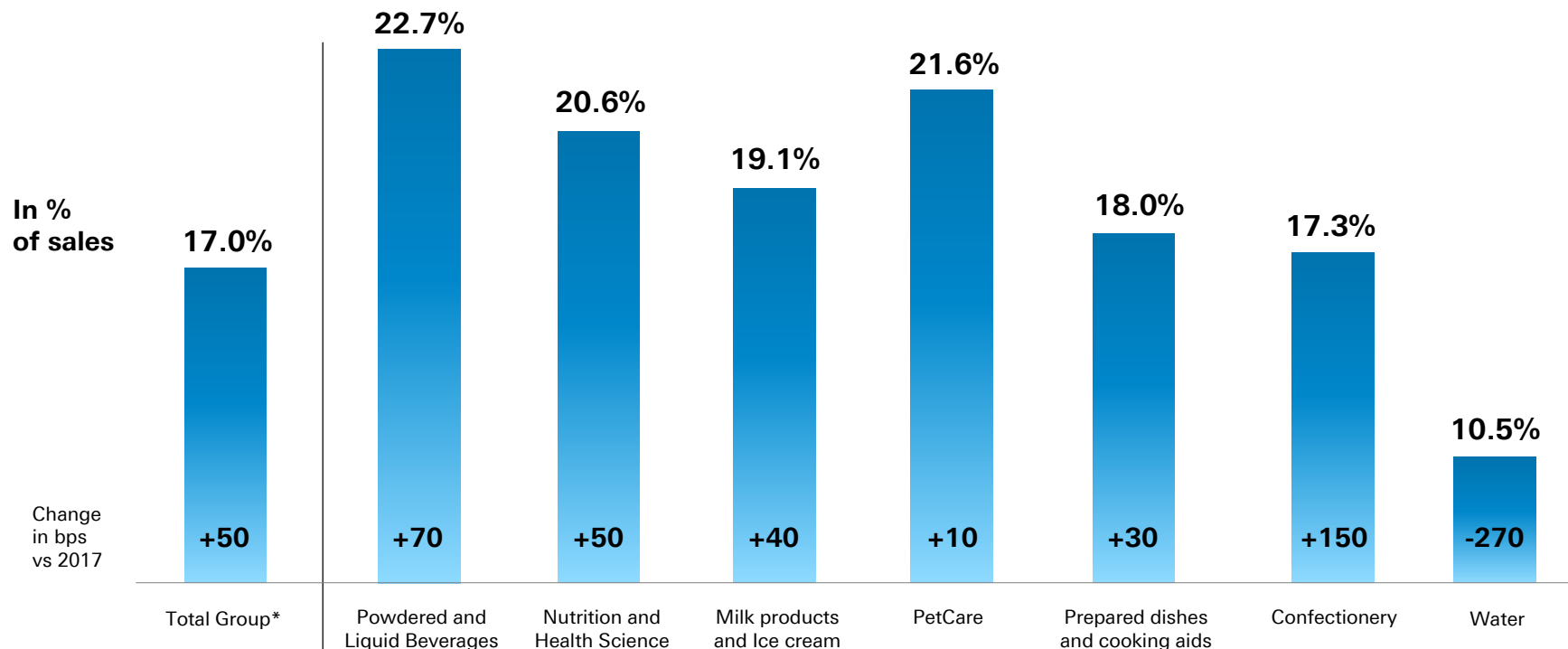
- Nespresso sustained mid single-digit OG, with strong momentum in North America and emerging markets
- Nestlé Health Science posted mid single-digit OG, supported by new product launches
- Nestlé Skin Health had mid single-digit growth
- Margin expansion driven by an improvement in Nestlé Skin Health and Nespresso



Strong portfolio with broad-based organic growth



Most product categories increasing underlying trading operating profit margin

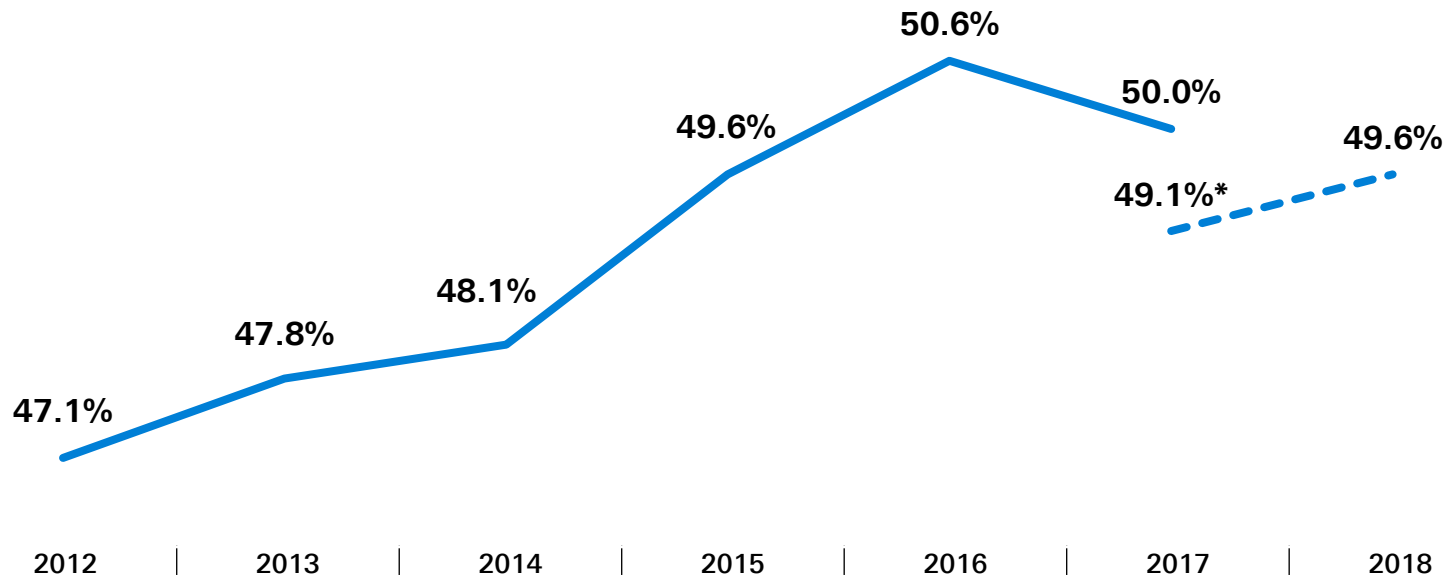


*Includes Central (unallocated) costs

Gross margin improvement helped by pricing, operational savings and mix

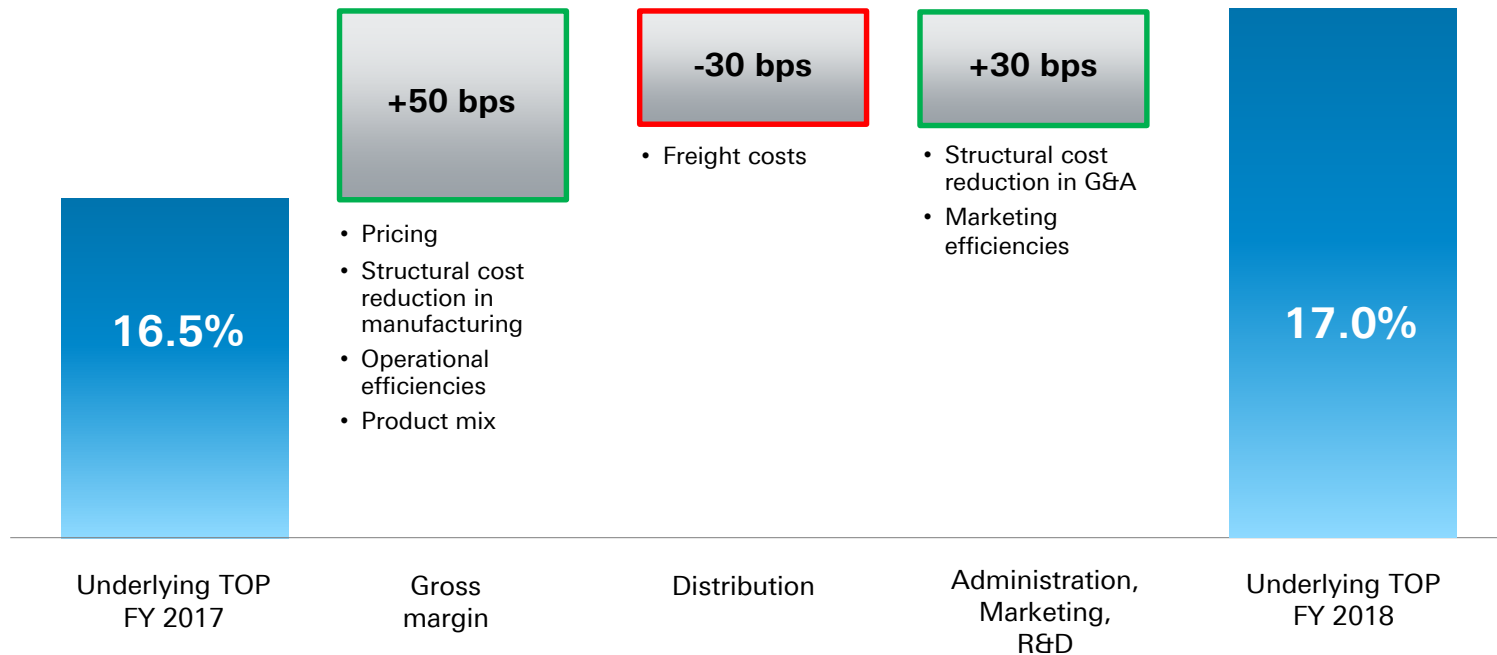


Gross margin = (Sales - Cost of good sold) / Sales



* 2017 restated to reflect implementation of IFRS 15, IFRS 16 and reclassification of certain cost items from marketing and administration to cost of goods sold

Underlying TOP +50 bps mainly driven by cost reductions



Underlying EPS +13.9%*



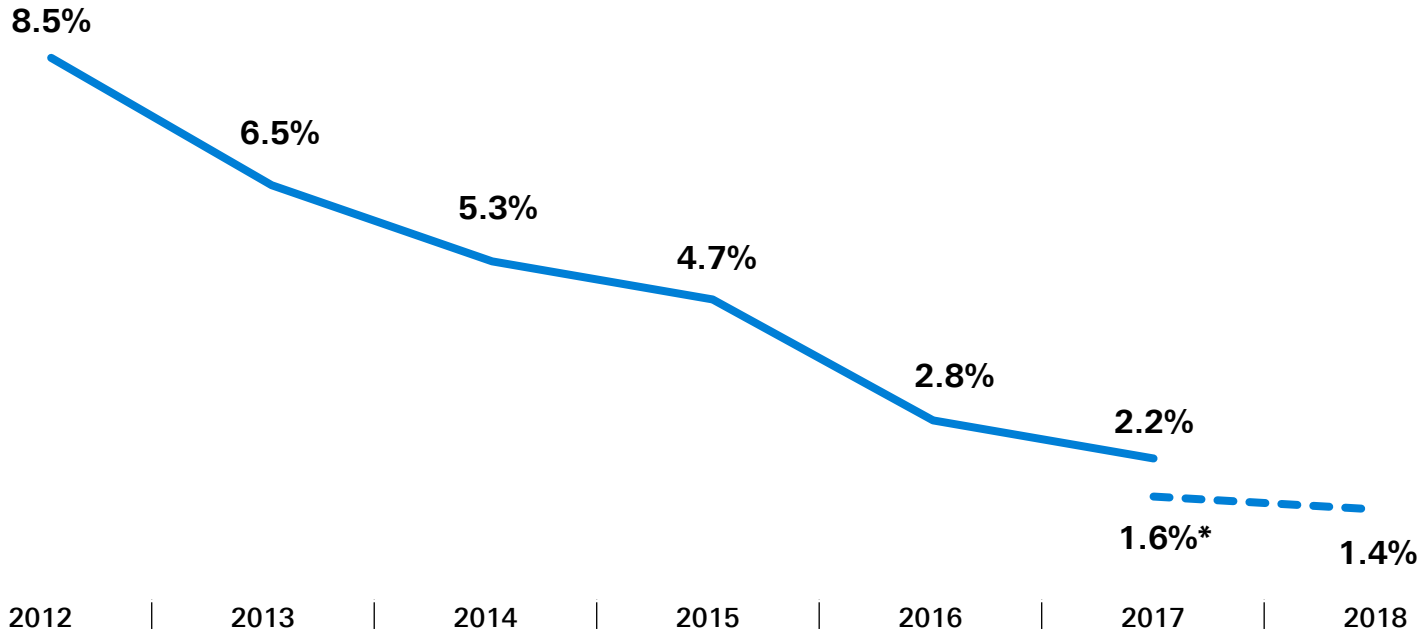
	% of sales	2018 vs 2017
Underlying TOP	17.0%	+50 bps
Net other trading income / (expenses)	- 1.9%	- 20 bps
TOP	15.1%	+30 bps
Impairment of goodwill and non-commercialized intangible assets:	- 0.7%	+270 bps
Gain / loss on disposals:	+ 0.8%	+ 90 bps
Taxes:	- 3.8%	- 70 bps
Other items:	- 0.3%	- 10 bps
Net Profit	11.1%	+310 bps
Weighted average number of shares outstanding	3'014 m	-2.5%
Underlying EPS	CHF 4.02	+13.9%*

*In constant currency

Further progress on working capital



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

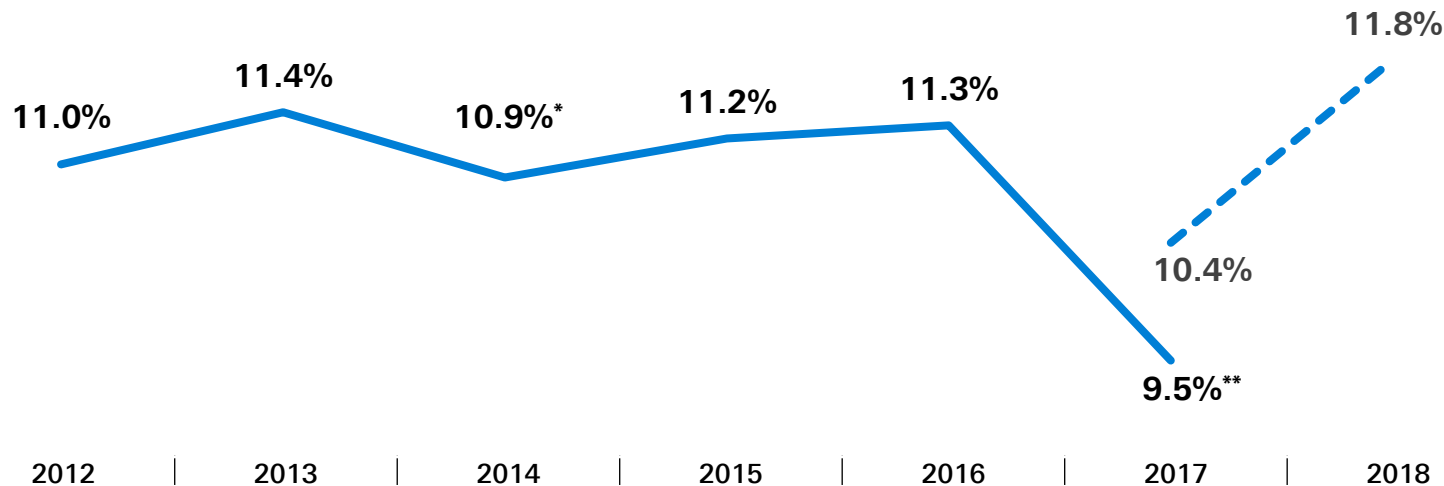


*2017 restated, reflecting implementation of IFRS 15 and IFRS 16

Strong free cash flow: CHF 10.8 bn



Free cash flow in % of sales



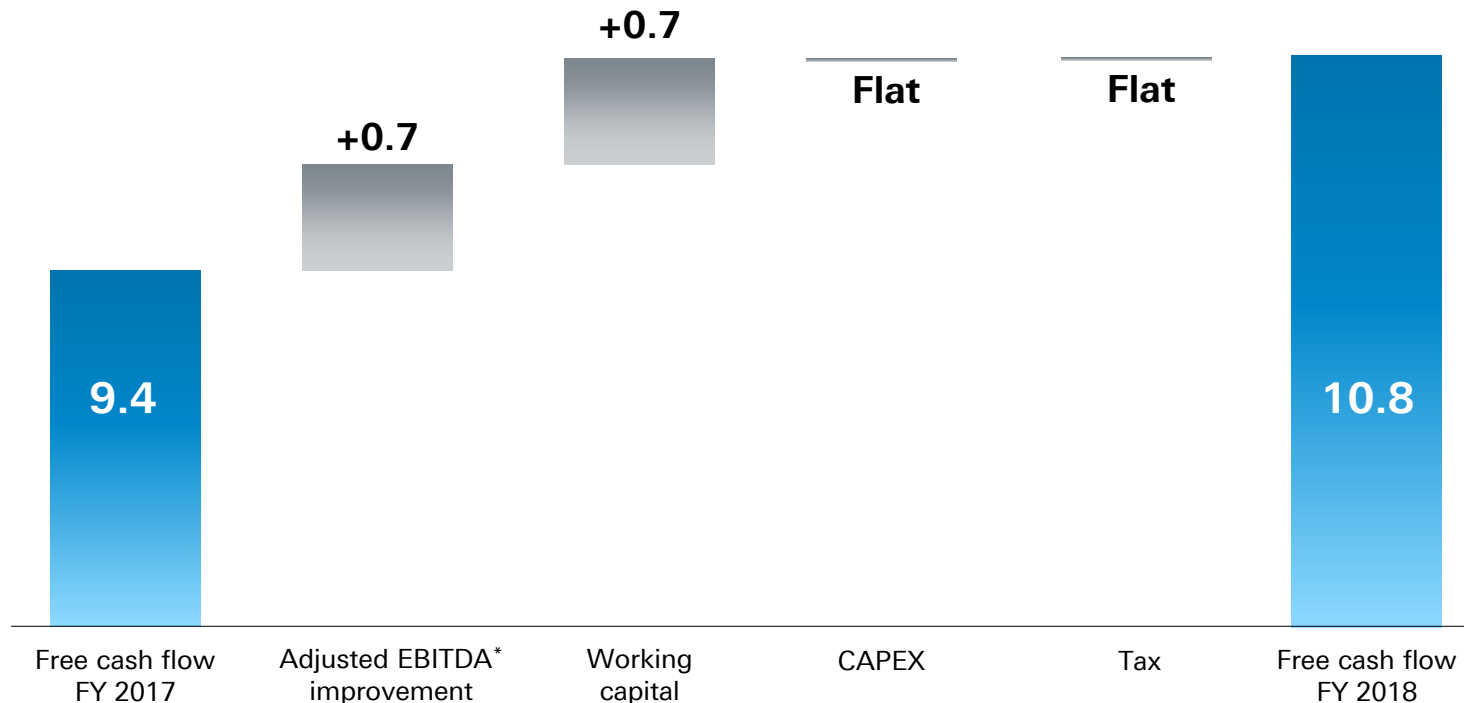
* 2014 adjusted for exceptional income due to L'Oréal transaction (CHF 4.1 bn impact on FCF)

** 2017 restated, reflecting implementation of IFRS 15 and IFRS 16

Free cash flow increase coming from improved EBITDA* and working capital

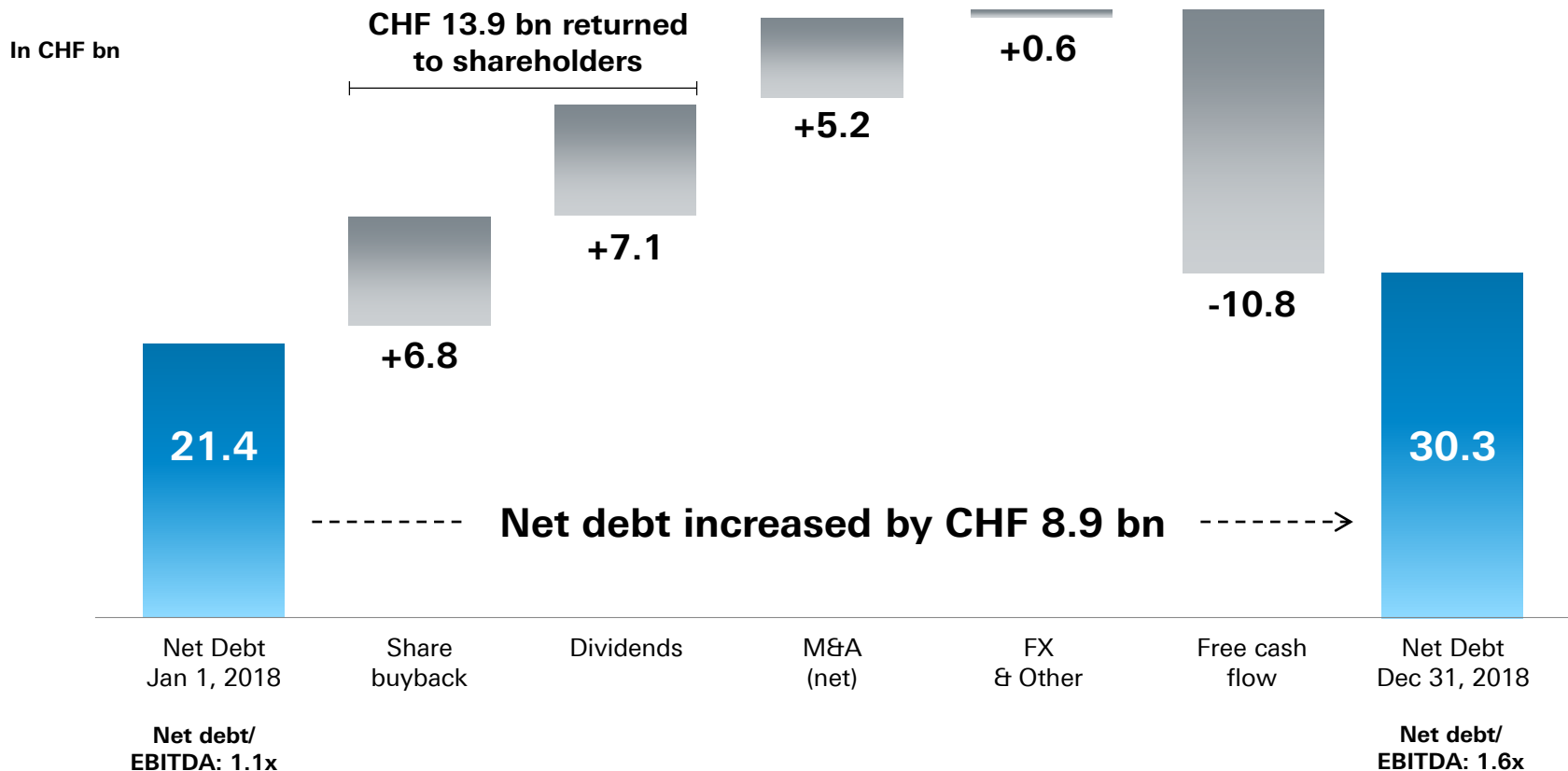


In CHF bn



* Adjusted EBITDA, as defined in our Alternative Performance Measures

Net debt increased following share buyback and M&A





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**Closing
remarks**



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Full-year results 2018

Discussion





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Supporting slides



FY-2018 Operating segments – quarterly summary



Q4-2018 sales

	Sales (CHF m)	RIG %	Pricing %	OG %
Zone AMS	9'057	2.5	1.1	3.6
Zone EMENA	5'201	3.4	-0.5	2.9
Zone AOA	5'532	3.0	1.4	4.4
Nestlé Waters	1'751	-2.1	4.1	2.0
Other Businesses	3'474	4.7	0.4	5.1
Total Group	25'015	2.8	0.9	3.7

FY-2018 Operating segments – topline summary



	FY-2018 sales						
	Sales (CHF m)	RIG %	Pricing %	OG %	Net M&A %	F/X %	Reported sales growth %
Zone AMS	30'975	1.3	0.7	2.0	0.3	-3.2	-0.9
Zone EMENA	18'932	2.6	-0.7	1.9	0.1	0.5	2.5
Zone AOA	21'331	3.6	0.7	4.3	0.0	-2.1	2.2
Nestlé Waters	7'878	-0.6	2.7	2.1	-1.0	-1.2	-0.1
Other Businesses	12'323	5.4	0.3	5.7	5.6	-0.2	11.1
Total Group	91'439	2.5	0.5	3.0	0.7	-1.6	2.1

FY-2018 Products – topline summary



	FY-2018 sales			
	Sales (CHF m)	RIG %	Pricing %	OG %
Powdered and liquid beverages	21'620	2.5	0.8	3.3
Water	7'409	-0.6	2.9	2.3
Milk products and ice cream	13'217	1.3	0.5	1.8
Nutrition and Health Science	16'188	4.5	0.1	4.6
Prepared dishes and cooking aids	12'065	1.2	0.0	1.2
Confectionery	8'123	3.2	-0.5	2.7
Petcare	12'817	3.5	1.0	4.5
Total group	91'439	2.5	0.5	3.0

FY-2018 historical eight quarters



Period	RIG %	Pricing %	OG %
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
Q1-2018	2.6	0.2	2.8
Q2-2018	2.4	0.2	2.6
Q3-2018	2.0	0.9	2.9
Q4-2018	2.8	0.9	3.7

FY-2018 Operating segments – revenue and results



	In CHF m						
	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	30'975	6'521	6'078	(443)	(117)	(142)	(1'033)
Zone EMENA	18'932	3'590	3'251	(339)	(41)	(250)	(769)
Zone AOA	21'331	4'866	4'514	(352)	(215)	(70)	(771)
Nestlé Waters	7'878	865	683	(182)	(54)	(96)	(435)
Other Businesses	12'323	2'036	1'794	(242)	(59)	(14)	(716)
Unallocated items	-	(2'357)	(2'531)	(174)	(14)	(79)	(200)
Total Group	91'439	15'521	13'789	(1'732)	(500)	(651)	(3'924)

FY-2018 Products – revenue and results



	In CHF m					
	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	21'620	4'898	4'572	(326)	(108)	(100)
Water	7'409	775	603	(172)	(49)	(92)
Milk products and Ice cream	13'217	2'521	2'412	(109)	(21)	(42)
Nutrition and Health Science	16'188	3'337	2'826	(511)	(239)	(79)
Prepared dishes and cooking aids	12'065	2'176	2'044	(132)	(27)	(83)
Confectionery	8'123	1'403	1'291	(112)	(17)	(50)
Petcare	12'817	2'768	2'572	(196)	(25)	(126)
Unallocated items	-	(2'357)	(2'531)	(174)	(14)	(79)
Total Group	91'439	15'521	13'789	(1'732)	(500)	(651)

FY-2018 currency overview



			Weighted average rate		
			FY-2017	FY-2018	Variation in %
US Dollar	1	USD	0.984	0.979	-0.5%
Euro	1	EUR	1.113	1.154	+3.7%
Chinese Yuan Renminbi	100	CNY	14.593	14.776	+1.3%
Brazilian Reals	100	BRL	30.796	26.663	-13.4%
Philippine Peso	100	PHP	1.953	1.856	-5.0%
UK Pound Sterling	1	GBP	1.271	1.302	+2.5%
Mexican Pesos	100	MXN	5.212	5.082	-2.5%
Canadian Dollar	1	CAD	0.759	0.755	-0.6%
Japanese Yen	100	JPY	0.878	0.886	+0.8%
Australian Dollar	1	AUD	0.754	0.731	-3.2%
Russian Federation Ruble	100	RUB	1.688	1.554	-7.9%

FY-2018 EPS reconciliation (1 of 2)



From net profit to underlying profit

	In CHF m	
	FY-2017	FY-2018
Net Profit	7'156	10'135
Restructuring costs	673	651
Impairments of property, plant & equipment, goodwill and int. assets	3'582	1'248
Net result on disposal of businesses	132	(686)
Other adjustment in Net other income/(expense)	228	556
Adjustment for income from associates and joint ventures	265	301
Tax effect on above items & adjustment of one-off tax items	(1'034)	(76)
Adjustment in non-controlling interests	(21)	(26)
Underlying Net Profit	10'981	12'103
Weighted Average number of shares outstanding (m)	3'092	3'014
Underlying EPS	3.55	4.02

FY-2018 EPS reconciliation (2 of 2)



From operating profit to underlying net profit

In CHF m

	FY-2017	FY-2018
Operating profit adjusted	14'771	15'521
Net financial income / (expense)	(696)	(761)
Adjusted taxes	(3'807)	(3'515)
Adjusted income from associates and joint ventures	1'089	1'217
Adjusted non-controlling interests	(376)	(359)
Underlying Net Profit	10'981	12'103
Weighted Average number of shares outstanding (m)	3'092	3'014
Underlying EPS	3.55	4.02

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
UTOP	Underlying trading operating profit
Adjusted EBITDA	<i>As per definition in Alternative Performance Measures (APM)</i>