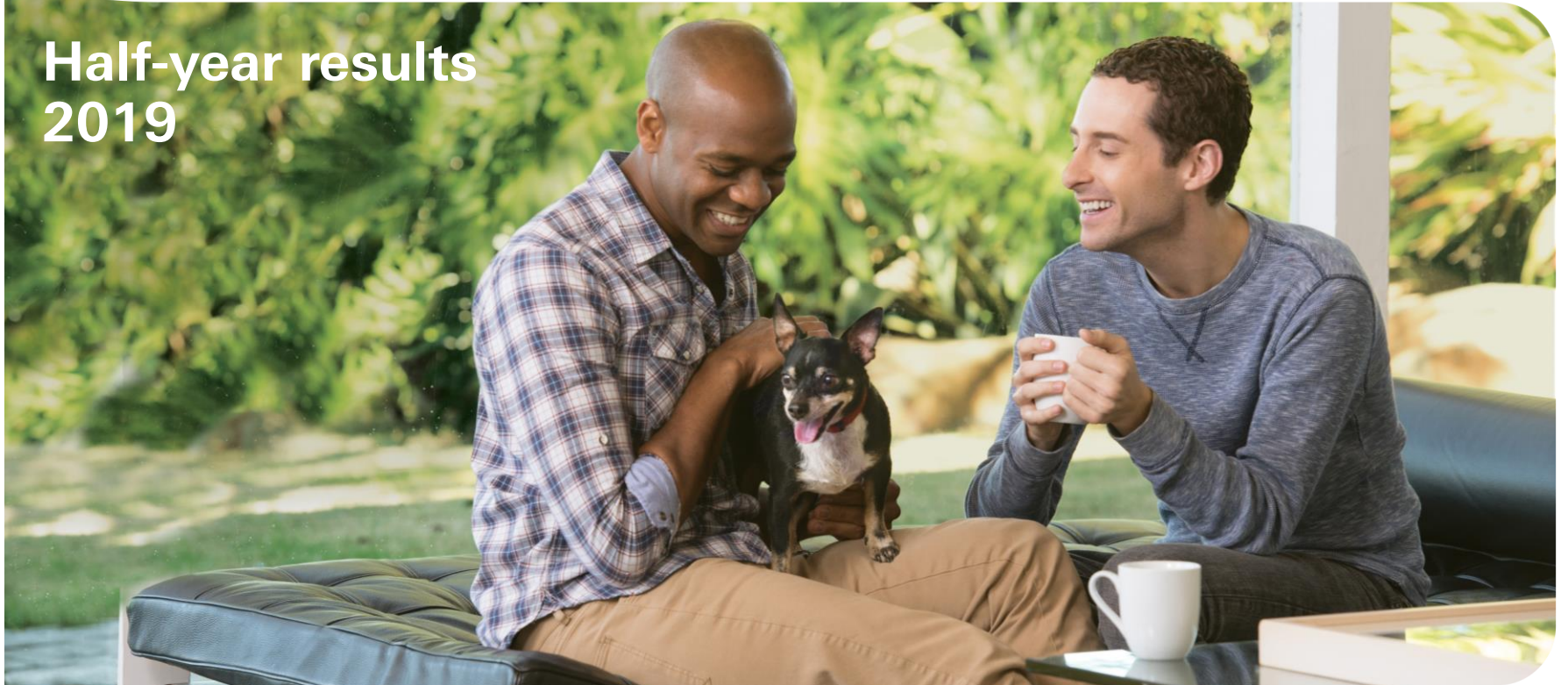




**Nestlé** Good Food, Good Life

# Half-year results 2019



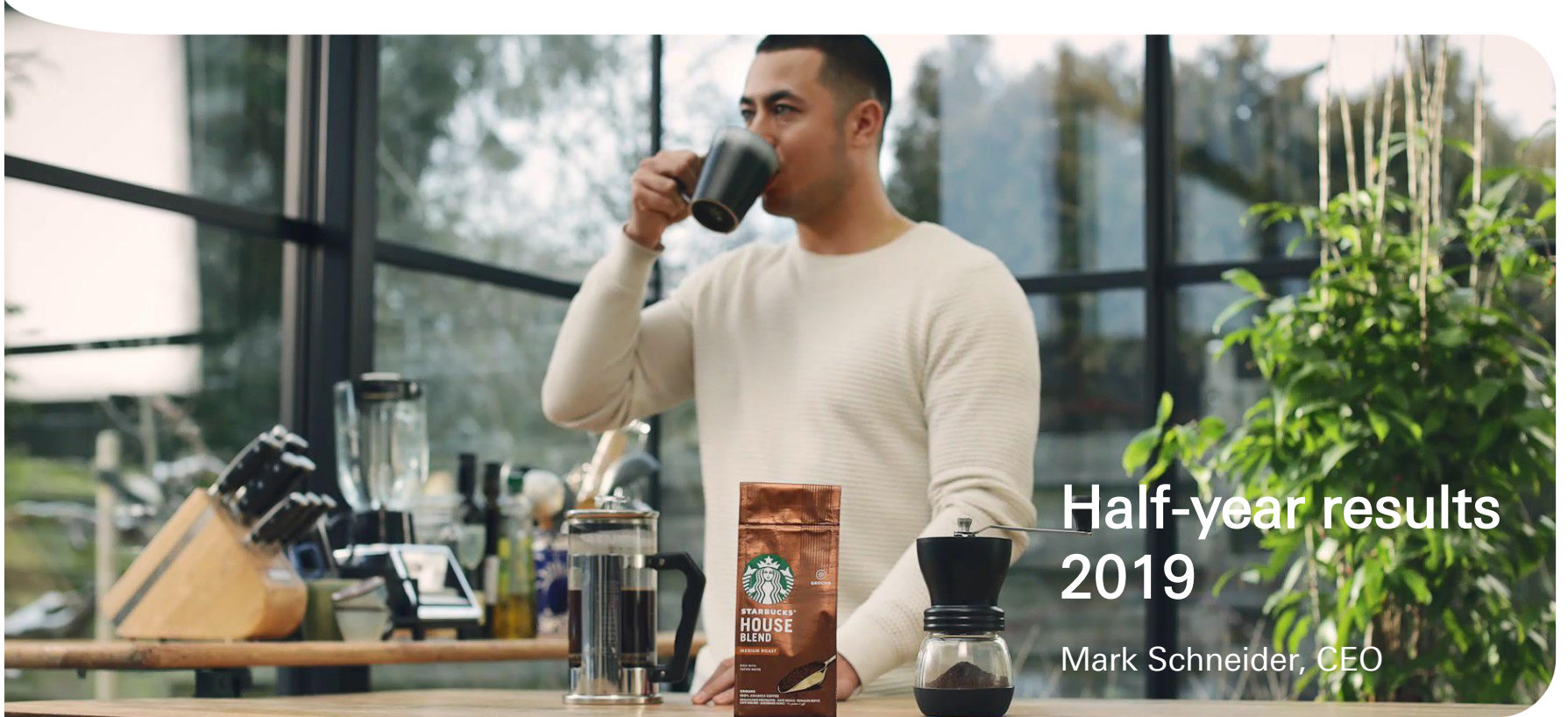
This presentation contains forward looking statements which reflect Management's current views and estimates.

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.



Nestlé Good Food, Good Life



# Half-year results 2019

Mark Schneider, CEO

# Key messages



- First half organic growth of 3.6%
- Stronger growth led by the United States and Brazil
- Additional investment in brand building and innovation
- Margin increase of 100 bps mainly supported by pricing, structural cost reductions and portfolio management
- Full-year guidance for 2019 confirmed. We expect organic sales growth of around 3.5% and underlying trading operating profit margin at or above 17.5%

# Our business as a force for good

## Nestlé Health Science: Empowering healthier lives through nutrition



### **COPESTM**

Cancer Oriented  
Personalized Eating  
& Emotional Support



### **Leading in nutritional science**

- Science-based innovations
- Over 1 bn nutritional health solutions provided per year

### **Providing nutrition and wellness support for cancer patients**

- Launch of physician-supervised COPESTM digital platform in the U.S. (April 2019)
- Benefitting patients, healthcare professionals and payers

### **Pioneering next-generation nutritional products and services**

- Effective cancer care goes beyond products and means providing effective and collaborative solutions



**Nestlé** Good Food, Good Life

# Half-year results 2019

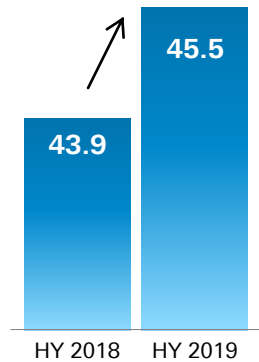
François-Xavier Roger, CFO



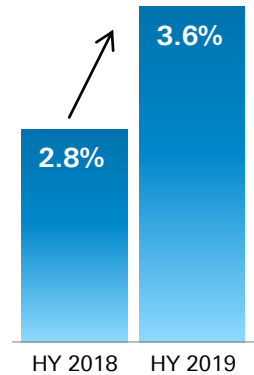
# Strong half-year financial results



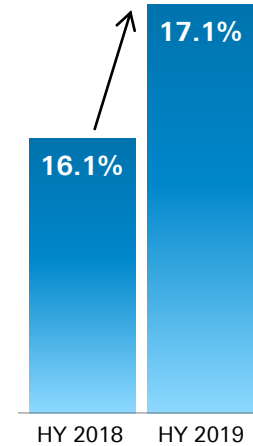
**Total reported sales**  
(CHF bn)



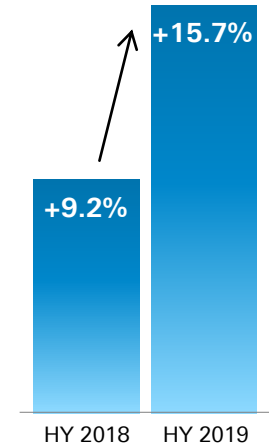
**Organic growth**



**Underlying trading operating profit margin\***

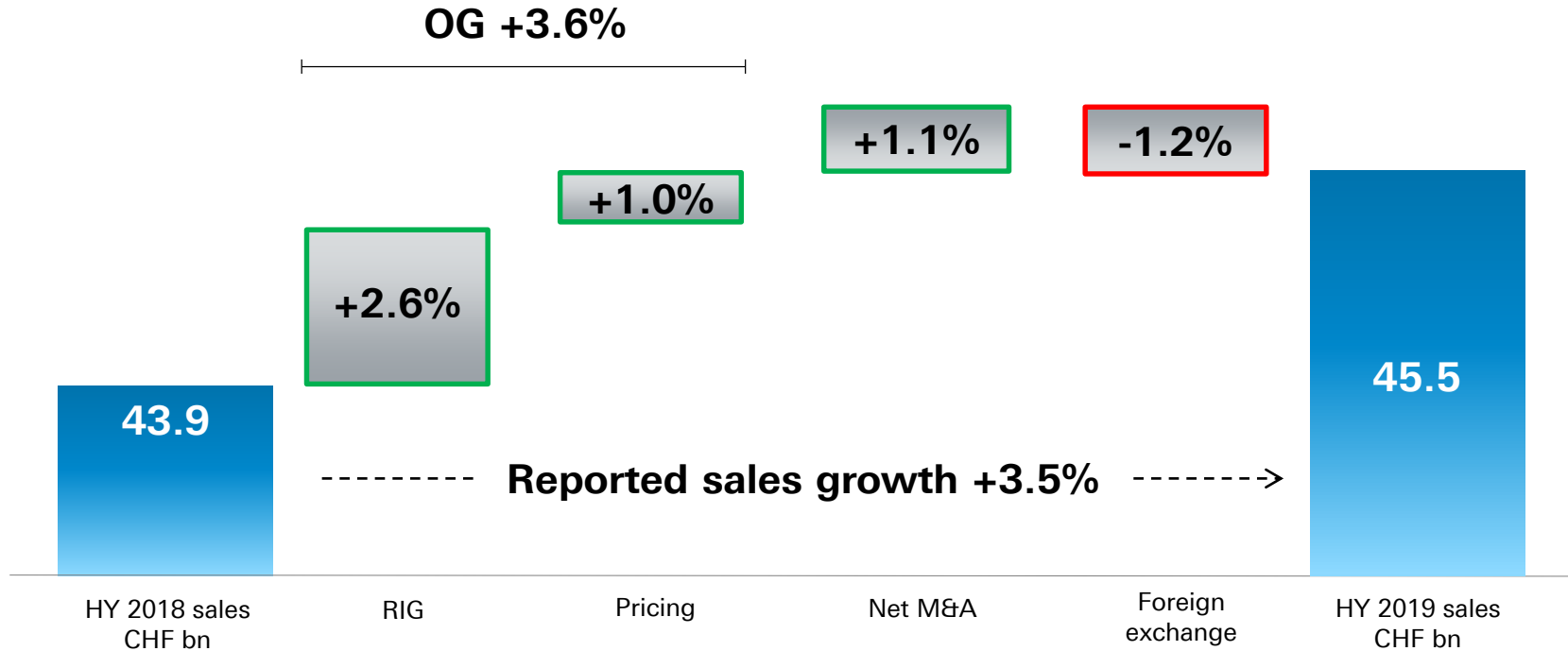


**Underlying EPS\***



\* In constant currency

# Half-year sales growth

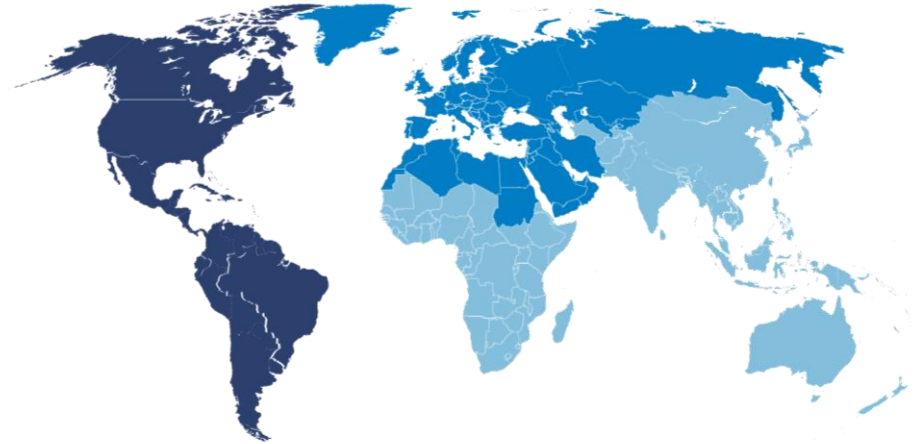




# Further momentum in the Americas



	AMS	EMENA	AOA
<b>Sales</b> (in CHF)	<b>20.5 bn</b>	<b>13.1 bn</b>	<b>11.9 bn</b>
RIG	2.1%	2.7%	3.3%
Pricing	2.3%	-0.5%	0.7%
<b>OG</b>	<b>4.4%</b>	<b>2.2%</b>	<b>4.0%</b>

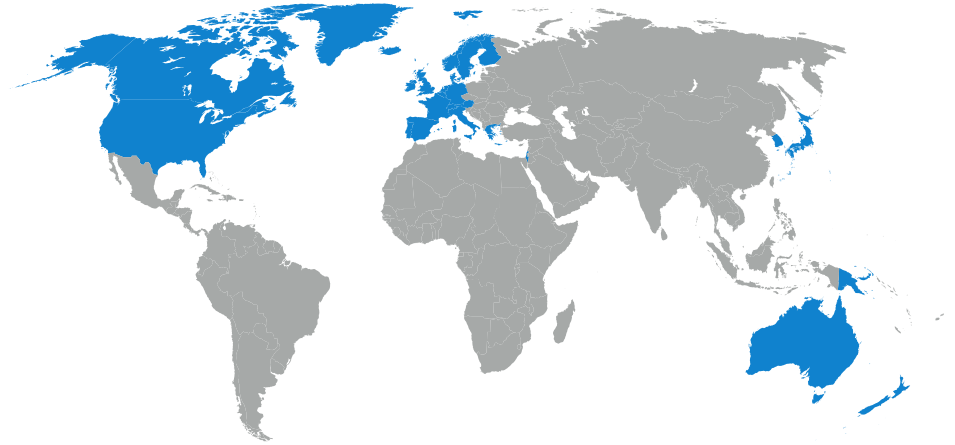


Each geography includes zones, Nestlé Waters, Nespresso, Nestlé Health Science and Nestlé Skin Health

# Growth acceleration in developed markets



	Developed	Emerging
<b>Sales</b> (in CHF) % of group sales	<b>26.1 bn</b> 57%	<b>19.4 bn</b> 43%
RIG	1.9%	3.5%
Pricing	0.5%	1.8%
<b>OG</b>	<b>2.4%</b>	<b>5.3%</b>



# Zone AMS



Sales	<b>CHF 15.7 bn</b>
Organic growth	<b>3.9%</b>
Real internal growth	<b>2.0%</b>
Underlying TOP margin vs LY	<b>19.2%</b> <b>+40 bps</b>

- Further momentum mainly coming from the United States and Brazil
- North America posted strongest quarter in 8 years. The largest contributors were *Purina PetCare*, *Starbucks*, *Coffee-mate* and *Nescafé*
- Latin America had mid single-digit growth, with positive contributions from most markets and categories
- Margin +40 bps coming from pricing, portfolio management and structural cost reductions



# Zone EMENA



Sales	<b>CHF 9.2 bn</b>
Organic growth	<b>2.4%</b>
Real internal growth	<b>3.7%</b>
Underlying TOP margin vs LY	<b>18.8%</b> <b>+10 bps</b>

- Continued solid OG supported by strong RIG, despite pricing pressure
- *Purina* PetCare and infant nutrition were the main contributors to growth. Coffee returned to positive growth in Q2
- Western Europe back to positive organic growth
- Margin +10 bps driven by structural cost reductions and favorable mix



# Zone AOA



Sales	<b>CHF 10.7 bn</b>
Organic growth	<b>3.3%</b>
Real internal growth	<b>2.5%</b>
Underlying TOP margin vs LY	<b>23.1%</b> <b>+40 bps</b>

- Solid growth despite negative sales development in Pakistan
- China saw softness in some categories, but reported good growth in culinary and ice cream
- Infant nutrition, culinary and ready-to-drink were the main contributors to growth in the Zone
- Margin +40 bps supported by pricing, structural cost reductions and favorable mix



# Nestlé Waters



Sales	<b>CHF 4.0 bn</b>
Organic growth	<b>1.4%</b>
Real internal growth	<b>-3.3%</b>
Underlying TOP margin vs LY	<b>11.8%</b> <b>+180 bps</b>

- Organic growth was soft with strong pricing partially offset by negative RIG
- North America saw positive growth. Europe was impacted by unfavorable weather conditions
- International premium brands posted high single-digit growth
- Margin +180 bps based on pricing and structural cost reductions



# Other Businesses

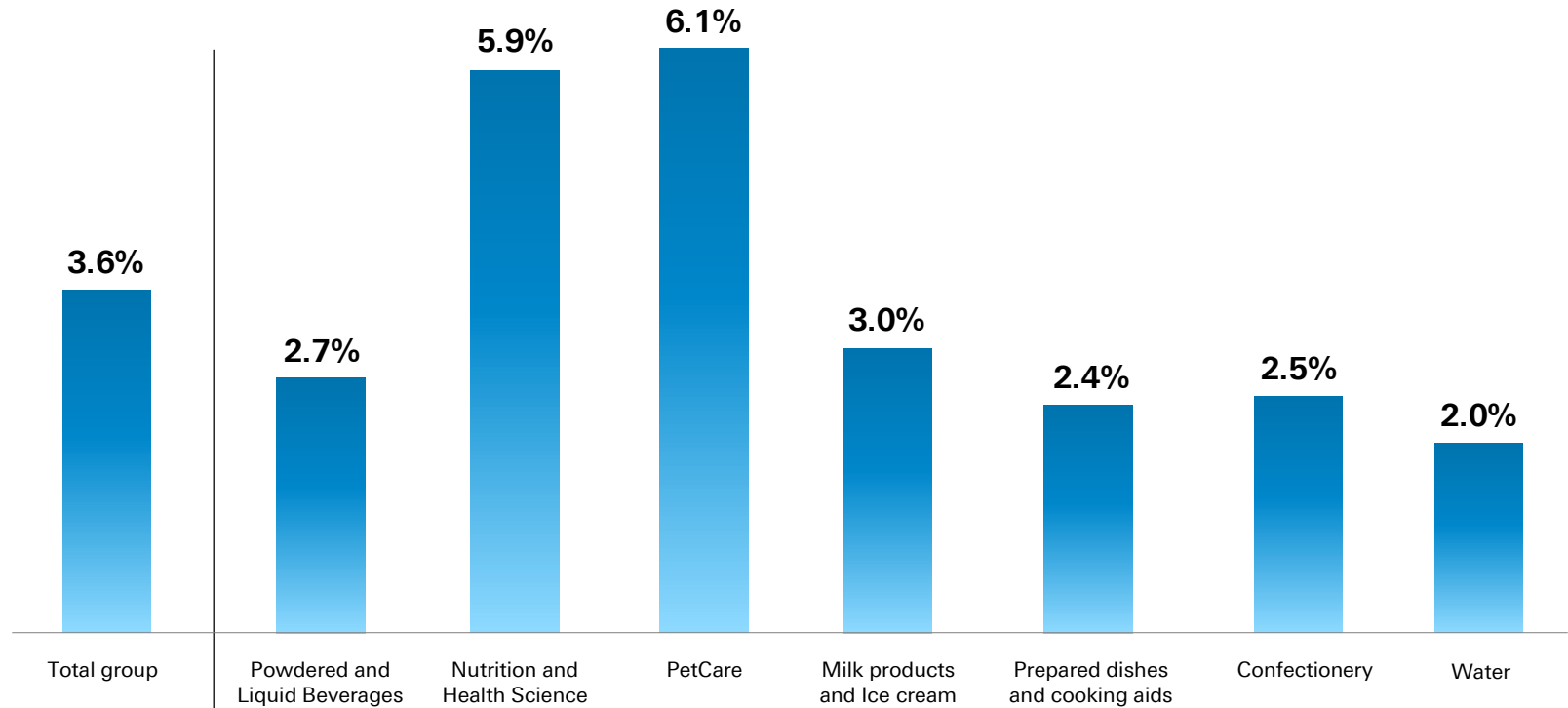


Sales	<b>CHF 5.8 bn</b>
Organic growth	<b>7.4%</b>
Real internal growth	<b>6.7%</b>
Underlying TOP margin vs LY	<b>19.6%</b> <b>+320 bps</b>

- Nespresso maintained mid single-digit OG, led by North America and emerging markets. Europe saw positive growth
- Nestlé Health Science grew at mid single-digit rate, led by Medical Nutrition and expansion in emerging markets.
- Nestlé Skin Health posted double-digit growth
- Broad-based improvement in margin, with a significant contribution from Skin Health

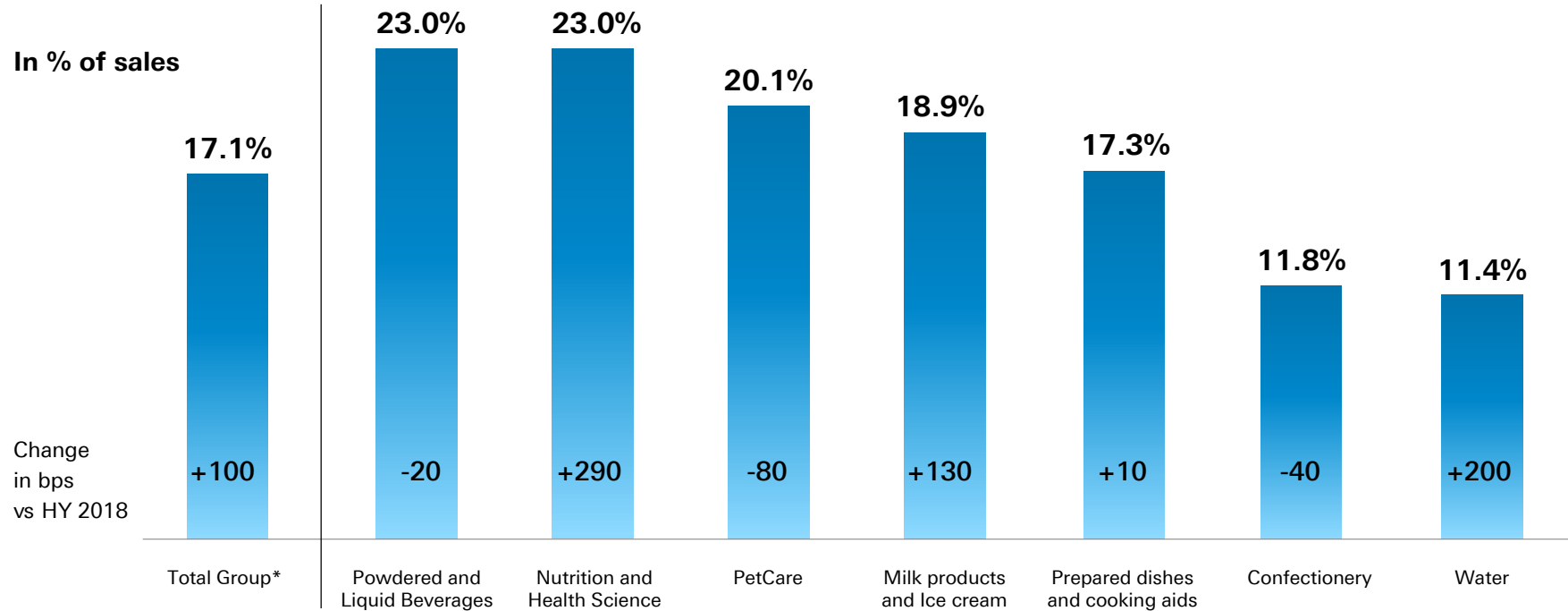


# Positive organic growth across the portfolio





# Underlying TOP margin by products

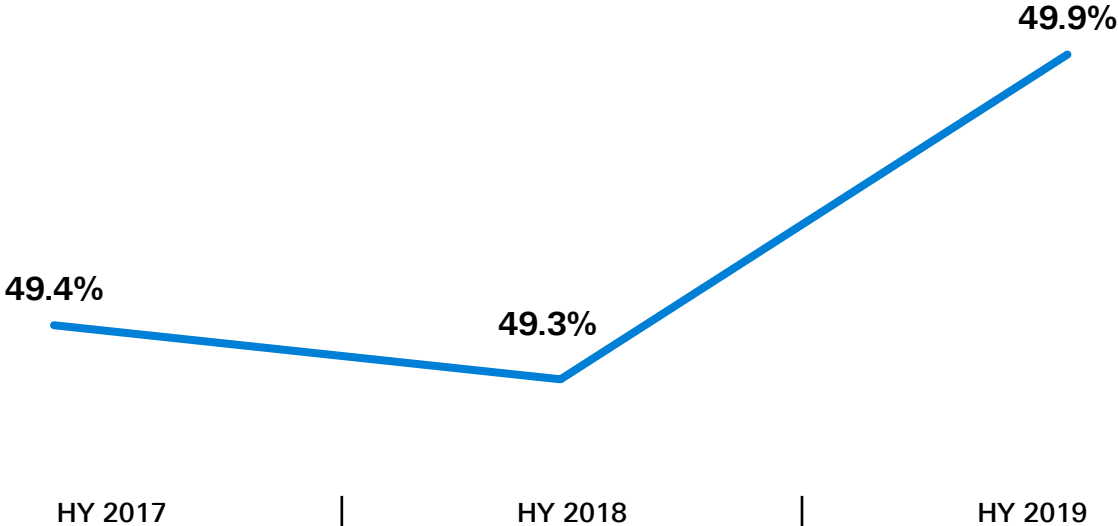


\* Includes unallocated items

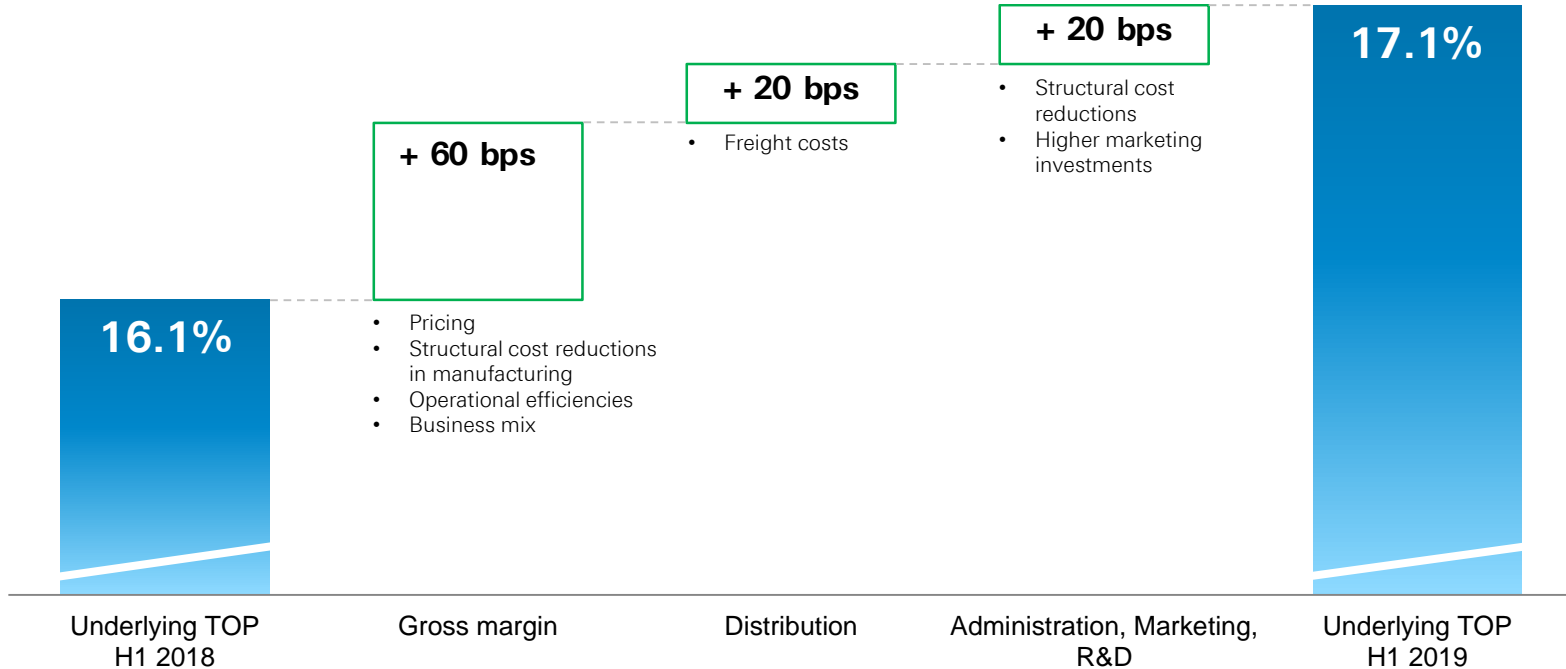
# Gross margin improvement



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



# Underlying TOP margin +100 bps



# Underlying EPS +15.7%\*



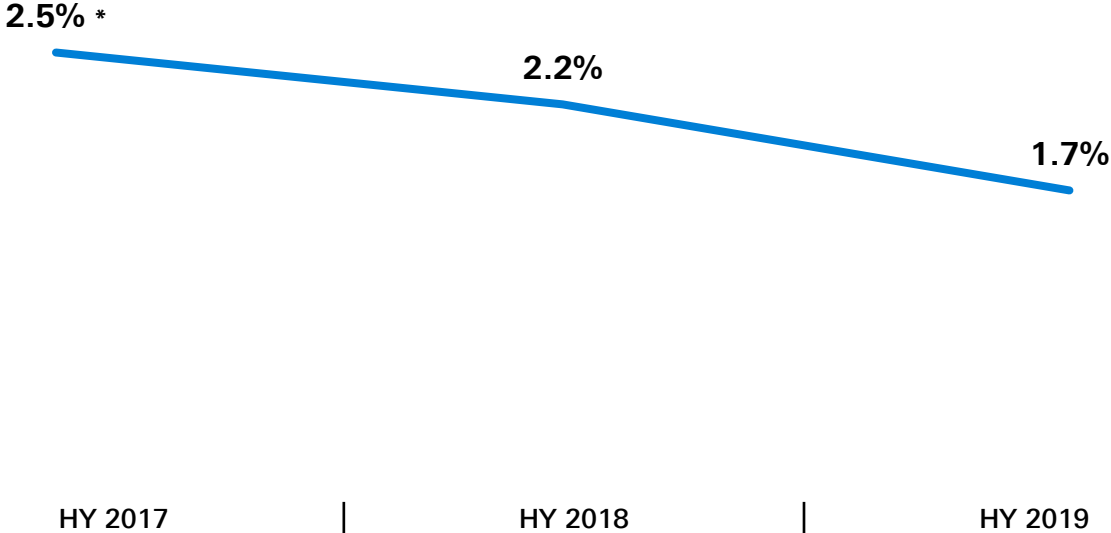
	% of sales	HY 2019 vs HY 2018
<b>Underlying TOP</b>	<b>17.1%</b>	<b>+100 bps</b>
Restructuring:		flat
Impairment of assets (excluding goodwill):		+10 bps
Other items:		-20 bps
<b>TOP</b>	<b>15.5%</b>	<b>+90 bps</b>
Net loss on disposal of businesses:		-340 bps
Taxes:		+60 bps
Other:		-50 bps
<b>Net Profit</b>	<b>10.9%</b>	<b>-240 bps</b>
Weighted average number of shares outstanding	2 954 m	-2.7%
<b>Underlying EPS (CHF)</b>	<b>2.13</b>	<b>+15.7%*</b>

\* In constant currency

# Continued focus on working capital



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

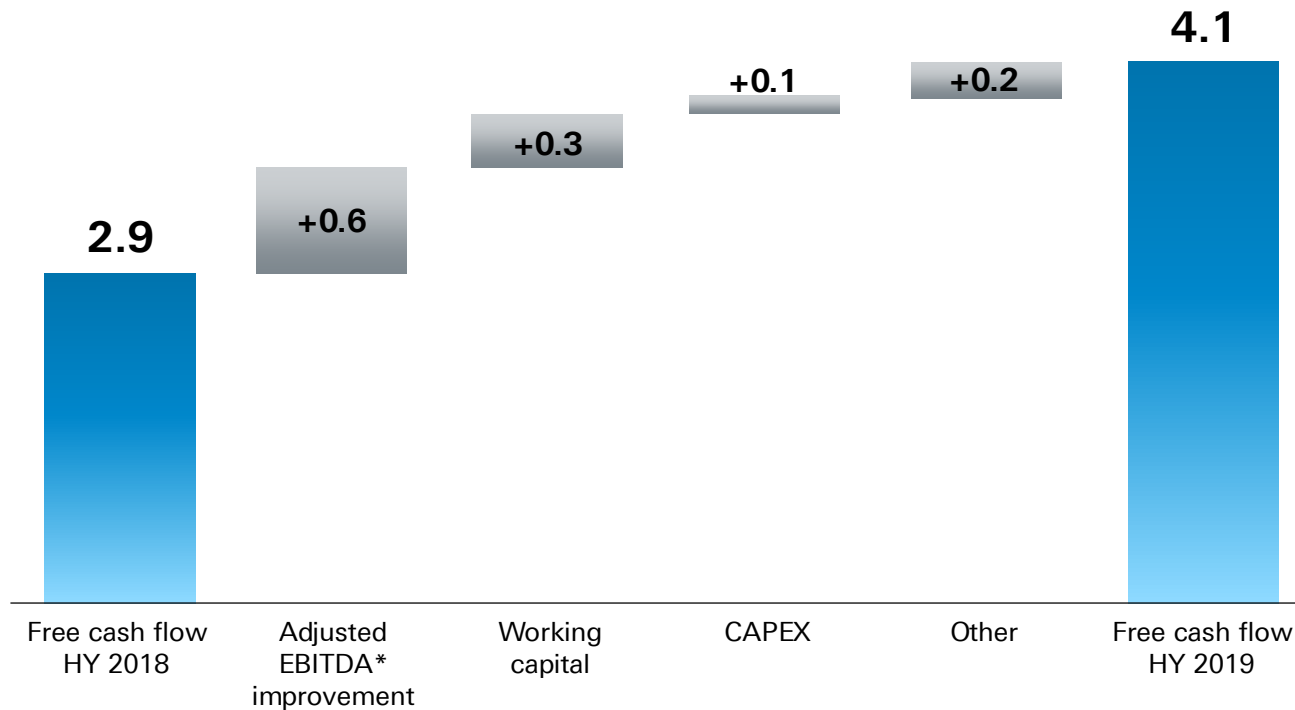


\* Figure for 2017 restated

# Free cash flow



In CHF billion



\* Adjusted EBITDA, as defined in our Alternative Performance Measures

# 2019 guidance confirmed



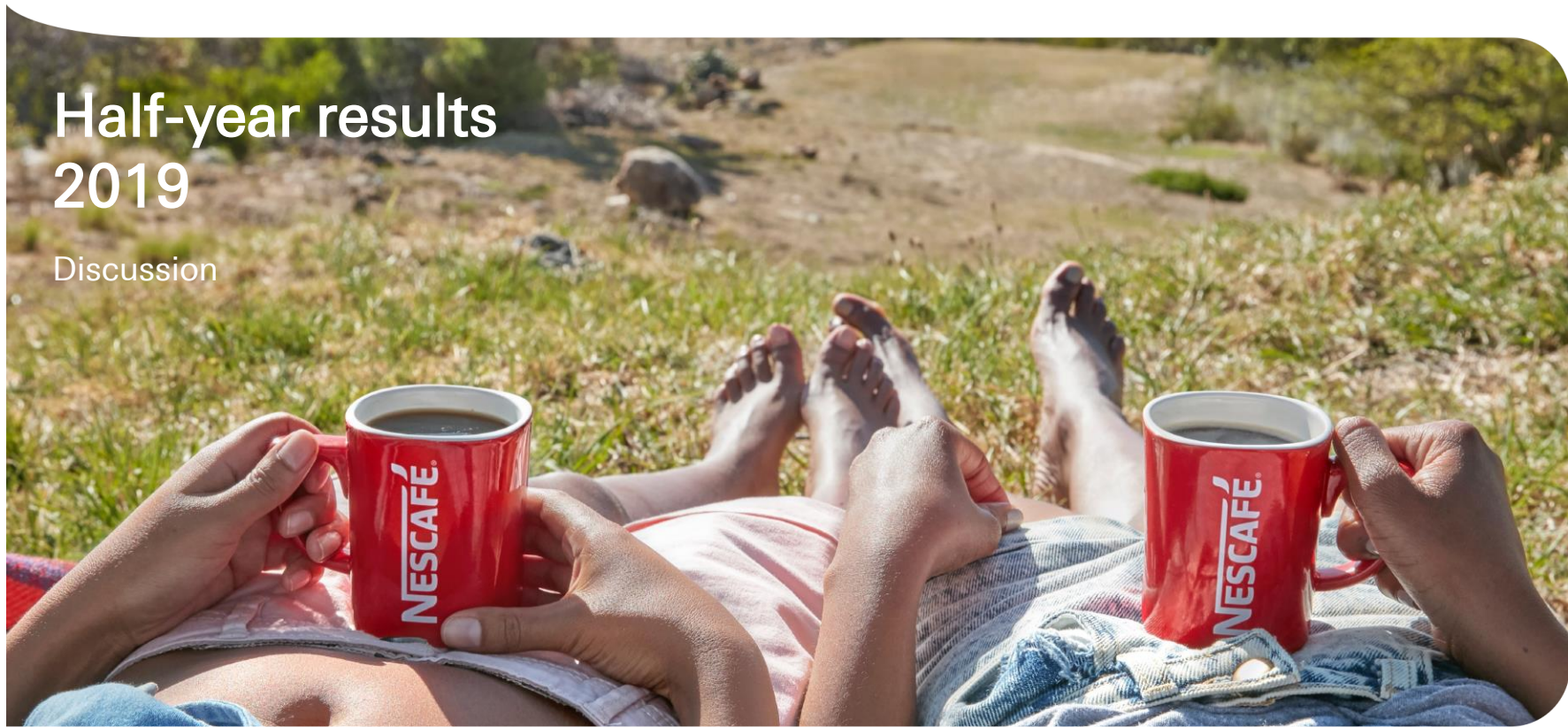
- Full-year guidance for 2019 confirmed
- We expect organic sales growth around 3.5% and full-year underlying trading operating profit margin to be at or above 17.5%
- Underlying earnings per share in constant currency and capital efficiency expected to increase



**Nestlé** Good Food, Good Life

# Half-year results 2019

Discussion





# 6M-2019 Operating segments – topline summary



	6M-2019 sales						Reported sales growth %
	Sales (CHF m)	RIG %	Pricing %	OG %	Net M&A %	F/X %	
Zone AMS	<b>15 666</b>	<b>2.0</b>	<b>1.9</b>	<b>3.9</b>	<b>6.4</b>	<b>0.5</b>	<b>10.8</b>
Zone EMENA	<b>9 231</b>	<b>3.7</b>	<b>-1.3</b>	<b>2.4</b>	<b>-0.1</b>	<b>-3.1</b>	<b>-0.8</b>
Zone AOA	<b>10 725</b>	<b>2.5</b>	<b>0.8</b>	<b>3.3</b>	<b>-0.1</b>	<b>-2.3</b>	<b>0.9</b>
Nestlé Waters	<b>4 003</b>	<b>-3.3</b>	<b>4.7</b>	<b>1.4</b>	<b>-0.2</b>	<b>-0.3</b>	<b>0.9</b>
Other businesses	<b>5 831</b>	<b>6.7</b>	<b>0.7</b>	<b>7.4</b>	<b>-6.5</b>	<b>-1.4</b>	<b>-0.5</b>
<b>Total Group</b>	<b>45 456</b>	<b>2.6</b>	<b>1.0</b>	<b>3.6</b>	<b>1.1</b>	<b>-1.2</b>	<b>3.5</b>

# 6M-2019 Products – topline summary



	6M-2019 sales			
	Sales (CHF m)	RIG %	Pricing %	OG %
Powdered and liquid beverages	11 367	2.2	0.5	2.7
Water	3 786	-3.0	5.0	2.0
Milk products and ice cream	6 539	1.4	1.6	3.0
Nutrition and Health Science	7 822	5.2	0.7	5.9
Prepared dishes and cooking aids	5 938	2.6	-0.2	2.4
Confectionery	3 450	3.3	-0.8	2.5
Petcare	6 554	4.2	1.9	6.1
<b>Total Group</b>	<b>45 456</b>	<b>2.6</b>	<b>1.0</b>	<b>3.6</b>

# HY-2019 historical eight quarters



<b>Period</b>	<b>RIG %</b>	<b>Pricing %</b>	<b>OG %</b>
Q3-2017	<b>2.6</b>	<b>0.5</b>	<b>3.1</b>
Q4-2017	<b>1.2</b>	<b>0.7</b>	<b>1.9</b>
Q1-2018	<b>2.6</b>	<b>0.2</b>	<b>2.8</b>
Q2-2018	<b>2.4</b>	<b>0.2</b>	<b>2.6</b>
Q3-2018	<b>2.0</b>	<b>0.9</b>	<b>2.9</b>
Q4-2018	<b>2.8</b>	<b>0.9</b>	<b>3.7</b>
Q1-2019	<b>2.2</b>	<b>1.2</b>	<b>3.4</b>
Q2-2019	<b>3.0</b>	<b>0.9</b>	<b>3.9</b>

# 6M-2019 Operating segments – revenue and results



	In CHF m						
	Sales	Underlying Trading Operating Profit	Trading Operating Profit	Net other trading income/ (expense)	Of which impairment of property, plant and equipment	Of which restructuring costs	Depreciation and amortization
Zone AMS	15 666	3 009	2 605	(404)	(182)	(132)	(533)
Zone EMENA	9 231	1 733	1 671	(62)	(12)	(57)	(370)
Zone AOA	10 725	2 482	2 404	(78)	(32)	(11)	(375)
Nestlé Waters	4 003	472	327	(145)	(32)	(89)	(213)
Other businesses	5 831	1 144	1 140	(4)	19	(9)	(266)
Unallocated items	--	(1 067)	(1 089)	(22)	--	(8)	(107)
<b>Total Group</b>	<b>45 456</b>	<b>7 773</b>	<b>7 058</b>	<b>(715)</b>	<b>(239)</b>	<b>(306)</b>	<b>(1 864)</b>

# 6M-2019 Products – revenue and results



	In CHF m					
	Sales	Underlying Trading Operating Profit	Trading Operating Profit	Net other trading income/ (expense)	Of which impairment of property, plant and equipment	Of which restructuring costs
Powdered and Liquid Beverages	11 367	2 619	2 577	(42)	(12)	(18)
Water	3 786	433	290	(143)	(32)	(87)
Milk products and Ice cream	6 539	1 236	1 026	(210)	(97)	(61)
Nutrition and Health Science	7 822	1 800	1 756	(44)	(5)	(17)
Prepared dishes and cooking aids	5 938	1 025	809	(216)	(85)	(84)
Confectionery	3 450	408	378	(30)	(8)	(12)
Petcare	6 554	1 319	1 311	(8)	--	(19)
Unallocated items	--	(1 067)	(1 089)	(22)	--	(8)
<b>Total Group</b>	<b>45 456</b>	<b>7 773</b>	<b>7 058</b>	<b>(715)</b>	<b>(239)</b>	<b>(306)</b>

# HY-2019 currency overview



US Dollar	1	USD
Euro	1	EUR
Chinese Yuan Renminbi	100	CNY
Brazilian Reias	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		
HY-2018	HY-2019	Variation in %
0.967	0.999	+3.2
1.170	1.130	-3.5
15.182	14.720	-3.0
28.110	25.994	-7.5
1.329	1.294	-2.6
5.069	5.214	+2.9
1.858	1.916	+3.1
0.757	0.750	-0.9
1.624	1.535	-5.5
0.745	0.706	-5.3
0.890	0.909	+2.1

# HY-2019 EPS reconciliation (1 of 2)



## From net profit to underlying profit

	In CHF m	
	HY-2018	HY-2019
<b>Net Profit</b>	<b>5 825</b>	<b>4 972</b>
Restructuring costs	299	306
Impairments of property, plant & equipment, goodwill and int. assets	384	333
Net result on disposal of businesses	(1 400)	95
Other adjustment in Net other income/(expense)	80	305
Adjustment for income from associates and joint ventures	153	134
Tax effect on above items & adjustment of one-off tax items	311	157
Adjustment in non-controlling interests	(7)	(4)
<b>Underlying Net Profit</b>	<b>5 645</b>	<b>6 298</b>
Weighted Average number of shares outstanding (in millions)	3 035	2 954
<b>Underlying EPS</b>	<b>1.86</b>	<b>2.13</b>

# HY-2019 EPS reconciliation (2 of 2)



## From operating profit to underlying net profit

	In CHF m	
	HY-2018	HY-2019
<b>Operating profit adjusted</b>	<b>7 063</b>	<b>7 773</b>
Net financial income / (expense)	(346)	(504)
Adjusted taxes	(1 628)	(1 554)
Adjusted income from associates and joint ventures	726	734
Adjusted non-controlling interests	(170)	(151)
<b>Underlying Net Profit</b>	<b>5 645</b>	<b>6 298</b>
Weighted Average number of shares outstanding (in millions)	3 035	2 954
<b>Underlying EPS</b>	<b>1.86</b>	<b>2.13</b>



# Abbreviations



<b>OG</b>	Organic Growth
<b>RIG</b>	Real Internal Growth
<b>AMS</b>	Zone Americas
<b>EMENA</b>	Zone Europe, Middle East, and North Africa
<b>AOA</b>	Zone Asia, Oceania, and sub-Saharan Africa
<b>EPS</b>	Earnings Per Share
<b>COGS</b>	Cost Of Goods Sold
<b>FCF</b>	Free Cash Flow
<b>TOP</b>	Trading Operating Profit
<b>UTOP</b>	Underlying Trading Operating Profit