



Nestlé Good food, Good life



Half-year results 2018

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.

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.





Half-year results 2018

Mark Schneider, CEO

Key messages

- **Good progress with the Nestlé value creation model**
- **Solid organic growth of 2.8%**, with increased momentum in U.S. and China, as well as in infant nutrition
- **UTOP margin increased by 20 bps** with a further acceleration expected in the second half
- **Significant Underlying EPS growth at +9.2%***
- **Full-year guidance for 2018 confirmed**

* In constant currency





Half-year results 2018

François-Xavier Roger, CFO

Half-year performance highlights

Sales (in CHF)

43.9 bn

+2.3% on a reported basis

Organic growth

+2.8%

Real internal
growth

+2.5%

+0.3% pricing

Underlying TOP
margin

+20 bps^{*}

16.1% of sales

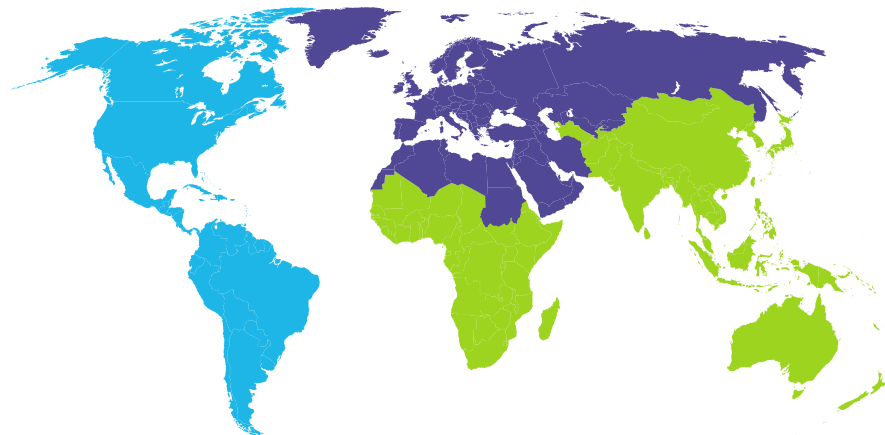
* In constant currency



Nestlé Good food, Good life

Broad-based OG and RIG across geographies

	AMS	EMENA	AOA
Sales (in CHF)	19.0 bn	13.2 bn	11.7 bn
RIG	1.8%	2.4%	3.8%
OG	2.0%	2.3%	4.4%

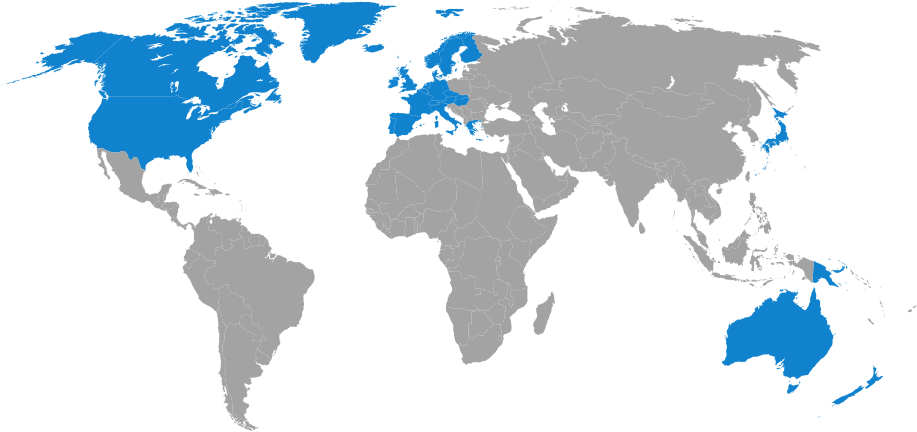


Each geography includes zones, Nestlé Waters, Nespresso, Nestlé Health Science and Nestlé Skin Health



Strong RIG in developed and emerging markets

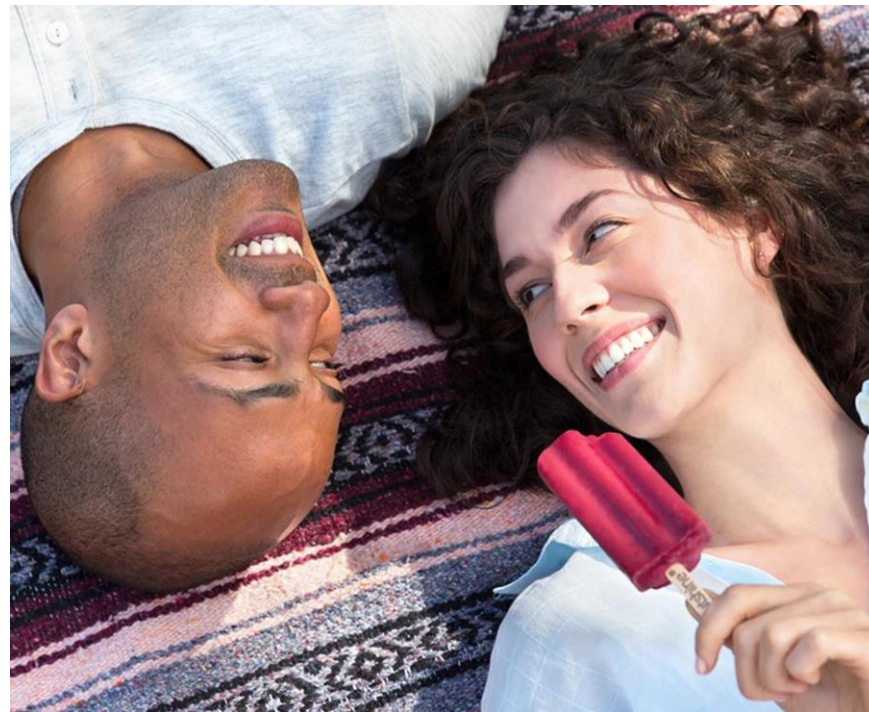
	Developed	Emerging
Sales (in CHF) % of group sales	24.9 bn 57%	19.0 bn 43%
RIG	1.6%	3.6%
OG	1.5%	4.3%



Zone AMS

Sales	CHF 14.2 bn
Organic growth	1.0%
Real internal growth	1.0%
Underlying TOP margin (vs LY)	18.9% (+30 bps)

- North America saw positive OG, with increased momentum in the U.S.
- Latin America had positive RIG and OG
- Brazil impacted by nationwide truckers' strike
- Margin supported by operational efficiencies



Zone EMENA

Sales	CHF 9.3 bn
Organic growth	2.5%
Real internal growth	3.1%
Underlying TOP margin (vs LY)	18.9% (+70 bps)

- Western Europe returned to positive OG
- Both Central and Eastern Europe, and Middle East and North Africa had mid single-digit OG
- Category highlights were petcare, coffee and nutrition
- Margin supported by operational efficiencies and lower commodity costs



Zone AOA

Sales	CHF 10.6 bn
Organic growth	4.4%
Real internal growth	3.7%
Underlying TOP margin (vs LY)	22.9% (-20 bps)

- China, South-East Asia and South Asia saw mid single-digit OG
- Sub-Saharan Africa had high single-digit OG
- Japan and Oceania were flat with positive RIG and negative pricing
- Product highlights were *Maggi*, *Milo* and *Nescafé RTD*
- High margin, decreased slightly due to phasing of certain cost items



Nestlé Waters

Sales	CHF 4.0 bn
Organic growth	1.0%
Real internal growth	-0.7%
Underlying TOP margin (vs LY)	10.0% (-270 bps)

- North America saw positive growth, driven by the launch of the sparkling range
- Europe was slightly negative, reflecting difficult comparables
- Emerging markets were flat
- *S. Pellegrino* and *Perrier* delivered good growth
- Margin impacted by higher PET packaging and distribution costs



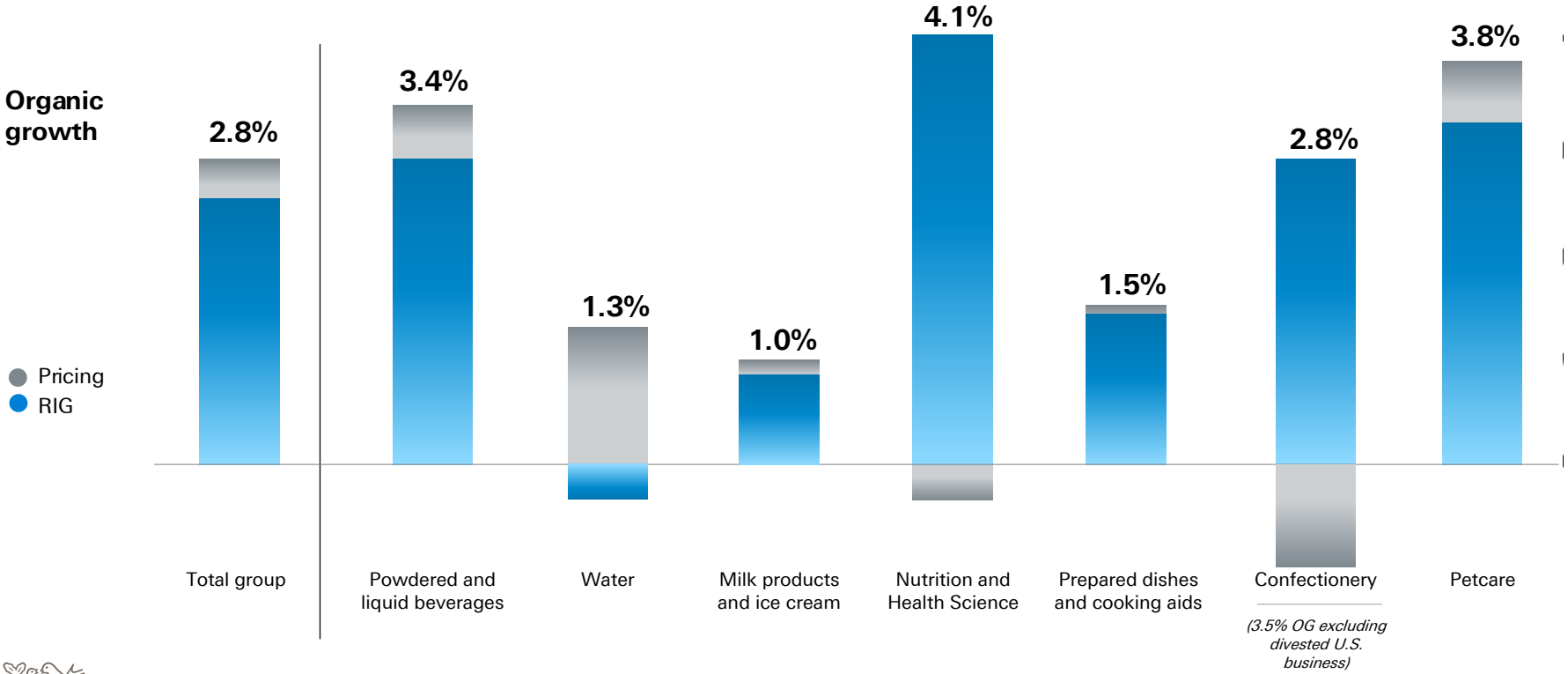
Other Businesses

Sales	CHF 5.9 bn
Organic growth	5.7%
Real internal growth	5.4%
Underlying TOP margin (vs LY)	16.4% (+160 bps)

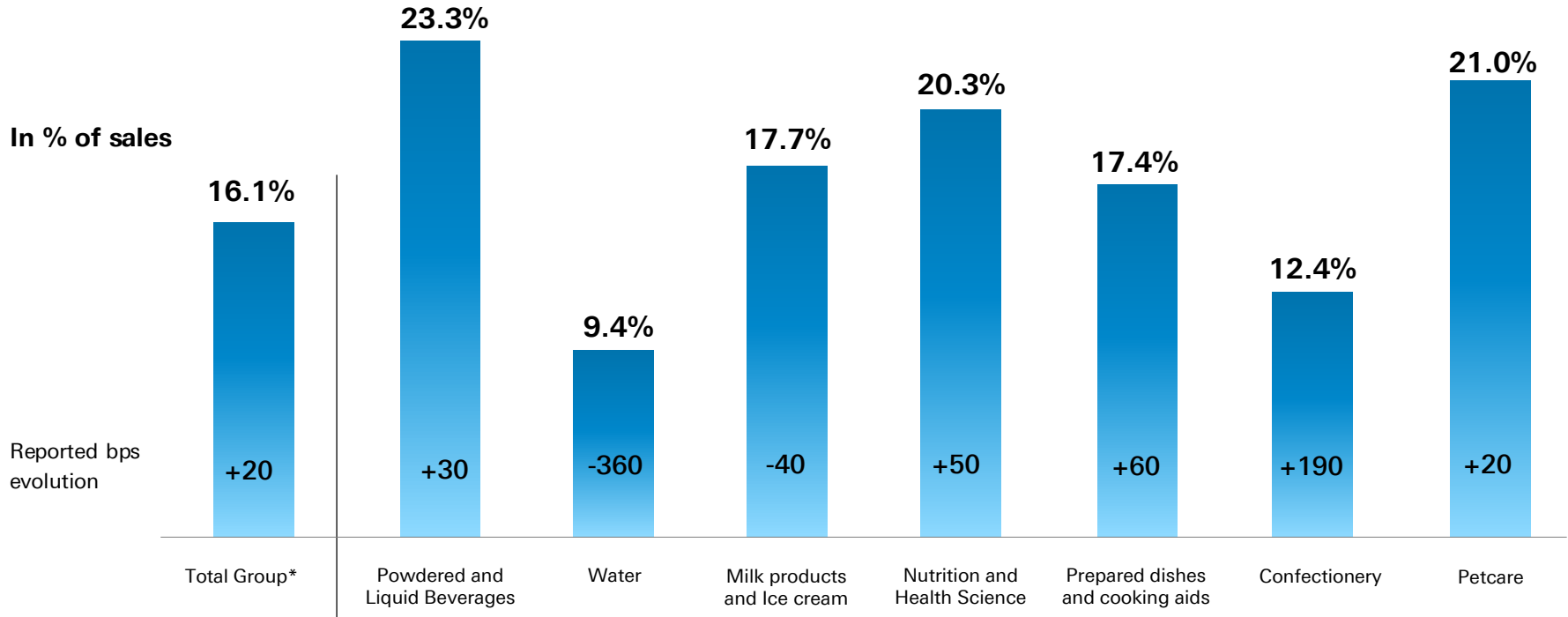
- Nespresso sustained mid single-digit OG, with strong momentum in North America and Asia
- Nestlé Health Science had mid single-digit OG, driven by RIG
- Nestlé Skin Health had mid single-digit growth
- Margin expansion driven by an improvement in Nestlé Skin Health and Nespresso



Growth by products



Underlying TOP by products

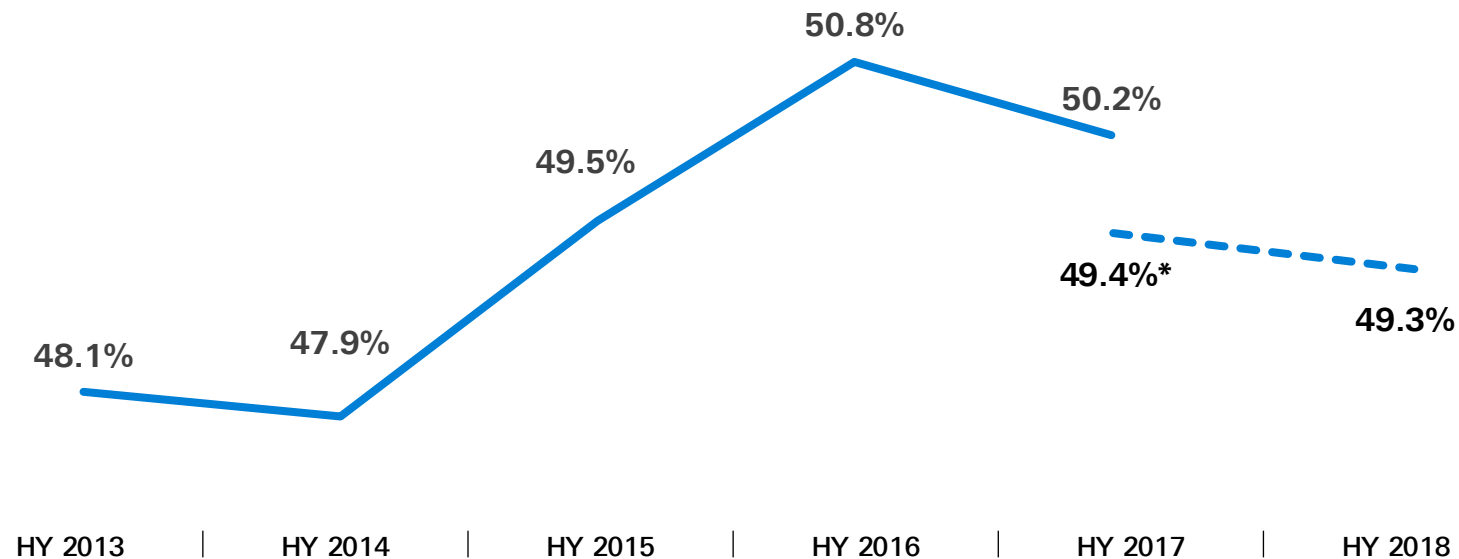


* Includes Central (unallocated) costs



Gross margin

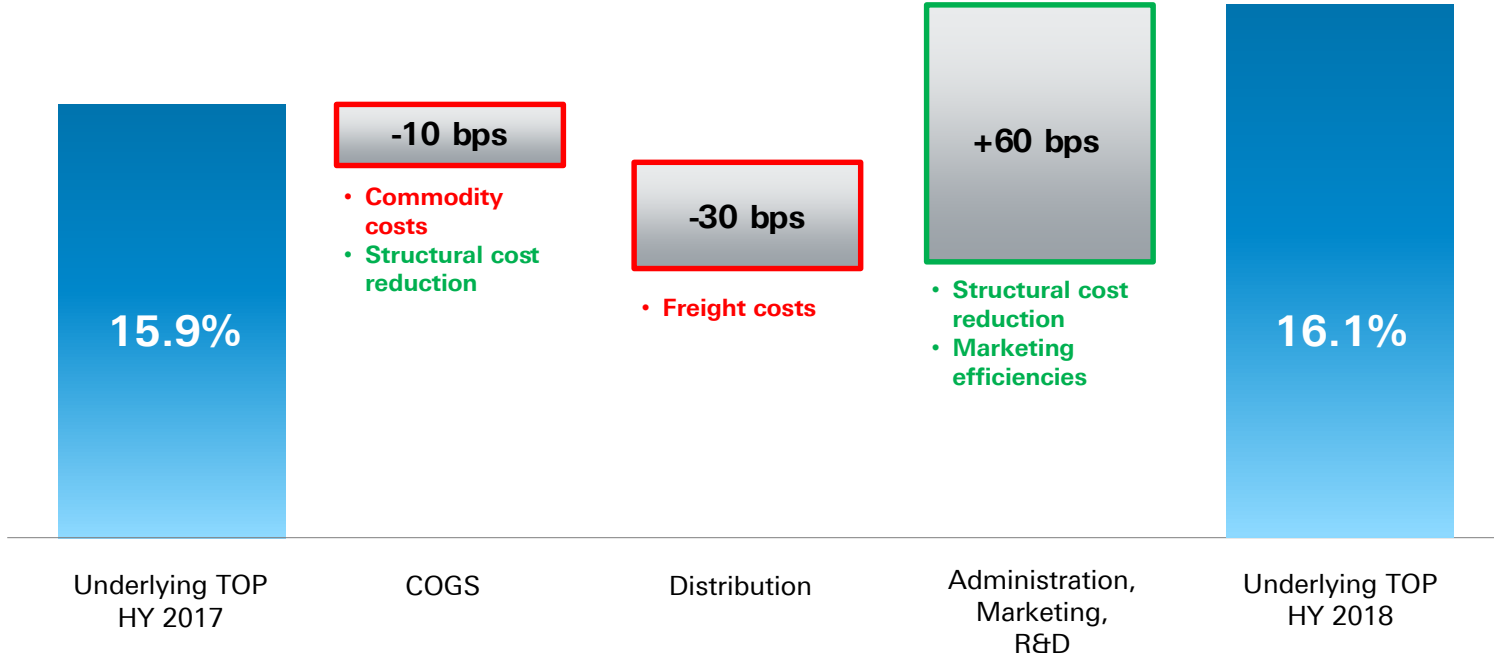
Gross margin = (Sales - Cost of good sold) / Sales



* Figure for 2017 restated



Underlying TOP +20 bps



Underlying EPS +9.2%*

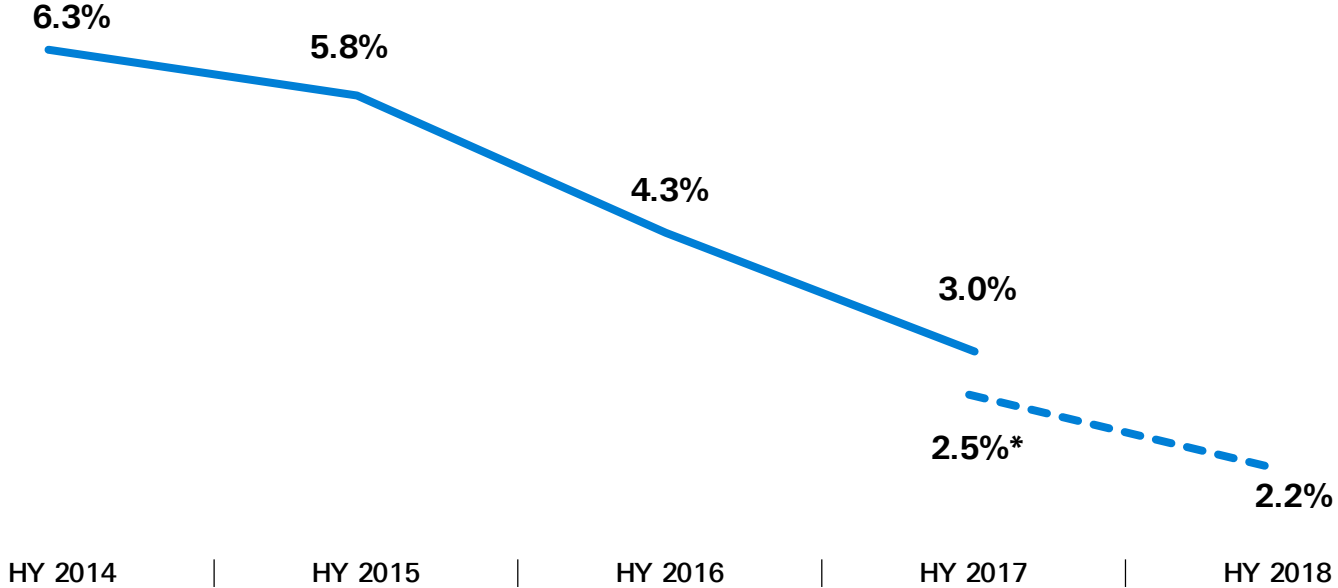
	HY 2018 vs HY 2017	
Underlying TOP	16.1%	+20 bps
Restructuring:		-30 bps
Impairment of assets (excluding goodwill):		-30 bps
Other items:		-10 bps
TOP	14.6%	-50 bps
Net gains of disposal of businesses:		+310 bps
Taxes:		-50 bps
Other:		-20 bps
Net Profit	13.3%	+190 bps
Basic EPS (CHF)	1.92	+21.4%
Underlying EPS (CHF)	1.86	+9.2%*

* In constant currency



Continued focus on working capital

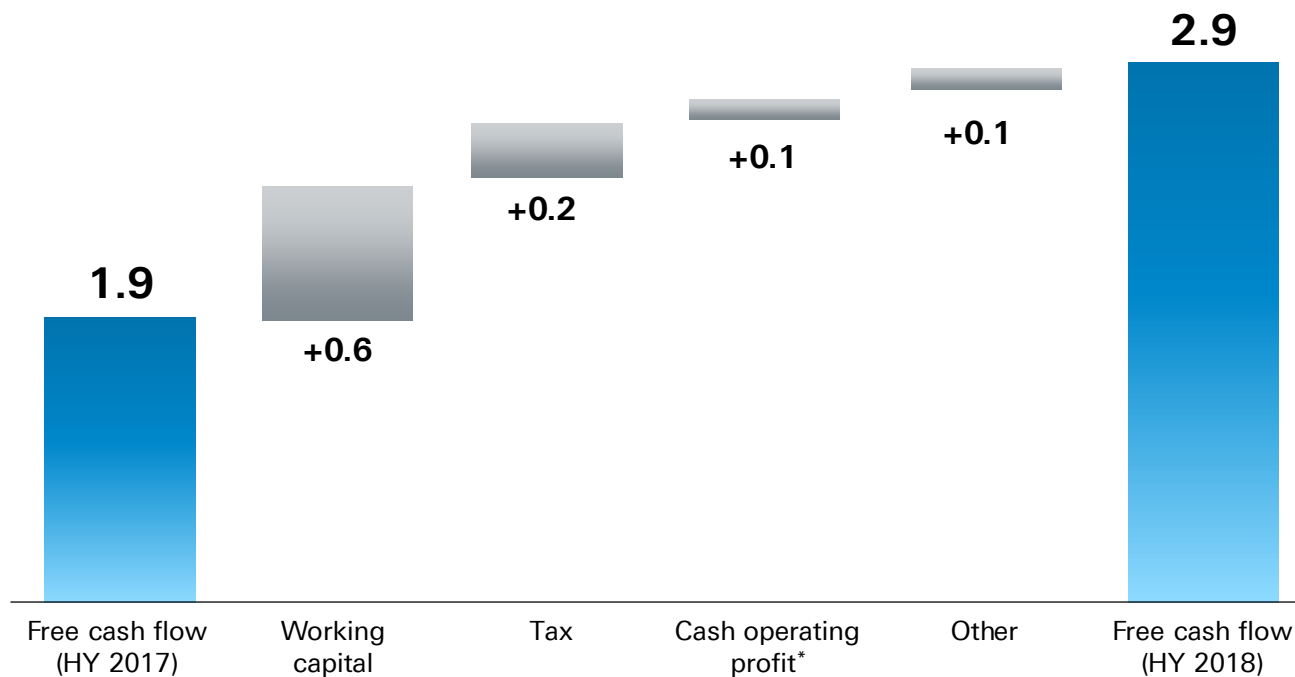
Working capital as a % of sales, calculated on a 5-quarter average



* Figure for 2017 restated

Free cash flow

In CHF billion



2018 guidance confirmed

- Organic sales growth of around 3%
- Underlying trading operating margin improvement in line with our 2020 target
- Restructuring costs* are expected at around CHF 700 million
- Increase in underlying EPS in constant currency and capital efficiency

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





Half-year results 2018

Discussion



Half-year results 2018

Supporting slides

HY-2018 Operating segments – quarterly summary

Q2-2018 sales

	Sales (CHF m)	RIG %	Pricing %	OG %
Zone AMS	7'392	0.5	0.4	0.9
Zone EMENA	4'566	3.7	-0.9	2.8
Zone AOA	5'348	3.5	0.6	4.1
Nestlé Waters	2'235	-0.3	1.8	1.5
Other Businesses	3'115	5.7	-0.6	5.1
Total Group	22'656	2.4	0.2	2.6



HY-2018 Operating segments – topline summary

	HY-2018 sales						Reported
	Sales (CHF m)	RIG %	Pricing %	OG %	Net M&A %	F/X %	sales growth %
Zone AMS	14'153	1.0	0.0	1.0	-1.0	-3.6	-3.6
Zone EMENA	9'303	3.1	-0.6	2.5	-0.2	4.1	6.4
Zone AOA	10'634	3.7	0.7	4.4	-0.1	-0.8	3.5
Nestlé Waters	3'967	-0.7	1.7	1.0	-0.8	-0.7	-0.5
Other Businesses	5'863	5.4	0.3	5.7	4.9	1.4	12.0
Total Group	43'920	2.5	0.3	2.8	0.0	-0.5	2.3



HY-2018 Products – topline summary

	HY-2018 sales			
	Sales* (CHF m)	RIG %	Pricing %	OG %
Powdered and liquid beverages	10'265	2.8	0.6	3.4
Water	3'729	-0.4	1.7	1.3
Milk products and ice cream	6'385	0.8	0.2	1.0
Nutrition and Health Science	7'912	4.5	-0.4	4.1
Prepared dishes and cooking aids	5'819	1.4	0.1	1.5
Confectionery	3'634	4.1	-1.3	2.8
Petcare	6'176	3.2	0.6	3.8
Total group	43'920	2.5	0.3	2.8



HY-2018 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 amortisation
Zone AMS	14'153	2'680	2'514	(166)	(29)	(77)	(489)
Zone EMENA	9'303	1'758	1'631	(127)	(9)	(112)	(384)
Zone AOA	10'634	2'435	2'193	(242)	(195)	(32)	(389)
Nestlé Waters	3'967	398	346	(52)	(8)	(24)	(205)
Other Businesses	5'863	960	915	(45)	(7)	(24)	(374)
Unallocated items	–	(1'168)	(1'208)	(40)	(4)	(30)	(102)
Total Group	43'920	7'063	6'391	(672)	(252)	(299)	(1'943)



HY-2018 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	10'265	2'394	2'306	(88)	(17)	(43)
Water	3'729	352	308	(44)	(4)	(22)
Milk products and Ice cream	6'385	1'128	1'086	(42)	(7)	(25)
Nutrition and Health Science	7'912	1'603	1'287	(316)	(209)	(85)
Prepared dishes and cooking aids	5'819	1'010	945	(65)	(7)	(57)
Confectionery	3'634	449	414	(35)	(4)	(23)
Petcare	6'176	1'295	1'253	(42)	–	(14)
Unallocated items	–	(1'168)	(1'208)	(40)	(4)	(30)
Total Group	43'920	7'063	6'391	(672)	(252)	(299)



HY-2018 historical eight quarters

Period	RIG %	Pricing %	OG %
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
Q1-2018	2.6	0.2	2.8
Q2-2018	2.4	0.2	2.6



HY-2018 EPS reconciliation (1 of 2)

From net profit to underlying profit

	In CHF m	
	HY-2017	HY-2018
Net Profit	4'897	5'825
Restructuring costs	166	299
Impairments of property, plant & equipment, goodwill and int. assets	120	384
Net result on disposal of businesses	(25)	(1'400)
Other adjustment in Net other income/(expense)	66	80
Adjustment for income from associates and joint ventures	86	153
Tax effect on above items & adjustment of one-off tax items	(78)	311
Adjustment in non-controlling interests	(8)	(7)
Underlying Net Profit	5'224	5'645
Weighted Average number of shares outstanding (in millions)	3'098	3'035
Underlying EPS	1.68	1.86

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).



HY-2018 EPS reconciliation (2 of 2)

From operating profit to underlying net profit

	In CHF m	
	HY-2017	HY-2018
Operating profit adjusted	6'821	7'063
Net financial income / (expense)	(332)	(346)
Adjusted taxes	(1'741)	(1'628)
Adjusted income from associates and joint ventures	650	726
Adjusted non-controlling interests	(174)	(170)
Underlying Net Profit	5'224	5'645
Weighted Average number of shares outstanding (in millions)	3'098	3'035
Underlying EPS	1.68	1.86

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).



HY-2018 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-2017	HY-2018	Variation in %
0.994	0.967	- 2.7
1.077	1.170	+8.7
14.470	15.182	+4.9
31.247	28.110	-10.0
1.251	1.329	+6.2
5.124	5.069	-1.1
1.991	1.858	-6.7
0.743	0.757	+1.8
1.718	1.624	-5.5
0.750	0.745	-0.6
0.886	0.890	+0.5



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

