Growth and returns

François-Xavier Roger
EVP, Chief Financial Officer
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 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.
Our long-term value creation model

Balanced pursuit of top-line and bottom-line growth with capital efficiency

Increase Growth
Reach mid-single digit organic growth by 2020
- Fix base business
- Portfolio management
- Invest in high-growth categories and geographies

Improve Margins
Reach underlying trading operating profit margin of 17.5% to 18.5% by 2020
- Reduce structural cost
- Increase operational efficiency
- Deliver procurement savings

Allocate Capital Prudently
- Invest in growth drivers: R&D, marketing
- Exercise discipline in CAPEX, acquisitions and disposals
- Return cash to shareholders

Maximize long-term shareholder value

Creating Shared Value

Increase Growth
Reach mid-single digit organic growth by 2020

Improve Margins
Reach underlying trading operating profit margin of 17.5% to 18.5% by 2020

Allocate Capital Prudently
- Invest in growth drivers: R&D, marketing
- Exercise discipline in CAPEX, acquisitions and disposals
- Return cash to shareholders

Maximize long-term shareholder value

Creating Shared Value
Strong half-year financial results

- **Organic growth**
  - H1 2018: 2.8%
  - H1 2019: 3.6%

- **Underlying trading operating profit margin (UTOP)**
  - H1 2018: 16.1%
  - H1 2019: 17.1%

- **Working capital**
  - (5-quarter average as % of sales)
  - H1 2018: 2.2%
  - H1 2019: 1.7%

- **Free cash flow**
  - (CHF bn)
  - H1 2018: 2.9
  - H1 2019: 4.1

- **Cash to shareholders**
  - (CHF bn)
  - H1 2018: 11.0
  - H1 2019: 11.5

- **Underlying EPS growth**
  - (% increase YoY)
  - H1 2018: 9.2%
  - H1 2019: 15.7%

*In constant currency*
On track to deliver our 2020 targets

Organic growth (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019 guidance</th>
<th>2020 target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guidance</td>
<td>3.2</td>
<td>2.4</td>
<td>3.0</td>
<td>~3.5</td>
<td></td>
</tr>
</tbody>
</table>

Underlying trading operating profit (UTOP) % of sales

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019 guidance</th>
<th>2020 target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restated</td>
<td>16.0</td>
<td></td>
<td>16.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Guidance</td>
<td>17.0</td>
<td></td>
<td></td>
<td>≥17.5</td>
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Balanced and diversified portfolio

2018 Sales: CHF 91.4 bn
H1-2019 Sales: CHF 45.5 bn

H1 2019 Organic growth

AMS  45%
AOA  26%
EMENA 29%

AMS  4.4%
EMENA 2.2%
AOA  4.0%
Growing across all product categories

2018 Sales: CHF 91.4 bn

- Water: 8%
- Confectionery: 9%
- Prepared dishes & cooking aids: 13%
- PetCare: 14%
- Milk products & ice cream: 14%
- Nutrition & Health Science: 18%
- Powdered & liquid beverages: 24%

H1 2019 Organic growth

- Powdered & liquid beverages: 5.9%
- Nutrition & Health Science: 6.1%
- Milk products & ice cream: 3.0%
- PetCare: 2.7%
- Prepared dishes & cooking aids: 2.4%
- Confectionery: 2.5%
- Water: 2.0%
### Portfolio geared for profitable growth

<table>
<thead>
<tr>
<th></th>
<th>H1 2019 Organic growth</th>
<th>H1 2019 UTOP margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group</td>
<td>3.6%</td>
<td>17.1%</td>
</tr>
<tr>
<td>High-growth categories</td>
<td>4.1%</td>
<td>&gt; 18%</td>
</tr>
<tr>
<td>Emerging markets</td>
<td>5.3%</td>
<td></td>
</tr>
<tr>
<td>Premium products</td>
<td>6.0%</td>
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</table>
Faster innovation: 40 fast-track projects since 2018

- Ideas
- Pitch to committee
- Approval of funding
- Execution in 6-12 months
## Global Starbucks roll-out at speed

First wave of new products launched only 6 months after acquisition

<table>
<thead>
<tr>
<th>2019</th>
<th>2020</th>
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</thead>
<tbody>
<tr>
<td><strong>Roast &amp; ground coffee</strong></td>
<td>New product platforms and geographic roll-out from:</td>
</tr>
<tr>
<td>Launched March 2019</td>
<td>14 markets in H1 2019</td>
</tr>
<tr>
<td><strong>Starbucks by Nespresso</strong></td>
<td>to</td>
</tr>
<tr>
<td>Launched March 2019</td>
<td>&gt; 35 markets by H1 2020</td>
</tr>
<tr>
<td><strong>Starbucks by Dolce Gusto</strong></td>
<td></td>
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<tr>
<td>Launched March 2019</td>
<td></td>
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<tr>
<td><strong>Coffee creamers</strong></td>
<td></td>
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<tr>
<td>Launched July 2019</td>
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</tbody>
</table>

- Roast & ground coffee: Launched in March 2019
- Starbucks by Nespresso: Launched in March 2019
- Starbucks by Dolce Gusto: Launched in March 2019
- Coffee creamers: Launched in July 2019
Portfolio management plays a strategic role in value creation

Announced and executed strategic transactions since 2017

Financial performance (OG and UTOP)

Acquiring businesses in strategic “core”

Divesting under-performing or non-core businesses

Herta charcuterie under strategic review

US Confectionery

Strategic Fit (NHW and Ability to Win)
Creative business models and deal structures for value creation

<table>
<thead>
<tr>
<th>Joint Venture</th>
<th>Brand license</th>
<th>New channels</th>
<th>Partnership</th>
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<tbody>
<tr>
<td>JV Associate</td>
<td>License acquisition</td>
<td>Majority stake</td>
<td>Minority shareholding</td>
</tr>
<tr>
<td>Ice cream pure play manufacturer</td>
<td>Creation of a global coffee alliance</td>
<td>Direct-to-consumer, personalized pet nutrition</td>
<td>Accessing a network of 1 100 vet clinics</td>
</tr>
<tr>
<td>Unlocking value through a business combination, creating a market leader</td>
<td>Consolidating leadership in coffee, entering new sub-categories</td>
<td>Building a PetCare ecosystem to strengthen leadership</td>
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## 2020 Savings program on track

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<tr>
<td>Manufacturing</td>
<td>0.6 – 0.8</td>
<td>0.6</td>
<td>~85%</td>
</tr>
<tr>
<td>Procurement</td>
<td>0.5 – 0.6</td>
<td>0.5</td>
<td>~90%</td>
</tr>
<tr>
<td>General &amp; administrative</td>
<td>0.9 – 1.1</td>
<td>0.8</td>
<td>~80%</td>
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<tr>
<td><strong>Total savings</strong></td>
<td><strong>2.0 – 2.5</strong></td>
<td><strong>1.9</strong></td>
<td><strong>~80%</strong></td>
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</table>
DSD exit in the US leverages existing strong capabilities

Frozen DSD
Pizza, ice cream
2018 sales: USD 3.3 bn

Frozen Warehouse
Frozen meals
2018 sales: USD 2.2 bn

Frozen Warehouse
Pizza, ice cream, frozen meals
2018 sales: USD 5.5 bn

Warehouse model is more efficient

One-time sales impact

Restructuring costs
USD ~0.5 bn
## Capital allocation options

<table>
<thead>
<tr>
<th>Deploying capital for profitable growth</th>
<th>Returning capital to shareholders</th>
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<tbody>
<tr>
<td>Organic growth</td>
<td>M&amp;A</td>
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<tr>
<td></td>
<td>Dividend</td>
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<td>Share buybacks</td>
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</table>
Dividend increased for 24 consecutive years in CHF
## A track record of regular share buybacks

<table>
<thead>
<tr>
<th>Program</th>
<th>Value CHF</th>
<th>Average share price purchased</th>
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<tr>
<td></td>
<td>2005</td>
<td>CHF 36 (+197%)</td>
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<td>2005 – 2006</td>
<td>CHF 39 (+174%)</td>
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<td>2007 – 2010</td>
<td>CHF 48 (+123%)</td>
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<td>2010 – 2011</td>
<td>CHF 53 (+102%)</td>
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<td>2014 – 2015</td>
<td>CHF 71 (+49%)</td>
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<td>2017 – 2019</td>
<td>CHF 86* (+24%)</td>
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*As at close of 17 September 2019  
Historical share prices restated to reflect 1:10 share split occurred in 2008
Pulling all levers to improve ROIC

Four consecutive years of improvement

- Improved returns
  - Sales growth
  - Margin improvement
  - Responsible tax planning

- Controlled invested capital
  - Working capital reduction
  - Disciplined capex
  - Industrial asset productivity
  - Disciplined M&A

- Included in incentives

* 2017 restated and excluding Nestlé Skin Health impairment
Underlying EPS growth

Underlying EPS growth in CHF (as reported)
Average growth p.a. in CHF: +5%
In constant currency: +8%

Pulling all levers:

- UTOP
- Finance costs
- Responsible tax planning
- JV’s & Associates
- Share count
- 50% of LT incentives
## Creating shared value: Living our purpose and values

<table>
<thead>
<tr>
<th>Contribute to healthier lives</th>
<th>Lead the way to a waste-free future</th>
<th>Accelerate action to tackle climate change</th>
<th>Build strong supply chains &amp; communities</th>
<th>Foster diversity and inclusion</th>
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<tbody>
<tr>
<td>• Nestlé for Healthier Kids initiative</td>
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<tr>
<td>• Committed to further reduce sugars by 5% by 2020</td>
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<td>• Plan to make 100% of our packaging reusable or recyclable by 2025</td>
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<tr>
<td>• Created Institute of Packaging Sciences</td>
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<tr>
<td>• Ambition to achieve zero net greenhouse gas emissions by 2050</td>
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<tr>
<td>• Nescafé Plan and Nespresso AAA</td>
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<td></td>
<td></td>
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<tr>
<td>• Support farmers and their communities</td>
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<td></td>
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<tr>
<td>• Nestlé Gender Balance Acceleration Plan</td>
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<tr>
<td>• Increase women in the top 200 senior executive positions from ~20% currently to 30% by 2022</td>
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Key takeaways

• Confirmed 2019 guidance and 2020 targets

• Long-term approach to value creation with balance of top and bottom line growth

• Disciplined capital allocation, with clear priorities and accountability

• Active portfolio management, embracing creative solutions and business models

• Increased focus on both ROIC and EPS

• Committed to creating shared value