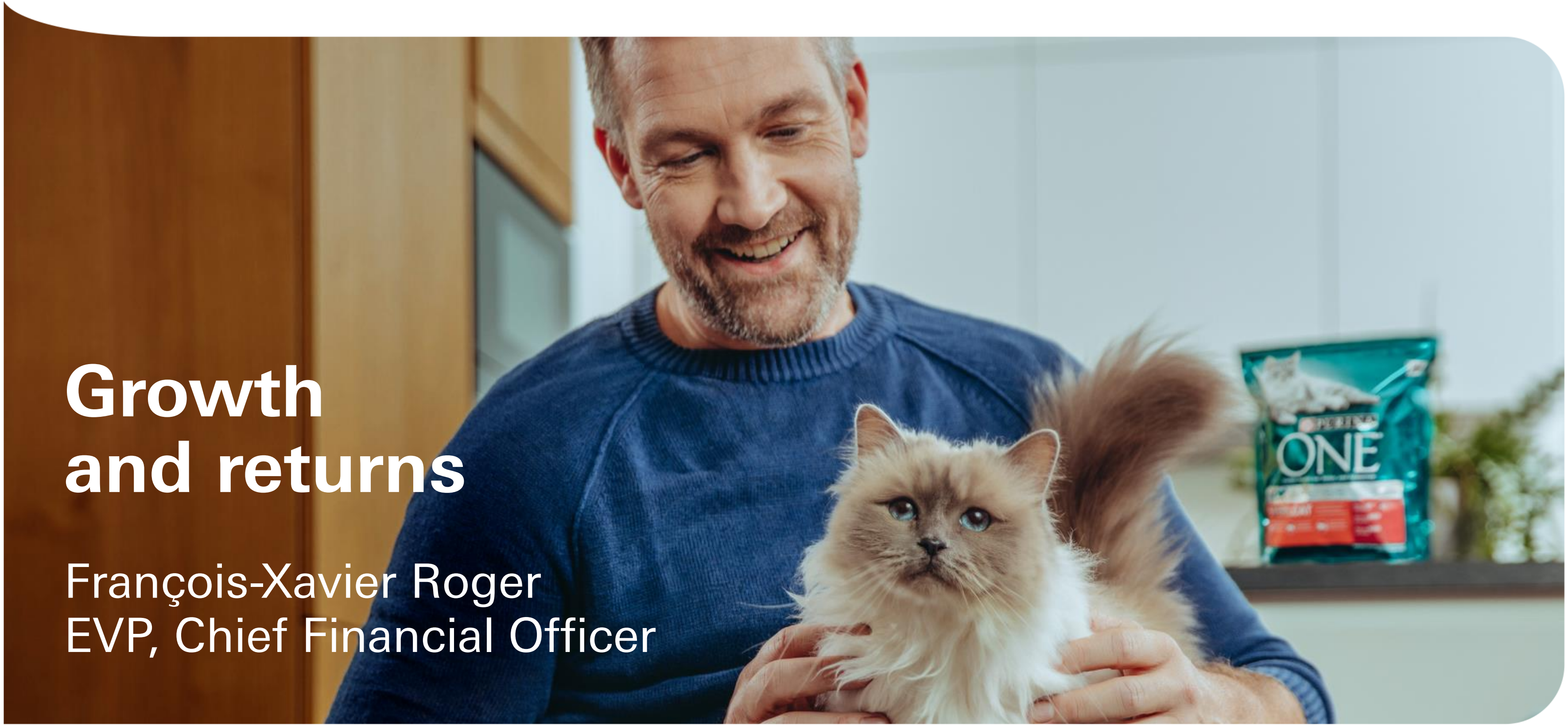
Nestlé Good Food, Good Life

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

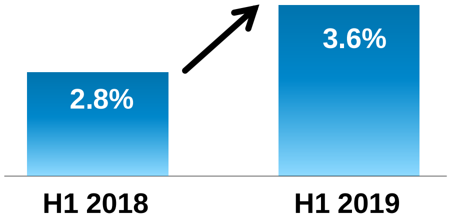
- Invest in growth drivers: R&D, marketing
- Exercise discipline in CAPEX, acquisitions and disposals
- Return cash to shareholders

Maximize long-term shareholder value

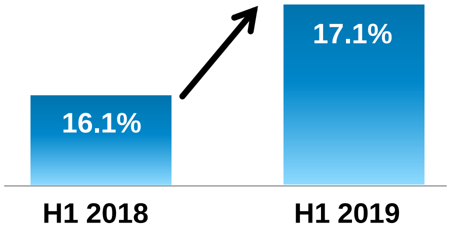
Creating Shared Value

Strong half-year financial results

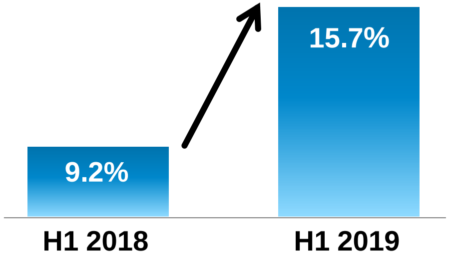
Organic growth



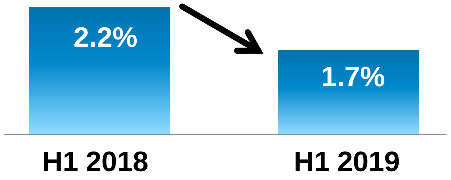
Underlying trading operating profit margin (UTOP)



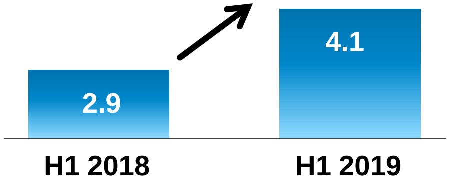
Underlying EPS growth *
(% increase YoY)



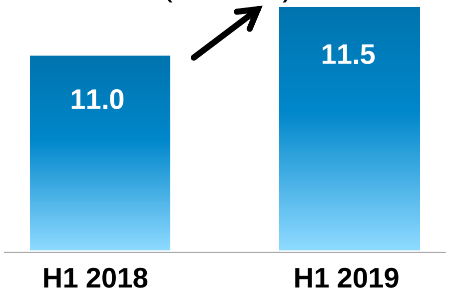
Working capital
(5-quarter average as % of sales)



Free cash flow
(CHF bn)

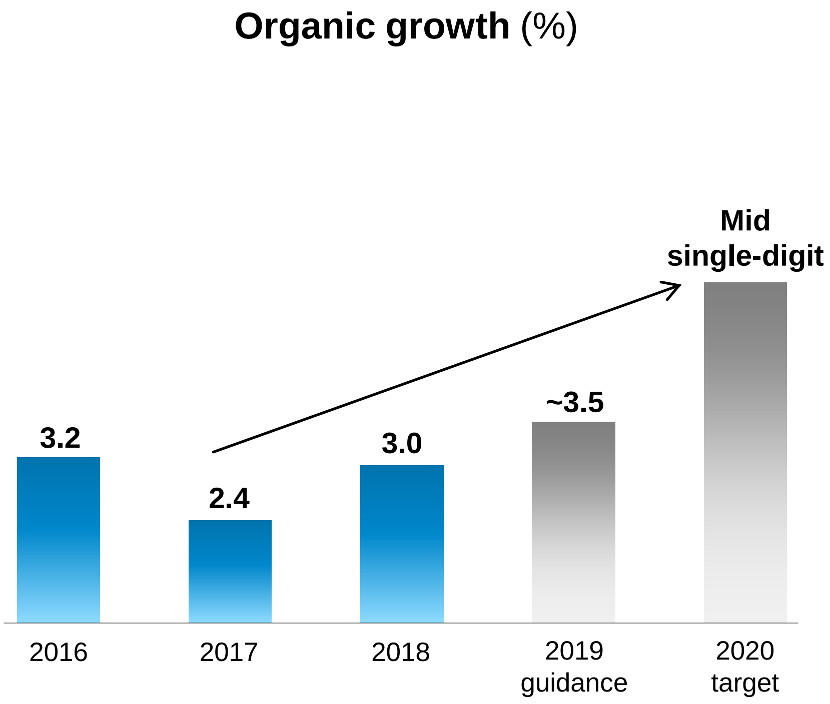


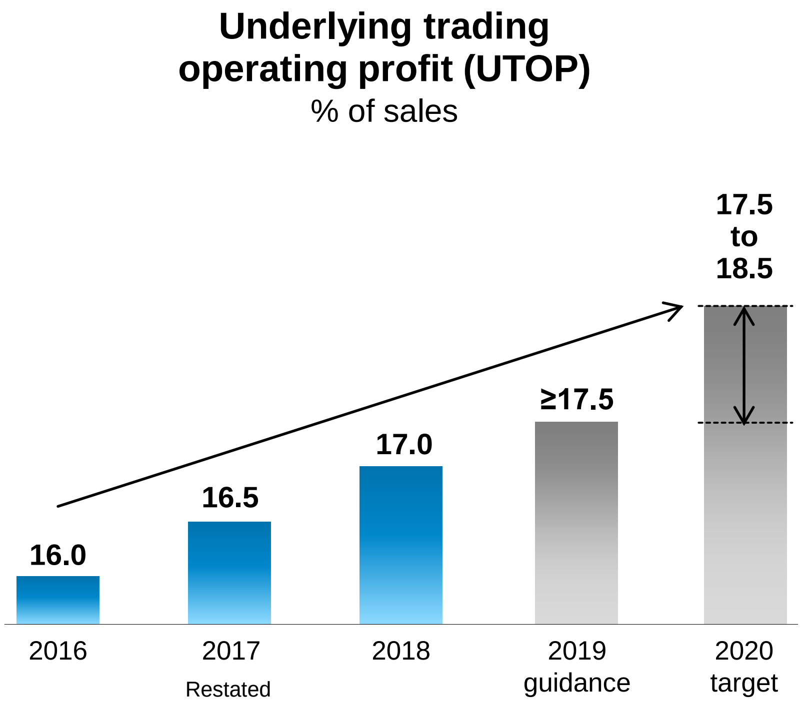
Cash to shareholders
(CHF bn)



** In constant currency*

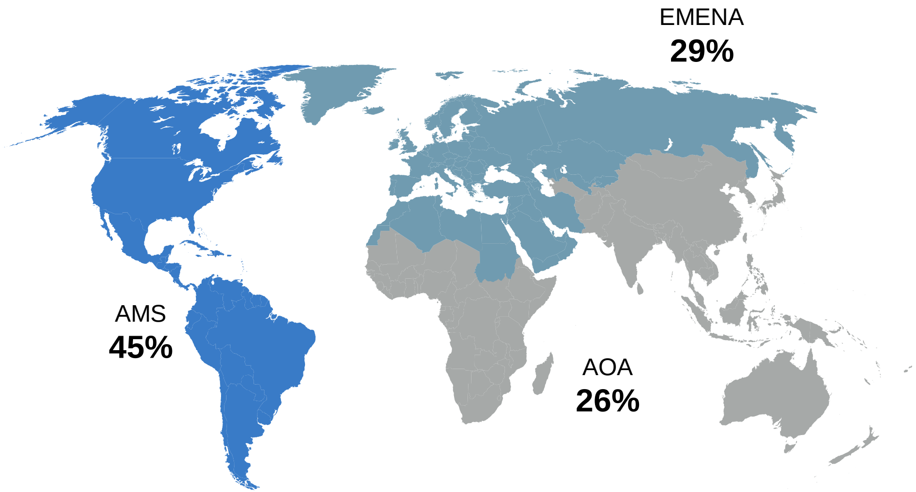
On track to deliver our 2020 targets



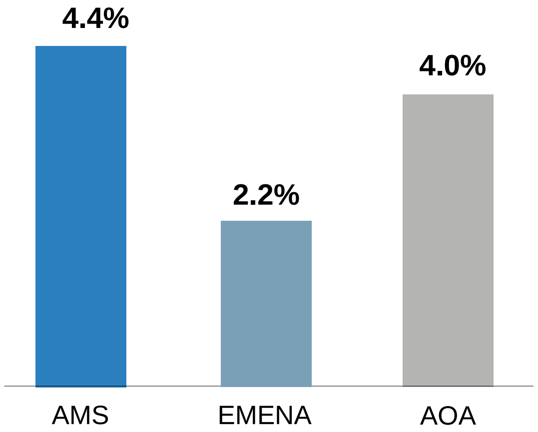


Balanced and diversified portfolio

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

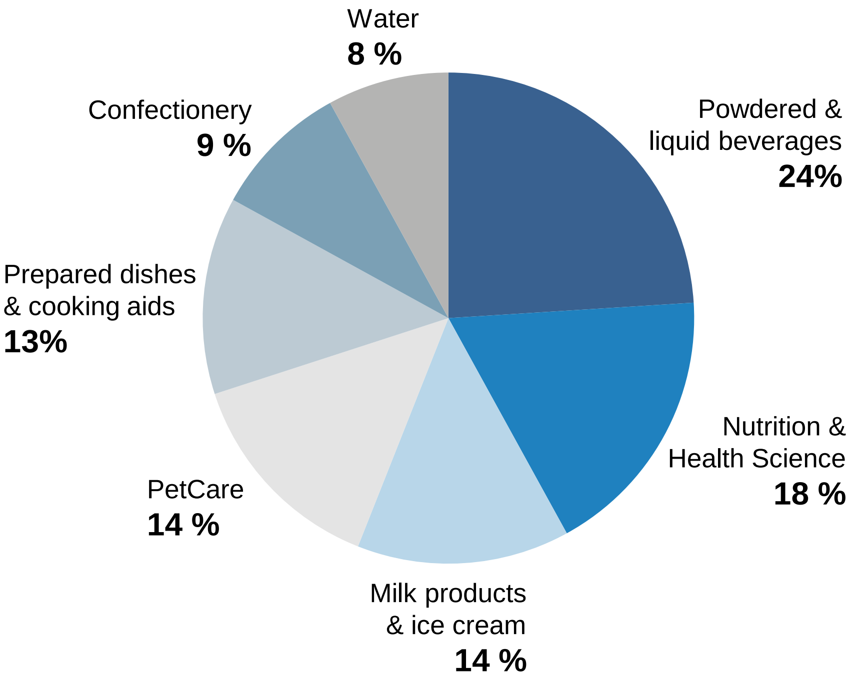


H1 2019 Organic growth

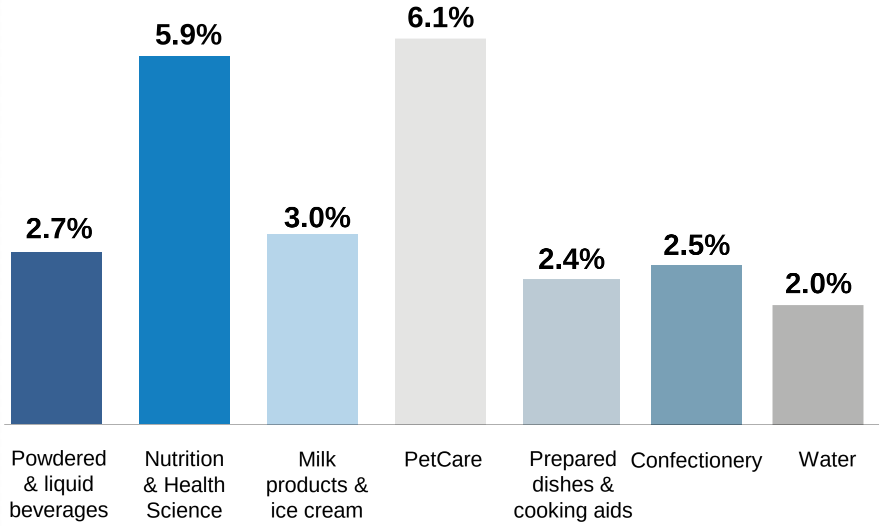


Growing across all product categories

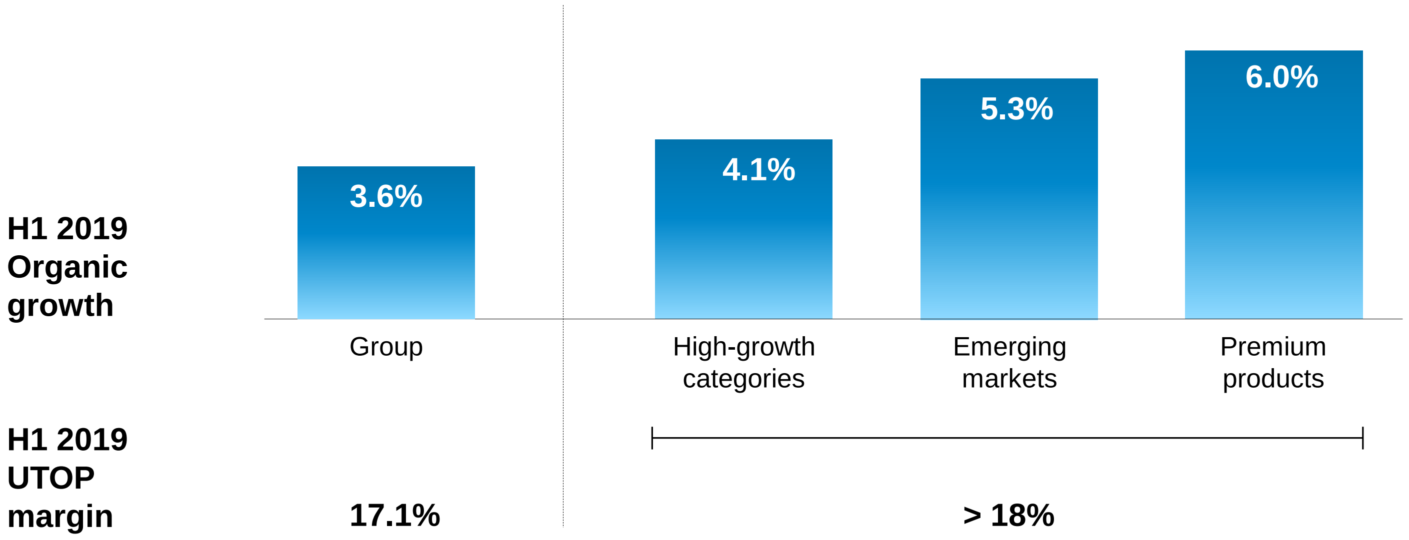
2018 Sales: CHF 91.4 bn



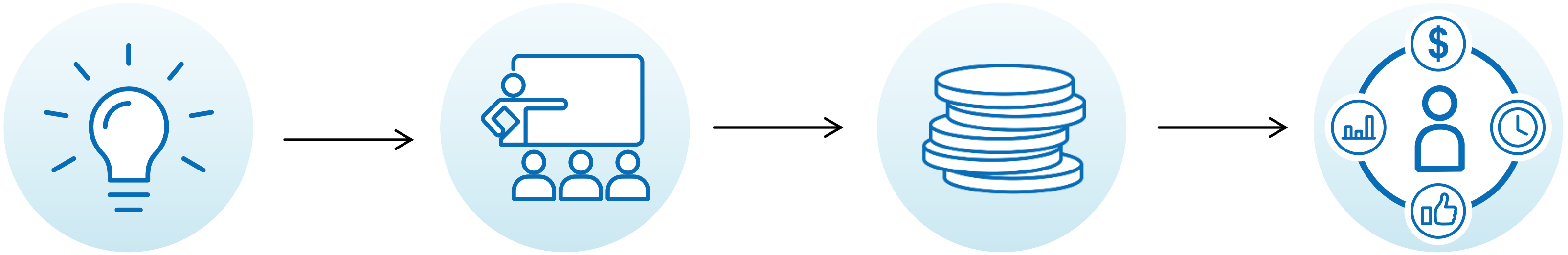
H1 2019 Organic growth



Portfolio geared for profitable growth



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

2019

Roast & ground coffee

Launched
March 2019

Starbucks by Nespresso

Launched
March 2019

Starbucks by Dolce Gusto

Launched
March 2019

Coffee creamers

Launched
July 2019

2020

New product platforms and geographic roll-out from:

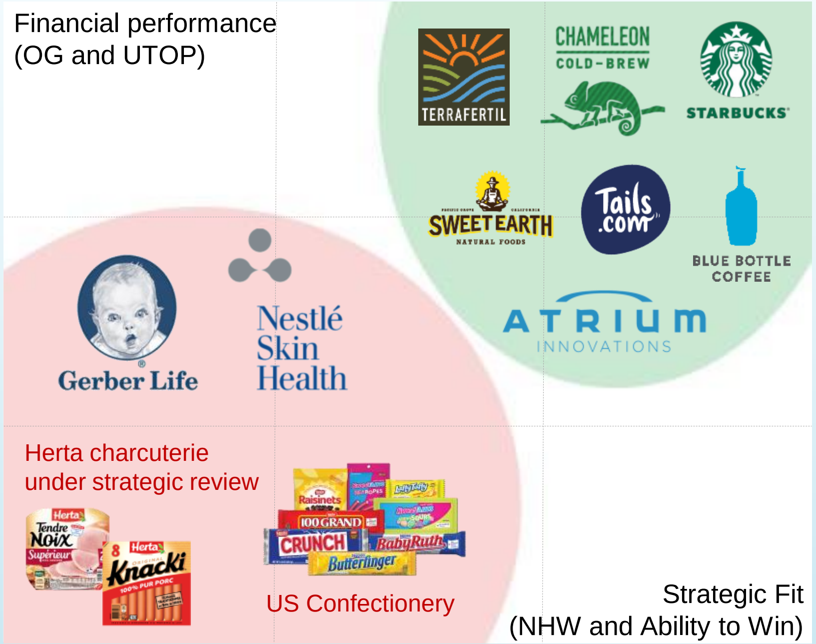
14 markets in H1 2019

to

> 35 markets by H1 2020

Portfolio management plays a strategic role in value creation

Announced and executed strategic transactions since 2017



Acquiring businesses in strategic "core"

Divesting under-performing or non-core businesses

Creative business models and deal structures for value creation

Nestlé

FRONERI	STARBUCKS	Tails.com	IVC GROUP International
Joint Venture	**Brand license**	**New channels**	**Partnership**
JV Associate	*License acquisition*	*Majority stake*	*Minority shareholding*
Ice cream pure play manufacturer	Creation of a global coffee alliance	Direct-to-consumer, personalized pet nutrition	Accessing a network of 1 100 vet clinics
Unlocking value through a business combination, creating a market leader	Consolidating leadership in coffee, entering new sub-categories	Building a PetCare ecosystem to strengthen leadership	Building a PetCare ecosystem to strengthen leadership

2020 Savings program on track

Initiatives	Expected savings (2020 over 2016) (in CHF bn)	Expected savings by 2019 (in CHF bn)	Proportion of savings by 2019 (in %)
Manufacturing	0.6 – 0.8	0.6	~85%
Procurement	0.5 – 0.6	0.5	~90%
General & administrative	0.9 – 1.1	0.8	~80%
Total savings	**2.0 – 2.5**	**1.9**	~80%

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

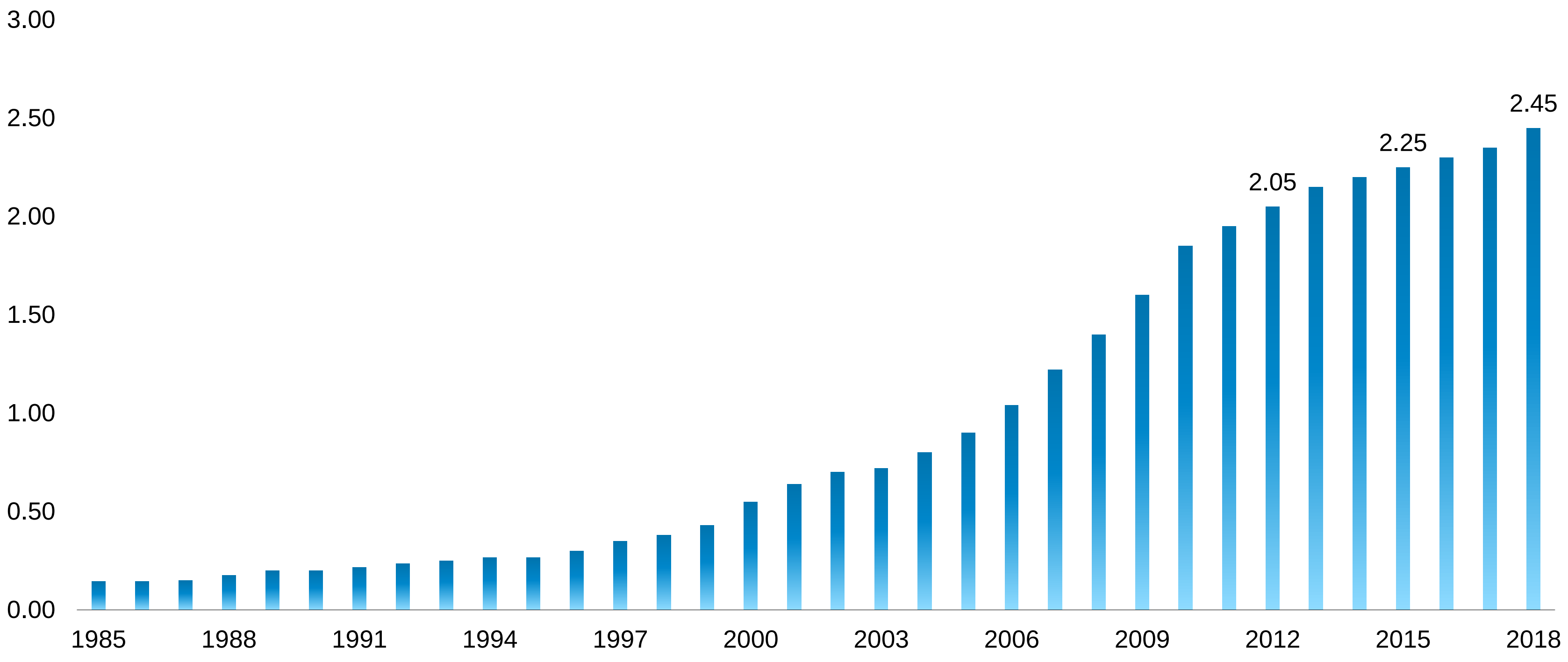
One-time sales impact

Restructuring costs USD ~0.5 bn

Capital allocation options

Deploying capital for profitable growth		Returning capital to shareholders	
Organic growth	M&A	Dividend	Share buybacks

Dividend increased for 24 consecutive years in CHF



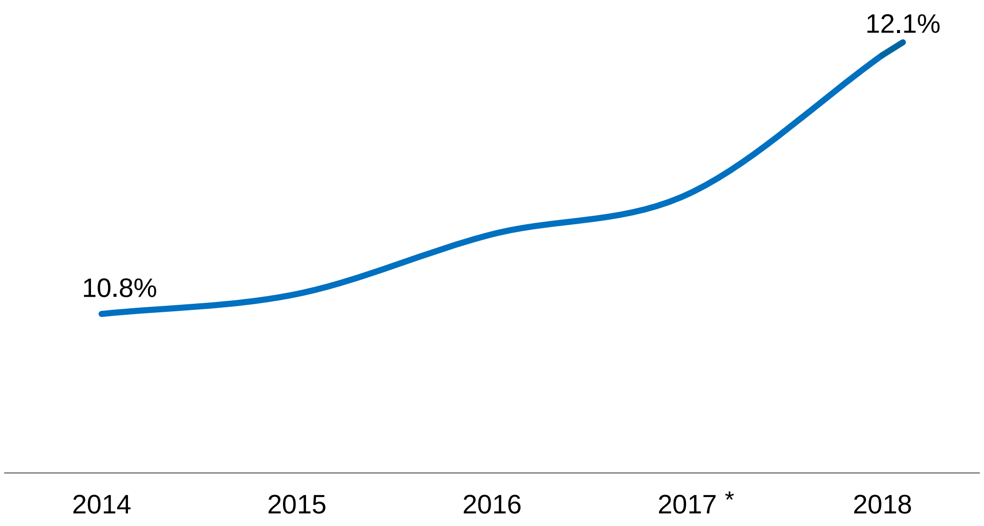
A track record of regular share buybacks

Program	2005	2005 – 2006	2007 – 2010	2010 – 2011	2014 – 2015	2017 – 2019
Value CHF	**1 bn**	**3 bn**	**25 bn**	**10 bn**	**8 bn**	**20 bn**
Average share price purchased Average price of SBB vs share price at 17.09.19 (CHF 107)	**CHF 36** +197%	**CHF 39** +174%	**CHF 48** +123%	**CHF 53** +102%	**CHF 71** +49%	**CHF 86*** +24%

*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

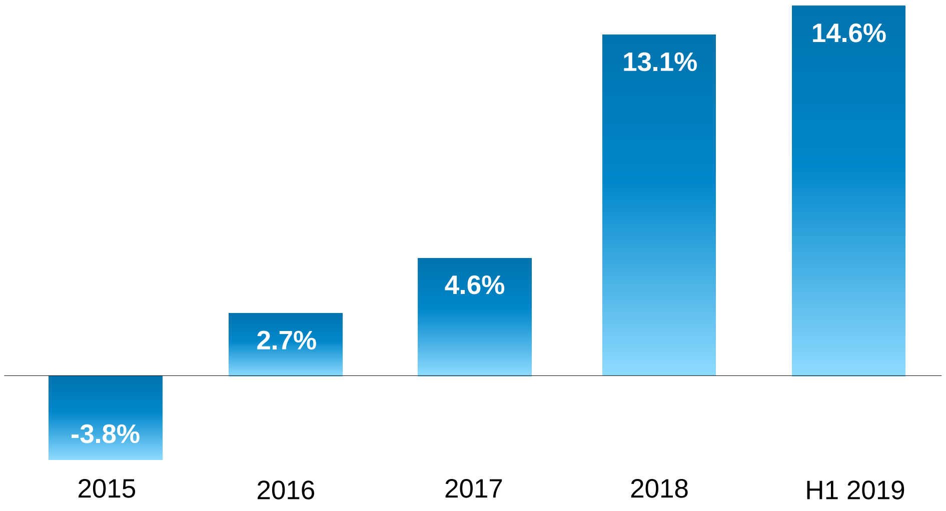
* 2017 restated and excluding Nestlé Skin Health impairment

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

Contribute to healthier lives

- Nestlé for Healthier Kids initiative
- Committed to further reduce sugars by 5% by 2020

Lead the way to a waste-free future

- Plan to make 100% of our packaging reusable or recyclable by 2025
- Created Institute of Packaging Sciences

Accelerate action to tackle climate change

- Ambition to achieve zero net greenhouse gas emissions by 2050

Build strong supply chains & communities

- Nescafé Plan and Nespresso AAA
- Support farmers and their communities

Foster diversity and inclusion

- Nestlé Gender Balance Acceleration Plan
- Increase women in the top 200 senior executive positions from ~20% currently to 30% by 2022

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