Driving Growth With Returns

François-Xavier Roger
EVP, Chief Financial Officer

Deutsche Bank Global Consumer Conference
15 June, 2016
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.
Very diversified and balanced portfolio

Sales contribution (2015)
Playing in the right categories in F&B with strong positions

F&B fastest growing categories (average 2012-15, %)

- Portioned Coffee
- Non Dairy Milk Alternatives
- Milk Formula
- Fruit Snacks & Nuts
- Bouillons
- Flavoured Milk Drinks
- Bottled Water
- Sports Energy Drinks
- Powder milk
- Yogurt

Source: Euromonitor
(categories above $7 bn value RSP)

Present in 7 out of Top 10
Expanding the boundaries of NHW: over CHF 4 bn sales

Nestlé Health Science

- **3 strategic focus**: Consumer Care, Medical Nutrition, Novel Therapeutic Nutrition
- **Strong global footprint**
- **Rich I&R pipeline**, via strong innovation engines
- **Power brands**

- Shaping new approaches to health management via nutritional therapies

Nestlé Skin Health

- **Strong growth** over 2009-15
- **Balanced portfolio** (categories / geographies)
- Growth driven by I&R and geographical expansion
- **Strong brands**

- Extending leadership in skin health
Driving our positive geography/category portfolio mix

Nestlé Profit and Category Growth

Net Sales size (Nestlé geography/category key clusters)
Driving our profitable growth in emerging markets

<table>
<thead>
<tr>
<th></th>
<th>Developed</th>
<th>Emerging</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>57%</td>
<td>43%</td>
</tr>
<tr>
<td>Annual Growth 13-15</td>
<td>+1.3%</td>
<td>+8.4%</td>
</tr>
<tr>
<td>Marketing Spend 13-15</td>
<td>+180bps</td>
<td>+260bps</td>
</tr>
<tr>
<td>Profit</td>
<td>&lt;</td>
<td></td>
</tr>
</tbody>
</table>
Focusing on our 34 billionaire brands*

<table>
<thead>
<tr>
<th></th>
<th>Billionaire brands</th>
<th>Rest of the Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>77%</td>
<td>23%</td>
</tr>
<tr>
<td>Growth 13-15</td>
<td>+5.4%</td>
<td>+1.3%</td>
</tr>
<tr>
<td>Marketing spend</td>
<td>80%</td>
<td>20%</td>
</tr>
<tr>
<td>Profit</td>
<td>84%</td>
<td>16%</td>
</tr>
</tbody>
</table>

*Figures represent averages 2013-2015
NHW driving our profitable growth journey

**Performance of businesses vs. NHW dimension***

<table>
<thead>
<tr>
<th></th>
<th>NHW below average</th>
<th>NHW above average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales %</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>Growth index</td>
<td>100</td>
<td>180</td>
</tr>
<tr>
<td>Marketing spend index</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Profit index</td>
<td>100</td>
<td>150</td>
</tr>
</tbody>
</table>

* NHW dimension measured by % of Net Sales with 60/40 win and Nutritional Foundation – Analysis excluding categories which are 100% NHW
Driving our premiumisation opportunities

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium</td>
<td>12%</td>
<td>18%</td>
</tr>
<tr>
<td>Mainstream</td>
<td>75%</td>
<td>69%</td>
</tr>
<tr>
<td>PPP</td>
<td>13%</td>
<td>13%</td>
</tr>
</tbody>
</table>

+ 4.4% Group average* OG

+10.5% average* OG

+3.5% average* OG

+2.9% average* OG

* Average OG over the period 2013-2015
Most of the «issues» identified 3 years ago have been tackled

<table>
<thead>
<tr>
<th>Disposals</th>
<th>Re-investments</th>
<th>Partnerships</th>
</tr>
</thead>
<tbody>
<tr>
<td>~3% of sales</td>
<td>~4% of sales</td>
<td>~1% of sales</td>
</tr>
</tbody>
</table>

---

[Image of FIT KITCHEN and Lean Cuisine products]
Accelerating accretive growth platforms

- CHF 7+ bn Sales today
- 15% average OG
- Accretive Marginal Contribution (~10 points higher than Group average)
- Marginally dilutive at bottom line … with high marketing spend

Examples

- Nescafé Dolce Gusto
- Purina LatAm
- Nestlé Health Science
- Nestlé Skin Health
Improving resource allocation

Total Investments: SG&A and Capex (% of total, evolution over last 2 years)

Above average

ROIC Group Avg.

Below average

OG Group Avg.

Below average

Above average

+5pts

-5pts
Nestlé is delivering superior growth both in OG

OG Full Year 2015

- F&B Co. 1: 5.0
- F&B Co. 2: 4.4
- F&B Co. 3: 4.2
- F&B Co. 4: 4.0
- F&B Co. 5: 3.7
- F&B Co. 6: 3.2
- F&B Co. 7: 1.0
- (Pro forma): -1.6

(Pro forma)
And even more in RIG

RIG Full Year 2015

- F&B Co. 3: 2.0
- F&B Co. 5: 1.1
- F&B Co. 6: 1.0
- F&B Co. 2: 0.9
- F&B Co. 1: 0.5
- F&B Co. 7: -2.6 (Pro Forma)
- F&B Co. 4: -3.1
Although growth is lower

Nestlé OG 2012-15

- 2012: 5.9
- 2013: 4.6
- 2014: 4.5
- 2015: 4.2
Inflation has decreased in the developed world

- European Union
- USA
Commodity prices down to a low point

Nestlé weighted commodity price index

-40% since 2011 peak
Resilient Pricing

IMF World Consumer price Index

Nestlé Pricing

Source: IMF, internal data
Fast reshaping of retail through e-Commerce

e-Com growth contribution to 2015
Nestlé OG

AMS

EMENA

AOA*

e-Com Examples:

• 20% sales growth in 2015
• Size of e-Com corresponds to Top 5 Market of the Group
• % of Sales:
  ✓ Nespresso > 50%
  ✓ IF China > 10%
  ✓ UK & China > 5%

* AOA total OG adjusted for Noodles impact
### Changing consumer expectation towards food

<table>
<thead>
<tr>
<th>Examples</th>
<th>Market size (CHF bn)</th>
<th>Market Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GLUTEN-FREE</strong></td>
<td><img src="chart.png" alt="Chart" /></td>
<td>CAGR 10-19: 13.2%</td>
</tr>
<tr>
<td></td>
<td>2010: 4.0</td>
<td>Nestlé today ~ CHF 0.1bn</td>
</tr>
<tr>
<td></td>
<td>2014: 7.4</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2019: 12.2</td>
<td></td>
</tr>
<tr>
<td><strong>PLANT PROTEIN</strong></td>
<td><img src="chart.png" alt="Chart" /></td>
<td>CAGR 10-19: 15.8%</td>
</tr>
<tr>
<td></td>
<td>2010: 10.6</td>
<td>Nestlé today ~ CHF 0.7bn</td>
</tr>
<tr>
<td></td>
<td>2014: 19.8</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2019: 39.8</td>
<td></td>
</tr>
<tr>
<td><strong>ORGANIC</strong></td>
<td><img src="chart.png" alt="Chart" /></td>
<td>CAGR 10-19: 6.7%</td>
</tr>
<tr>
<td></td>
<td>2010: 52.7</td>
<td>Nestlé today ~ CHF 0.7bn</td>
</tr>
<tr>
<td></td>
<td>2014: 69.4</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2019: 94.2</td>
<td></td>
</tr>
</tbody>
</table>
Consistent I&R contribution supporting growth

Innovation & Renovation % of Sales*

Baseline Business

2012

Innovation & Renovation

30%

70%

2015

31%

69%

*: Current year’s sales of new and renovated products launched in the last 3 years
Growth requires higher investment behind brands

2013 – 2015

Consumer facing Marketing Spend
> +10%

Organic Growth (CAGR)
> 2 x OG
+4.4%

Category/Country gaining/maintaining share
49% (2013)

56% (2015)
We are coming from a long-term commitment to Operational Excellence

Performance improvement is part of our DNA and sustains on-going savings to support business growth.
Significant operational cost base improvement

in CHF bn

<table>
<thead>
<tr>
<th>Year</th>
<th>NCE Cost Reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>1.4</td>
</tr>
<tr>
<td>2014</td>
<td>1.6</td>
</tr>
<tr>
<td>2015</td>
<td>1.6</td>
</tr>
</tbody>
</table>
Cost efficiencies supporting growth and margins

Redeployment of NCE efficiency gains 2013-15 (in %):

- Margin improvement: 15%
- Reinvestment in competitiveness: 25%
- Reinvestment in brands: 60%
Leveraging scale offers further opportunities

Source: Thomson Reuters, 2014 figures
Identified structural savings beyond NCE

1. Operations
   - Raise our asset intensity by 10 percentage points

2. Procurement
   - Leverage on scale through global sourcing (from 40% today to 60%)

3. G&A Expenses
   - Consolidate Nestlé in the markets, delayer functions, improve facility management and increase shared services

Estimated structural savings by 2019/20: >200bps
Use of structural savings

- Brand Support (Marketing and R&D)
- Competitiveness
- Trading Operating Profit

Five Focus Areas:
- Portfolio strengthening
- Premiumization
- Global brand expansion
- Innovation roll-out acceleration
- Digital and e-Com
Consistent Free Cash Flow track record

Free Cash Flow % of Sales

- **Nestle**
  - 2012: 11.0%
  - 2013: 10.2%
  - 2014: 10.9%
  - 2015: 11.2%

- **Main Competitors**
  - 2012: 8.6%
  - 2013: 10.3%
  - 2014: 8.5%
  - 2015: 9.9%

* Adjusted for exceptional income due to Givaudan and L’Oreal transaction
** Average FCF of main competitors, Source: company websites

* Nested

** Main Competitors

---

30
We will use all levers to improve ROIC

- Improving on all operating levers:
  - Sales growth
  - Margin growth
  - Working capital efficiency
  - CAPEX discipline
  - Sustainable ETR improvement

- Strict M&A criteria
  - Strategic, cultural and financial fit
  - ROIC > WACC within 5 years
In summary

- Nestlé is delivering superior growth
- And demonstrating resilience in Pricing
- Structural savings, beyond operational ones, to support growth and margins
- Acting on operational levers / M&A discipline to drive ROIC up
Thank you!