The Business of Nutrition
Heiko Schipper, CEO Nestlé Nutrition
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.
Nestlé at a glance

- CHF 89.5 billion in sales in 2016
- 328,000 employees in over 150 countries
- 418 factories in 86 countries
- Over 2,000 brands
- 1 billion Nestlé products sold every day
A paradigm shift from quantity to quality of calories

Calories consumed vs. life expectancy

- 90 years: 3000 kcal
- 60 years: 2500 kcal
- 30 years: 2000 kcal

Increased life expectancy
Eating habits are set in the first 1000 days of life

- 30% of young children: no fruits & vegetables on a given day
- 75% of preschoolers – too much saturated fat

- 60% of pregnant moms are overweight
- 40% of infants between 6-8 months were not given any servings of vegetables

Nestlé’s insights into infants’ eating patterns

USA

China

Mexico

- Introduction of complementary foods at 2–3 months (e.g. tortillas)
- 63% of infants consume sweetened beverages by 12 months of age
Our founder: Henri Nestlé

- Switzerland was faced with malnutrition in the 19th Century with **high levels of infant mortality**

- Henri Nestlé **deployed nutrition science and developed a cereal-based milk food** called “Farine Lactee” in 1866, in Vevey, Switzerland

- The product **saved the life of a premature baby**, who could not be breastfed
In 2001, we accelerated our transformation to Nutrition, Health and Wellness

« To grow from the respected and trustworthy food company that we are known as now into a respected and trustworthy food, nutrition and wellness company »

Blueprint for the Future, October 2001

P. Brabeck-Letmathe
Our Products are subject to our Nestlé Nutrition Profiling System to guide our food and beverage reformulation.

**NNPS (NF) competitive advantage**

1. Based on food categories
2. Non compensatory algorithm
3. Target consumers
4. Reference amount per serving

- **1** 32 categories System for reformulation
- **2** Includes nutritional factors to limit and promote
- **3** Based on thresholds for adults or children
- **4** Reference unit is individual serving as consumed

Our R&D capabilities to innovate

**In-house fundamental research**
- Nestlé Institute of Health Sciences
- Nestlé Research Center
- Nestlé Clinical Development Unit

**Proprietary high-tech development**
- 31 Product Technology Centres and R&D Centres

**Dedicated engineering capability**
- Deployment to 418 factories in 86 countries

R&D expense increased from 1.5% of sales (in 2000) to 1.9% (in 2016)
We deploy our nutritional benefits across our Multi-tier portfolio.
Nutritional benefits across our Portfolio

**Functional benefits** added to our product range: e.g. first to launch Probiotics in Growing Up Milks: NIDO 1+, 3+, 6+ age to help strengthen immune system

**Branded active benefits** developed and incorporated into hundreds of products

**Specialty Nutrition Products**: scientifically proven products for people with special needs (infants, children, health conditions)
Sugar, Sodium and Fats reduced while keeping consumer preference

Sugar

• Reduced sugar content by 8%,

Sodium

• Reduced sodium content by 10.5%

Saturated Fats

• Reduced saturated fats content by 6.5%
Nestlé leverages material science to reduce sugar

Sugar crystals

Nestlé sugar

Slow dissolution

Fast dissolution

2017 → 2019
Natural
20-40% reduction
### Addressing undernutrition through micro nutrient fortification

<table>
<thead>
<tr>
<th>Nutrient</th>
<th>Servings (bn) / Year</th>
</tr>
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<tbody>
<tr>
<td>Iron</td>
<td>120</td>
</tr>
<tr>
<td>Vitamin A</td>
<td>40</td>
</tr>
<tr>
<td>Iodine</td>
<td>113</td>
</tr>
<tr>
<td>Zinc</td>
<td>25</td>
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</table>
Proven economic value in investing in tastier and healthier products

Performance of businesses with Nutrition, Health, and Wellness dimension

<table>
<thead>
<tr>
<th></th>
<th>NHW below average</th>
<th>NHW above average</th>
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<tbody>
<tr>
<td>Sales %</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>Growth index</td>
<td>100</td>
<td>235</td>
</tr>
<tr>
<td>Marketing spend index</td>
<td>100</td>
<td>110</td>
</tr>
<tr>
<td>Profit index</td>
<td>100</td>
<td>140</td>
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The Business of Nutrition - Heiko Schipper, CEO Nestlé Nutrition
Accelerating our Nutrition businesses
Innovating, inspired by nature, to meet nutrition needs

- High quality proteins
- The right quantity of proteins
- Deployed at scale
We have defined 15 Nutrition commitments in our Nestlé in Society Report

<table>
<thead>
<tr>
<th>Commitment</th>
<th>Description</th>
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<tr>
<td>Launch more nutritious foods and beverages, especially for mothers-to-be,</td>
<td>Advocate for water as a top choice for healthier hydration</td>
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<tr>
<td>new mothers and children</td>
<td></td>
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<tr>
<td>Further decrease sugars, sodium and saturated fat</td>
<td>Leverage our marketing efforts to promote healthy cooking, eating and</td>
</tr>
<tr>
<td></td>
<td>lifestyles</td>
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<tr>
<td>Increase vegetables, fibre-rich grains, pulses, nuts and seeds in our foods</td>
<td>Apply and explain nutrition information on packs, at point of sale and online</td>
</tr>
<tr>
<td>and beverages</td>
<td></td>
</tr>
<tr>
<td>Address undernutrition through micronutrient fortification</td>
<td>Offer guidance on portions for our products</td>
</tr>
<tr>
<td>Simplify our ingredient lists and remove artificial colours</td>
<td>Partner for promoting healthy food environments</td>
</tr>
<tr>
<td>Support breastfeeding and protect it by continuing to implement an</td>
<td>Build and share nutrition knowledge from the first 1000 days through to</td>
</tr>
<tr>
<td>industry-leading policy to market breast-milk substitutes responsibly</td>
<td>healthy ageing</td>
</tr>
<tr>
<td>Empower parents, caregivers and teachers to foster healthy behaviours</td>
<td>Build biomedical science leading to health-promoting products, personalised</td>
</tr>
<tr>
<td>in children</td>
<td>nutrition and digital solutions</td>
</tr>
<tr>
<td>Market to children only choices that help them achieve a nutritious diet</td>
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</tbody>
</table>
Supporting healthier lifestyles through our services

Nutrition education services and support for parents

Nutrition education for Healthcare Professionals

A global initiative federating all Nestlé actions on children’s health, to help 50 million children lead healthier lives
Our recognized responsible practices

**ACCESS TO NUTRITION INDEX™**
Assesses and ranks world’s largest manufacturers on nutrition-related commitments, practices and performance

**FTSE4Good**
Measures performance of companies demonstrating strong environmental, social and governance practices; only index with independent evaluation of breast milk substitute marketing practices
Nutrition at Nestlé

• Nutrition at the core of Nestlé since our foundation

• Unmatched R&D capabilities to stay at the forefront of innovation and help address consumer needs from infants to ‘good lifers’

• Deploying Nutrition benefits across our vast portfolio, impact at scale

• Leading to superior financial results