Zone AOA

Growth Reignited

CAGNY
February 23, 2017
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.
Zone AOA: diverse and complex

- 68% of world’s population
- 80% of global births
- 33% of World’s GDP
- 92 countries
- 3 continents
- 15 time zones
- All major religions
Over 100 Years of presence in many countries
**Highest trust scores in most geographies**

<table>
<thead>
<tr>
<th>Country</th>
<th>Nestlé</th>
<th>Highest scoring competitor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Philippines</td>
<td>264</td>
<td>152</td>
</tr>
<tr>
<td>China</td>
<td>247</td>
<td>218</td>
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<td>Malaysia</td>
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<td>148</td>
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<td>Pakistan</td>
<td>237</td>
<td>143</td>
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<tr>
<td>South Africa</td>
<td>209</td>
<td>168</td>
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<tr>
<td>Singapore</td>
<td>204</td>
<td>142</td>
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<tr>
<td>Indonesia</td>
<td>174</td>
<td>155</td>
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<tr>
<td>Thailand</td>
<td>172</td>
<td>133</td>
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<tr>
<td>India</td>
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<td>238</td>
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<td>Australia</td>
<td>119</td>
<td>133</td>
</tr>
<tr>
<td>Japan</td>
<td>84</td>
<td>128</td>
</tr>
</tbody>
</table>

*Corporate Equity Monitor, 2015*
Our brands are part of consumers lives everyday
Nestlé in AOA: *Broad-based portfolio*

**Sales**

Nestlé in AOA

CHF **22.5** Bio

of which, Zone managed*  

CHF **15.9** Bio

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* 2016 Including Nestlé Professional AOA.
Zone AOA: Accretive to Group in all dimensions

Growth Restored

Accretive Margins

Solid Cash Generation

Strong Value Creation

OG
3.2%

TOP
19.0%

FCF
Accretive to the Group

ROIC
Accretive to the Group

2016 figures, as reported (i.e. excluding Nestlé Professional AOA)
2016: Growth has reignited

**OG Evolution 2012 - 2016**

- Sequential improvement
- Yinlu dilution -260 bps
- Driven by RIG

FY 2016 as reported (i.e. excluding Nestlé Professional AOA)
Almost all markets have turned the corner

OG FY 2016
How we reignited growth

**Consumer**

**Product**

**Process**

**People**

### Value Creation Map

- **Bubble Size:**
  - avg EP 16-19 (green >0; red <0)

- **10 Cells:**
  - 44 Cells
  - 227 Cells

- **1% NNS:**
  - 94% NNS
  - 4% NNS

### Future Problems

- **Value Drivers:**
  - Turnaround
  - 22 Cells
  - 112 Cells

### Future Problems

- **Value Creation Map**
  - 20 Cells
  - 110 Cells

### Future EP 16-19

- **Value Drivers:**
  - Turnaround
  - 22 Cells
  - 112 Cells

**CAGNY 2017**
Strong consumer engagement: #1 enabler of growth
Meet Chinese Consumers
“I want to live a better life because I can afford to…”

Trading Up to Premium
- 44% Cosmetics
- 24% Fresh Produce
- 19% Cookies

Extra Money Spending
- 46% Food
- 25% Entertainment
- 23% Travel
“I have access to a variety of products 24/7”

Online Food Delivery
CHF 20 Bn,
~ 50% CAGR 3Y

Mobile payments
25% penetration
vs. 16% in US

SOURCE: iResearch Report, Euromonitor, McKinsey CINIC, Corporate Marketing analysis
Confidential, internal use only
eCommerce creates infinite Shelf Space

# of Brands
(Coffee & Adult Milk Powder)

42
vs.
228

Import vs. Locally Made
(F&B category)

34%
+.
66%

Online Exclusive

Impulse Food Category
Baby Food Category
Personal Care Category

22%
13%
12%

Increased Variety Product Offerings

Source: SmartPath; Nielsen, Taobao Village excludes except Xinjiang, Xiizang, Qinghai
Change and scale come fast in China

Ride-sharing

Number of Uber trips

China cities

Cities in other countries

SOURCE: McKinsey
February 23, 2017
How we reignited growth

Consumer  Product  Process  People

Future problems
20% 15% 10% 5% 0% -5% -10% -15% -20%
Future Values
4% 94% 1% 1% 0% -0.5% -1% -1.5%

Value Creation Map
Value Drivers
Future Problems
227 Cells
22 Cells
1% NNS
94% NNS
4% NNS
1% NNS

Convert any IP to 15 (year 0-10)
MILO RTD: Delivering nutrition in the lunch box

FY 2016 Growth +27%
Global brands with local insights: *NDG Matcha Green Tea*

“Real” Japanese product using traditional techniques available in single serve
Nescafé in ASEAN: *Locally led innovation*

<table>
<thead>
<tr>
<th>Malaysia</th>
<th>Philippines</th>
<th>Thailand</th>
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<tr>
<td><img src="image" alt="Malaysia" /></td>
<td><img src="image" alt="Philippines" /></td>
<td><img src="image" alt="Thailand" /></td>
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</table>
Consumer dynamics pushing innovation beyond products
Kit Kat: Engaging with today’s consumer

- Kit Kat Growth +8% in 2016
- Chocolatory live in Japan, Australia, Malaysia
- Craftsmanship creating unique brand experience
- Special editions for gifting and inspiration for innovations in retail and through eCom
Creating value for consumers through systems & services

Nescafé connecting people and growing at 5% the last 2 years
eCom enables quick testing and learning

Australia Country Fair with Alibaba generated excitement, selling out in record time

00:08 minutes

03:00 hours
MYOWBU: A win-win model

- Fostering entrepreneurship
- Bringing Nescafé to consumers
- Enabling distribution
- Over 3,000 operators in Subsaharan Africa
How we reignited growth

Consumer  Product  Process  People

Future problems

Value Creation Map

Future EP 16-20

Value Drivers

Past EP 13

-15

-10

-5

0

5

10

Consumer and Product images

Process diagram

People image

Value Creation Map bubble chart

Future problems chart
Internally developed tools to bring rigour and focus

ATLAS
Portfolio Optimization through:
- One common language
- Granularity market/cell

Nestlé Brand Accelerator
- Perfect Brand
- Perfect Assortment
- Perfect Store

CAGNY 2017
Perfect Brand: *Right marketing mix*

**Thailand: NESCAFÉ 3 in 1 Mixes**

- **Key findings**
  - Loyalist brand but activation was overly focused on promo
  - Media spend well below competition

- **Key actions**
  - Optimize promo spend and calendar
  - Drive a Marketing reset including digital
Perfect Assortment: Focus behind Hero SKUs

Australia: Focus strategy on 4 key brands

- Brand: 4 / 25
  - Milkybar: 76% Sales
  - Growth: 228% $50m over 2 years

- SKU: 17 / 175
  - Sales: 38%
  - Growth: 121% $32m over 2 years

Indonesia: Making choices in pack sizes

- Accelerating MILO key SKUs
- Discontinued 14g, 150g & 600g
- FY 2016 Growth +17%

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Perfect Store: *Win at the point of purchase*

- Outperforming 3x channel growth

### Nestlé Malaysia

#### Nestlé Pakistan

- Increase in Market Share
- Increase in Quality of store presence

- From 6k to 75k Winning Stores

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>Q2 ’15</th>
<th>Q4 ’15</th>
<th>Q2 ’16</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>100</td>
<td>200</td>
<td>300</td>
<td>400</td>
<td>500</td>
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58% of NNS
Perfect Store: on-line to celebrate 150 years of Nestlé brands in China

June 2016: Planet of Wonder campaign to delight Chinese consumers with more than 150 local and global products

- 11 mio Unique Visitors
- 2X SalesTarget
- 70% New Buyers
How we reigned growth

Consumer  Product  Process  People

Future EP 13  -15
Future EP 16  -19

Value Creation Map
Bubble Size: avg EP 16 -19 (green >0; red <0)

10 Cells  44 Cells  227 Cells  26 Cells

1% NNS  94% NNS  4% NNS  1% NNS

Future problems
Structural Problems

Value Drivers

Turnaround

How we reigned growth

CAGNY 2017
It’s all about people!!

- Right people in right chair
  - 25% Changes in Leadership

- People development
  - >400 3-party discussions

- Engagement and Commitment
  - Nearly 100% engagement in Nestlé & I survey
  - All 15 dimensions tracked showing improvement
Leadership in Action: Maggi Noodles

- **Noodles:**
  - Back to 60% market share
  - >70% pre-crisis volumes
  - Brand Trust back to 95%
  - Jumping from #95 to #25 in India’s Most Loved Brands List

- **Demonetization**
  - Progressively back to normal
  - Team effectively ensuring continuity
Leadership in Action: Floods disruption avoided in Philippines

6 days after the FLOOD...

But WE Made it Through....
ONE TEAM, ONE FAMILY!
## AOA: very important pillar for the Group

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<tr>
<td><strong>1</strong></td>
<td><strong>EXCITING OPPORTUNITIES IN AOA</strong></td>
</tr>
<tr>
<td><strong>2</strong></td>
<td><strong>ALMOST ALL BUSINESSES BACK TO GROWTH. WILL GET YINLU BACK ON TRACK</strong></td>
</tr>
<tr>
<td><strong>3</strong></td>
<td><strong>WILL LEAD THE GROUP IN DIGITAL</strong></td>
</tr>
<tr>
<td><strong>4</strong></td>
<td><strong>SOURCE OF ENTREPRENEURIAL TALENT</strong></td>
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THANK YOU