February 23, 2018

CAGNY 2018

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EVP, Chief Financial Officer

February 23, 2018
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.
Agenda

• A balanced, diversified portfolio with iconic brands

• A clear path to mid single-digit growth by 2020:
  – Fixing underperformers through innovation and renovation
  – Active portfolio management
  – Accelerating in high growth categories, channels and geographies

• Continued focus on operating efficiencies and structural cost reduction
Balanced and diversified portfolio

2017 Sales: CHF 89.8 billion

AOA 26%
AMS 45%
EMENA 29%

Confectionery 10%
Milk products and Ice cream 15%
Prepared dishes and cooking aids 13%
PetCare 14%

Water 8%
N. and Health Science 17%
Beverages 23%

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### Iconic brands around the world

<table>
<thead>
<tr>
<th>Nespresso</th>
<th>Nescafé</th>
<th>Purina One</th>
<th>S. Pellegrino</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maggi</td>
<td>Milo</td>
<td>Gerber</td>
<td>Coffee mate</td>
</tr>
</tbody>
</table>

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Full-year 2017 performance highlights

Sales: CHF 89.8 bn
Organic growth: +2.4%
Real internal growth: +1.6%
Underlying TOP margin*: +50 bps

* In constant currency
Positive growth across all product categories in 2017

Organic growth

<table>
<thead>
<tr>
<th>Category</th>
<th>Organic Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total group</td>
<td>2.4%</td>
</tr>
<tr>
<td>Powdered and liquid beverages</td>
<td>2.4%</td>
</tr>
<tr>
<td>Water</td>
<td>2.0%</td>
</tr>
<tr>
<td>Milk products and Ice cream</td>
<td>2.1%</td>
</tr>
<tr>
<td>Nutrition and Health Science</td>
<td>2.2%</td>
</tr>
<tr>
<td>Prepared dishes and cooking aids</td>
<td>0.3%* (excluding U.S. business)</td>
</tr>
<tr>
<td>Confectionery</td>
<td></td>
</tr>
<tr>
<td>Petcare</td>
<td>3.0%</td>
</tr>
</tbody>
</table>

* Comprised of +1.4% RIG and -1.1% pricing
Clear path to achieving mid single-digit growth by 2020

**Actual 2017 OG**
- 2.4%

**Fixing base business**
- Yinlu stabilized
- Gerber relaunched

**Portfolio management**
- 2017–2018 Acquisitions
  - Atrium, Blue Bottle Coffee, Sweet Earth, Chameleon, Terrafertil
- Disposals
  - US confectionery
- Under review
  - Gerber Life Insurance

**High growth categories**
- 2017 Growth examples
  - E-commerce sales: +32%*
  - Nespresso US: mid-teens
  - Petcare in emerging markets: +17%
  - Perrier & S. Pellegrino: +7%

**Targeted 2020 OG**

* Excluding Nespresso
Addressing underperformers

Gerber baby food relaunch including natural and organic offerings

Yinlu organic growth stabilized

<table>
<thead>
<tr>
<th>2016</th>
<th>H1-2017</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image1" alt="Gerber Rice Cereal" /></td>
<td><img src="image2" alt="Organic Rice Cereal" /></td>
<td><img src="image3" alt="Gerber Puffs" /></td>
</tr>
<tr>
<td><img src="image1" alt="Organic Rice Cereal" /></td>
<td><img src="image2" alt="Organic Puffs" /></td>
<td><img src="image3" alt="Organic Puffs" /></td>
</tr>
<tr>
<td><img src="image1" alt="Gerber Organic Cereal" /></td>
<td><img src="image2" alt="Gerber Organic Puffs" /></td>
<td><img src="image3" alt="Gerber Organic Puffs" /></td>
</tr>
<tr>
<td><img src="image1" alt="Gerber Organic Cereal" /></td>
<td><img src="image2" alt="Gerber Grabbers" /></td>
<td><img src="image3" alt="Gerber Grabbers" /></td>
</tr>
<tr>
<td><img src="image1" alt="Yinlu Organic" /></td>
<td><img src="image2" alt="Yinlu Organic" /></td>
<td><img src="image3" alt="Yinlu Organic" /></td>
</tr>
</tbody>
</table>
Active portfolio management

Disposed: USD 2.8 billion

- Sales: ~ USD 900 million
- 2015-2017 CAGR: negative sales growth

Acquired: USD ~ 3.0 billion

- Sales: ~ USD 900 million
Active portfolio management

Under strategic review in 2018: Gerber Life Insurance

- A life insurance business brought into our portfolio as part of the Gerber acquisition from Novartis in 2007
- Gerber Life Insurance sales have grown from ~USD 400 million in 2007 to ~USD 840 million in 2017
- A regulated insurance business
- Outside of our core food, beverage and nutrition capabilities
- We remain fully committed to our Gerber baby food business, which is strategically important to Nestlé
Driving growth through innovation

I&R product launches increased by 8% in 2017

- Nutrition
- Coffee
- Petcare
- Culinary
- Confectionery
- Dairy
Driving value through premiumization

Premium products grew twice as fast as group average in 2017

- Premium as % of group sales

<table>
<thead>
<tr>
<th>Year</th>
<th>Premium as % of Group Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>11%</td>
</tr>
<tr>
<td>2014</td>
<td>16%</td>
</tr>
<tr>
<td>2017</td>
<td>21%</td>
</tr>
</tbody>
</table>
Expanding in emerging markets

CHF 38.5 billion of sales in emerging markets

Emerging market sales as a % of Nestlé group sales

2007: 32%
2017: 43%

Compelling penetration opportunity remains

Coffee cups per person* per year (retail)

China, India, Africa: <15
Rest of the World: 140

Source: Nestlé, World of Coffee; *person 15+ years old
Growing Nespresso, especially in North America

**Nespresso Sales (CHF billion)**

- **Constant innovation**, with 11 new coffee SKUs launched globally in 2017
- **Increasing accessibility and services**, with 80 new Nespresso boutiques opened globally in 2017
- **Expanding geographically**, with 8 new markets in 2017
- **Already #3 US portioned coffee brand**
- **Vertuo contributed 1/3 of Nespresso’s growth** in 2017 (now present in the US, France, Canada, Australia, UK)
E-commerce intensity is focused and rising

Nestlé’s e-commerce intensity (% of total Group sales)

<table>
<thead>
<tr>
<th>Year</th>
<th>E-commerce Intensity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>2.9%</td>
</tr>
<tr>
<td>2013</td>
<td>3.3%</td>
</tr>
<tr>
<td>2014</td>
<td>3.4%</td>
</tr>
<tr>
<td>2015</td>
<td>3.9%</td>
</tr>
<tr>
<td>2016</td>
<td>4.9%</td>
</tr>
<tr>
<td>2017</td>
<td>6.2%</td>
</tr>
</tbody>
</table>
Channel innovation by going direct to consumer (DTC)

DTC channel contributing an increasing share of sales

- DTC as a % of Group sales

<table>
<thead>
<tr>
<th>Year</th>
<th>DTC as % of Group sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>6.6%</td>
</tr>
<tr>
<td>2017</td>
<td>7.9%</td>
</tr>
</tbody>
</table>
Targeted underlying TOP margin improvement

* Increase versus 2016

- 2016: 16.0%
- 2017: 16.4%
- 2020: 17.5% to 18.5%

+150 bps to +250 bps*
# Structural savings to support margin improvement

<table>
<thead>
<tr>
<th>Initiatives</th>
<th>Achieved savings</th>
<th>Savings by 2020*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>0.1</td>
<td>0.6 – 0.8</td>
</tr>
<tr>
<td>Procurement</td>
<td>0.2</td>
<td>0.5 – 0.6</td>
</tr>
<tr>
<td>G&amp;A</td>
<td>0.2</td>
<td>0.9 – 1.1</td>
</tr>
<tr>
<td><strong>Permanent savings</strong></td>
<td><strong>0.5</strong></td>
<td><strong>2.0 – 2.5</strong></td>
</tr>
</tbody>
</table>

* Savings versus 2016
Driving digital investment and efficiencies in marketing

Spending where consumers are

Digital Media as % of Media spend

- Centralization of creative procurement
- Production decoupling
- E-auctions
- Digital agency consolidation
- In-house studios for digital content
Key messages

• A clear path to mid single-digit organic growth by 2020 through fixing underperformers, active portfolio management, and accelerating in high growth categories, channels and geographies

• Continued focus on operating efficiencies and structural cost reduction

• Encouraging progress with our portfolio management strategy