USA is a key contributor to Nestlé Global

Nestlé in the USA ~ 30%

% of Nestlé in the USA

- Food: 14%
- Beverage: 8%
- Ice Cream: 7%
- Baking: 3%
- C&S: 3%
- Global Foods: 1%
- Petcare: 27%
- Waters: 16%
- Nutrition\(^{(1)}\): 7%
- All Other: 14%

NUSA ~36%
(scope of this presentation)

Total USA: $27bn

(1) Includes Gerber Life
Competing in an ever evolving F&B landscape

Low Growth Environment

- Packaged F&B\(^{(1)}\)
- \$ flat U -1.2%
- ~2% $

Evolving consumer expectations

- Lactose Free
- Gluten Free
- Organic
- High Protein
- Flexitarian
- Novel Food Experiences
- No Artificial
- Locally Sourced
- Authentic, Craft
- GMO Free

Profound Retail Channel Shifts

- 2017F vs 2013\(^{(2)}\)
- -330 bps
- Grocery, Mass, Drug, Super Center

- +260 bps
- Club, Value, Natural, Limited Assortment

- +36% CAGR
eCommerce

Evolving Market Structure

- 2017F vs 2013\(^{(2)}\)
- -250 bps
- Big Food

- +140 bps
- Small Players

- Private Label

Rising Margin Expectations

Aggressive industry-wide cost cutting in a low growth environment

External disruption forcing internal Transformation

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1. Nielsen measured Retail Channels, excluding alcoholic beverage
2. Nestlé analysis based on Nielsen Syndicated Data, Homescan and industry estimates for F&B
Driving continuous Transformation …

**STRATEGIC VIRTUOUS CIRCLE**

### OVERHEADS
- Matrix organization model
- Frozen Foods Center of Excellence
- One Face to the Customer

### TOTAL DELIVERED COST
- DSD optimization
- Factory efficiency & footprint
- Procurement optimization
- Reduced complexity (-34% SKUs)

### MARKETING & SALES
- Digital Center of Excellence
- Consolidated Media Buy
- Strategic Pricing

(1) excludes Confections & Snacks and businesses disposed between 2012 and 2017
(2) Total Delivered Cost includes fixed factory costs, cost of goods sold, and variable & fixed distribution
Driving continuous Transformation …

**STRATEGIC VIRTUOUS CIRCLE**

2012 – 2017

- HQ Repositioning (70% HiPo retention)
- Functional Operating Model redesign
- Lean Operations (starting in Ice Cream)
- New Capabilities (e.g., eBusiness, Analytics)

2017 – 2020

- NBE (Simplify, Standardize, Share)
- Strategic Revenue Management (price & promo optimization)

-150 bps (1)

(1) 2020 estimate vs 2016 baseline
... to expand margins while investing for growth

Operating Margin enhancement

- Margin expansion 2017 vs. 2012 (+220 bps vs 2014)

Growth enablement

- Versus a flat/declining USA Food & Beverage market

(1) Operating Margin excluding Confections & Snacks, businesses disposed between 2012 and 2017 and restructuring costs
(2) excluding Confections & Snacks
Pursuing a hybrid growth model

Unleashing Nestlé’s 150 year old innovation heritage

- Strategically evolving our Portfolio
- Innovating our Brands to address key Consumer trends
- Exploring new Innovation Models
- Investing in High Growth Channels
- Deploying new growth-enabling Capabilities
Strategically evolving our Portfolio

- **+820bps ROIC vs 2015**
  - Manage base portfolio to optimize value creation

- **+70% Growth 2017**
  - Acquire / Invest in high growth territories

- **~11% of Total Sales**
  - Divest businesses with low ability to win

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(1) Aggregated full calendar year sales growth versus 2016
Innovating our brands to address key trends

<table>
<thead>
<tr>
<th>Active Lifestyle</th>
<th>Organic / Natural</th>
<th>Flavor Solutions &amp; Speed Scratch</th>
<th>Ready-to-Drink</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fit Kitchen ~$45 M sales</td>
<td>60% of sales with Modern NHW benefits</td>
<td>New category</td>
<td>New category</td>
</tr>
<tr>
<td>Savory &amp; Sweet portfolio</td>
<td>Craft Premium propositions</td>
<td>&gt;600 M sales</td>
<td>New business model</td>
</tr>
<tr>
<td>Super Premium</td>
<td>Savory &amp; Sweet portfolio</td>
<td>High Protein</td>
<td>eCommerce</td>
</tr>
<tr>
<td>Food &amp; Beverage</td>
<td>New category</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Exploring new innovation models

Internal “Start-ups”
• Strategic growth territories
• “Intrapeneurs” in residence
• Fast prototyping
• In-market testing

External Incubation
• Coach selected startups
• Access to creativity & new thinking of startup cultures
• Support with Nestlé’s capabilities

New “born-Pure” brands with Idea-to-Launch < 9 months

Partnering with Vendors
• Shared opportunities
• Combined capabilities
• Engagement during innovation cycles

Joint pilots with Startups

Collaborative ideation and development

- OUTSIDERS
- PIZZA COMPANY
- wildscape
- PROOF
- goodbe
- Terra
- by Rabobank + RocketSpace
- Cargill

Nestlé
Investing in high-growth channels

- Right proposition for each channel (product ● pack ● assortment ● merchandising ● pricing)
- Focused Sales development teams
- 1st mover with new Retailers
- New platforms and business models (e.g. Freshly)
- Enhanced eCommerce fundamentals (search ● ratings & reviews ● eContent ● ePacks ● …)

2013 – 2017 CAGR(1) +8%

2017 Sales vs. 2016 2x

Brand Example

(1) $ OG CAGR, excluding Confections & Snacks
Deploying new growth-enabling capabilities

Digital CoE* and eBusiness Unit to accelerate new growth-enabling capabilities

Sales analytics driving better promotion and assortment strategies

Flexible manufacturing for smaller, faster launches and test & learn

Transportation predictive analytics to optimize on-time deliveries and cost

Digital Recruiting and analytics to improve hiring and candidates experiences

“empowering our entire workforce to innovate”
In summary...

- Change in the **competitive landscape** has never been this fast and will never be this slow again.
- Driving a mindset of **Continuous Transformation** to fuel growth while expanding margins.
- Pursuing a **hybrid growth model**, including internal and external innovation, to win in the new reality.
- Building **growth-enabling capabilities** and **empowering our workforce** to innovate.

Enhancing margins and seeding growth.