Nestlé India: *MAGGI* progressing ahead of expectations

Brand Trust increasing

<table>
<thead>
<tr>
<th></th>
<th>Pre Crisis</th>
<th>Crisis</th>
<th>Jan 16</th>
<th>Mar 16</th>
<th>Apr 16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rating</td>
<td>98</td>
<td>3</td>
<td>79</td>
<td>81</td>
<td>83</td>
</tr>
</tbody>
</table>

Accelerated Market Share Recovery

*Instant Noodle Retail Track
-AC Nielsen Market size estimate*
Nestlé India: MAGGI progressing ahead of expectations
China: *Reigniting growth by meeting consumer needs*

- Slow down, but still a great consumer story
- Evolving consumer needs
- Channel dynamics
- Implications for Nestlé
**China New Normal**

**Speed (速度)**
- Slower GDP growth rate

**Structure (结构)**
- Consumption as key lever to replace export

**Steering (动力)**
- Innovation-driven to replace resource/ investment-driven

**Topline impact**
- Lower FMCG growth caused by softer economy
- Traditional channels facing competition from eComm

**Cost impact**
- Manage cost inflation (logistics, labor, etc)
- Embrace new technologies to improve efficiency
- Building talent and organization capabilities required for this new business environment

Source: Chinese Government Report at NPC & CPPCC 2015; APEC CEO Summit 2014; Bain
Overall FMCG growth continues to slow down

Annual growth of urban shoppers’ total spending on FMCG (%)

Note: Data covers 106 FMCG categories (includes ambient and chilled food and beverages, and personal care and household products; excludes fresh food, white goods and electronics); Q1, Q2 and Q3 are always 12 weeks; Q4 is 16 weeks  Source: Kantar Worldpanel; Bain
China remains one of the best consumer stories in the world

Fast growth of middle class and upper middle class

Disposable income growth still growing well above inflation


- 2011-12: 12.6% (12.6% inflation)
- 2012-13: 7.7% (2.6% inflation)
- 2013-14: 9.0% (2.0% inflation)
- 2014-15: 8.2% (1.4% inflation)

Household distribution By annual disposable income

CAGR (99-14)

- >$65K: 17%
- $25K-65K: 27%
- $10K-25K: 17%
- $5K-10K: 5%
- <$5K: -7%

Source: Euromonitor; Global Demographics; Lit Research; Bain Analysis

Source: CEIC, Euromonitor, Bain
Chinese urban shoppers affected by multiple factors

- Digital / ecommerce
- Premiumization
- Lifestyle categories vs. daily necessities
- Overseas purchase & cross-border
- A new generation of Chinese consumers
- Price transparency and sensitivity

Source: Bain
Consumers in China are embracing digital much faster

**DISCOVER**

- >75% of customers use internet for browse or purchase
- ~80% of shoppers give reviews online

**PURCHASE**

- >12T RMB of online / mobile payment (total of transactions)

**ENGAGE**

- 2X more satisfied on e-channel vs. offline channels

**DISCUSS**

- >700M users active monthly users combined on WeChat = Weibo

**SELECT**

- >50% of purchase decisions are made online

*Source: Bain*
“BAT” ecosystem affecting both consumer & trade dynamics

Note: *Independent players refers to startups which didn’t receive equity investment from “BAT”
Source: Capital IQ; CV Source; Lit search; Bain
Trade model shifting from “Push” to “Pull”

Successful channel push model for the last 20 years

| Coverage | + Penetration |

Demand creation pull model for the future

| Product portfolio | + In-store execution | + Brand power |
Nestlé GCR: Competing across ~10 major categories

Nestlé GCR Sales (CHF 7.1Bn)

Globally Managed Businesses

42%

58%

Nestlé F&B

Number 1 or number 2 position in most categories

Source: Company data
Nestlé GCR: Majority of F&B businesses are stabilizing

Nestlé F&B 2015 Sales CHF 4.1 billion

Source: Company data
Reconnecting with consumers through premiumization

<table>
<thead>
<tr>
<th>Nescafé Dolce Gusto</th>
<th>Confectionery</th>
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</thead>
<tbody>
<tr>
<td>• 85% growth in 2015</td>
<td>Kit Kat</td>
</tr>
<tr>
<td></td>
<td>Premium Sachima</td>
</tr>
<tr>
<td></td>
<td>Candy</td>
</tr>
<tr>
<td></td>
<td>Thick cut shortcake</td>
</tr>
<tr>
<td></td>
<td>Premium shopping experience</td>
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</table>

- Thick cut shortcake grew >10% Q1 2016
- KitKat launched prior to Chinese New Year
Winning back consumers with new and renovated products

<table>
<thead>
<tr>
<th>NESCAFE</th>
<th>SHARK &amp; Hsu Fu Chi</th>
<th>TOTOLE</th>
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<tbody>
<tr>
<td>Shark</td>
<td>Caomijuan</td>
<td>Chicken Bouillon</td>
</tr>
<tr>
<td>NHW Sachima</td>
<td></td>
<td>Halal Bouillon</td>
</tr>
<tr>
<td>Target young people</td>
<td>Target mid-aged people</td>
<td>Cooking Sauce</td>
</tr>
</tbody>
</table>

- NESCAFE:
  - #1 with 74% market share in 2015
  - 100% - 60/40 win

- SHARK & Hsu Fu Chi:
  - Shark #1 with 32% market share in 2015

- TOTOLE:
  - 50% Market Share
Deeper penetration and wider coverage across various channels

**NESCAFE**
- #1 with 47% market share in 2015
- 10% increase in Numeric Dist. in 2015

**TOTOLE**
- Growing presence in out-of-home
- Penetrate lower tier markets
**eCommerce**: Nestlé China eComm sales more than doubled in 2015

Leverage strategic partnerships, global brands and capabilities

- **Chocolate**: +289% vs LY
- **Coffee**: +68% vs LY
- **Adult Milk Powder**: +67% vs LY
- **Biscuit**: +20% vs LY

*Note: online category growth is the sales growth rate of all Nestlé products sold online*
June 2016 kick-off Planet of Wonder campaign to delight Chinese consumers with more than 150 local and global products.
YINLU: Main area of challenge

Nestlé F&B 2015 Sales CHF 4.1 billion

OG Trend
- Coffee
- Confectionery
- Culinary
- Dairy & Ice Cream

35% 65%

Source: Company data
Yinlu: *business in transition*

<table>
<thead>
<tr>
<th>Yinlu had a winning, traditional model</th>
<th>... but in turbulence under “New Normal”</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Track record of strong, profitable growth</td>
<td>• Yinlu Core Range declining</td>
</tr>
<tr>
<td>• #1 in Plant Protein Drink</td>
<td>• Consumers shifting rapidly to more premium products</td>
</tr>
<tr>
<td>• Nationwide distribution with ~2K Tier 1 distributors</td>
<td>• Strong dairy competition due to low prices</td>
</tr>
<tr>
<td>• Extensive store coverage through a multi-layer, push model</td>
<td>• Deteriorating distribution quality, coverage and in-store execution.</td>
</tr>
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</table>
A comprehensive turnaround plan is in place

- **Upgrade existing products**
  - Upgrade existing products to meet the trend of premiumization and provide healthier choices to consumers

- **Accelerate new product development**
  - Focus on successful launch of *Shakissimo* and *Milo* in 2016
  - Explore opportunities in new RTD products

- **Move towards “pull model”**
  - Improve brand building and POS execution by leveraging Nestle expertise and working closely with distributors

- **Ensure strong execution**
  - Empower turnaround taskforces with best-of-class experts to ensure fast and practical execution for results

**Yinlu turnaround will TAKE TIME but we will BRING YINLU BACK ON TRACK**
4 Key Takeaways

1. CHINA STILL A GREAT CONSUMER STORY

2. PRODUCT PORTFOLIO HAS TO BE RELEVANT TO FAST EVOLVING CHINESE CONSUMERS

3. ACCELERATE DIGITAL AND COMMERCE

4. YINLU TURNAROUND: GET IT RIGHT
Reigniting Growth: Market Presentations

3

Japan:
• Innovation beyond products
• Premiumization

Kohzoh Takaoka
CEO Nestlé Japan

4

Vietnam:
• Establishing Brands
• Building Capabilities

Ganesan R Ampalavanar
CEO Nestlé Vietnam

5

Nigeria:
• PPP
• RTM

Dharnesh Gordhon
CEO Nestlé Nigeria