Zone AMS: navigating headwinds and winning

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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.

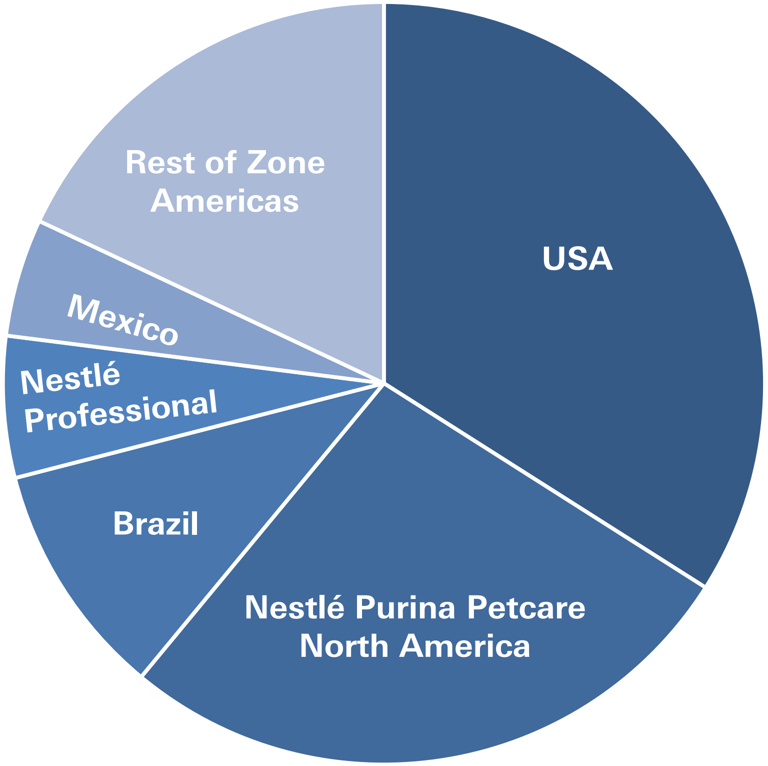
The Americas account for 45% of Nestlé group sales

Sales (2016)

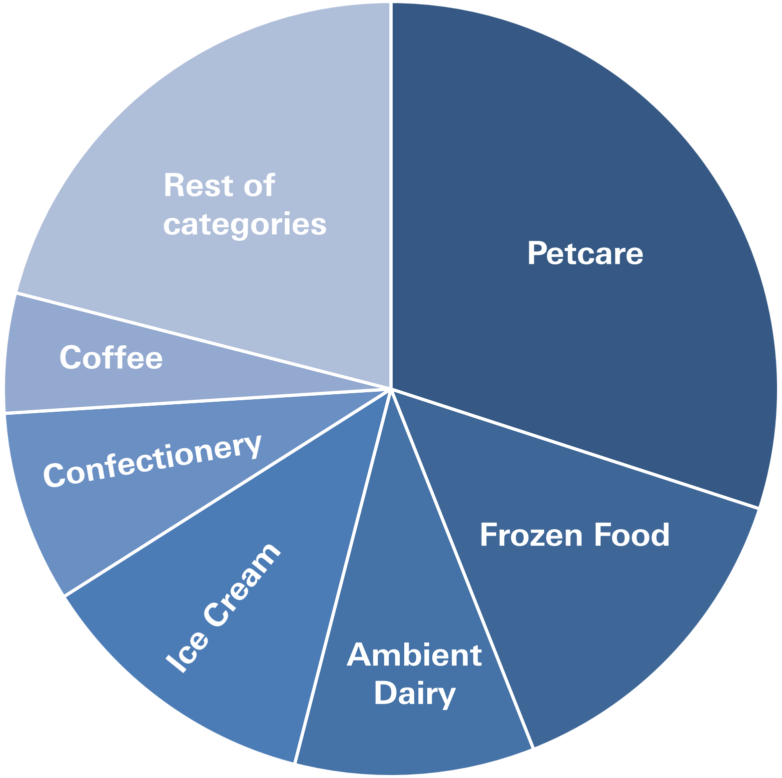
Nestlé in zone AMS
CHF **40.2** billion

of which,
Zone-managed
CHF **28.1** billion

Zone AMS sales by market responsibility



Zone AMS sales by product category



Economic environment

U.S.: deflationary

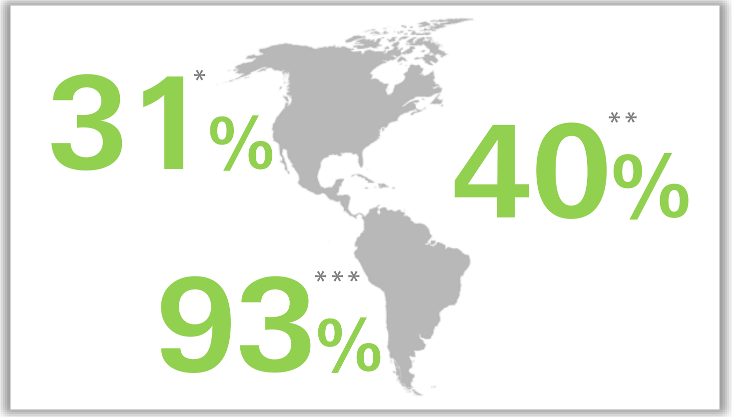
Soft consumer demand, wage stagnation, intense competition

LATAM: recessionary

Political instability, low consumer confidence, positive outlook mid-term

Nestlé Zone Americas: snapshot

Zone AMS in 3 numbers



U.S.: resilient and transforming

Mexico: strong despite weak consumer confidence

Brazil: improving against strong macro headwinds

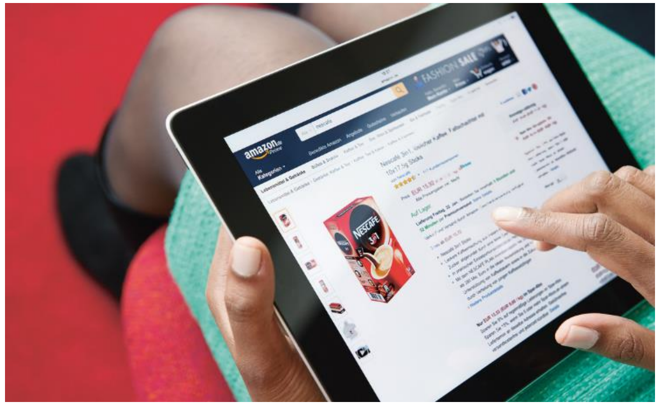
Argentina, Colombia, Cuba: growth opportunities

* Share of group sales ** Share of total free cash flow *** Percentage of sales in top two positions in the category

Industry and consumer trends in the Americas

Millennials and aging population

Digital disruption



Significant shifts in retail *

Channel	Growth Share
ALL OUTLETS COMBINED UPC & RANDOM-WEIGHT	-5%
EMERGING RETAILERS INCLUDING WHOLE FOODS, COSTCO, CONVENIENCE AND OTHERS	14%
ONLINE INCLUDING E-COMMERCE, MEAL KITS AND GROCERY DELIVERY	92%

Regulatory environment

Small is winning

U.S. share change (2013 - 2016)

Big food: -260 bps
Private label: -18 bps
Small players: +120 bps

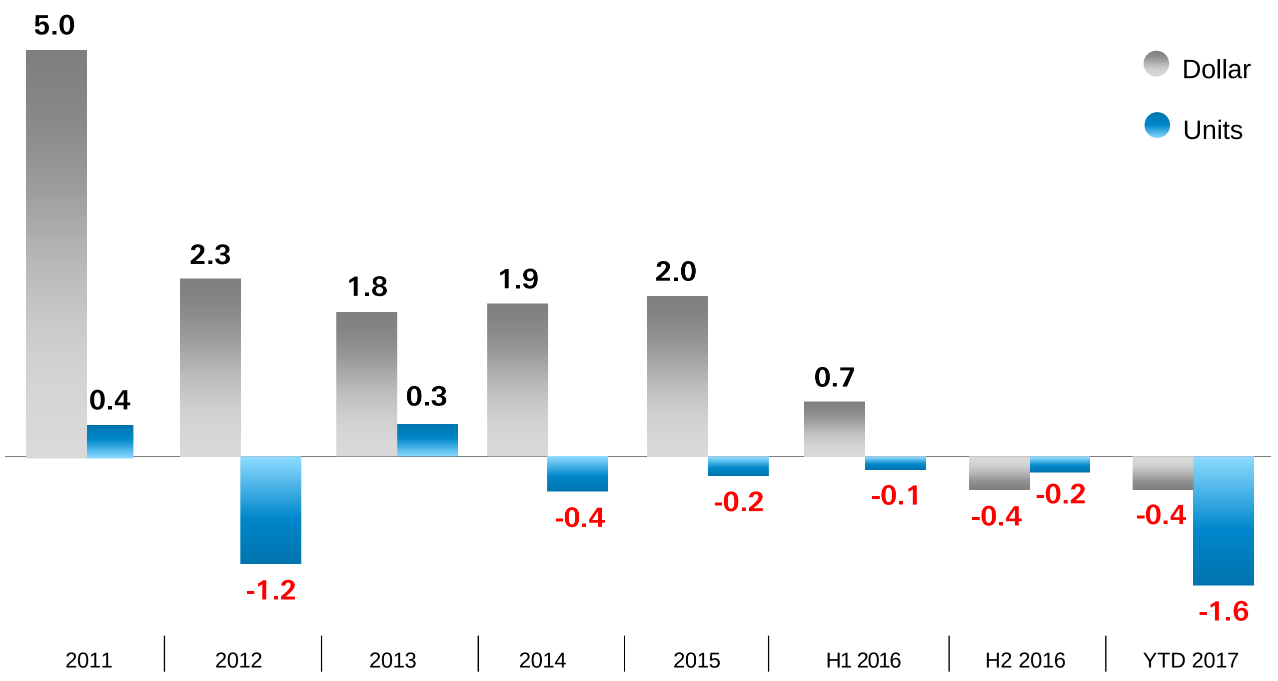
Radical cost cutting

* Source: Nielsen Total Consumer Report 2017

Growth of F&B decelerating in the U.S.

- Disposable income under pressure
- Reduced government SNAP / WIC subsidies
- No F&B inflation in a no-growth environment
- Accelerated shifts in how consumers eat, shop and engage with brands
- In-home vs. out-of-home dynamics
- Basket size / impulsivity

Retail growth in Food & Beverage* (%)



* Retail packaged Food & Beverage spend, excluding alcoholic beverage. Aug YTD 2017 (Nielsen measured retail channels)

Emerging retailers and e-commerce are the growth drivers

Nestlé

Smaller format stores and shelf sets

% of new store openings

More e-commerce options available

amazon fresh

Blue Apron

safeway fresh to your door

THRIVE MARKET

Retailers entering new business models in F&B

amazon

WHOLE FOODS MARKET

Walmart

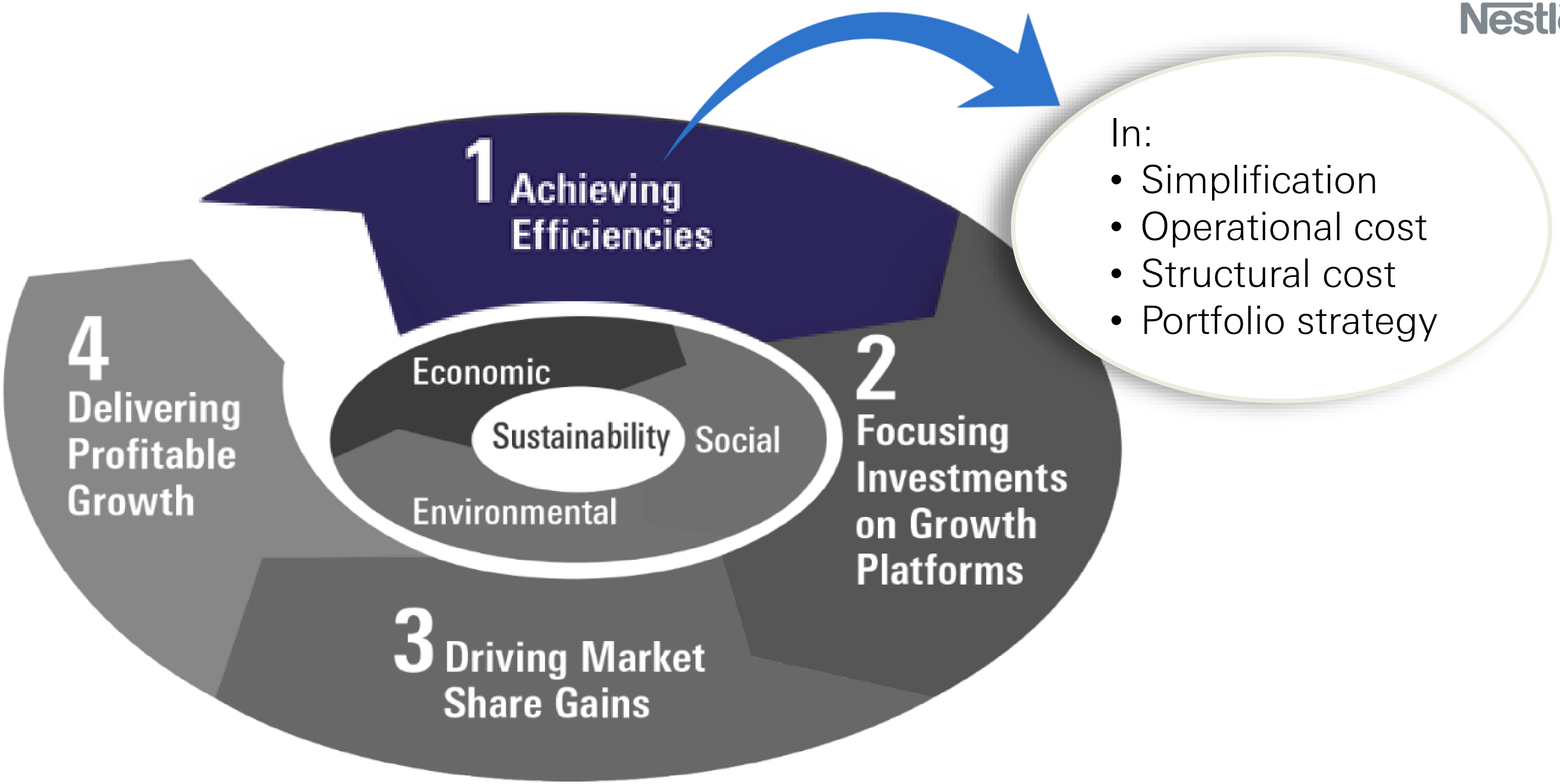
jet

ALDI

instacart

Zone AMS: fit to win with consumers and customers

Zone AMS: fit to win with consumers and customers



Achieving operational and structural efficiencies

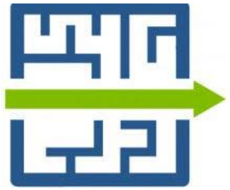
Operational cost optimization

- 100 lean value stream initiatives
- Strategic revenue management
- Leverage scale in procurement
- Further reduction in working capital
- Dairy project LATAM

Simplification

Harmonization of ingredients and specifications:

- Reduction of specifications by -50% in 2017 vs. 2015
- 100% smart and shared specifications by 2020



Structural cost reduction

HQ and factories restructuring, investing in new capabilities:

- U.S.: *Lean Business Transformation*
- Brazil: *Agility to Win*
- Mexico: *Fit to Grow*
- Canada: *Lean Enterprise*
- Chile: *Fit to Win*

- One IS/IT in North America
- NBE impact

Disciplined portfolio strategy

Focus on businesses with strong ability to win:

- Coffee and beverages
- Petcare
- Dairy
- Food
- Confectionery ex. U.S.

- Continue selective divestments

Annual cost improvements* (from 2014 onwards): **6% of total delivered costs****

*Includes cost reduction and cost avoidance. **Total delivered costs: marketing and other general expenses, fixed factory overheads, variable and fixed distribution, and cost of goods sold

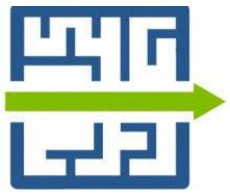
Nestlé U.S.: Streamlining the cost structure

Operational cost optimization

- Lean value stream
- Food Center of Competence
- Ice cream factory efficiency and footprint optimization
- Marketing mix optimizaton
- Procurement Acceleration 2.0
- NBE

Simplification

- SKU / assortment optimization
- Specification reduction
- Simplified reporting: 70% financial reports reduction
- Digital workspace enablement and collaboration tools



Structural cost reduction

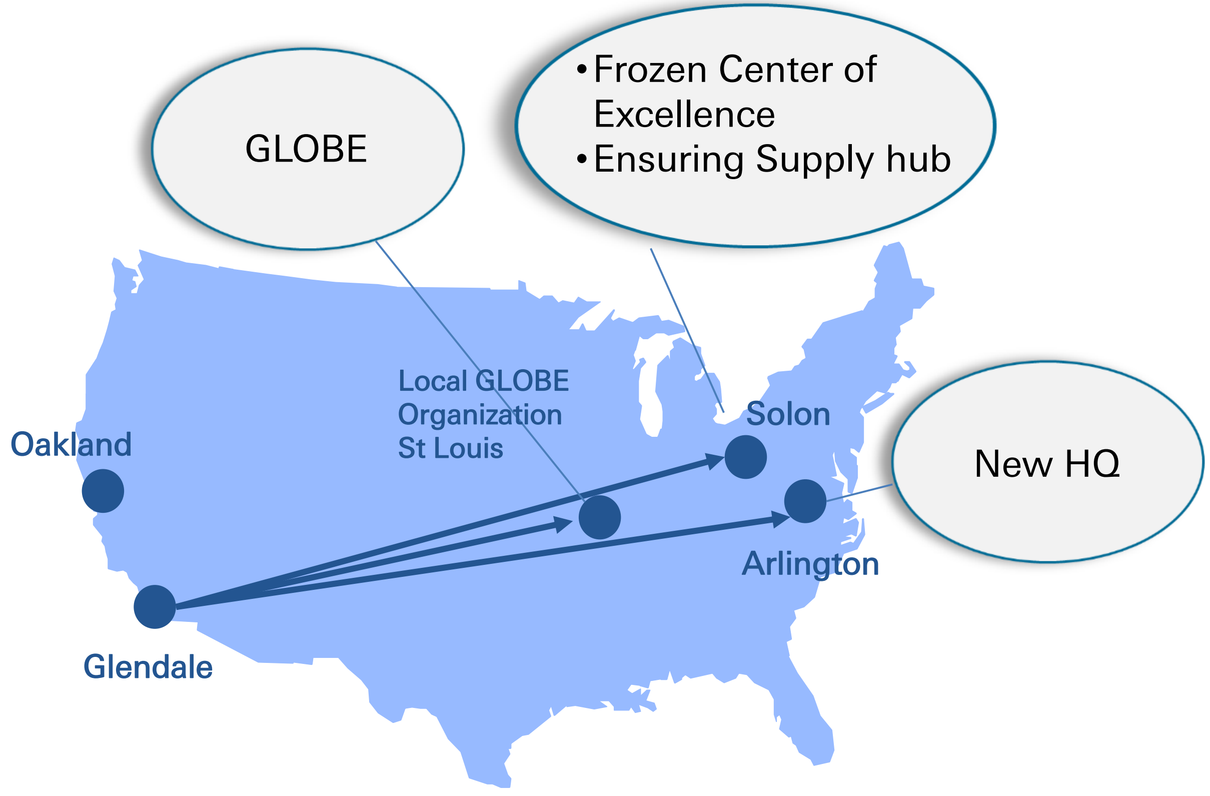
- HQ footprint
- Strategic redesign of functional operating model
- One IS/IT structure
- One Food division

Disciplined portfolio strategy

- Acq. Merrick 2015
- Acq. Sweet Earth 2017
- Acq. Blue Bottle 2017
- Equity stake Freshly 2017
- Confectionery review 2017

Total cost improvements in U.S. by 2020 over 2016: CHF 350-450 million

Nestlé U.S.: Repositioning HQ and redesign of functional operating model



Key benefits

- Proximity to customers, consumers and key stakeholders
- Proximity to industrial footprint, all Nestlé's operating companies
- Talent attraction and development
- Project ahead of plan
  - 6 months gained
  - 70% retention of high potentials
  - Payback in less than 2 years

Nestlé U.S.: turning ice cream into a lean operation

Mid-teen underlying TOP by 2020

Key actions

1. **Focus on the 3 Cs:** Cost, cash, cases
2. **Streamline factory structure** and redirect non-ice cream specialist functions: "Everyone makes ice cream"
3. **Line level optimization:** redirect capital towards financial return
4. **Portfolio complexity reduction** through step change in I/R process
5. **Leverage in-sourcing** opportunities on dairy and caramel
6. **Increase flexibility on key ingredient** sourcing and **optimize specs** based on ice cream requirements

Zone AMS: fit to win with consumers and customers

- Zone-wide priorities
- New health benefits innovation
- Opportunity markets

Focusing investments on growth platforms

Zone-wide priorities

New health benefits innovation

Opportunity markets

Colombia

Argentina

Cuba

circa CHF 3 billion incremental sales by 2020*

* Total incremental sales in 2020 over 2016

Investing to win with millennials

Organic

Plant-based

Ethnic / Local

Natural

"Digital first" engagement model

New consumption experience: Blue Bottle Coffee

Retail cafés

- 50+ locations
- Range of successful formats
- Elegant experience, with concise menus and clean design
- Highly trained and hospitable baristas

Direct-to-consumer e-commerce

- Fresh coffee roasted to order, delivered to your home or business
- Subscription plans for an ongoing relationship and added convenience
- A-la-carte for gifting and exploring coffee
- Curated merchandise offering

Consumer packaged goods

- Ready-to-drink New Orleans Iced Coffee and Cold Brew
- Available in natural and specialty grocery stores
- Whole bean and Perfectly Ground in pilot; broader expansion in 2018

Nestlé U.S.: many breakthrough initiatives in food

Core food business

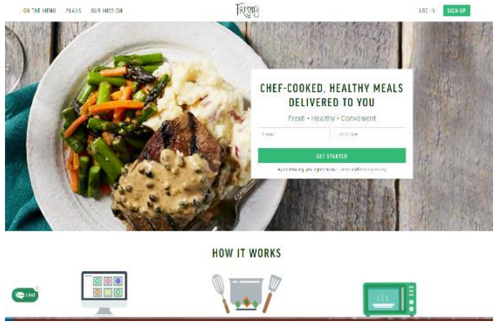
CHF 4 billion sales in 2016

- Prepared foods accretive to Nestlé U.S.
- Center of the plate
- High ability to win
- Leading market position
- Strong pipeline

New territories and business models

SWEET EARTH NATURAL FOODS

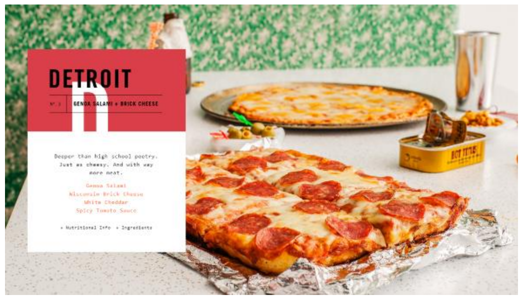
FRESHLY



Internal incubators and innovation accelerators in food

OUTSIDERS PIZZA COMPANY

DAMN GOOD

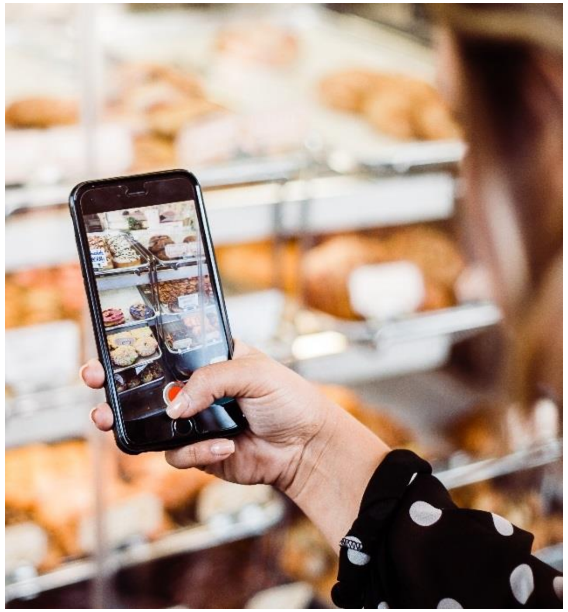


Innovation partnerships to explore new territories and business models

Partnerships with leading technology

SVIO

Silicon Valley Innovation Outpost



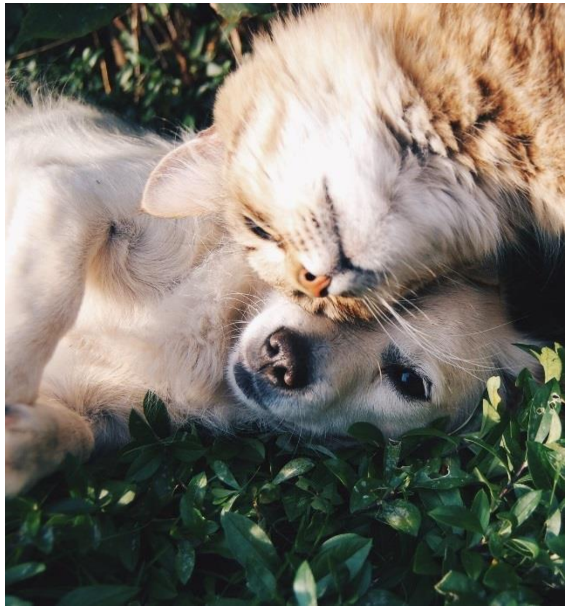
Food and agriculture startup acceleration

TERRA

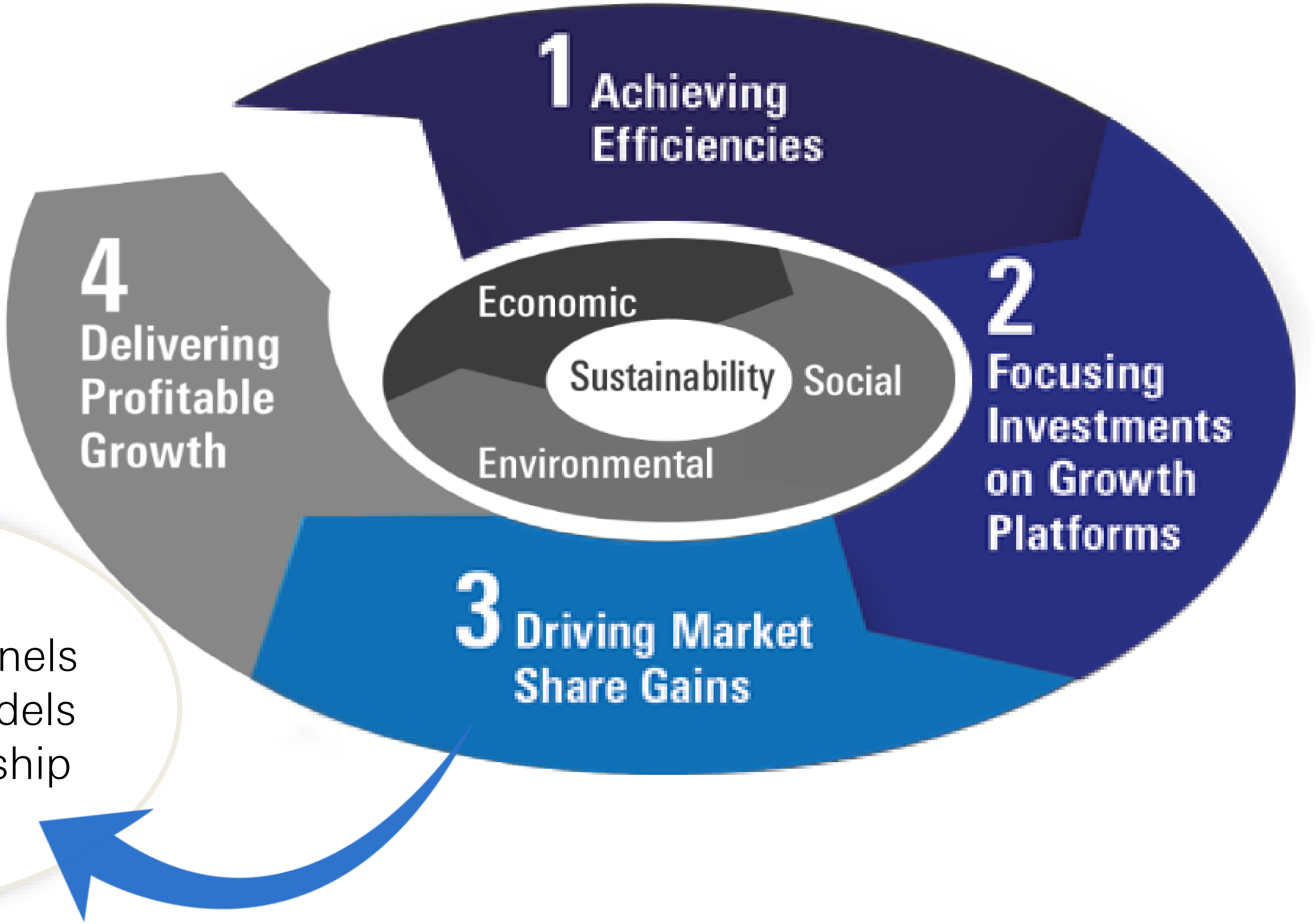
by Rabobank + RocketSpace

Early stage pet business equity investment

SQUARE VENTURES



Zone AMS: fit to win with consumers and customers



- High growth channels
- New business models
- E-business leadership

Focusing on market shares

Nestlé

High growth channels

amazon

WHOLE FOODS MARKET

ALDI

COSTCO WHOLESALE

OXXO

PETSMART

New business models

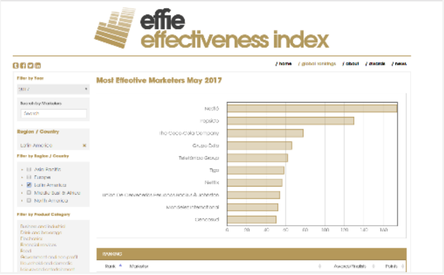
Nescafé Café

Ice cream bar

Meal kits
“Grab ‘n’ Go”

Achieving e-business leadership

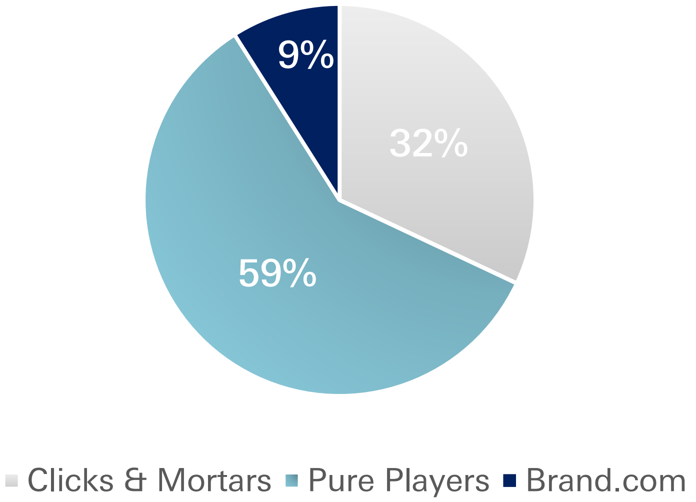
E-business Acceleration Teams

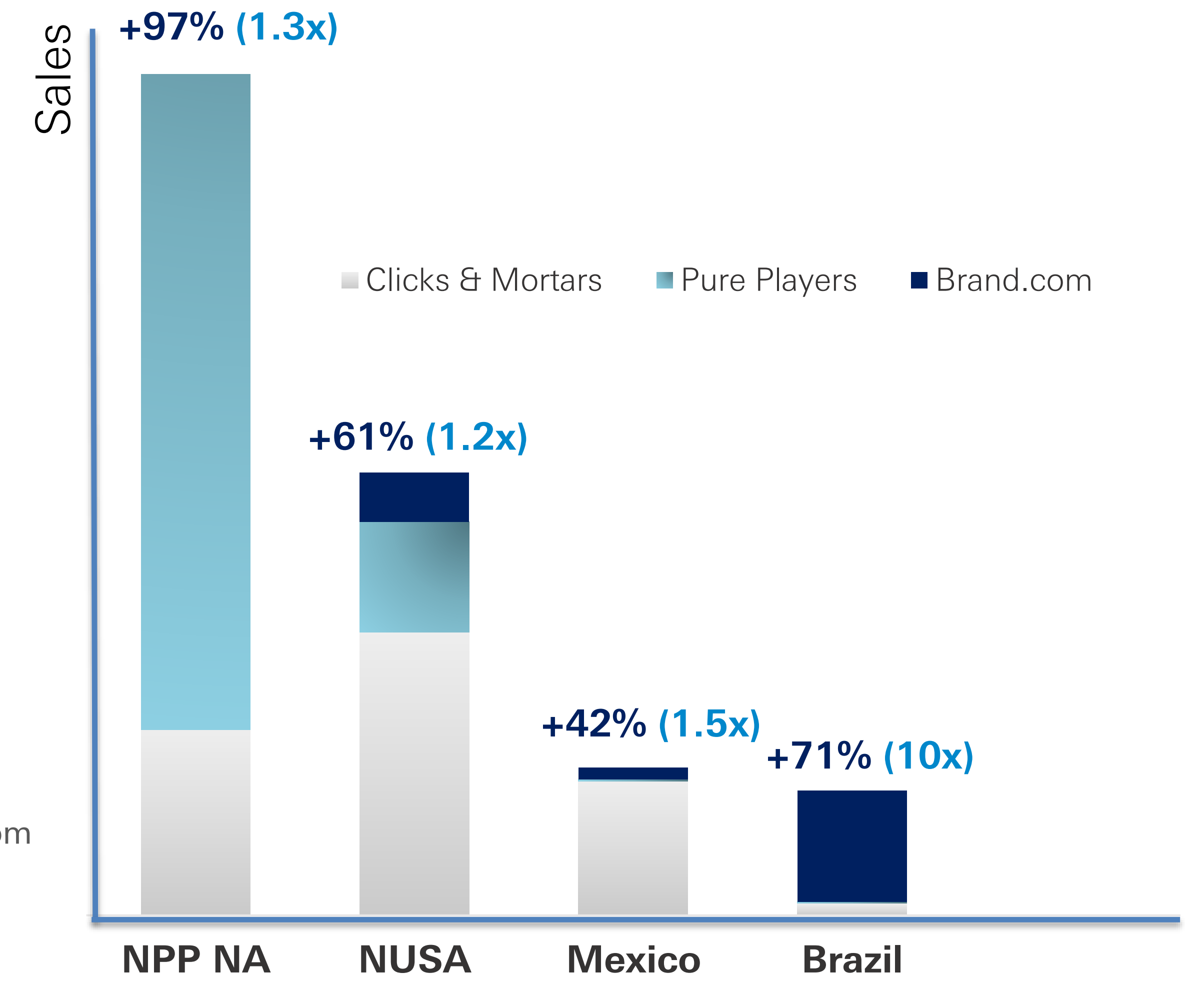


Most effective marketer
LATAM 2017

Winning in e-commerce

E-commerce sales by segment



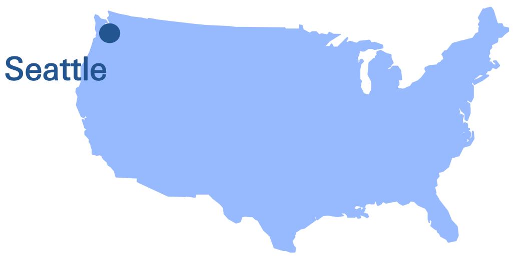


Nestlé growth vs. previous year **Nestlé growth vs. category growth**

Global Amazon Acceleration Team

Objectives:
- Get basics right
- Accelerate priority cells
- Drive new initatives

- Located in Seattle WA, next to Amazon Global HQ
- Reporting to Nestlé U.S. CEO

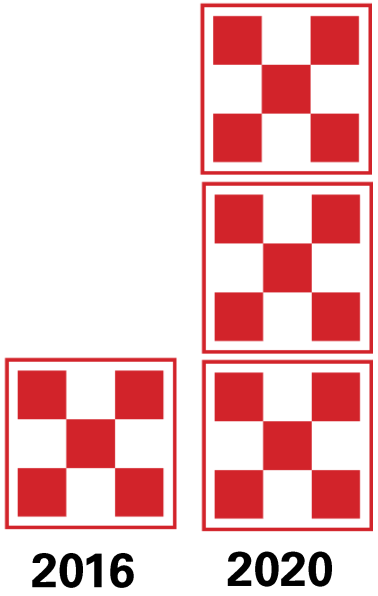


Source: Nestlé markets analysis, H1 2017

Petcare North America: strengthening leadership in e-business

Online market share leadership

- Combined **online market share** is **#1 for the Petcare category** in the largest U.S. e-commerce retailer
- Online sales doubled in H1 2017, and are **set to triple by 2020**



Key e-commerce initiatives

Develop best-in-class content

P4P
PURINA for Professionals™

Direct-to-consumer

PURINA PRO PLAN

MAP program expansion

Custom products and packaging solutions

Walmart

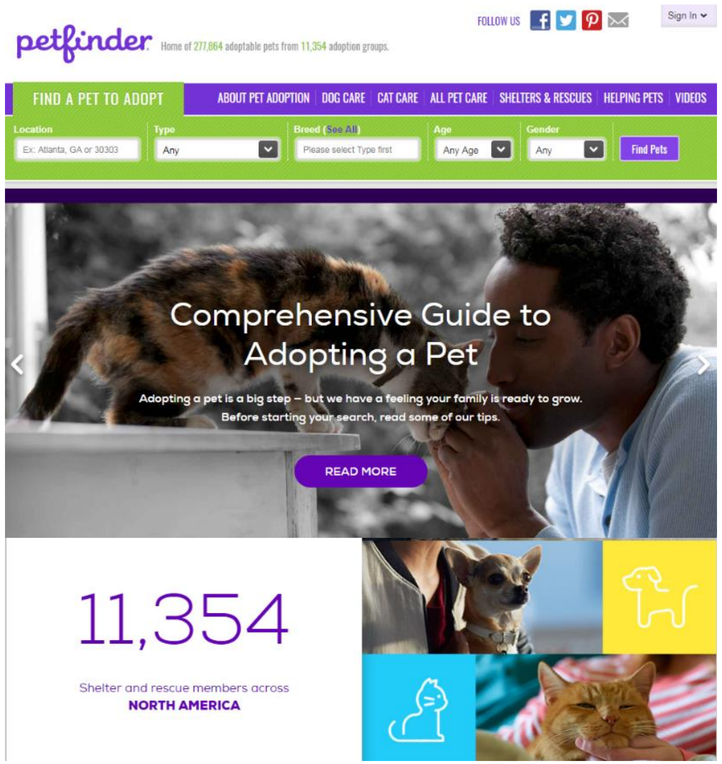
Store-based

amazon

Pure Play

Personalization

petfinder



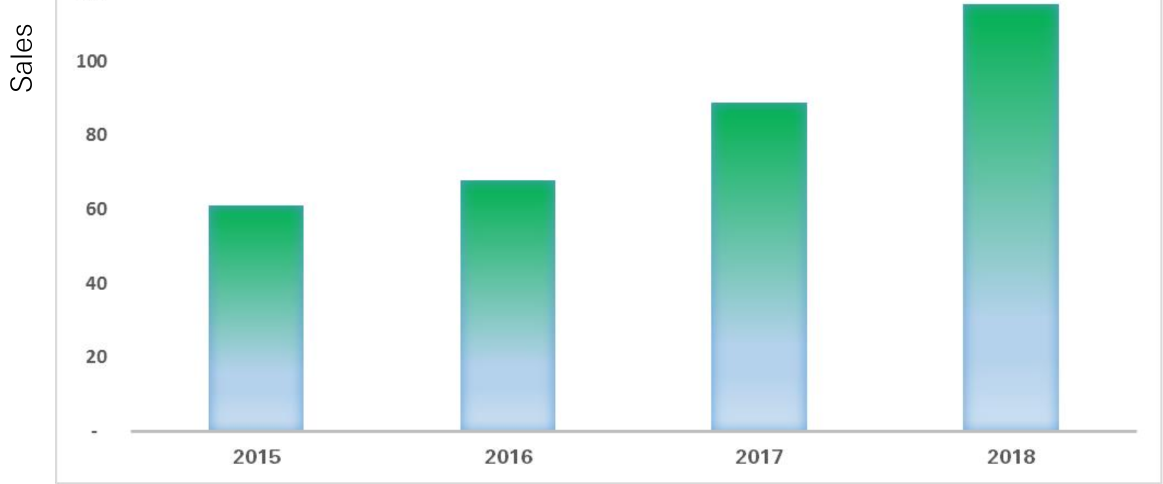
Brazil focus on growth platforms: Nescafé Dolce Gusto

Most important direct-to-consumer brand in Brazil

Sales evolution Brazil

CAGR 41%

E-commerce share of sales circa 40%



Lighthouse for Zone AMS

Nescafé Dolce Gusto in Zone AMS to achieve:

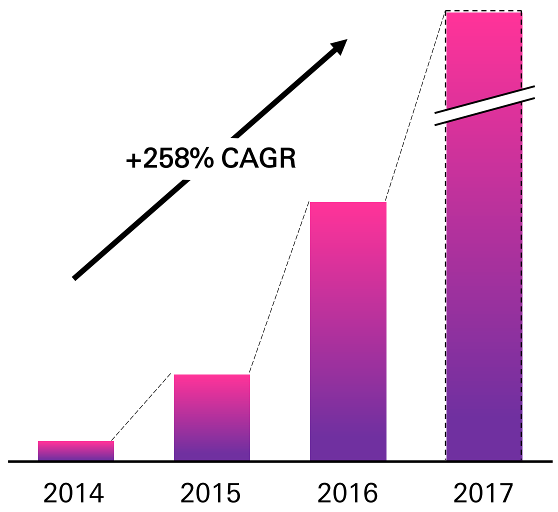
CHF 500 million by 2020*

* Annual sales of CHF 500 m by 2020

Nestlé Mexico today: investing for the future

Investing in innovation

Accelerating e-commerce



#1 F&B e-commerce player in Mexico

New business models

Nescafé Dolce Gusto vending machines

Personalized online recipe service

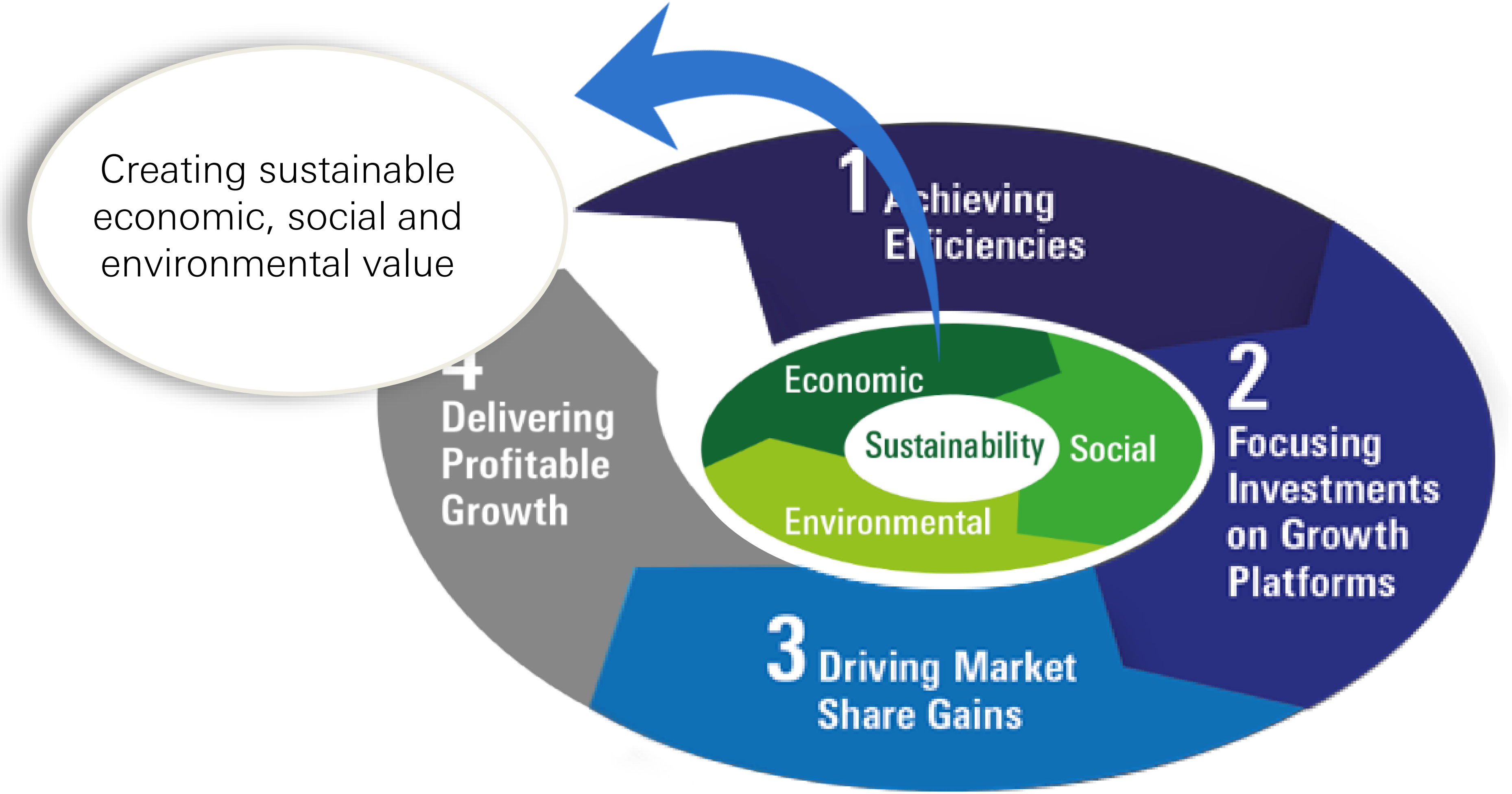

Nestlé impulsará el desarrollo de start-ups mexicanas

To Press Releases list

México, CDMX, jul 11, 2017

Engaging with start-ups

Zone AMS: fit to win with consumers and customers



Nestlé in Society

NHW

- Aggressive reformulation to be the best nutritional option for consumers
- Focus efforts on children nutrition education programs

Youth Employment

- Vocational training
- "Readiness For Work" (live and digital)
- Alliances with 128 stakeholders and 114 private companies
- Focus on veterans in the U.S.

Water Stewardship

- Water Stewardship programs in every factory across Zone AMS

Manos al Agua
Intelligent Water Management

Environmental Sustainability

- GHG emission planned reduction of 35% by 2020
- 56% of factories are "Zero Waste"
- 100% coal elimination
- Mexico, Brazil and Chile using 80% -100% green electricity
- Mexico using wind energy at large scale
- "Triple Zero" factory in Brazil

Winning with people and teams

Leadership & Organization

- Entrepreneurial
- Agile
- Flexible
- Connected

Safety

- Journey towards zero accidents

Talent Management

- Best Place to Work 2017:
  - Purina North America
  - Canada
  - Brazil
  - Colombia
  - Ecuador
- Focus on top and emerging talent

Diversity

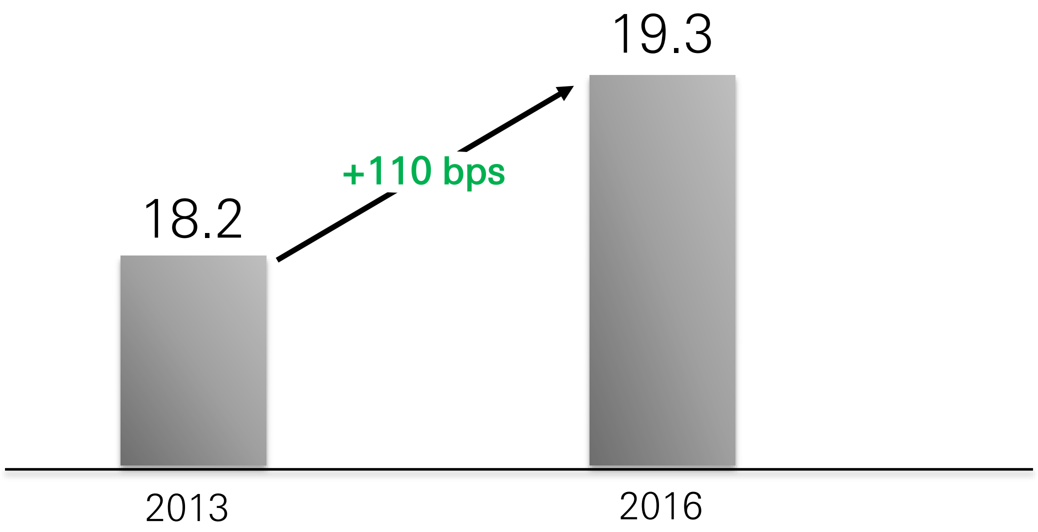
- Gender balance: management committee, operations and sales
- Disability

Zone AMS: fit to win with consumers and customers

- Market share
- Underlying TOP evolution
- OG with strong focus on volume and mix

Delivering profitable growth in summary

Zone AMS TOP evolution (% of sales)



Zone portfolio market share evolution* difference 2013-2016

+100 bps

* Market share calculation: difference between category growth and Nestlé growth in the category

Dynamic zone with strong capabilities and scale across markets set to:

1. Be an even leaner, more agile and better connected organization
2. Address costs structures
3. Focus investment on profitable growth platforms, new channels and new business models
4. Focus on market shares, volume growth and profitability