It is about winning in all categories where we decide to play

Winning market share in petcare

Nescafé leadership in 80% of business cells

Unlocking potential in confectionery and food

Focus and reduce costs,
Deploy and grow

Whilst driving efficiencies and reinvesting behind growth platforms
Nestlé in EMENA: #1 or #2 F&B company in 2/3 of countries in the zone

- CHF 26.8 billion sales in 2016
- 69 countries
- 22 markets
- 109’000 employees
- 151 factories
Thanks to our large footprint

**Sales (2016)**

Nestlé sales in EMENA

CHF **26.8** billion

of which, zone-managed*

CHF **16.1** billion

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*Excludes January to September 2016 ice cream and frozen food sales (contributed to Froneri as from October 1, 2016)
Recognizing the overall challenges and opportunities

A low volume growth environment
FMCG average volume growth <1% since 2010

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<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Volume growth</td>
<td>1.0%</td>
<td>0.9%</td>
<td>0%</td>
<td>-0.1%</td>
<td>0.7%</td>
<td>1.1%</td>
<td>0.4%</td>
</tr>
</tbody>
</table>

Source: Nielsen MAT June 2017

Good growth prospects in MENA in particular

World | MENA | EU
---|------|------
3.8% | 3.5% | 1.7%

Source: IMF

In which local players are winning

Local players | Value growth (2016) | 3.8%

F&B market | 2.1%

Source: Nielsen

Confidence on the rise in Europe

<table>
<thead>
<tr>
<th>Quarter</th>
<th>2016 Q1</th>
<th>2016 Q4</th>
<th>2017 Q2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer confidence index</td>
<td>78</td>
<td>81</td>
<td>85</td>
</tr>
</tbody>
</table>

Source: Nielsen
Delivering industry leading top line growth

Zone EMENA organic growth


- 2.5%
- 4.0%
- 1.8%
- 0.8%
- 1.5%
- 3.7%
- 2.0%
- 2.3%

*As from January 1, 2015, Zone Europe was renamed Zone EMENA to include Europe, Middle East and North Africa
Stronger organic growth than industry peers

Average organic growth (2014-2016)

- Nestlé EMENA*: 2.4%
- Company A: 1.2%
- Company B: -0.4%
- Company C: -0.7%

Source: Company reports
*refers to geography (which includes zone, Nestlé Waters, Nestlé Nutrition, Nestlé Professional, Nespresso, Nestlé Health Science and Nestlé Skin Health)
Thanks to our presence in categories growing above market average

Value growth (2016)

- Chocolate
- Coffee
- Cold sauces
- Pet food
- MARKET

Categories represent 60% of zone sales

Source: Nielsen
And by making clear choices, focusing 2/3 of zone CAPEX on 40% of sales - Coffee and Petcare
Whilst freeing up resources to fuel growth

2016 vs 2014

<table>
<thead>
<tr>
<th>September 26, 2017</th>
<th>Nestlé Investor Seminar 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Distribution costs</strong></td>
<td><strong>Overheads</strong></td>
</tr>
<tr>
<td>-40 bps</td>
<td>-35 bps</td>
</tr>
<tr>
<td><strong>Underlying TOP</strong></td>
<td><strong>Consumer marketing</strong></td>
</tr>
<tr>
<td>+120 bps</td>
<td>+80 bps</td>
</tr>
</tbody>
</table>

Helped by portfolio management

**Market share**

60% of cells gaining share

Helping by portfolio management

+120 bps

Focusing on Growth Platforms

+80 bps

Achieving Efficiencies

Driving Profitable Growth

Driving Market Share Gains
Zone EMENA transformation journey

- **2001**: Purina acquisition
- **2004**: Nestlé Nutrition creation
- **2006**: Lactalis JV chilled dairy
- **2014**: Creation of Zone EMENA
- **2016**: Froneri JV ice cream & frozen meals
- **2017**: Nescafé EMENA business unit
- Nestlé Professional regionally-managed
Nestlé in EMENA: a large product portfolio with specifically designed business models

- Food
- Dairy
- Confectionery

- Nestlé Professional
- Purina
- Nescafé

- Skin Health
- Health Science
- Nutrition
- Waters
- Nespresso

- Froneri
- Lactalis Nestlé
- Cereal Partners

Locally-managed | Regionally-managed | Globally-managed | Joint ventures
Creating the conditions to grow in all our categories

Success driven by:

- Active portfolio management
- Stronger and better consumer insights and addressing new route to market opportunities
- Unlocking resources by addressing structural costs
- Putting in place the most efficient organization and governance for categories and markets

Total cost improvements in 2020 over 2016: CHF 400 to 500 million
Our learnings

PURINA

Nescafé
Purina has established a successful model over the years, based essentially on 3 factors.

Category expertise
- Deeper insights
- Innovative product leadership

Regional model
- Integrated supply network

Clear sense of purpose
- Passion and expertise
The Purina model generates operational and structural costs savings that are re-invested in brand building and profit

Yearly improvement from 2011-2016

Total delivered costs*
-30 bps / year

Other general expenses
-20 bps / year

Profit
+40 bps / year

Multiplied by 3x from 2007 to 2017

Consumer marketing
+30 bps / year

Market share
From distant #2 to co-leader

*Total delivered costs: marketing and other general expenses, fixed factory overheads, variable and fixed distribution, and cost of goods sold
Nescafé EMENA business unit since January 1, 2017

Innovation and fast rollout
Nescafé EMENA business unit
since January 1, 2017

Make choices in fast and efficient ways

• Addressing competitive intensity through above-market resource allocation decisions

Generating CHF 150 million cost improvements by 2018 over 2016

• Optimizing supply through above-market decisions for the benefit of the total business
• Harmonizing coffee blends
• Leveraging communication platforms through a common approach
• Addressing direct overhead expenses

People

• Building category expertise by focusing on talent management within a Nescafé community
Category focus is the way forward also in confectionery and food
Improving the performance of food

• Recognizing that food innovation is mostly local
• Need to address dilutive business cells
• Opportunity to reduce structural costs
• 2/3 of portfolio with profitability above 20%, 1/3 below 10%
Category focus approach: food

• Streamline and simplify our portfolio focus on growth platforms
• Address industrial and logistics infrastructure
• Leverage our category expertise, in particular unique consumer insights
• Regional approach to innovation
• Address new / high growth segments through selected M&A
Maggi: a brand with enormous impact through home-made cooking

Refreshing our core

Capturing trends

Valuing up

Consumer connection
Meeting consumer demands in food

**Authenticity**
100% “kitchen cupboard” ingredients

**Convenience**
Value-up: 25% price premium

**Vegetarian**
10% organic growth (H1 2017)
Strength of our innovative local brands

2x the share of main competitor

78% market share of mayonnaise and mustard in Switzerland

5% average organic growth 2014-2016
Opportunities to address complexity in confectionery

• Missed opportunity to consolidate past acquisitions
• Address high conversion costs
• Streamline and simplify our portfolio focus on growth platforms
• Leverage our scale vs. “local-for-local” approach
• Above-market sourcing and supply decisions
Leveraging our strengths in confectionery

KitKat
#2 countline brand in EMENA

Masterbrands
Deliver strong organic growth

Les Recettes de l’Atelier
#3 premium tablets brand in EMENA
Driving growth through premiumization

![Retail price index vs. product examples](image-url)
Evolving by changing the way we operate

- From “local-for-local” to “regional” approach
- Warehouse network and cross border flows
- End-to-end management of total delivered costs*
- Above-market supply decisions
- Best-in-class execution and customer management

*Total delivered costs: marketing and other general expenses, fixed factory overheads, variable and fixed distribution, and cost of goods sold
Capturing growth opportunities with the discounters

Winning with discounters

Dedicated SKUs

Shelf ready packaging

Capabilities and expertise

H1 2017 organic growth: 9.7%
Driving e-commerce opportunities in EMENA

Winning with e-retailers

Internet of Things and Voice

Leveraging growth platforms

Capabilities and expertise

Contribution 1/4 of zone OG (H1 2017)
Online market share outperforming offline in all zone-managed categories
Conclusion

• Zone EMENA has delivered industry-leading performance
• Our ambition: win in all categories where we decide to play by leveraging our strength in the market place
• We are winning in Coffee and Petcare
• We have clear strategies to unlock value in Food and Confectionery with local and regional brands
• We will adapt our operating model to extract more value
Thank you!