

Welcome to the Full-Year 2016 Conference



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.

Full-Year 2016 Results

Mark Schneider, Nestlé CEO



Key messages



2016

- Organic Growth at higher end of industry, at lower end of our expectations
- Solid operating margin improvement

2017 and mid-term

- Continuity and change
- Organic Growth remains key to long-term value creation
- Continued focus on operating efficiency

2016 performance highlights



Sales

CHF
89.5 bn

Organic
Growth

+3.2%

Real Internal
Growth

+2.4%

TOP
Margin

+30 bps
in constant currency

Continuity and change



- Nutrition, Health and Wellness strategy
- Commitment to long-term value creation
- Prudent approach to M&A
- Focus on people and leadership
- Transparency with all stakeholders
- Making choices, fast execution

Organic Growth key to long-term value creation



Expect mid-single digit Organic Growth by 2020

- Invest selectively to support fast-growing categories and regions
- Address low-growth businesses
- Product and business model innovation
- Embrace digital opportunities
- Portfolio management

Continued focus on operating efficiency



- Leverage existing efficiency culture
- Expect increasing restructuring cost
- At least 200 basis points structural cost savings* target by 2020 - partial reinvestment to drive Organic Growth
- Focus areas:
 - Non-customer facing structural costs
 - Capacity utilisation

*Operations, Procurement, G&A

Outlook 2017



- Organic Growth of 2 to 4%
- Increased restructuring cost of CHF ~500 mio to drive future profitability
- As a result, stable Trading Operating Profit margin* in 2017
- Underlying EPS* growth and improved capital efficiency

*In constant currency

Full-Year 2016 Results

François-Xavier Roger, Nestlé CFO



Increasing RIG, margin expansion, strong cash flow



Growth

OG +3.2%
RIG +2.4%

TOP Margin*

+30 bps
+20 bps reported

Free Cash Flow

CHF
10.1 bn
11.3% of sales

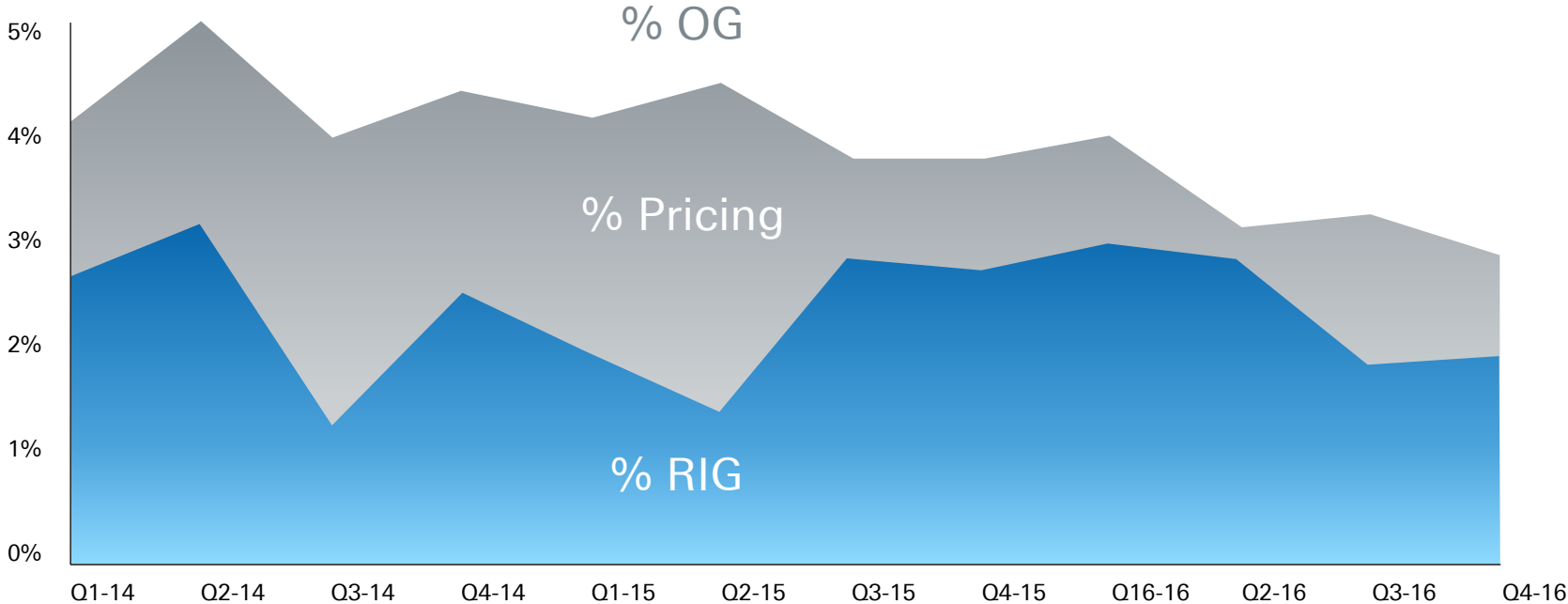
Underlying EPS*

+3.4%
+2.7% reported

*In constant currency

Quality growth

Organic Growth driven by Real Internal Growth

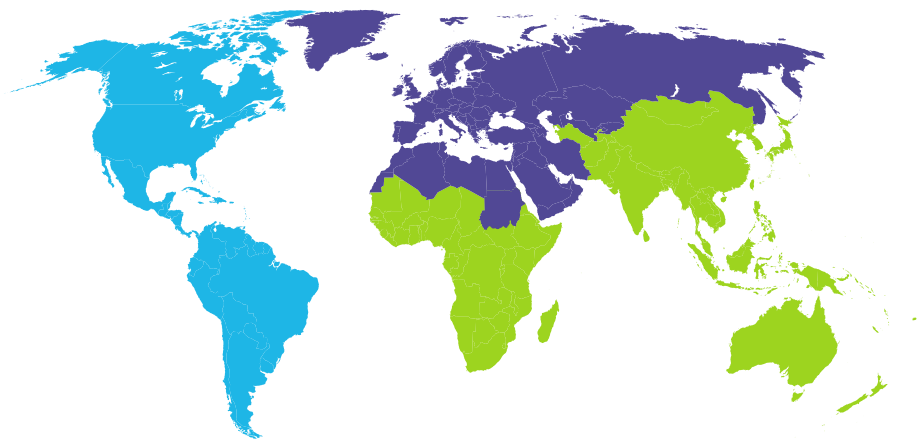


Quality growth

Broad-based RIG and OG across geographies



	AMS	EMENA	AOA
Sales (in CHF)	40.2 bn	26.8 bn	22.5 bn
RIG	+2.0%	+2.4%	+3.0%
OG	+4.5%	+1.9%	+2.8%



Each geography includes Zones, Nestlé Waters, Nestlé Nutrition, Nestlé Professional, Nespresso, Nestlé Health Science and Nestlé Skin Health

Quality growth

Growth in Developed and Emerging markets



Sales (in CHF)
% of group sales

Developed

52.1 bn
58%

Emerging

37.4 bn
42%

RIG
FY15

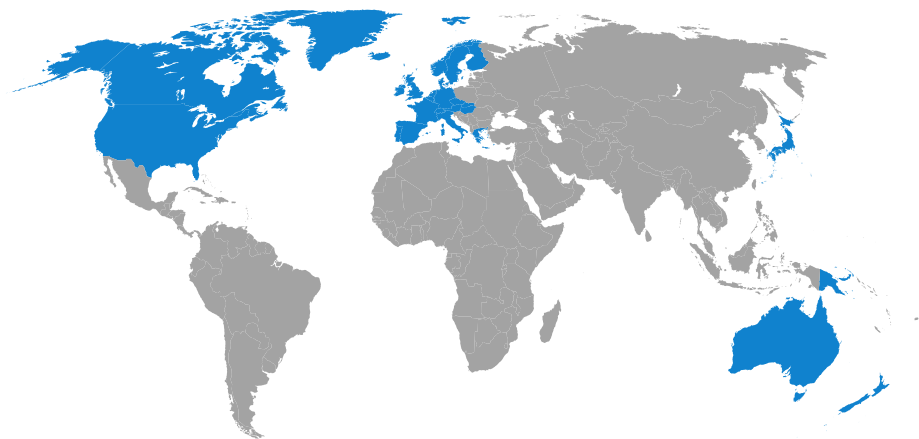
2.3%
2.2%

2.4%
2.2%

OG
FY15

1.7%
1.9%

5.3%
7.0%



Quality growth

30% of sales come from products innovated or renovated in the last 3 years



Premiumisation



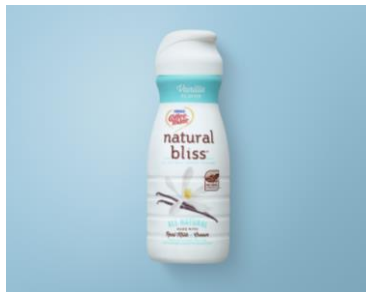
Les Recettes de l'Atelier



Nescafé Gold Barista



Nespresso Vertuoline



Coffee-mate Natural Bliss

Nutrition and Added-value Science



Nido FortiGrow



ProNourish



Milo ready-to-drink



Wyeth Illuma

Quality growth

Leading in eCommerce



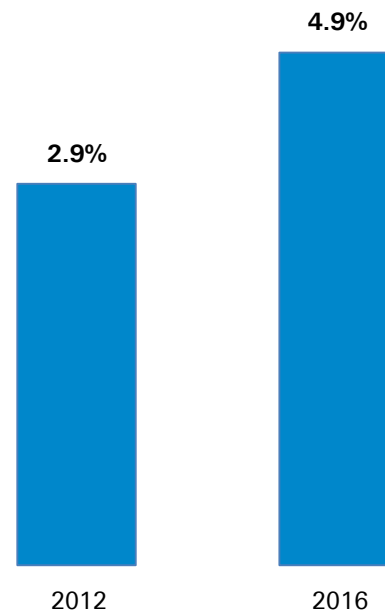
eCommerce Sales

(FY15 vs FY16)

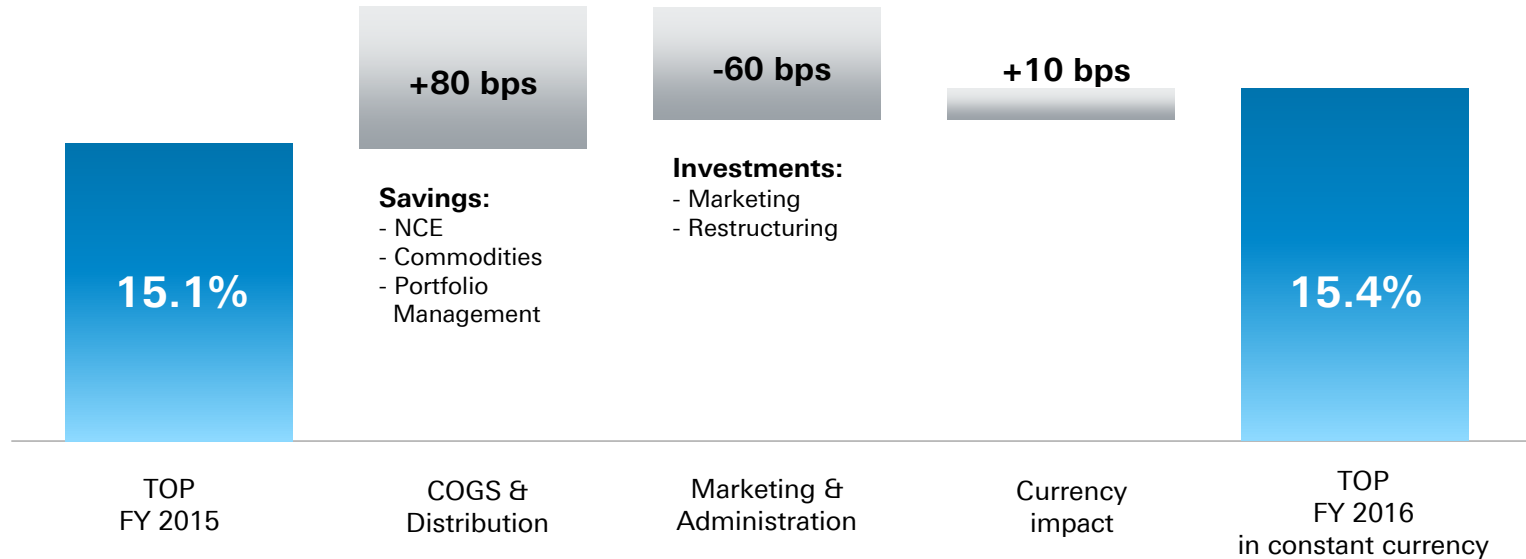
Group +18%

Group (Excluding Nespresso) +34%

● eCommerce as a % of Group Sales



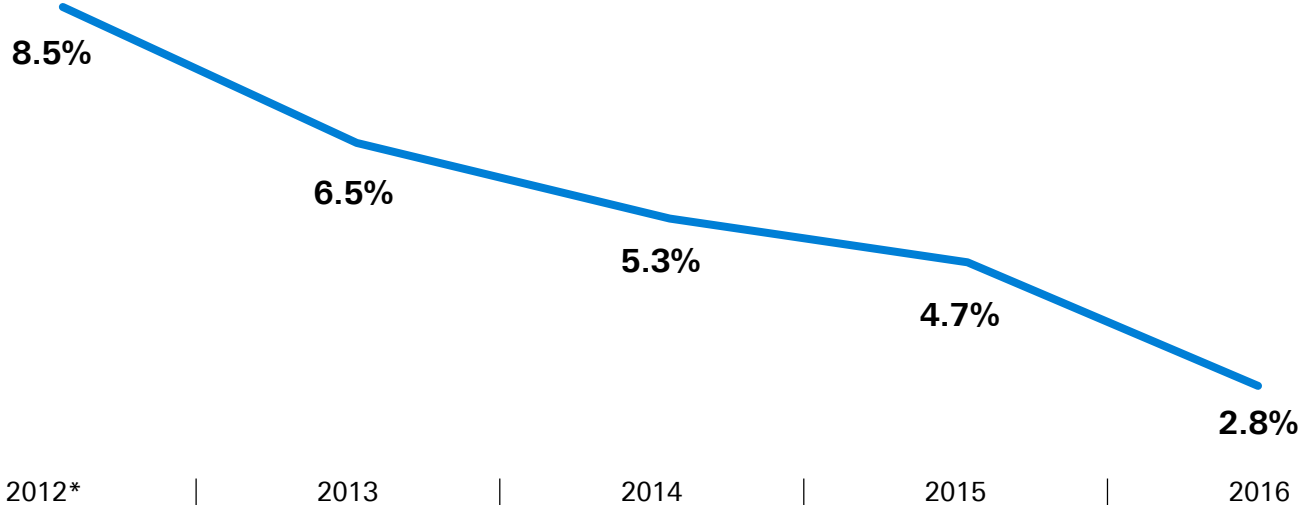
Trading Operating Profit +30 bps in constant currency



Continued focus on working capital



Working capital as a % of sales, calculated on a 5-quarter average

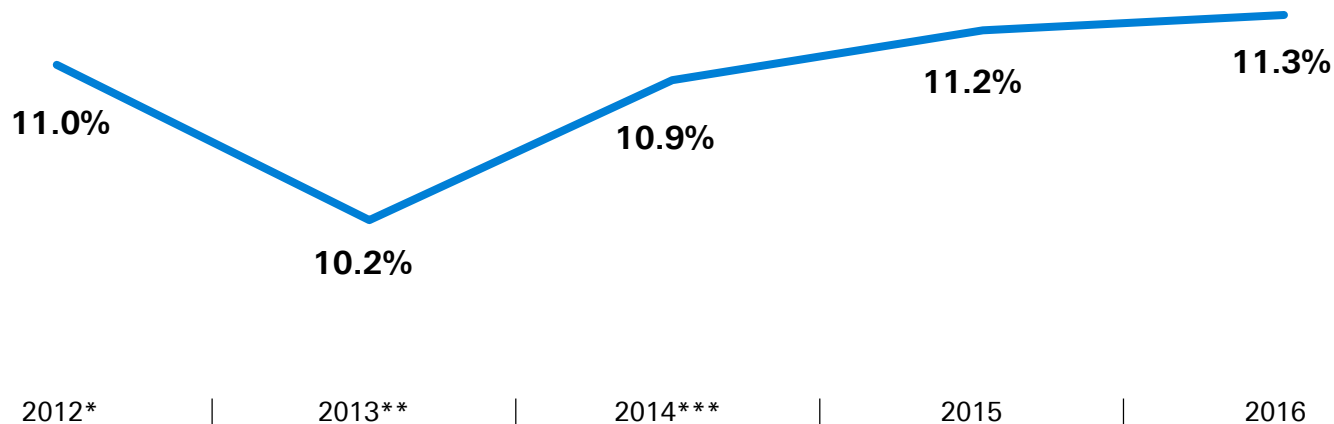


*Re-stated

Consistent industry-leading free cash flow generation



Free cash flow as a % of sales



*Re-stated

** Adjusted for exceptional income due to Givaudan disposal (CHF 1.1 bn)

*** Adjusted for exceptional income due to L'Oréal transaction (CHF 4.1 bn)

2017 focus



2017 Priorities

- Maintain volume growth
- Secure pricing
- Cost discipline
- Capital efficiency

2017 Guidance

- Organic Growth of 2 to 4%
- Increased restructuring costs to drive future profitability
- As a result, stable Trading Operating Profit margin* in 2017
- Underlying EPS growth*, and improved capital efficiency

*In constant currency

Full-Year 2016 Results

Discussion

