

Half-year results 2017



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.

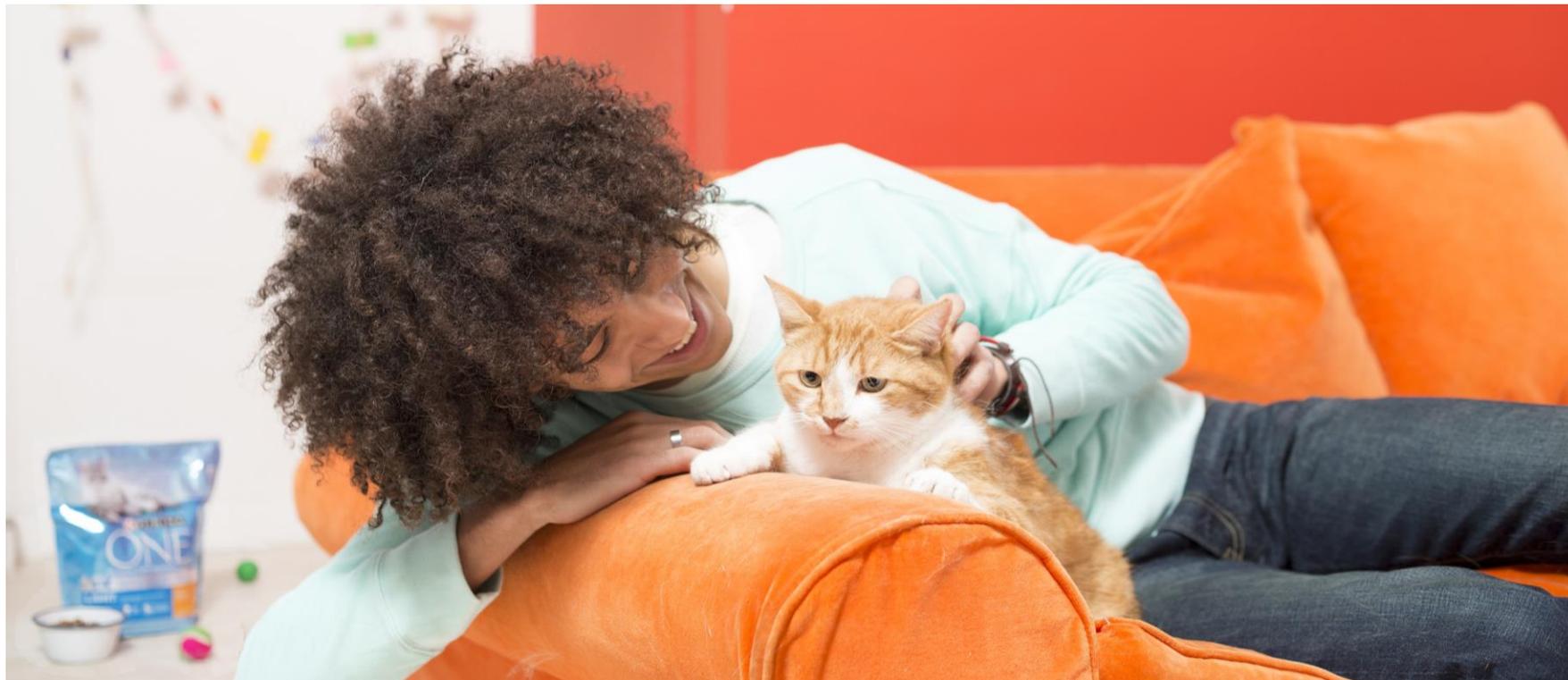
Half-year results 2017

Mark Schneider, CEO



Half-year results 2017

François-Xavier Roger, CFO



Half-year performance highlights



Sales (in CHF)

43.0 bn

-0.3% on a reported basis

Organic growth

+2.3%

Real internal
growth

+1.4%

+0.9% pricing

TOP margin

-20 bps

In constant currency

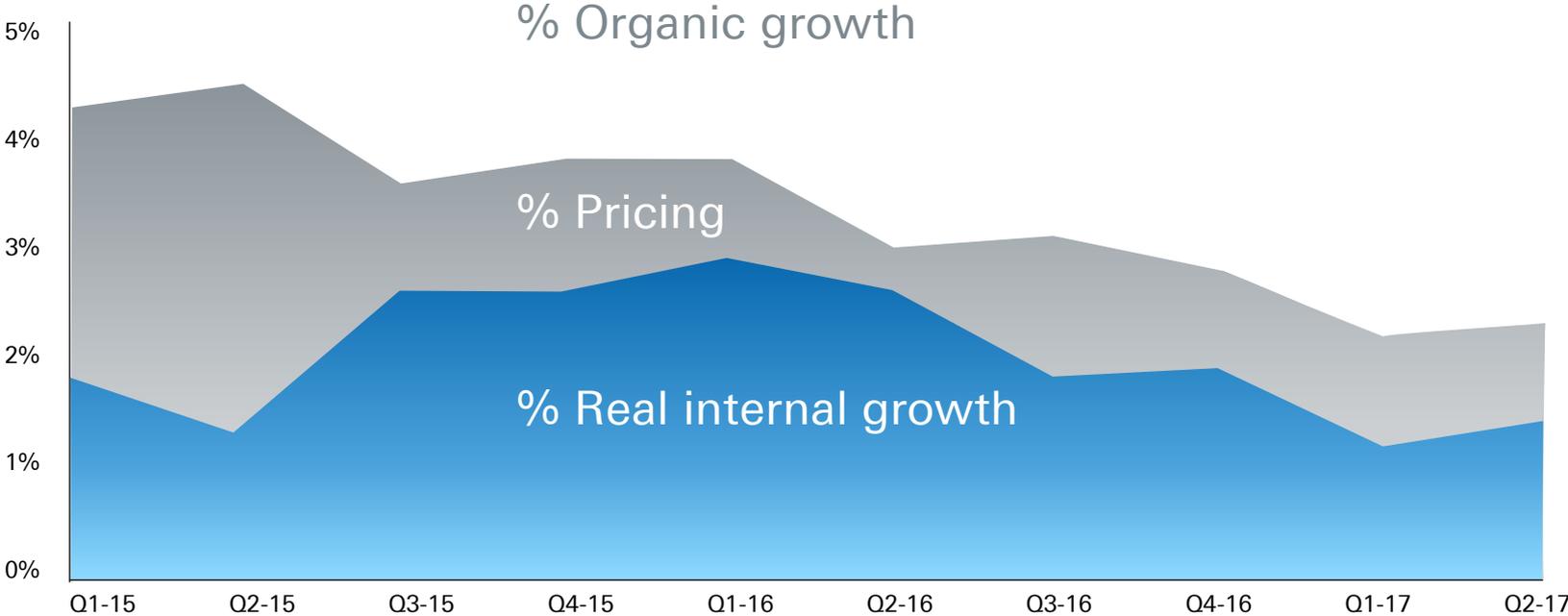
Underlying trading operating profit



Sales
<ul style="list-style-type: none">– Cost of goods sold= Gross Margin+ Other Revenue– Distribution, Marketing & Administration, R&D
Underlying Trading Operating Profit
<ul style="list-style-type: none">– Net other trading income/ (expenses) <i>(includes mainly restructuring, impairment and results on disposals of PP&E, onerous contracts and litigations)</i>
Trading Operating Profit

**Underlying
business
performance and
trends**

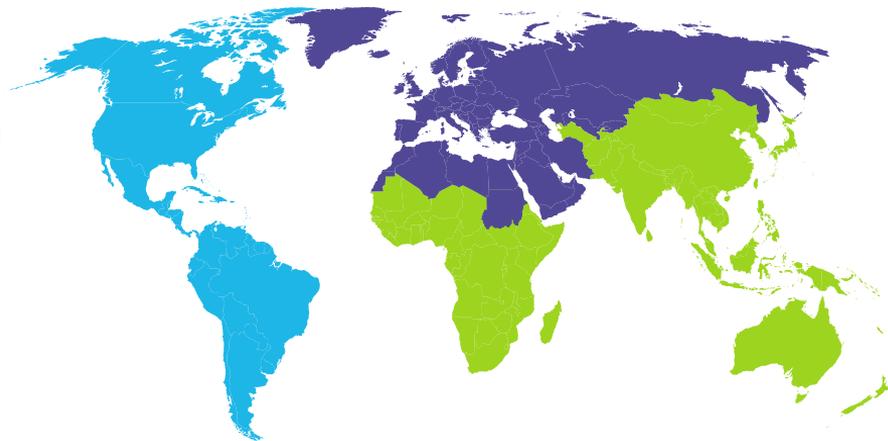
Resilient RIG in an environment of weak consumer demand



Broad-based growth across geographies



	AMS	EMENA	AOA
Sales (in CHF)	19.3 bn	12.4 bn	11.3 bn
RIG	0.7%	0.9%	3.1%
OG	1.8%	1.4%	4.4%

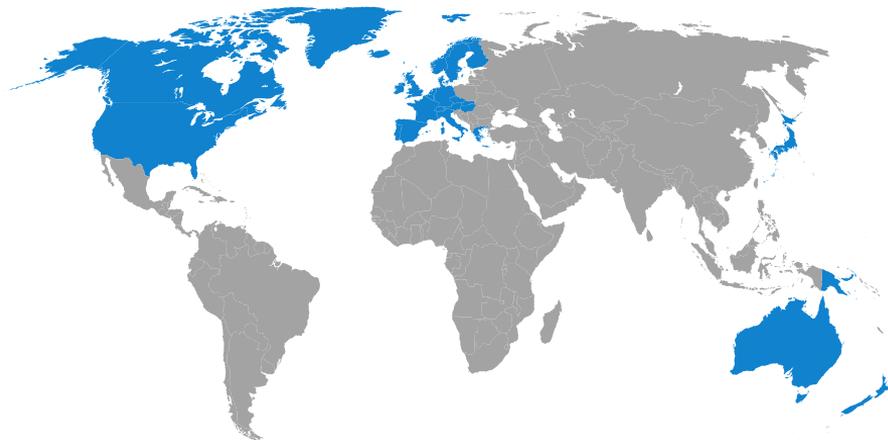


Each geography includes zones, Nestlé Waters, Nestlé Nutrition, Nestlé Professional, Nespresso, Nestlé Health Science and Nestlé Skin Health

Growth in developed and emerging markets



	Developed	Emerging
Sales (in CHF) % of group sales	24.3 bn 56%	18.7 bn 44%
RIG	1.1%	1.9%
OG	0.8%	4.4%

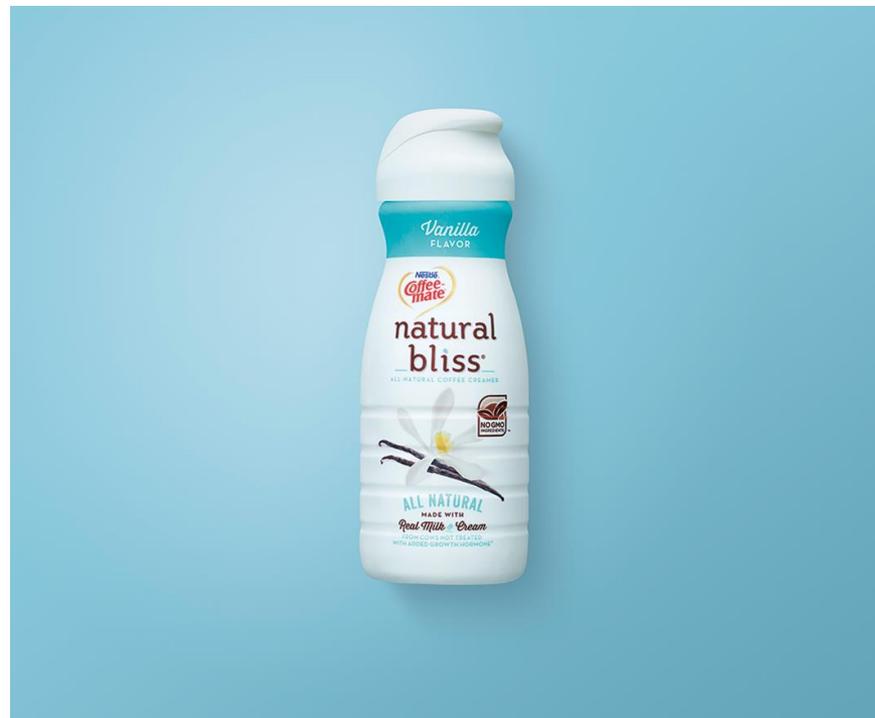


Zone AMS



Sales	CHF 13.3 bn
Organic growth	1.3%
Real internal growth	-0.1%
Underlying TOP margin (vs LY)	18.1% (+30 bps)

- Organic growth improved, with stronger RIG and sustained positive pricing in both North America and Latin America
- North America continued to face soft consumer demand and a challenging trading environment
- Latin America benefitted from an improving RIG in Brazil
- Margin: supported by efficiency savings and the initial benefits from restructuring projects



Zone EMENA



Sales	CHF 7.8 bn
Organic growth	1.0%
Real internal growth	0.6%
Underlying TOP margin (vs LY)	18.1% (+50 bps)

- Pricing continued to improve, however RIG turned negative in the quarter
- Western Europe: RIG affected by pricing and weather
- Central and Eastern Europe: RIG and pricing remained positive
- Middle East and North Africa: political instability and continued deflation impacted growth
- Margin: price increases, portfolio management and cost savings, partially offset by higher commodities



Zone AOA



Sales	CHF 7.9 bn
Organic growth	4.8%
Real internal growth	3.0%
Underlying TOP margin (vs LY)	20.3% (-20 bps)

- Organic growth accelerated for a fifth consecutive quarter
- China turned positive in the second quarter
- South East Asia and sub-Saharan Africa drove organic growth for the Zone
- Margin: affected by increased brand investment and higher commodity costs



Nestlé Waters



Sales	CHF 4.0 bn
Organic growth	4.0%
Real internal growth	3.5%
Underlying TOP margin (vs LY)	12.4% (flat)

- Broad-based organic growth, led by an acceleration in Western Europe and North America
- *Perrier* and *S. Pellegrino* maintained good momentum
- In emerging markets, China and Latin America drove growth
- Margin: higher commodity costs offset by efficiencies



Nestlé Nutrition



Sales	CHF 5.2 bn
Organic growth	0.9%
Real internal growth	-0.2%
Underlying TOP margin (vs LY)	24.8% (+130 bps)

- Soft growth in China, with *Illuma* and *NAN* remaining resilient
- US was slightly positive, helped by stabilization of Gerber
- RIG in Brazil and Mexico impacted by pricing taken
- Phillipines and India grew well
- Margin: significant improvement through structural savings



Other Businesses

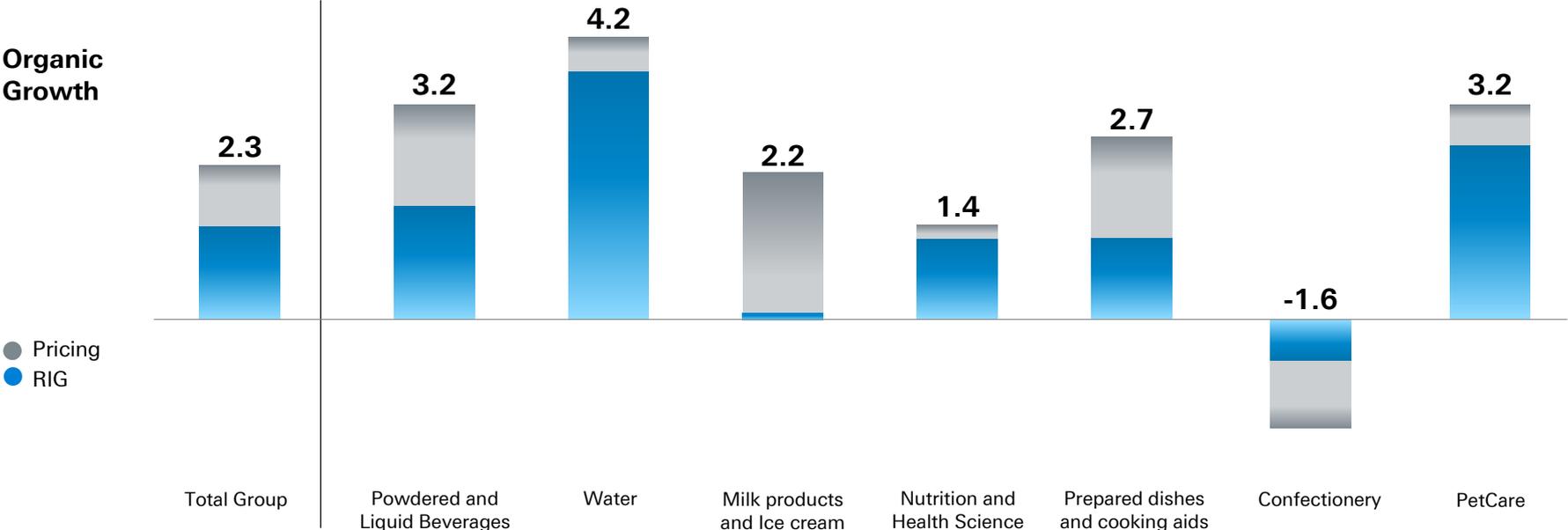


Sales	CHF 4.8 bn
Organic growth	3.7%
Real internal growth	4.5%
Underlying TOP margin (vs LY)	13.6% (-270 bps)

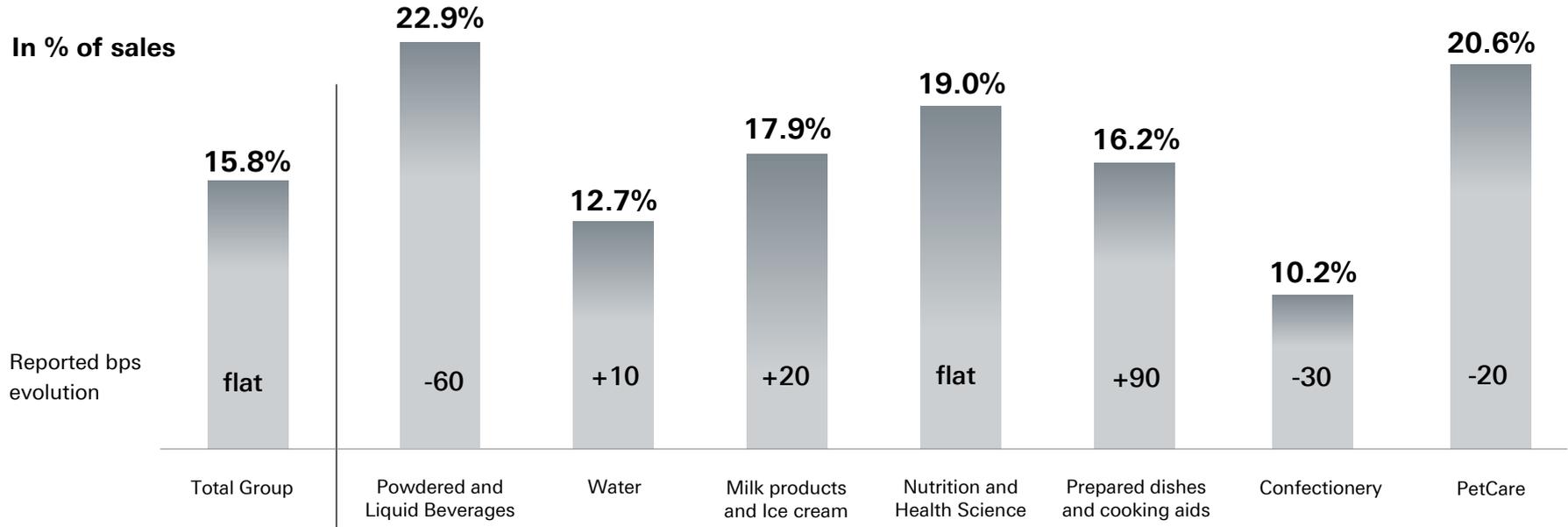
- Nespresso: mid single-digit organic growth led by the Americas
- Nestlé Health Science: Consumer Care subdued in the US, but Medical Nutrition sustained good growth
- Nestlé Skin Health: impacted by competition from generics and difficult comparables
- Margin: investments in geographic expansion for both Nespresso and Nestlé Health Science



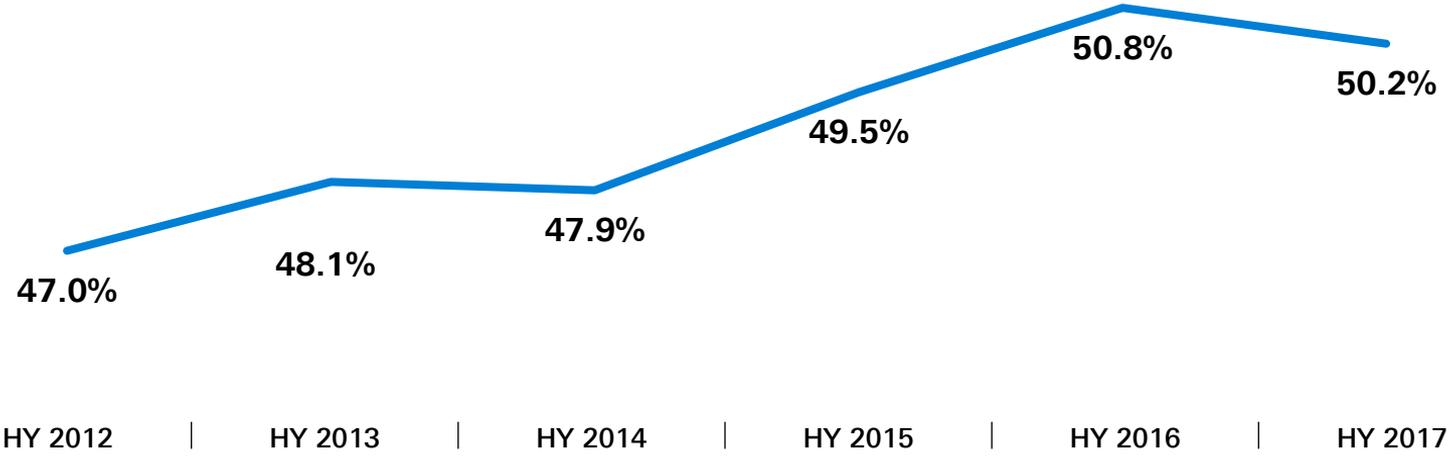
Growth by products



Underlying TOP margin by products

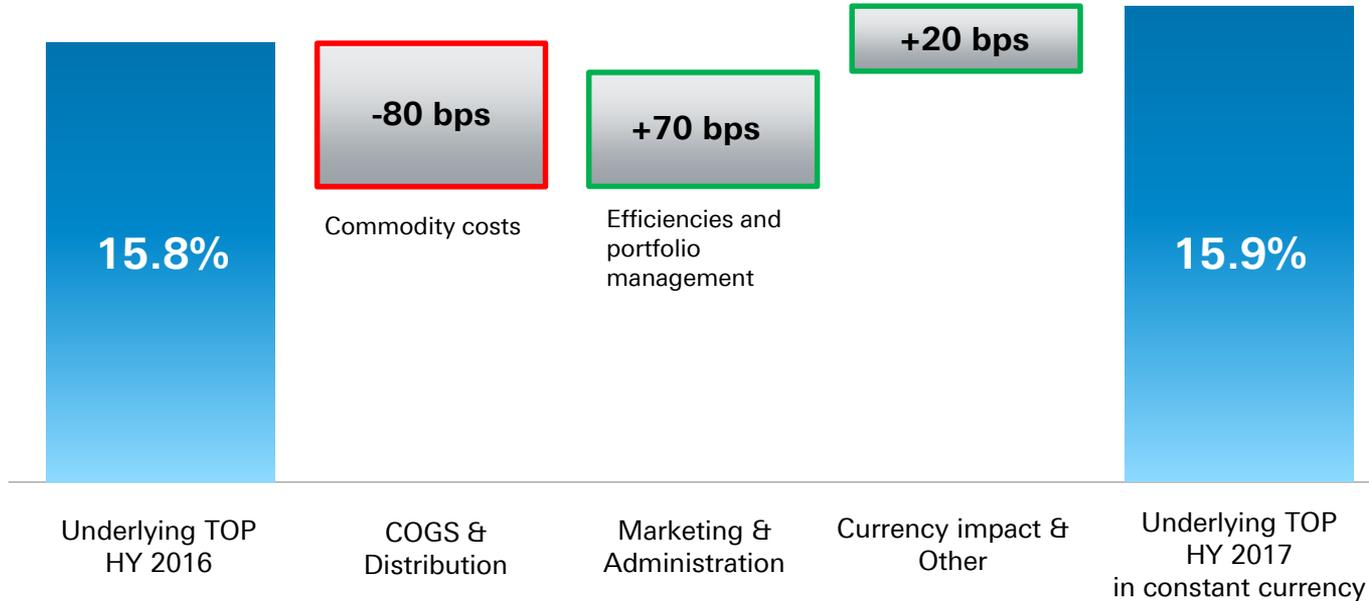


Gross margin* impacted by higher input costs



*Gross margin = (Sales - Cost of good sold) / Sales

Underlying TOP margin in line with our expectations



Underlying EPS increase

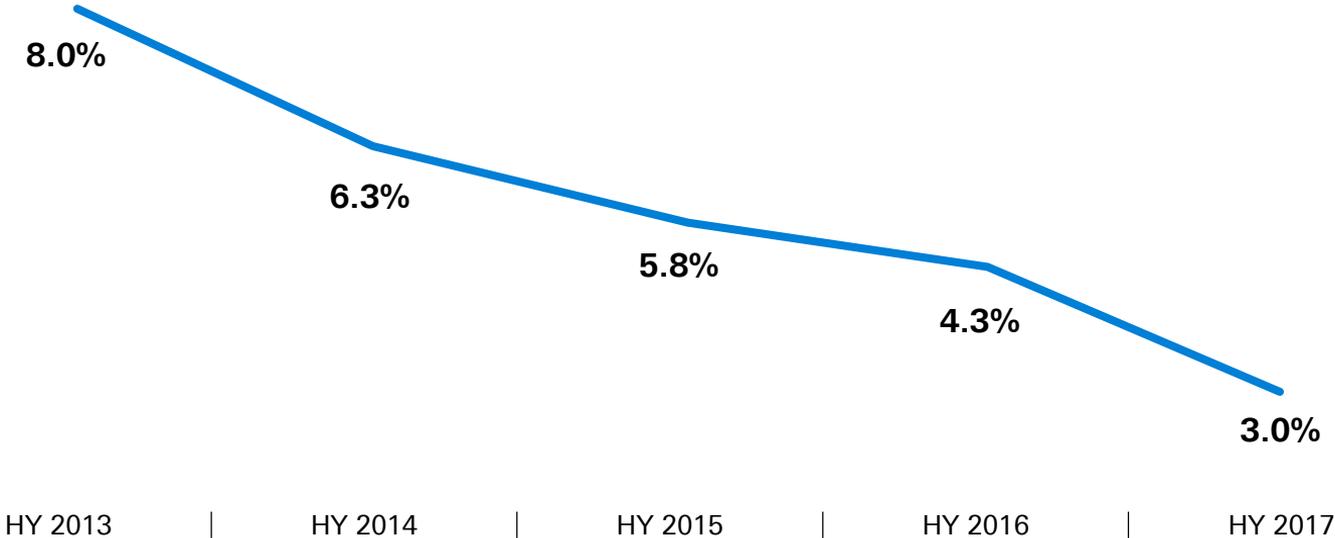


+3.4%
in constant currency

Continued focus on working capital



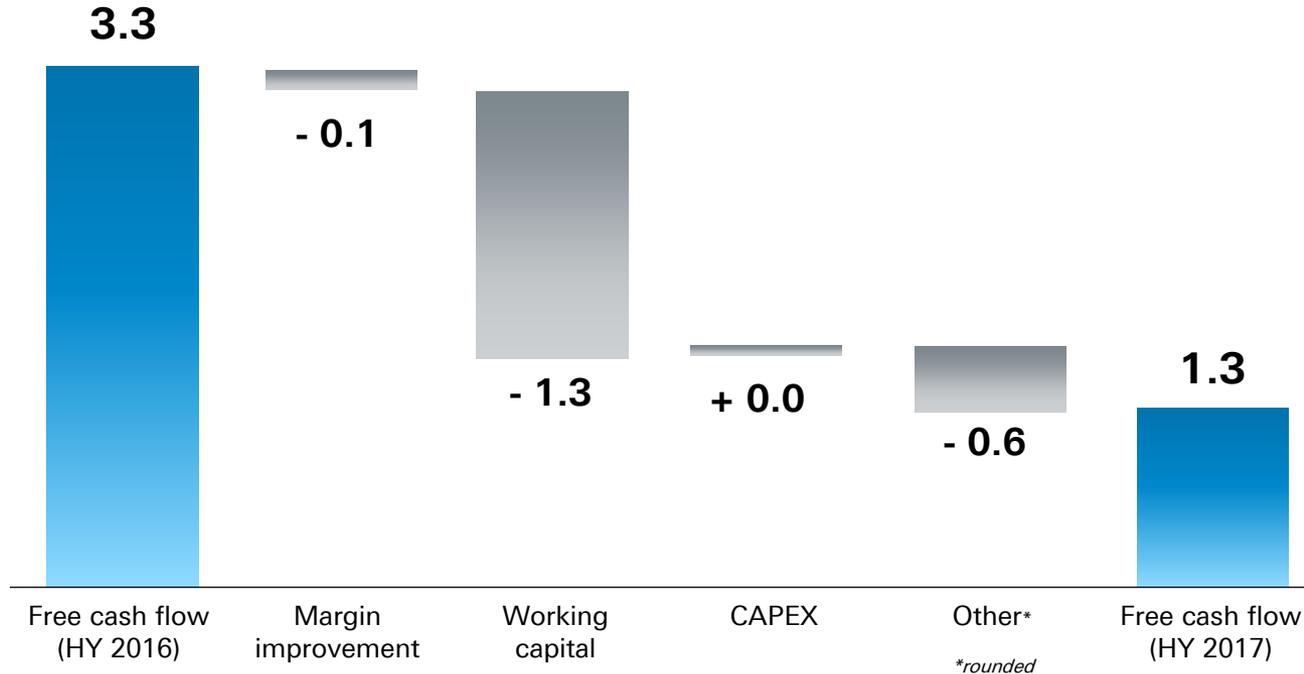
Working capital as a % of sales, calculated on a 5-quarter average



Free cash flow evolution



In CHF billion



Outlook 2017 confirmed



- Organic growth between 2-4%, likely to be in the lower half of the range
- 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

Half-year results 2017

Discussion



Half-year results 2017

Supporting Slides



HY-2017 Operating segments – quarterly summary



Q2-2017 sales

	Sales (CHF mio)	RIG %	Pricing %	OG %
Zone AMS	6'916	1.1	1.0	2.1
Zone EMENA	3'812	-0.4	0.7	0.3
Zone AOA	3'947	3.0	2.1	5.1
Nestlé Waters	2'223	4.2	0.4	4.6
Nestlé Nutrition	2'593	-0.1	0.8	0.7
Other Businesses	2'510	2.8	-1.0	1.8
Total Group	22'001	1.5	0.9	2.4

HY-2017 Operating segments – topline summary



	HY-2017 sales						Reported sales growth
	Sales (CHF mio)	RIG %	Pricing %	OG %	Net M&A %	F/X %	%
Zone AMS	13'314	-0.1	1.4	1.3	-0.9	2.5	2.9
Zone EMENA	7'800	0.6	0.4	1.0	-9.3	-2.0	-10.3
Zone AOA	7'902	3.0	1.8	4.8	-0.5	-2.9	1.4
Nestlé Waters	4'025	3.5	0.5	4.0	-0.3	-1.7	2.0
Nestlé Nutrition	5'184	-0.2	1.1	0.9	-0.3	-0.2	0.4
Other Businesses	4'798	4.5	-0.8	3.7	0.2	0.0	3.9
Total Group	43'023	1.4	0.9	2.3	-2.3	-0.3	-0.3

HY-2017 Products – topline summary



	HY-2017 sales			
	Sales (CHF mio)	RIG %	Pricing %	OG %
Powdered and Liquid Beverages	9'814	1.7	1.5	3.2
Water	3'772	3.7	0.5	4.2
Milk Products and Ice cream	6'499	0.1	2.1	2.2
Nutrition and Health Science	7'476	1.2	0.2	1.4
Prepared Dishes and cooking aids	5'732	1.2	1.5	2.7
Confectionery	3'703	-0.6	-1.0	-1.6
Petcare	6'027	2.6	0.6	3.2
Total Group	43'023	1.4	0.9	2.3

HY-2017 Operating segments – revenue and results



	In CHF mio						
	Sales	Underlying Trading Operating Profit	Trading Operating Profit	Net other trading income/ (expense)	Of which impairment of property, plant and equipment	Of which restructuring costs	Depreciation and amortisation
Zone AMS	13'314	2'405	2'284	(121)	(10)	(76)	(391)
Zone EMENA	7'800	1'412	1'315	(97)	(8)	(51)	(255)
Zone AOA	7'902	1'605	1'550	(55)	(46)	(5)	(258)
Nestlé Waters	4'025	500	481	(19)	(6)	(8)	(167)
Nestlé Nutrition	5'184	1'287	1'260	(27)	(2)	(15)	(185)
Other Businesses	4'798	653	628	(25)	(1)	(9)	(245)
Unallocated items	-	(1'064)	(1'069)	(5)	(1)	(2)	(89)
Total Group	43'023	6'798	6'449	(349)	(74)	(166)	(1'590)

HY-2017 Products – revenue and results



	In CHF mio					
	Sales	Underlying Trading Operating Profit	Trading Operating Profit	Net other trading income/ (expense)	Of which impairment of property, plant and equipment	Of which restructuring costs
Powdered and Liquid Beverages	9'814	2'244	2'192	(52)	(14)	(16)
Water	3'772	479	460	(19)	(6)	(8)
Milk products and Ice cream	6'499	1'165	1'065	(100)	(38)	(38)
Nutrition and Health Science	7'476	1'423	1'376	(47)	(2)	(25)
Prepared dishes and cooking aids	5'732	931	857	(74)	(7)	(38)
Confectionery	3'703	379	322	(57)	(6)	(37)
PetCare	6'027	1'241	1'246	5	-	(2)
Unallocated items	-	(1'064)	(1'069)	(5)	(1)	(2)
Total Group	43'023	6'798	6'449	(349)	(74)	(166)

HY-2017 EPS reconciliation (1 of 2)



From net profit to underlying profit

	In CHF mio	
	HY-2016	HY-2017
Net Profit	4'100	4'889
Restructuring costs	94	166
Impairments of property, plant & equipment, goodwill and int. assets	109	96
Net result on disposal of businesses	40	-25
Other adjustment in Net other income/(expense)	82	90
Adjustment for income from associates and joint ventures	129	86
Tax effect on above items & adjustment of one-off tax items	532	-78
Adjustment in non-controlling interests	-	-8
Underlying Net Profit	5'086	5'216
Weighted Average number of shares outstanding (in millions)	3'085	3'098
Underlying EPS	1.65	1.68

Underlying EPS is calculated based on: Net profit before results on disposals, restructuring costs, impairment of property, plant & equipment, impairment of goodwill and other items included in net other income/(expense) and material one-off tax items.

The tax charge used for this calculation is adjusted for the tax effect of the excluded items (underlying tax charge).

HY-2017 EPS reconciliation (2 of 2)



From operating profit to underlying net profit

	In CHF mio	
	HY-2016	HY-2017
Operating profit adjusted	6'809	6'798
Net financial income / (expense)	-328	-301
Adjusted taxes	-1'753	-1'757
Adjusted income from associates and joint ventures	551	650
Adjusted non-controlling interests	-193	-174
Underlying Net Profit	5'086	5'216
Weighted Average number of shares outstanding (in millions)	3'085	3'098
Underlying EPS	1.65	1.68

Underlying EPS is calculated based on: Net profit before results on disposals, restructuring costs, impairment of property, plant & equipment, impairment of goodwill and other items included in net other income/(expense) and material one off tax items.

The tax charge used for this calculation is adjusted for the tax effect of the excluded items (underlying tax charge).

HY-2017 historical six quarters



Period	RIG %	Pricing %	OG %
Q1-2016	3.0	0.9	3.9
Q2-2016	2.7	0.4	3.1
Q3-2016	1.9	1.3	3.2
Q4-2016	2.0	0.9	2.9
Q1-2017	1.3	1.0	2.3
Q2-2017	1.5	0.9	2.4

HY-2017 currency overview



			Weighted average rate		
			HY-2016	HY-2017	Variation in %
US Dollar	1	USD	0.982	0.994	+1.3
Euro	1	EUR	1.096	1.077	-1.7
Chinese Yuan Renminbi	100	CNY	15.042	14.470	-3.8
Brazilian Reias	100	BRL	26.682	31.247	+17.1
UK Pound Sterling	1	GBP	1.407	1.251	-11.1
Mexican Pesos	100	MXN	5.438	5.124	-5.8
Philippine Pesos	100	PHP	2.095	1.991	-5.0
Canadian Dollar	1	CAD	0.741	0.743	+0.4
Russian Ruble	100	RUB	1.407	1.718	+22.1
Australian Dollar	1	AUD	0.721	0.750	+4.0
Japanese Yen	100	JPY	0.882	0.886	+0.4

Abbreviations



OG	Organic growth
RIG	Real internal growth
AMS	Zone Americas
EMENA	Zone Europe, Middle East, and North Africa
AOA	Zone Asia, Oceania, and sub-Saharan Africa
EPS	Earnings per share
COGS	Cost of goods sold
TOP	Trading operating profit
Underlying TOP	Trading operating profit before net other trading income/(expenses). Net other trading income/(expenses) includes restructuring, impairment and results on disposals of PP&E, onerous contracts and litigations.