



Nestlé Good Food, Good Life

Full-year results 2018

Press Conference



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.

This presentation contains certain financial performance measures which are not defined by IFRS. Management believes that these non-IFRS measures provide additional useful information to assess the financial and operational performance of the Group. Such measures may not be comparable to similar measures presented by other companies and are explained and/or reconciled with our IFRS measures (Consolidated Financial Statements) in the Nestlé Group Alternative Performance Measures (APMs) document available on our Investor Website.

2017 figures have been restated to reflect:

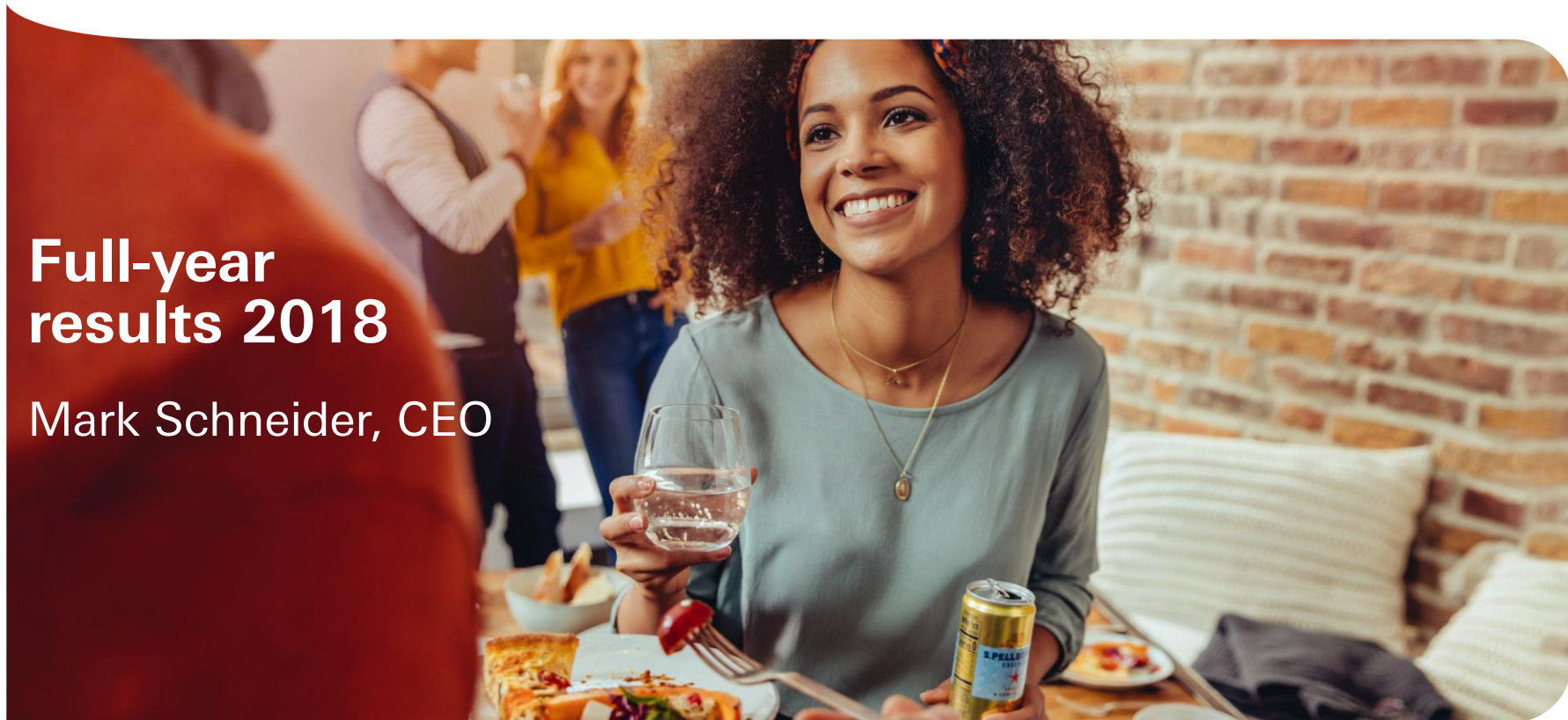
- The implementation of IFRS 15 - Revenue from contract with customers, IFRS 16 - Leases and IFRIC 23 - Uncertainty over income tax treatments as well as other accounting policies and presentation changes; and
- The change in organization of infant nutrition business. Effective January 1, 2018 Nestlé Nutrition is reported in the Zones as a regionally managed business, with Gerber Life Insurance business reported in Other Businesses.



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Mark Schneider, CEO



Key messages

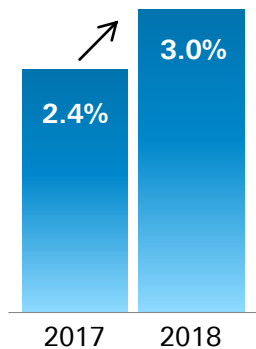


- **Continued progress with our accelerated value creation model**
- **Solid organic growth of 3.0%** led by stronger momentum in the U.S. and China, as well as in infant nutrition
- **Underlying trading operating profit margin expansion of 50 bps** supported by operational efficiencies, structural cost reductions and improved mix
- **Disciplined portfolio development** towards attractive high-growth categories
- **Significant underlying earnings per share growth of +13.9%** in constant currency
- **CHF 13.9 bn cash returned** to shareholders through share buybacks and dividends in 2018

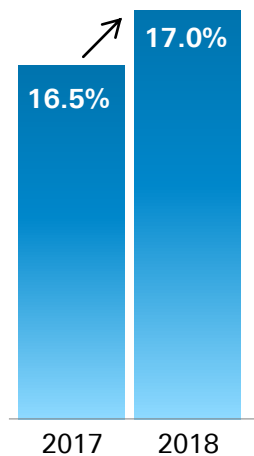
Strong 2018 financial results



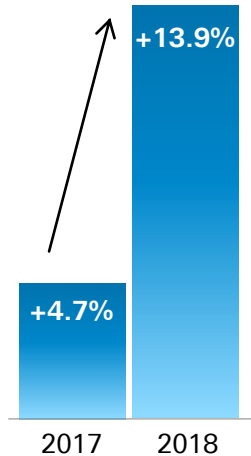
Organic growth



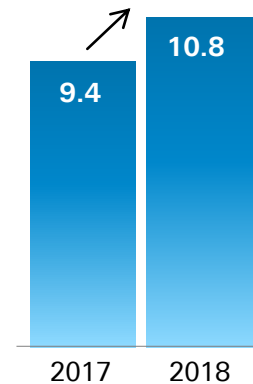
Underlying trading operating profit margin



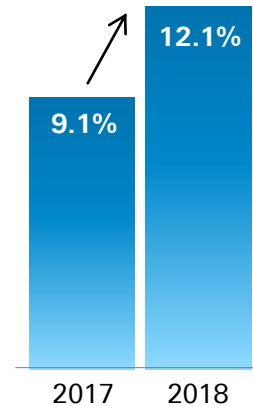
Underlying EPS (% annual increase in constant currency)



Free cash flow (CHF bn)



Return on invested capital



Delivering on our commitments



Sharpen our strategic focus

- Focus on core food & beverage and nutritional health products
- Further portfolio evolution towards attractive high-growth categories

Increase organic growth

- Organic growth of 3.0%, with leading volume/mix and improving pricing
- Improved momentum in U.S. and China, as well as in infant nutrition

Improve operating margin

- Underlying trading operating profit margin increased +50 bps to 17.0%
- Structural costs decreased to 17.2% of sales (from 18.2% in 2016)

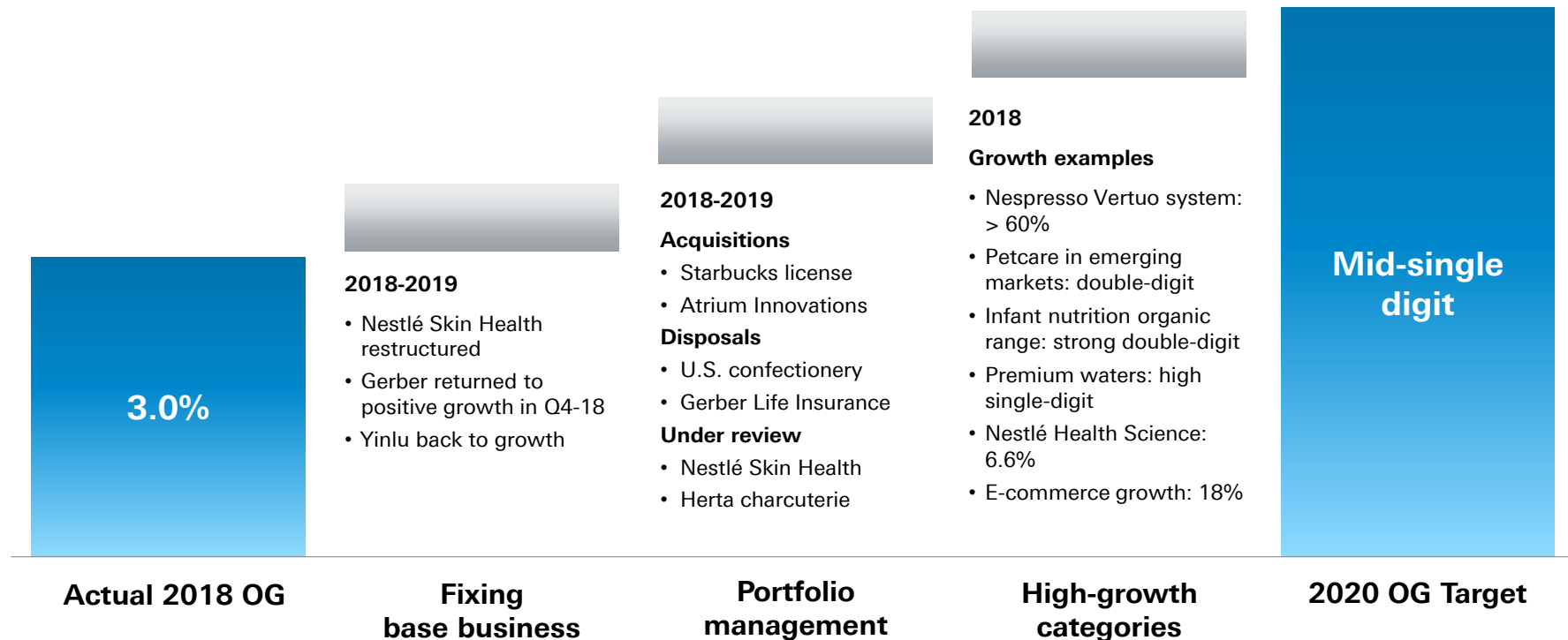
Allocate capital with discipline

- CHF 13.9 bn cash returned to shareholders in 2018
- About CHF 14 bn transaction value of acquisitions and divestments

Create shared value

- Improved Nutrition, Health & Wellness profile of our products
- Leadership role in addressing packaging waste

Clear path to achieving mid-single digit growth by 2020



Fixing base business



Nestlé Skin Health

- Significant progress made in past two years
- Developed convincing growth strategies
- Regained competitive cost structure
- Exploring strategic options



Gerber

Expansion of organic range

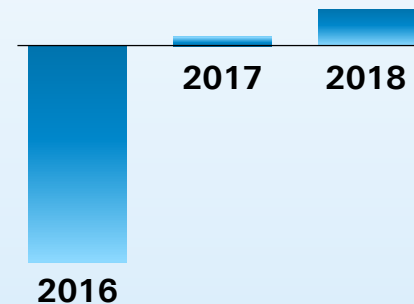


Visual transformation with new campaign
“Anything for Baby”



YINLU 银鹭

Organic growth



Developing our portfolio



Sold

Main criteria for divestiture

- Non-core to business
- Limited ability to win

Under strategic review

U.S. Confectionery



Gerber Life Insurance

Nestlé Skin Health



Herta charcuterie
(cold cuts and meat-based products)



Acquired or invested

Main criteria for acquisitions

- Fit with strategy and culture
- Sound financial model; disciplined and thorough financial valuation

Starbucks – Consumer & Foodservice products



Atrium Innovations



Sweet Earth



Tails.com



Terrafertil



Blue Bottle



Chameleon



Exploring strategic options for *Herta* charcuterie (cold cuts and meat-based products)



Charcuterie business under review

- Sales: ~CHF 680 m in 2018
- Markets: France, Germany, Belgium, Luxembourg, UK, Ireland
- More than 2'100 employees and 3 factories



Focus on high-growth plant-based offerings

- *Garden Gourmet* in Europe and *Sweet Earth* in the U.S.
- Plant-based diets are increasingly popular as consumers look to balance their protein intake and lower the environmental footprint of their diets



Supporting growth through innovation



NAN HMO

(Human Milk Oligosaccharides)



Reached ~ CHF 600 m of sales
across 40 markets in the
first year of launch

Nespresso Vertuo System



Reached ~ CHF 400 m of sales
with growth of > 60% in 2018

Coffee-mate natural bliss



Reached ~ CHF 150 m of sales
with growth > 30% in 2018 driven
by plant-based innovation

2019 guidance



- Continued improvement in organic sales growth and underlying trading operating margin towards our 2020 target
- Restructuring costs expected at around CHF 700 m
- Increase in underlying earnings per share in constant currency and capital efficiency

Business as a force for good

Living our purpose and values – 2019 priorities



Contribute to
healthier lives



Lead the way towards
a waste-free future



Foster diversity and
inclusion at Nestlé

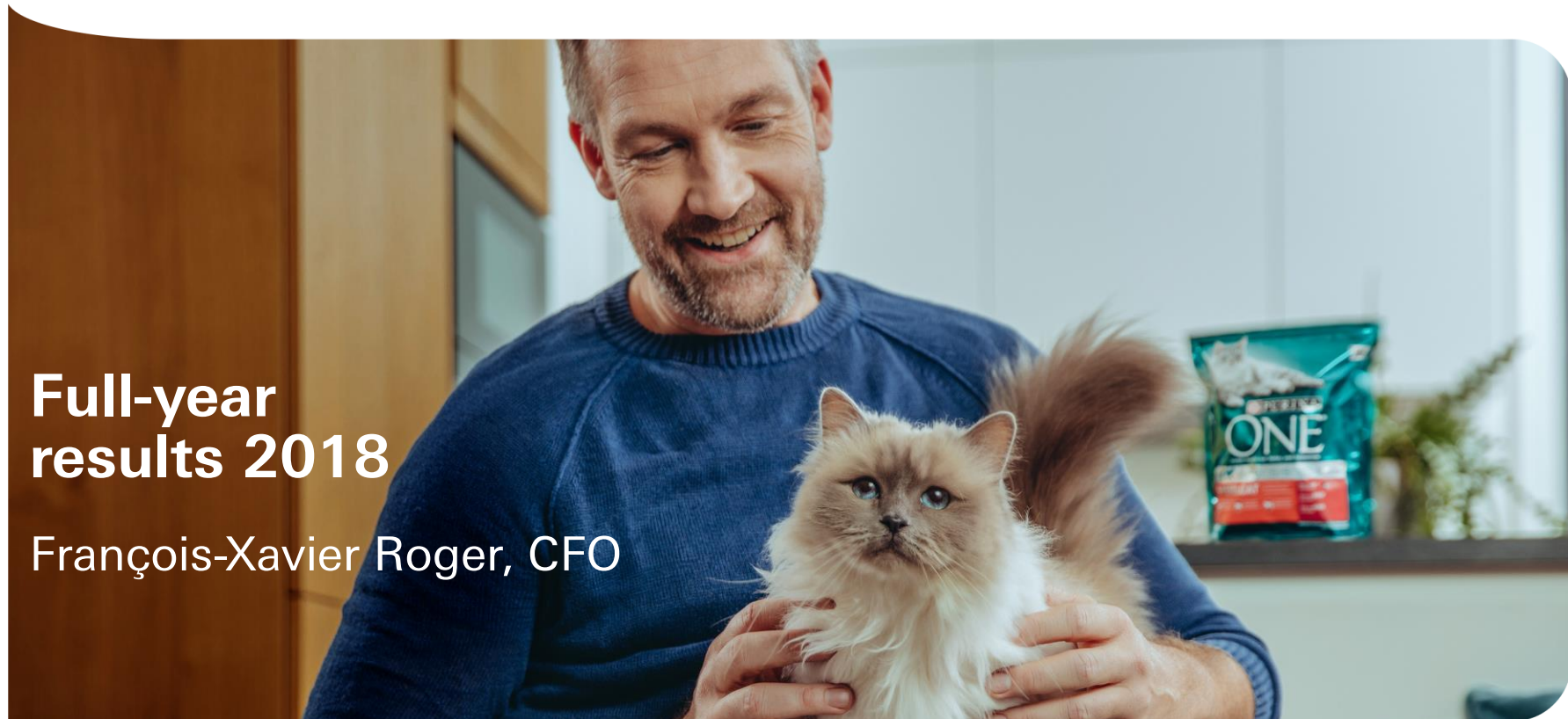




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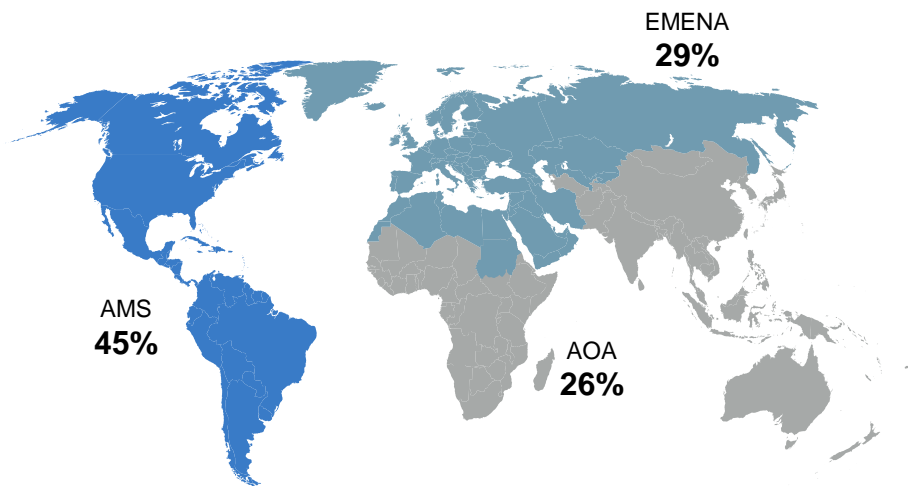
François-Xavier Roger, CFO



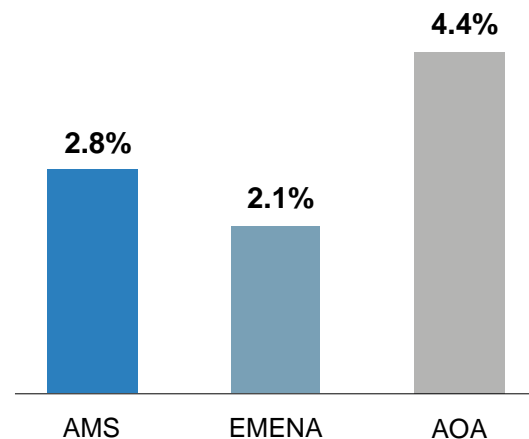
Balanced and diversified portfolio



2018 Sales: CHF 91.4 billion



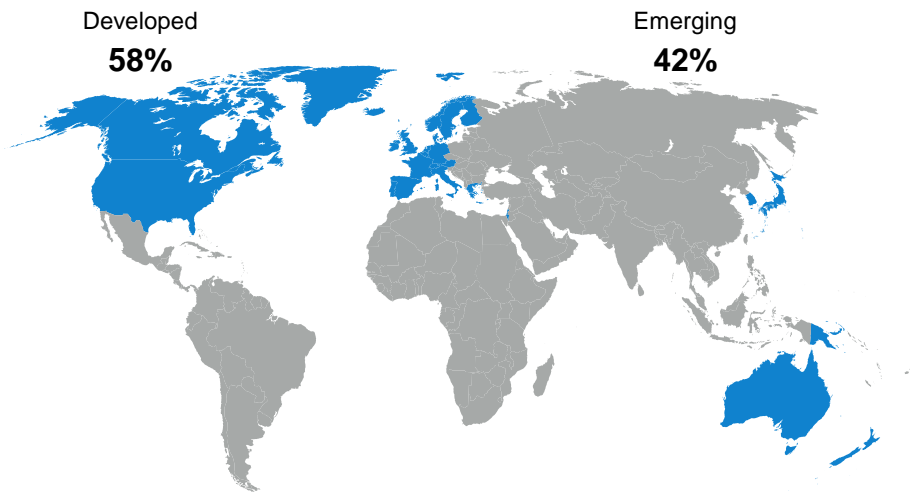
2018 Organic Growth



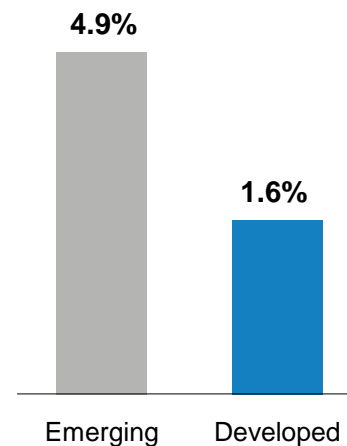
Strong emerging market footprint delivering profitable growth



2018 Sales: CHF 91.4 billion



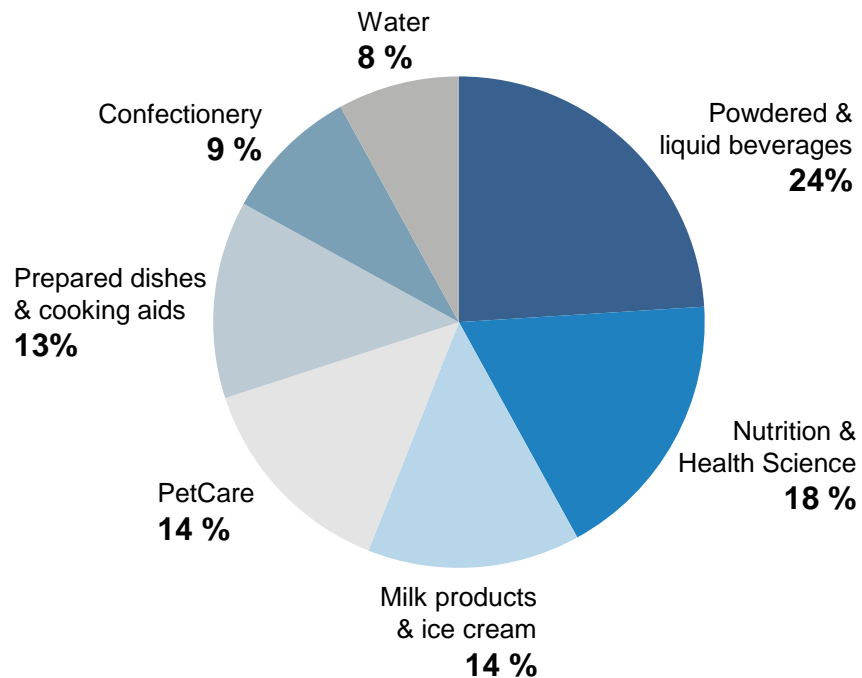
2018 Organic Growth



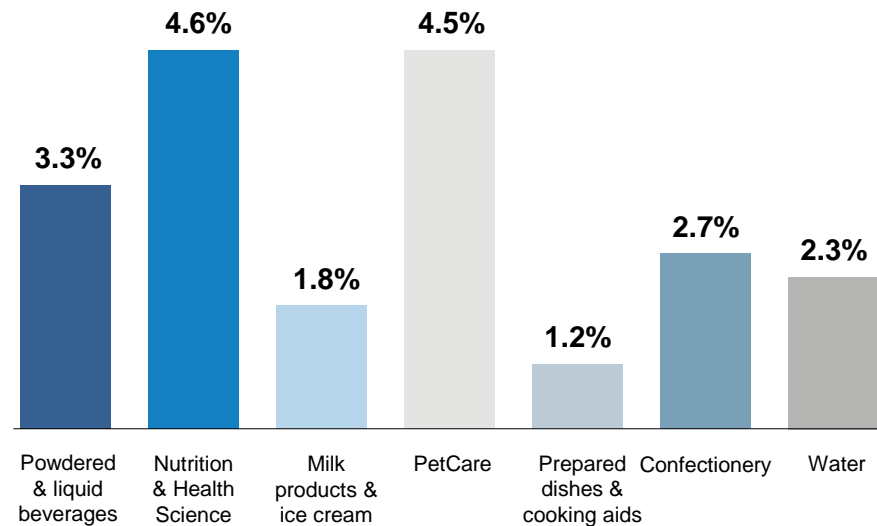
Growing in all product categories



2018 Sales: CHF 91.4 billion



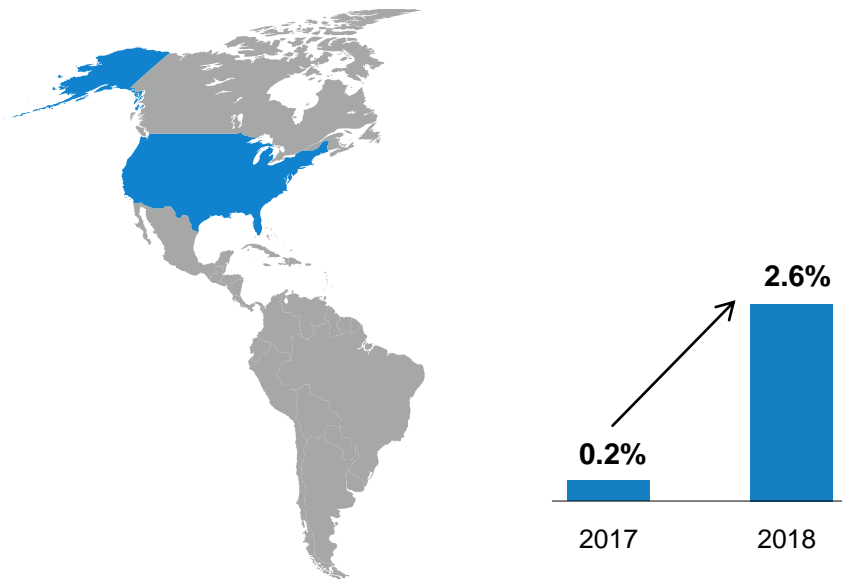
2018 Organic Growth



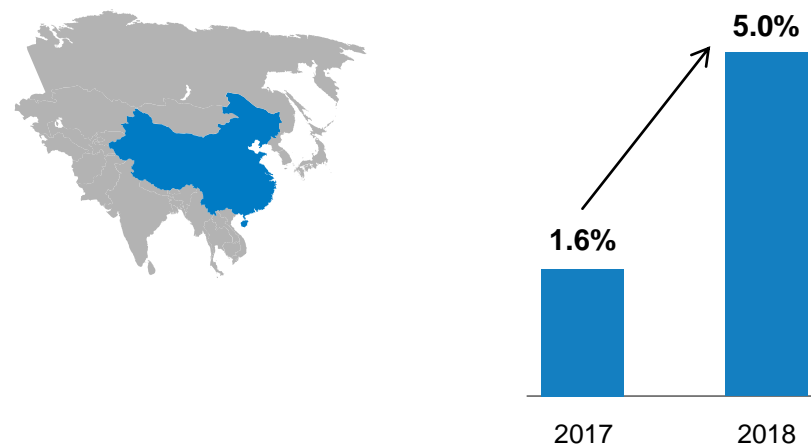
Revived growth in key markets



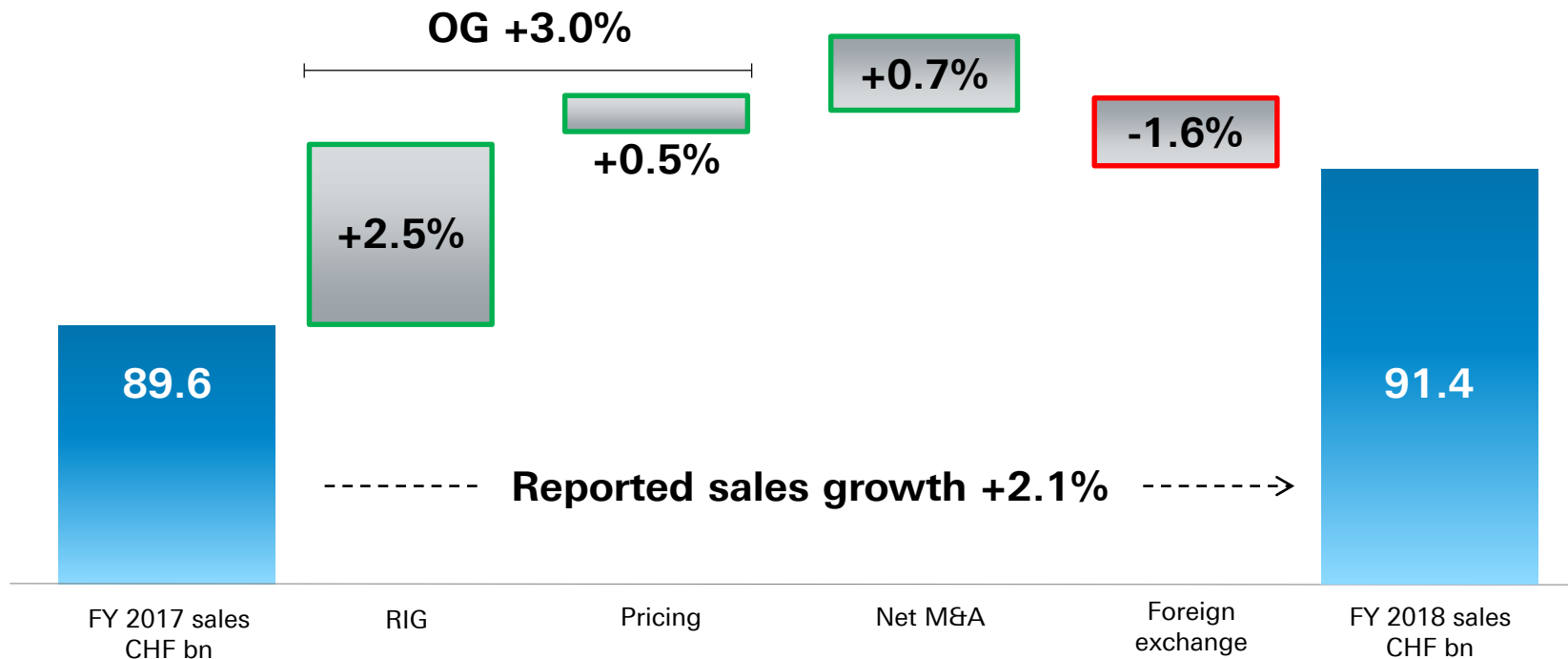
USA Organic Growth



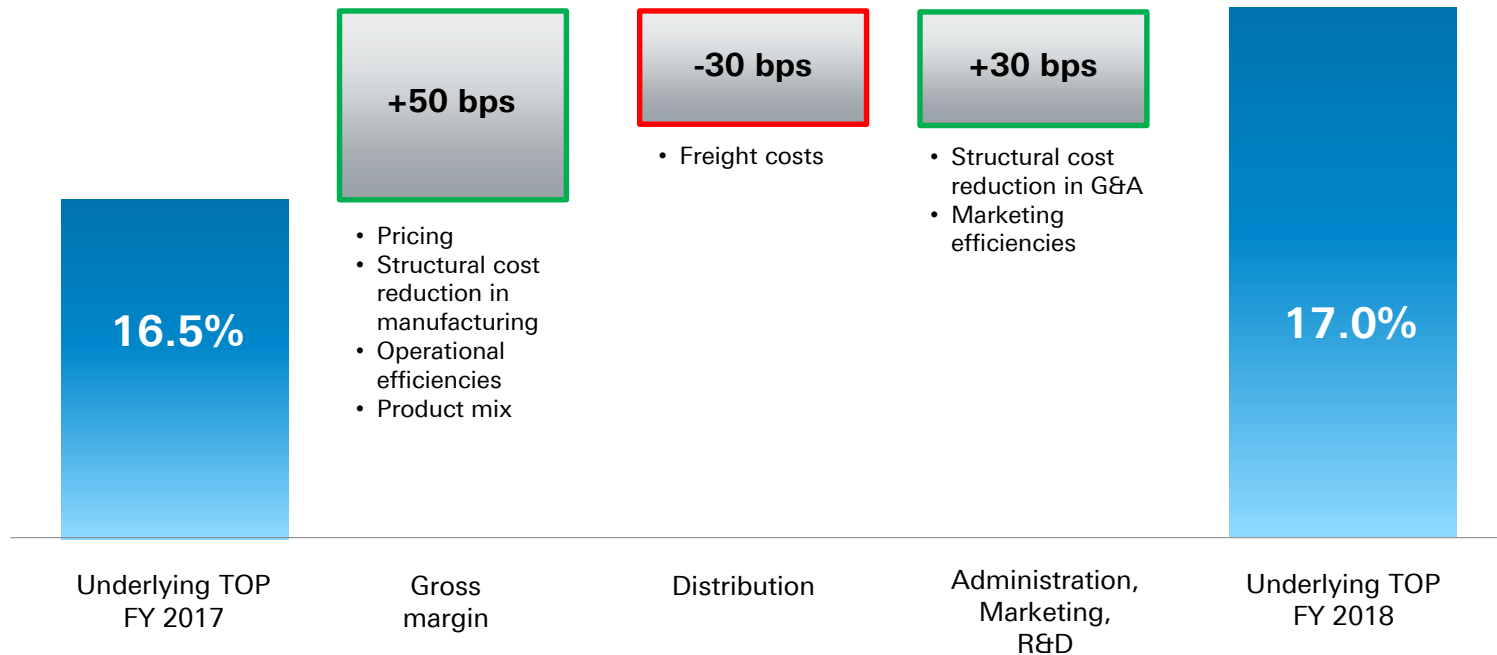
Greater China Organic Growth



Full-year sales growth



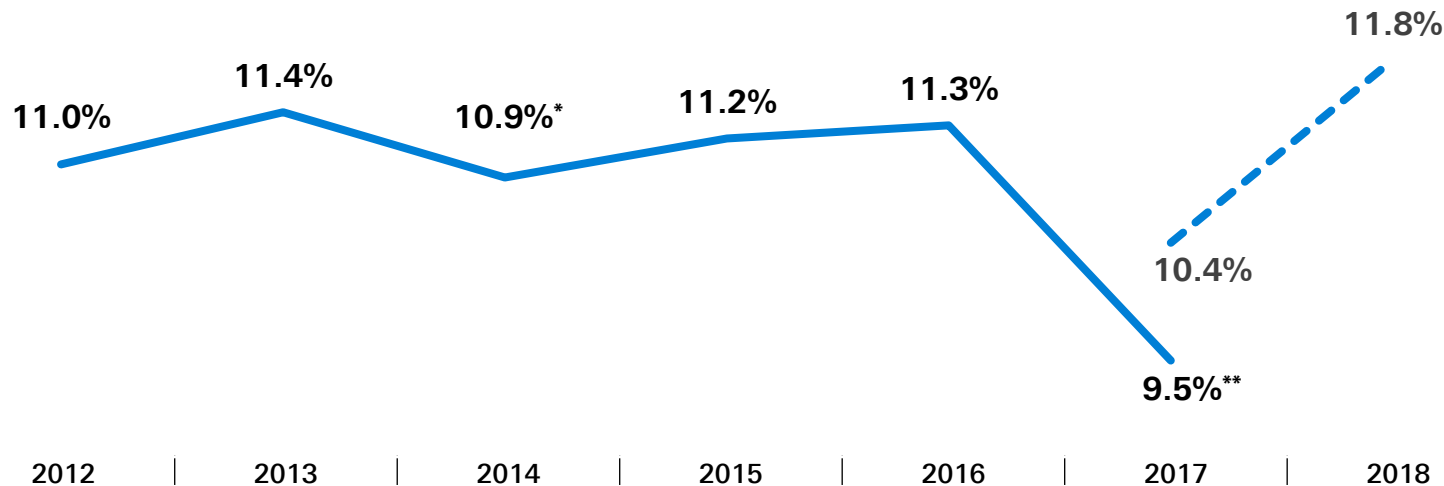
Underlying trading operating profit margin +50 bps mainly driven by cost reductions



Strong free cash flow: CHF 10.8 bn



Free cash flow in % of sales



* 2014 adjusted for exceptional income due to L'Oréal transaction (CHF 4.1 bn impact on FCF)

** 2017 restated, reflecting implementation of IFRS 15 and IFRS 16



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