

**\$8,000,000,000**



**Nestlé Holdings, Inc.**

*(incorporated in the State of Delaware with limited liability)*

**\$1,000,000,000 3.100% Notes due 2021**  
**\$1,500,000,000 3.350% Notes due 2023**  
**\$900,000,000 3.500% Notes due 2025**  
**\$1,250,000,000 3.625% Notes due 2028**  
**\$1,250,000,000 3.900% Notes due 2038**  
**\$2,100,000,000 4.000% Notes due 2048**

guaranteed by

**Nestlé S.A.**

*(incorporated in Switzerland with limited liability)*

Nestlé Holdings, Inc., a company incorporated under the laws of the State of Delaware (the “*Issuer*”), is offering \$1,000,000,000 principal amount of its 3.100% notes due 2021 (the “*2021 Notes*”), \$1,500,000,000 principal amount of its 3.350% notes due 2023 (the “*2023 Notes*”), \$900,000,000 principal amount of its 3.500% notes due 2025 (the “*2025 Notes*”), \$1,250,000,000 principal amount of its 3.625% notes due 2028 (the “*2028 Notes*”), \$1,250,000,000 principal amount of its 3.900% notes due 2038 (the “*2038 Notes*”) and \$2,100,000,000 principal amount of its 4.000% notes due 2048 (the “*2048 Notes*” and, together with the 2021 Notes, the 2023 Notes, the 2025 Notes, the 2028 Notes and the 2038 Notes, the “*Notes*”). Consistent with the Group’s (as defined below) existing debt issuance program and commercial paper programs, each series of Notes will be guaranteed by Nestlé S.A., a company incorporated under the laws of Switzerland and the indirect parent company of the Issuer (the “*Guarantor*”), pursuant to a guarantee (each, a “*Guarantee*”) issued in accordance with Article 496 of the Swiss Code of Obligations of March 30, 1911, as amended (*Loi fédérale complétant le Code civil suisse (Livre cinquième: Droit des obligations)*) (the “*Swiss Code of Obligations*”). Each such Guarantee will be a joint and several suretyship (*cautionnement solidaire*) that is accessory in nature, which means that its enforceability is dependent upon the legal validity and enforceability of the primary obligation to which it relates. See “*Description of Notes and Guarantees—Guarantees*” and “*Risk Factors—The Guarantees are not full and unconditional obligations of the Guarantor and it may be difficult for Holders to obtain, or enforce judgments obtained, in U.S. courts against the Guarantor*”.

*Continued on inside front cover.*

*Joint Bookrunners*

**BofA Merrill Lynch**

**Barclays**

**Citigroup**

**J.P. Morgan**

**Deutsche Bank  
Securities**

**HSBC**

**MUFG**

**RBC Capital  
Markets**

**TD Securities**

**UBS Investment  
Bank**

The date of this Offering Memorandum is September 17, 2018.

Interest on the Notes will accrue from (and including) the date of issue of the Notes. Interest on each series of Notes will be payable semi-annually in arrears on March 24 and September 24 of each year, commencing on March 24, 2019. The 2021 Notes will mature on September 24, 2021 (the “2021 Maturity Date”), the 2023 Notes will mature on September 24, 2023 (the “2023 Maturity Date”), the 2025 Notes will mature on September 24, 2025 (the “2025 Maturity Date”), the 2028 Notes will mature on September 24, 2028 (the “2028 Maturity Date”), the 2038 Notes will mature on September 24, 2038 (the “2038 Maturity Date”) and the 2048 Notes will mature on September 24, 2048 (the “2048 Maturity Date” and, together with the 2021 Maturity Date, the 2023 Maturity Date, the 2025 Maturity Date, the 2028 Maturity Date and the 2038 Maturity Date, the “Maturity Dates”), and upon surrender, will be repaid at 100% of the principal amount thereof, together with any accrued and unpaid interest.

Each series of Notes will be redeemable prior to maturity, in whole or in part, at any time and from time to time at the Issuer’s option at an applicable redemption price calculated as set forth under “*Description of Notes and Guarantees—Optional Redemption*”. The Notes will be issued in denominations of \$150,000 and integral multiples of \$1,000 in excess thereof. The Notes will be represented by global notes, registered in the name of Cede & Co., as nominee for The Depository Trust Company (“DTC”). Beneficial interests in the global notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its participants. See “*Description of Notes and Guarantees—Book-Entry; Delivery and Form*”.

The Notes will constitute direct, unsecured, unsubordinated and unconditional obligations of the Issuer, which will at all times rank equally with each other and with all other present and future unsecured and unsubordinated indebtedness of the Issuer (other than obligations mandatorily preferred by law applying to companies generally). The Guarantees will be governed by, and construed in accordance with, the substantive laws of Switzerland, and will constitute direct, unsecured and unsubordinated obligations of the Guarantor, which will at all times rank equally with each other and with all other present and future unsecured and unsubordinated obligations of the Guarantor (other than obligations mandatorily preferred by law applying to companies generally). See “*Description of Notes and Guarantees—Ranking*” and “*Description of Notes and Guarantees—Guarantees*” and “*Risk Factors—The Guarantees are not full and unconditional obligations of the Guarantor and it may be difficult for Holders to obtain, or enforce judgments obtained, in U.S. courts against the Guarantor*”.

We do not intend to apply for listing of the Notes on any security exchange or for inclusion of the Notes in any automated quotation system.

**An investment in the Notes involves risk. See “*Risk Factors*” beginning on page 21 and the risk factors contained in the documents incorporated herein by reference.**

The Notes and the Guarantees have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “*Securities Act*”), or the securities laws of any other jurisdiction. Accordingly, the Notes and the Guarantees may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or applicable state or other securities laws. The Notes and the Guarantees may be offered and sold in the United States only to qualified institutional buyers (“*QIBs*”) in reliance on Rule 144A under the Securities Act (“*Rule 144A*”) and in transactions outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act (“*Regulation S*”). Prospective purchasers in the United States are hereby notified that the seller of the Notes and the Guarantees may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of certain restrictions on transfers of the Notes, see “*Plan of Distribution*” and “*Notice to Investors*”.

**Price for the 2021 Notes: 99.963% plus accrued interest, if any, from September 24, 2018**

**Price for the 2023 Notes: 99.982% plus accrued interest, if any, from September 24, 2018**

**Price for the 2025 Notes: 99.723% plus accrued interest, if any, from September 24, 2018**

**Price for the 2028 Notes: 99.518% plus accrued interest, if any, from September 24, 2018**

**Price for the 2038 Notes: 98.931% plus accrued interest, if any, from September 24, 2018**

**Price for the 2048 Notes: 98.657% plus accrued interest, if any, from September 24, 2018**

It is expected that delivery of beneficial interests in the Notes will be made through the facilities of DTC and its participants, including Euroclear Bank, S.A./N.V., as operator of the Euroclear System (“*Euroclear*”), and Clearstream Banking, *société anonyme*, Luxembourg (“*Clearstream*”), on or about September 24, 2018, against payment therefor in immediately available funds.

We are responsible only for the information contained or incorporated by reference into this offering memorandum (this “*Offering Memorandum*”). Neither we nor any of the initial purchasers listed in the section of this Offering Memorandum entitled “*Plan of Distribution*” (collectively, the “*Initial Purchasers*”) have authorized any other person to provide you with information that is different from, or in addition to, that contained in this Offering Memorandum or any of the materials incorporated by reference into this Offering Memorandum. We are not, and the Initial Purchasers are not, making an offer to sell the Notes in any jurisdiction where the offer or sale of the Notes is not permitted. This Offering Memorandum may only be used where it is legal to sell the Notes. You should assume that the information contained in this Offering Memorandum is accurate only as of the date of this Offering Memorandum, and that any information we have incorporated by reference is accurate only as of the date of the document incorporated by reference. Our business, financial condition, results of operations or any other information in this Offering Memorandum may have changed since those dates.

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This Offering Memorandum is confidential. You are authorized to use this Offering Memorandum solely for the purpose of considering the purchase of the Notes described herein. We and the other sources identified herein have provided the information contained in this Offering Memorandum. The Initial Purchasers make no representation or warranty, express or implied, as to the accuracy or completeness of such information, and nothing contained in this Offering Memorandum is, or shall be relied upon as, a promise or representation by the Initial Purchasers. You may not reproduce or distribute this Offering Memorandum, in whole or in part, and you may not disclose any of the contents of this Offering Memorandum or use any information herein for any purpose other than considering the purchase of the Notes. You agree to the foregoing by accepting delivery of this Offering Memorandum.

As used in this Offering Memorandum, “we”, “us”, “our”, “Nestlé”, the “Group”, the “Nestlé Group” and similar terms refer Nestlé S.A. (the Guarantor) and, where appropriate, the consolidated subsidiaries of Nestlé S.A., including Nestlé Holdings, Inc. (the Issuer), unless stated otherwise or the context otherwise requires.

**The Notes and the Guarantees have not been registered with, or recommended or approved by, the U.S. Securities and Exchange Commission (the “SEC”) or any other federal or state securities commission or regulatory authority, nor has the SEC or any such other commission or regulatory authority passed upon the accuracy or adequacy of this Offering Memorandum. Any representation to the contrary is a criminal offense.**

The distribution of this Offering Memorandum and the offering and sale of the Notes in certain jurisdictions may be restricted by law. We and the Initial Purchasers require persons in whose possession this Offering Memorandum comes to inform themselves about and to observe any such restrictions. This Offering Memorandum does not constitute an offer of, or an invitation to purchase, any of the Notes in any jurisdiction in which such offer or invitation would be unlawful. Neither we nor the Initial Purchasers accept any legal responsibility for any violation by any person, whether or not a potential investor, of any such restrictions. For a more detailed description of certain restrictions in connection with the offering, see “*Plan of Distribution*” and “*Notice to Investors*”.

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### **IMPORTANT NOTICE**

This Offering Memorandum has been prepared by us solely for use in connection with the proposed offering of the Notes described herein. This Offering Memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the Notes. Distribution of this Offering Memorandum to any person other than the offeree and any person retained to advise such offeree with respect to its possible purchase is unauthorized, and any disclosure of any of its contents, without our prior written consent, is prohibited. Each potential investor, by accepting delivery of this Offering Memorandum, agrees to the foregoing and to make no photocopies of this Offering Memorandum or any documents referred to in this Offering Memorandum that such offeree may request.

We are offering the Notes in reliance on an exemption from registration under the Securities Act for offers and sales of securities that do not involve a public offering. If you purchase Notes, you will be deemed to have made the acknowledgements, representations, warranties and agreements set forth under the heading “*Notice to Investors*” in this Offering Memorandum. The Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and applicable state and foreign securities laws pursuant to registration or exemption therefrom. As a potential investor, you should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. See “*Plan of Distribution*” and “*Notice to Investors*”.

In making an investment decision, potential investors must rely on their own examination of us and our subsidiaries and the terms of this offering of the Notes, including the merits and risks involved. Potential investors should not construe anything in this Offering Memorandum as legal, business or tax advice. Each potential investor should consult its own advisers as needed to make its investment decision and to determine whether it is legally permitted to purchase the securities under applicable legal investment or similar laws or regulations.

This Offering Memorandum contains summaries of certain documents, but reference is made to the actual documents for complete information. All such summaries are qualified in their entirety by such reference. Copies of documents referred to herein will be made available to potential investors upon request to us or the Initial Purchasers.

This Offering Memorandum should be read and construed with any supplement hereto and with all documents incorporated by reference. See “*Incorporation by Reference*”.

To the fullest extent permitted by law, the Initial Purchasers do not accept any responsibility for the contents of this Offering Memorandum or for any other statements made or purported to be made by the Initial Purchasers or on their behalf in connection with the Issuer, the Guarantor, the Notes or the Guarantees. Accordingly, the Initial Purchasers disclaim all and any liability whether

arising in tort or contract or otherwise that they might otherwise have in respect of this Offering Memorandum or any such statement.

The Initial Purchasers are acting exclusively for the Issuer and the Guarantor and no other person in connection with the offering of the Notes. They will not regard any other person (whether or not a recipient of this Offering Memorandum) as their client in relation to the offering of the Notes and will not be responsible to anyone other than the Issuer and the Guarantor for providing the protections afforded to their respective clients or for giving advice in relation to the offering or any transaction or arrangement referred to herein.

This Offering Memorandum should not be considered a recommendation by the Issuer, the Guarantor or the Initial Purchasers that any recipient of this Offering Memorandum should subscribe for, or purchase, any of the Notes. Each recipient of this Offering Memorandum shall be taken to have made his or her own investigation and appraisal of the condition (financial or otherwise) of each of the Issuer and the Guarantor.

We reserve the right to withdraw this offering of the Notes at any time. We and the Initial Purchasers also reserve the right to reject any offer to purchase the Notes in whole or in part for any reason and to allot to any potential investor less than the full amount of Notes sought by such investor. The Initial Purchasers and certain related entities may acquire for their own account a portion of the Notes.

Each potential investor must comply with all applicable laws and regulations in force in any applicable jurisdiction and must obtain any consent, approval or permission required by it for the purchase, offer or sale of the Notes under the laws and regulations in force in the jurisdiction such investor is subject or in which it makes such purchase, offer or sale, and neither we nor the Initial Purchasers will have any responsibility therefor. No action has been taken by the Initial Purchasers, us, or any other person that would permit an offering of the Notes or the circulation or distribution of this Offering Memorandum or any offering material in relation to us or our affiliates or the Notes in any country or jurisdiction where action for that purpose is required.

None of we, the Initial Purchasers or our or their respective representatives are making any representation to any offeree or any purchaser of the Notes regarding the legality of any investment in the Notes by any such offeree or purchaser under applicable legal investment or similar laws or regulations. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any advertisement or other offering material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations.

The information set out in the sections of this Offering Memorandum describing clearing and settlement arrangements is subject to any change or reinterpretation of the rules, regulations and procedures of DTC as currently in effect. The information in such sections concerning these clearing systems has been obtained from sources that we believe to be reliable. We accept responsibility only for the correct extraction and reproduction of such information, but not for the accuracy of such information. If you wish to use the facilities of any clearing system you should confirm the applicability of the rules, regulations and procedures of the relevant clearing system. We will not be responsible or liable for any aspect of the records relating to, or payments made on account of book-entry interests held through the facilities of any clearing system or for maintaining, supervising or reviewing any records, relating to such book-entry interests.

IN CONNECTION WITH THIS OFFERING OF THE NOTES, EACH OF THE INITIAL PURCHASERS MAY PURCHASE AND SELL NOTES IN THE OPEN MARKET. THESE TRANSACTIONS MAY INCLUDE OVER-ALLOTMENT TRANSACTIONS, SYNDICATE COVERING AND STABILIZING TRANSACTIONS. OVER-ALLOTMENT TRANSACTIONS INVOLVE SALES OF NOTES IN EXCESS OF THE PRINCIPAL AMOUNT OF THE NOTES TO BE PURCHASED IN THIS OFFERING OF THE NOTES, WHICH CREATES A SHORT POSITION. SYNDICATE COVERING TRANSACTIONS INVOLVE PURCHASES OF NOTES IN THE OPEN MARKET AFTER THE DISTRIBUTION HAS BEEN COMPLETED IN ORDER TO COVER SHORT POSITIONS CREATED. STABILIZING TRANSACTIONS CONSIST OF CERTAIN BIDS OR PURCHASES OF NOTES MADE FOR THE PURPOSE OF

PEGGING, FIXING OR MAINTAINING THE PRICE OF THE NOTES. ANY STABILIZATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY AN INITIAL PURCHASER (OR PERSON(S) ACTING ON BEHALF OF AN INITIAL PURCHASER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

#### **Notice to Prospective Investors in the European Economic Area**

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “*MiFID II*”); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the “*Insurance Mediation Directive*”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the “*Prospectus Directive*”). Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the “*PRIIPs Regulation*”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation. This Offering Memorandum has been prepared on the basis that any offer of Notes in any Member State of the EEA will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of Notes. This Offering Memorandum is not a prospectus for the purposes of the Prospectus Directive.

#### **Notice to Prospective Investors in the United Kingdom**

In the United Kingdom, this Offering Memorandum is for distribution only to (i) persons who are investment professionals falling within Article 19 paragraph 5 of the United Kingdom Financial Services and Markets Act 2000 (the “*FSMA*”), or (ii) persons falling within Article 49 paragraph 2 (a) to (d) of the FSMA (e.g., high net worth companies, unincorporated associations), or (iii) other persons to whom it may be lawfully communicated in accordance with the FSMA (all such persons falling within the preceding clauses (i)–(iii) together being referred to as “*Relevant Persons*”). This Offering Memorandum is directed only at Relevant Persons and must not be acted on or relied on by persons who are not Relevant Persons. In the United Kingdom, any investment or investment activity to which this Offering Memorandum relates is available only to Relevant Persons and will be engaged in only with Relevant Persons.

## PRESENTATION OF FINANCIAL AND OTHER DATA

### Financial Data

Unless otherwise indicated, the financial information included or incorporated by reference in this Offering Memorandum, including the audited consolidated financial statements of each of the Issuer and the Guarantor and its respective subsidiaries as of and for the years ended December 31, 2017 (“*Fiscal 2017*”), December 31, 2016 (“*Fiscal 2016*”) and December 31, 2015 (“*Fiscal 2015*”), has been prepared in accordance with the International Financial Reporting Standards (“*IFRS*”), as issued by the International Accounting Standards Board (the “*IASB*”) and Swiss law (in the case of the Guarantor’s consolidated financial statements). The unaudited interim condensed consolidated financial statements of each of the Issuer and the Guarantor and its respective subsidiaries as of and for the six-month period ended June 30, 2018 (the fiscal year ending December 31, 2018 being referred to herein as “*Fiscal 2018*”) and as of and for the first six months of Fiscal 2017 have been prepared in accordance with International Accounting Standard IAS 34, the standard of IFRS applicable to interim financial statements, and should be read in conjunction with the consolidated financial statements of each of the Issuer and the Guarantor and its respective subsidiaries incorporated by reference herein.

The preparation of consolidated financial statements in accordance with IFRS requires management to exercise judgment and to make estimates and assumptions that affect the application of policies, reported amounts of revenues, expenses, assets and liabilities and disclosures. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. For a complete description of the accounting principles applied in preparing the consolidated financial statements of each of the Issuer and the Guarantor and its respective subsidiaries, please see “*Note 1–Accounting Policies*” to each set of consolidated financial statements incorporated by reference herein. The financial information and related discussion and analysis included or incorporated by reference in this Offering Memorandum are presented in Swiss francs (“*CHF*”) except as otherwise specified.

IFRS differs in certain material respects from generally accepted accounting principles in the United States (“*U.S. GAAP*”). As a result, the results of operations and financial condition derived from the consolidated financial statements that are incorporated by reference in this Offering Memorandum may differ substantially from the results of operations and financial condition that would be derived if such financial statements had been prepared in accordance with U.S. GAAP. Neither the Issuer nor the Guarantor has prepared a reconciliation of its financial information to U.S. GAAP or a summary of significant accounting differences between the accounting and valuation methods of IFRS and U.S. GAAP or otherwise reviewed the impact the application of U.S. GAAP would have on its financial reporting.

In making an investment decision, you must rely upon your own examination of the Issuer and the Guarantor and their respective subsidiaries and the information contained or incorporated by reference in this Offering Memorandum.

Some financial information in this Offering Memorandum has been rounded and, as a result, the figures shown as totals in this Offering Memorandum may vary slightly from the exact arithmetic aggregation of the figures that precede them.

### Use of Non-IFRS Financial Measures

This Offering Memorandum includes or incorporates by reference certain financial performance measures, not defined by IFRS, that are used by the Guarantor to assess the financial and operational performance of the Group, including Organic Growth; Real Internal Growth; Pricing; Underlying Trading operating profit; Underlying Trading operating profit margin; Trading operating profit; Trading operating profit margin; Free Cash Flow; and Net Financial Debt. The Guarantor believes that these non-IFRS financial performance measures provide useful information regarding the Group’s business, and the Group’s management (“*Management*”) considers these measures when

analyzing the Group's financial and operating performance. However, these measures should not be considered indications of, or alternatives to, corresponding measures determined in accordance with IFRS. In addition, such measures may not be comparable to similar measures presented by other companies.

For additional disclosures, explanations and reconciliations of such measures, please see “*Management's Discussion and Analysis of Financial Condition and Results of Operations—Definitions of Alternative Performance Measures*” and the Alternative Performance Measures (as defined below) incorporated by reference herein.

## **INDUSTRY AND MARKET DATA**

Industry, market and statistical information or other statements incorporated by reference in this Offering Memorandum regarding our position relative to our competitors largely reflect the best estimates of Management. These estimates are based upon information obtained from customers, trade or business organizations and associations, other contacts within the industries in which we operate and, in some cases, upon published statistical data or information from analysts and independent third parties. We have not verified this information independently or determined the reasonableness of such assumptions or the accuracy and completeness of such information. In addition, these sources may use different definitions of the relevant markets than those we present. Data regarding our industry are intended to provide general guidance but are inherently imprecise. As a result, this information may not be accurate, complete, adequate, up-to-date or comprehensive.

## **INTELLECTUAL PROPERTY**

This Offering Memorandum includes names of our products that constitute trademarks that we own, license or otherwise have the right to use. This Offering Memorandum also contains other brand names, trade names, trademarks or service marks of other companies, and these brand names, trade names, trademarks or service marks are the property of those companies.

## **ENFORCEABILITY OF CIVIL LIABILITIES**

Any dispute that might arise out of or in connection with the Guarantees will fall within the exclusive jurisdiction of the courts of the Canton of Vaud, Switzerland (venue being the City of Vevey). This means, among other things, that, in respect of any such dispute, service of process upon the Guarantor must be effected in Switzerland in accordance with Swiss procedural rules, and it is unlikely that investors would be able to enforce in Switzerland against the Guarantor any judgment obtained from a U.S. court with respect to any such dispute.

Furthermore, the Guarantor is incorporated under the laws of Switzerland. As a result, in the case of disputes not arising out of or in connection with the Guarantees, it may not be possible for investors to effect service of process, including judgments, upon the Guarantor within the United States. It may also be difficult for investors to enforce in Switzerland against the Guarantor judgments obtained from U.S. courts for the reasons described below.

The United States and Switzerland do not currently have a treaty providing for the reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. Consequently, a final judgment rendered against the Guarantor by any U.S. federal or state court for payment would not automatically be enforceable in Switzerland. A final judgment rendered against the Guarantor by a U.S. federal or state court, however, may be recognized in Switzerland in an action before a court of competent jurisdiction in accordance with the rules set forth in the Swiss Federal Act on International Private Law of December 18, 1987, as amended (*Loi fédérale sur le droit international privé*) (“*LDIP*”), the Swiss Federal Act on Civil Procedure of December 19, 2008, as amended (*Code de procédure civile*), and the Swiss Federal Act on Debt Enforcement and Bankruptcy of April 11, 1889, as amended (*Loi fédérale sur la poursuite pour dettes et la faillite*). In such an action, a Swiss court generally would not reinvestigate the merits of the original matter decided by a U.S. court. The recognition and enforcement by a Swiss court of a judgment rendered

against the Guarantor by a U.S. federal or state court would be conditional upon a number of conditions including, without limitation, those set out in articles 25 et seqq. LDIP, which include:

- the U.S. court having had jurisdiction over the original proceedings from a Swiss perspective as defined in the LDIP;
- the judgment being final and non-appealable under U.S. federal or state law or no ordinary legal remedy being available against such judgment;
- the parties having been duly summoned, under the law of their place of residence or under the law of their habitual residence, or having proceeded to the merits without any reserves;
- the original proceeding not having been conducted under a violation of material principles of Swiss civil procedure law, in particular, the right to be heard;
- the matter (*litige*) resulting in the judgment of the U.S. court not already being the object of a court decision in Switzerland or pending before a Swiss court between the same parties and on the same subject matter, or already being the object of a court decision in a third-party country; *provided* that the decision of such third-party country meets the requirements to be recognized and enforced in Switzerland; and
- the enforcement of the judgment by the U.S. court not being manifestly incompatible with Swiss public policy (*ordre public suisse*).

Subject to the foregoing, purchasers of the Notes may be able to enforce against the Guarantor judgments in civil and commercial matters obtained from U.S. federal or state courts in Switzerland. We cannot, however, assure you that any attempts to enforce judgments in Switzerland will be successful; in particular, it is uncertain whether a Swiss court would recognize U.S. jurisdiction if the defendant did not enter an appearance before a U.S. court during the substantive proceedings in the sense of article 6 LDIP. Furthermore, it is doubtful whether a Swiss court would enforce a judgment of any U.S. court predicated solely upon the federal or state securities laws of the United States. In addition, the recognition and enforcement of punitive damages awards might be denied by Swiss courts as incompatible with Swiss public policy (*ordre public suisse*). Alternatively, a Swiss court may reduce the amount of damages granted by a U.S. court and recognize damages only to the extent that they are necessary to compensate actual losses or damages.

Investors should be aware that Swiss civil procedure differs substantially from U.S. civil procedure in a number of respects. With respect to the production of evidence, for example, U.S. federal and state law and the laws of several other jurisdictions based on common law provide for pre-trial discovery, a process by which parties to the proceedings may, prior to trial, compel the production of documents by adverse or third parties and the depositions of witnesses. Evidence obtained in this manner may be decisive in the outcome of any proceeding. In Switzerland, no such pre-trial discovery process exists. A Swiss court would generally decide on the basis of evidence provided by the parties and in accordance with the applicable rules on the burden of proof.

#### **AVAILABLE INFORMATION**

We are not subject to informational requirements of the U.S. Securities Exchange Act of 1934, as amended (the “*Exchange Act*”).

The Issuer has agreed that it will make available, upon request, to any registered holder of the Notes (a “*Holder*”) or prospective purchaser of the Notes the information required pursuant to Rule 144A(d)(4) under the Securities Act with respect to the Issuer, during any period in which the Issuer is neither subject to Section 13 or 15(d) of the Exchange Act nor exempt by virtue of Rule 12g3-2(b) thereunder. Any such requests should be directed to Nestlé Holdings, Inc., 383 Main Avenue, 5th Floor, Norwalk, Connecticut 06851, United States.

A copy of the Fiscal Agency Agreement will be made available to Holders, upon request, at no charge. Any such requests should be directed to Citibank, N.A. at Agency & Trust, 388 Greenwich Street, New York, New York 10013, United States.

## EXTENDED SETTLEMENT

We expect that delivery of the Notes will be made against payment therefor on or about September 24, 2018, which will be the fifth Business Day (as defined below under “*Description of Notes and Guarantees*”) following the date of pricing of the Notes, or “T+5”. Trades in many secondary markets generally settle in two Business Days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes on the date of pricing or the next succeeding two Business Days will be required, by virtue of the fact that the Notes initially settle in T+5, to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes prior to their date of delivery hereunder should consult their advisers.

## INCORPORATION BY REFERENCE

This Offering Memorandum incorporates by reference, and should be read and construed in conjunction with, the following information:

<u>Document</u>	<u>Pages Incorporated</u>	
A.	The Issuer’s Half-Yearly Financial Report as of June 30, 2018 (but excluding the section entitled “Outlook” on page 5) (together, the “ <i>Issuer 2018 Half-Yearly Financial Report Excerpts</i> ”) . . . . .	3 – 36
B.	The following sections of the Issuer’s Annual Financial Report as of December 31, 2017	
	Management Report (but excluding the section entitled “Outlook” on page 7) . . . . .	3 – 7
	Independent Auditors’ Report . . . . .	9 – 13
	Consolidated Financial Statements . . . . .	14 – 69
	(together, the “ <i>Issuer 2017 Annual Financial Report Excerpts</i> ”)	
C.	The following sections of the Issuer’s Annual Financial Report as of December 31, 2016	
	Independent Auditors’ Report . . . . .	9 – 13
	Consolidated Financial Statements . . . . .	14 – 69
	(together, the “ <i>Issuer 2016 Consolidated Financial Statements</i> ”)	
D.	The Guarantor’s Half-Yearly Financial Report January–June 2018 (the “ <i>Guarantor 2018 Half-Yearly Financial Report</i> ”)	
E.	The following sections of the Guarantor’s Annual Review 2017:	
	Our business . . . . .	2
	Connecting through our brands . . . . .	14 – 25
	Product category and operating segment review . . . . .	44
	Principal risks and uncertainties . . . . .	51 – 52
	Factories . . . . .	53
	Corporate Governance and Compliance . . . . .	54 – 61
	(together, the “ <i>Guarantor 2017 Annual Review Excerpts</i> ”)	
F.	Consolidated Financial Statements of the Nestlé Group 2017 (the “ <i>Guarantor 2017 Consolidated Financial Statements</i> ”)	

<u>Document</u>	<u>Pages Incorporated</u>
G. Restatements of the Nestlé Group 2017 (the “ <i>Guarantor 2017 Restatements</i> ”)	
H. Consolidated Financial Statements of the Nestlé Group 2016 (the “ <i>Guarantor 2016 Consolidated Financial Statements</i> ”)	
I. Restatements of the Nestlé Group 2016 (the “ <i>Guarantor 2016 Restatements</i> ”)	
J. Alternative Performance Measures, July 2018 Edition (the “ <i>Alternative Performance Measures</i> ”)	

The information contained in each document incorporated by reference herein is given as of the date of such document. Such information shall be deemed to be incorporated in, and form part of, this Offering Memorandum, save that any statement contained in a document that is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this document to the extent that a statement contained or incorporated herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Memorandum.

You may obtain a copy of the documents referred to above by visiting the following websites:

- [https://www.rns-pdf.londonstockexchange.com/rns/5902X\\_1-2018-8-13.pdf](https://www.rns-pdf.londonstockexchange.com/rns/5902X_1-2018-8-13.pdf) for the Issuer 2018 Half-Yearly Financial Report Excerpts;
- [https://www.rns-pdf.londonstockexchange.com/rns/3133J\\_-2018-3-28.pdf](https://www.rns-pdf.londonstockexchange.com/rns/3133J_-2018-3-28.pdf) for the Issuer 2017 Annual Financial Report Excerpts;
- [https://www.rns-pdf.londonstockexchange.com/rns/4632A\\_-2017-3-24.pdf](https://www.rns-pdf.londonstockexchange.com/rns/4632A_-2017-3-24.pdf) for the Issuer 2016 Consolidated Financial Statements;
- <https://www.nestle.com/investors/publications> for the Guarantor 2018 Half-Yearly Financial Report Excerpts, the Guarantor 2017 Annual Review Excerpts, the Guarantor 2017 Consolidated Financial Statements, the Guarantor 2017 Restatements, the Guarantor 2016 Consolidated Financial Statements and the Alternative Performance Measures; and
- <https://www.nestle.com/asset-library/documents/investors/others/2016-restatements.pdf> for the Guarantor 2016 Restatements.

Other than the sections of the documents specified above and specifically incorporated by reference in this Offering Memorandum, such documents do not form part of this Offering Memorandum and the contents of the websites listed above do not form part of this Offering Memorandum and, in each case, should not be relied upon for the purposes of forming an investment decision with respect to the Notes.

## FORWARD-LOOKING STATEMENTS

This Offering Memorandum contains “forward-looking statements”. Forward-looking statements are based on our beliefs and assumptions and on information currently available to us, and include, without limitation, statements regarding our business, financial condition, strategy, results of operations, certain of our plans, objectives, assumptions, expectations, prospects and beliefs and statements regarding other future events or prospects. Forward-looking statements include all statements that are not historical facts and can be identified by the use of forward-looking terminology such as the words “believe”, “expect”, “plan”, “intend”, “seek”, “anticipate”, “estimate”, “predict”, “potential”, “assume”, “continue”, “may”, “will”, “should”, “could”, “shall”, “risk” or the negative of these terms or similar expressions that are predictions of or indicate future events and future trends.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, the development of the industry in which we operate and the effect of acquisitions on us may differ materially from those made in or suggested by the forward-looking statements contained in this Offering Memorandum. In addition, even if our results of operations, financial condition and liquidity, the development of the industry in which we operate and the effect of acquisitions on us are consistent with the forward-looking statements contained in this Offering Memorandum, those results or developments may not be indicative of results or developments in subsequent periods.

Factors that may cause our actual results to differ materially from those expressed or implied by the forward-looking statements in this Offering Memorandum include the risks described under “*Risk Factors*”. For example, factors that could cause actual results to vary from projected results include:

- our ability to operate in a highly competitive environment;
- our ability to maintain, extend and expand our reputation and brand image;
- potential reputational harm as a result of increased scrutiny related to our corporate social responsibility efforts;
- our ability to anticipate and respond to changes in consumer preferences and trends;
- product recalls or product liability claims;
- volatility in raw material, commodity, energy and other input costs;
- consumer perception of health-related issues being caused by our products (e.g., obesity);
- the effects of adverse weather conditions on seasonal sales;
- the effects of climate change on key agricultural commodities;
- unanticipated business disruptions;
- general economic, political and business conditions or other developments and risks in countries in which we operate, including changes in levels of consumer spending or political, economic and social changes leading to changes in trade regulations, currency restrictions, potential health issues or terrorist threats or acts;
- changes in, and failure to comply with, laws and regulations, including labeling and advertising regulations and environmental, occupational health and safety laws and regulations;
- changes to international trade policies, treaties and tariffs, or the emergence of a trade war;
- changes in our management team or other key personnel;
- increased pension, labor and people-related expenses;
- our ability to realize the anticipated benefits from our cost-savings initiatives;
- disruptions in information technology networks and systems;
- our ability to protect intellectual property rights;

- legal claims or other regulatory enforcement actions;
- interest rate and currency fluctuations;
- volatility in the market value of all or a portion of derivatives we use;
- tax law changes or interpretations; and
- our ability to complete or realize the benefits from potential and completed acquisitions, alliances, divestitures or joint ventures.

We urge you to read the sections of this Offering Memorandum entitled “*Risk Factors*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” for a more complete discussion of the factors that could affect our future performance and the industry in which we operate.

We undertake no obligation to update these forward-looking statements and we will not publicly release any revisions we may make to these forward-looking statements that may result from events or circumstances arising after the date of this Offering Memorandum.

## SUMMARY

*The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this Offering Memorandum. You should thoroughly read this Offering Memorandum in its entirety, including the information incorporated by reference herein, as well as set forth under “Forward-looking Statements”, “Risk Factors”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the audited consolidated financial statements and unaudited interim condensed consolidated financial statements and the notes related to each of those financial statements incorporated by reference herein, prior to making an investment in the Notes.*

### **Overview of the Guarantor and the Issuer**

#### ***The Guarantor***

Nestlé S.A., the Guarantor, is the holding company of the Group. It was founded in 1866 as “Anglo-Swiss Condensed Milk Company”. Following the merger in 1905 with “Farine lactée Henri Nestlé” (founded in Vevey in 1867), the company was renamed “Nestlé and Anglo-Swiss Condensed Milk Company” and in 1977 adopted its present name, Nestlé S.A. The Guarantor is incorporated under Swiss law as a company limited by shares (*société anonyme*). The addresses of the Guarantor’s registered offices are Avenue Nestlé 55, 1800 Vevey, Canton of Vaud, Switzerland and Zugerstasse 8, 6330 Cham, Canton of Zug, Switzerland.

#### ***The Issuer***

Nestlé Holdings, Inc., the Issuer, was incorporated in the State of Delaware in 1983. The address of the Issuer’s registered office is The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801, United States, and the address of its principal place of business is Merritt View, 383 Main Avenue, 5th Floor, Norwalk, Connecticut 06851, United States. The Issuer is a wholly owned subsidiary of NIMCO US, Inc., which is a wholly owned subsidiary of the Guarantor. The Issuer’s principal purpose is to act as a holding company for its direct and indirect subsidiaries (which include Nestlé USA, Inc., Nestlé Purina PetCare Company, Nestlé Prepared Foods Company, Nestlé Dreyer’s Ice Cream Company, Nestlé HealthCare Nutrition, Inc., Nespresso USA, Inc. and Gerber Products Company).

The direct and indirect subsidiaries of the Issuer engage primarily in the manufacture and sale of food products, pet care products and beverage products. These businesses derive revenue across the United States. The subsidiary businesses of the Issuer are organized by principal product groups as described below.

Nestlé USA, Inc. manufactures and sells a wide range of grocery and food service products, including coffee, non-dairy creamers and other beverages. These products are marketed under several brand names, including “Nestlé®”, “Nescafé®”, “Nesquik®”, “Nestlé® Coffee Mate®”, “Chef-Mate®”, “DiGiorno®”, “Tombstone®”, “California Pizza Kitchen® frozen pizza”, “Nestlé® Toll House® Baking” and others.

Nestlé Purina PetCare Company manufactures and sells a diverse range of pet care products including dog and cat foods and litter under several brand names, including “Purina®”, “Dog Chow®”, “Cat Chow®”, “Pro Plan®”, “Beneful®”, “Friskies®”, “Alpo®”, “Purina ONE®”, “Fancy Feast®”, “Beyond®”, “Beggin®”, “Tidy Cats®”, “Merrick®” and others.

Nestlé Prepared Foods Company manufactures and sells prepared foods for the grocery and food service trade, including refrigerated pastas and sauces under the “Buitoni®” brand name and frozen prepared foods entrées under the “Stouffer’s®” and “Lean Cuisine®” brand names. The Nestlé Prepared Foods Company also produces the “Hot Pockets®”, and “Lean Pockets®” line of frozen sandwiches.

Nestlé Dreyer’s Ice Cream Company manufactures, sells and distributes ice cream and frozen dessert products under several brand names, including “Dreyer’s”, “Edy’s®”, “Häagen Dazs®”,

“Nestlé® Drumstick®”, “Nestlé®”, “Outshine®”, “Nestlé® Toll House®”, Push-Up®, “Purina® Frosty Paws®”, “Skinny Cow®” and others.

Nestlé HealthCare Nutrition, Inc. manufactures and sells medical nutritional products and related devices.

Nespresso USA, Inc. sells high quality portioned coffee that is delivered through a consumer model which includes on-line and exclusive retail boutiques. It also sells coffee machines, and certain of such coffee machines are developed and manufactured with machine partners.

Gerber Products Company manufactures and sells infant and toddler food products under several brand names, including “Gerber®”, “Gerber® Good Start®” infant formula, “Gerber® Graduates®” and others. Additionally, Gerber Products Company’s subsidiary Gerber Life Insurance Company operates “Gerber Life Insurance”, a life insurance provider. The process of exploring strategic options for “Gerber Life Insurance” is currently underway and is expected to be completed in Fiscal 2018.

## **Recent Developments**

### ***Share Buyback Program***

On June 27, 2017, the Group’s Board of Directors approved a share buyback program of up to CHF 20.0 billion, which started on July 4, 2017, and is expected to be completed by the end of June 2020.

### ***Starbucks Alliance***

In August 2018, the Group acquired the perpetual rights to market, sell and distribute certain Starbucks’ consumer and foodservice products globally for an up-front cash payment of USD 7.15 billion (the “*Starbucks Alliance*”). Such consumer and foodservice products include Starbucks®, Seattle’s Best Coffee®, Teavana, Starbucks VIA® Instant, Torrefazione Italia® coffee and Starbucks-branded K-Cup® pods. Through the Starbucks Alliance, the Group and Starbucks will work closely together on the existing Starbucks range of roast and ground coffee, whole beans as well as instant and portioned coffee. The Starbucks Alliance will also capitalize on the experience and capabilities of both companies to work on innovation with the goal of enhancing its product offerings for coffee lovers globally. This partnership with Starbucks significantly strengthens Group’s coffee portfolio in the North American premium roast and ground and portioned coffee business. It also unlocks global expansion in grocery and foodservice for the Starbucks brand, utilizing the global reach of Nestlé. Approximately 500 Starbucks employees in the United States and Europe will join the Group, with the majority based in Seattle and London.

### ***Sale of our U.S. Confectionery Business***

In April 2018, the Group completed the sale of its U.S. confectionery business (the “*U.S. Confectionery Business*”) to the Ferrero Group for USD 2.8 billion in cash. The sale of the U.S. Confectionery Business covers U.S.-focused confectionery brands only and does not include Nestlé’s iconic *Toll House* baking products, a strategic growth brand Nestlé will continue to develop. The Group remains fully committed to growing its leading international confectionery activities around the world, particularly its global brand *KitKat*.

### ***Recent Acquisitions***

In March 2018, the Group acquired Atrium Innovations Inc. (“*Atrium Innovations*”) to support the Group’s pursuit of growth opportunities in consumer healthcare to complement its focus on high-growth food and beverage categories.

In February 2018, the Group announced that it did not intend to increase its stake in L’Oréal S.A. and had also decided not to renew the related shareholder agreement with the Bettencourt family that was to expire on March 21, 2018.

In September 2017, the Group entered into an agreement to purchase a 68% stake in the U.S. coffee roaster and retailer Blue Bottle Coffee (“*Blue Bottle*”). The transaction closed in the fall of 2017. This transaction was part of Nestlé’s focus on investing in high-growth categories and acting on consumer trends. Blue Bottle allows Nestlé to strengthen its position in the U.S. coffee market, the largest in the world, as well as internationally, building on success in Japan. It also offers opportunities to grow in super premium ready-to-drink and roast and ground coffee, largely through online subscription.

## The Offering

*The summary below describes the principal terms of the Notes and the Guarantees. Certain of the terms and conditions described below are subject to important limitations and exceptions. The “Description of Notes and Guarantees” section of this Offering Memorandum contains a more detailed description of the terms and conditions of the Notes and the Guarantees.*

<b>Issuer</b> .....	Nestlé Holdings, Inc., a company incorporated under the laws of Delaware
<b>Guarantor</b> .....	Nestlé S.A., a company incorporated under the laws of Switzerland
<b>The Notes</b> .....	<p>\$1,000,000,000 3.100% Notes due 2021</p> <p>\$1,500,000,000 3.350% Notes due 2023</p> <p>\$900,000,000 3.500% Notes due 2025</p> <p>\$1,250,000,000 3.625% Notes due 2028</p> <p>\$1,250,000,000 3.900% Notes due 2038</p> <p>\$2,100,000,000 4.000% Notes due 2048</p>
<b>The Guarantees</b> .....	<p>Consistent with the Group’s existing debt issuance program and commercial paper programs, the obligations of the Issuer under the Notes will be guaranteed by the Guarantor pursuant to Guarantees issued in accordance with Article 496 of the Swiss Code of Obligations. Each such Guarantee will be a joint and several suretyship (<i>cautionnement solidaire</i>) that is accessory in nature, which means that its enforceability is dependent upon the legal validity and enforceability of the primary obligation to which it relates. Consequently, the Guarantor will only have an obligation to pay a Holder an amount under the applicable Guarantee if and to the extent such Holder has a legally valid and enforceable claim against the Issuer to pay such amount under the Notes of the applicable series. A joint and several suretyship pursuant to Article 496 of the Swiss Code of Obligations is also governed by a number of statutory provisions of Swiss law that are designed to protect the surety as further described in “Description of Notes and Guarantees—Guarantees”. The Guarantees will be governed by, and construed in accordance with, the substantive laws of Switzerland. See “Description of Notes and Guarantees—Guarantees” and “Risk Factors—The Guarantees are not full and unconditional obligations of the Guarantor and it may be difficult for Holders to obtain, or enforce judgments obtained, in U.S. courts against the Guarantor”.</p>
<b>The Offering</b> .....	The Notes are being offered and sold by the Initial Purchasers in the United States only to QIBs in reliance on Rule 144A and in transactions outside the United States to persons other than U.S. persons in reliance on Regulation S.
<b>Issue Price</b> .....	<p>99.963% for the 2021 Notes, plus accrued interest, if any, from September 24, 2018;</p> <p>99.982% for the 2023 Notes, plus accrued interest, if any, from September 24, 2018;</p>

99.723% for the 2025 Notes, plus accrued interest, if any, from September 24, 2018;  
 99.518% for the 2028 Notes, plus accrued interest, if any, from September 24, 2018;  
 98.931% for the 2038 Notes, plus accrued interest, if any, from September 24, 2018; and  
 98.657% for the 2048 Notes, plus accrued interest, if any, from September 24, 2018.

<b>Issue Date</b> .....	September 24, 2018.
<b>Maturity Date</b> .....	The 2021 Notes will mature on September 24, 2021; The 2023 Notes will mature on September 24, 2023; The 2025 Notes will mature on September 24, 2025; The 2028 Notes will mature on September 24, 2028; The 2038 Notes will mature on September 24, 2038; and The 2048 Notes will mature on September 24, 2048.
<b>Interest</b> .....	The 2021 Notes will bear interest from (and including) September 24, 2018, at the rate of 3.100%, per annum, payable semi-annually in arrears; The 2023 Notes will bear interest from (and including) September 24, 2018, at the rate of 3.350%, per annum, payable semi-annually in arrears; The 2025 Notes will bear interest from (and including) September 24, 2018, at the rate of 3.500%, per annum, payable semi-annually in arrears; The 2028 Notes will bear interest from (and including) September 24, 2018, at the rate of 3.625%, per annum, payable semi-annually in arrears; The 2038 Notes will bear interest from (and including) September 24, 2018, at the rate of 3.900%, per annum, payable semi-annually in arrears; and The 2048 Notes will bear interest from (and including) September 24, 2018, at the rate of 4.000%, per annum, payable semi-annually in arrears.
<b>Interest Payment Dates</b> .....	Interest on the 2021 Notes will be paid on March 24 and September 24 of each year, commencing March 24, 2019, until the 2021 Maturity Date or earlier redemption; Interest on the 2023 Notes will be paid on March 24 and September 24 of each year, commencing March 24, 2019, until the 2023 Maturity Date or earlier redemption; Interest on the 2025 Notes will be paid on March 24 and September 24 of each year, commencing March 24, 2019, until the 2025 Maturity Date or earlier redemption; Interest on the 2028 Notes will be paid on March 24 and September 24 of each year, commencing March 24, 2019, until the 2028 Maturity Date or earlier redemption; Interest on the 2038 Notes will be paid on March 24 and September 24 of each year, commencing March 24, 2019, until the 2038 Maturity Date or earlier redemption; and

Interest on the 2048 Notes will be paid on March 24 and September 24 of each year, commencing March 24, 2019, until the 2048 Maturity Date or earlier redemption.

See “*Description of Notes and Guarantees—Principal and Interest*”.

**Status of the Notes** ..... The Notes will constitute direct, unsecured, unsubordinated and unconditional obligations of the Issuer, which will at all times rank equally with each other and with all other present and future unsecured and unsubordinated indebtedness of the Issuer (other than obligations mandatorily preferred by law applying to companies generally). See “*Description of Notes and Guarantees—Ranking*”.

**Status of the Guarantees**..... The Guarantees will constitute direct, unsecured and unsubordinated obligations of the Guarantor, which will at all times rank equally with all present and future unsecured and unsubordinated obligations of the Guarantor (other than obligations mandatorily preferred by law applying to companies generally). See “*Description of Notes and Guarantees—Guarantees*” and “*Risk Factors—The Guarantees are not full and unconditional obligations of the Guarantor and it may be difficult for Holders to obtain, or enforce judgments obtained, in U.S. courts against the Guarantor*”.

**Use of Proceeds** ..... The net proceeds of the offering of the Notes will be used for general corporate purposes of the Guarantor and its consolidated subsidiaries, including the repayment or refinancing of commercial paper or other indebtedness issued or incurred to finance the Starbucks Alliance, the repayment or refinancing of certain other existing indebtedness, the funding of dividends and the funding of share repurchases under the Guarantor’s share buyback program. See “*Use of Proceeds*”.

**Covenants** ..... The Issuer and the Guarantor have agreed to observe certain covenants. See “*Description of Notes and Guarantees—Negative Pledge*”, “*Description of Notes and Guarantees—Consolidation, Merger and Sale of Assets; Substitution of the Issuer*” and “*Description of Notes and Guarantees—Financial Reports*”.

**Events of Default**..... For a discussion of certain events that will permit acceleration of the Notes, see “*Description of Notes and Guarantees—Events of Default*”.

**Optional Redemption**..... The Issuer may redeem any series of Notes, in whole or in part, at the Issuer’s option, at any time and from time to time at an applicable redemption price calculated as set forth under “*Description of Notes and Guarantees—Optional Redemption*”.

**Optional Tax Redemption** ..... The Issuer may redeem any series of Notes, in whole but not in part, at the Issuer’s option at a redemption price equal to 100% of the principal amount thereof, together with accrued interest, if any, thereon to (but excluding) the redemption date if, on the next succeeding Interest Payment Date, the Issuer would be obligated to pay any Additional Amounts (as defined in the section entitled “*Description of Notes and Guarantees—Payment of Additional Amounts*”) or a demand were to be made under the Guarantee with respect to any payment under the Notes due on such date and the Guarantor would be obligated to pay any Additional Amounts with respect to the related payment under the Guarantee and, in either case, this obligation cannot be avoided by the use of reasonable measures available to the Issuer or the Guarantor, as the case may be, as a result of any Tax Law Change (as defined under “*Description of Notes and Guarantees—Optional Tax Redemption*”).

**Denomination, Form and Registration of Notes** ..... The Notes will be issued in denominations of \$150,000 and integral multiples of \$1,000 in excess thereof. The Notes will be represented by global notes, registered in the name of Cede & Co., as nominee for DTC. Beneficial interests in the global notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its participants. See “*Description of Notes and Guarantees—Book-Entry System; Delivery and Form*” and “*Description of Notes and Guarantees—Depository Procedures*”.

**Additional Notes** ..... The Issuer may, at its option (but subject to certain limitations), at any time, and without the consent of the Holders of the applicable series of Notes, create and issue additional Notes of such series in one or more transactions with terms (other than the issue price, issue date and, if applicable, the payment of interest accruing prior to the issue date and the date of first payment of interest thereon) identical to the Notes of such series, and such additional Notes shall be consolidated with and form a single series with such series of Notes and shall have the same terms as to status, redemption or otherwise as such series. See “*Description of Notes and Guarantees—Additional Notes*”.

**Transfer Restrictions** ..... The Notes have not been, and will not be, registered under the Securities Act or any other applicable securities laws. The Notes are subject to restrictions on transfer and, unless registered under the Securities Act, may only be offered or sold pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state or other securities laws. See “*Notice to Investors*” and “*Plan of Distribution*”.

<b>Absence of a Public Market for the Notes</b> .....	The Notes of each series are new securities for which there is currently no established trading market. Accordingly, there can be no assurances as to the development or liquidity of any market for them. The Initial Purchasers have advised us that they intend to make a market in each series of Notes. However, the Initial Purchasers are not obliged to do so, and may discontinue such market making at any time without notice.
<b>No Listing</b> .....	We do not intend to apply for listing of the Notes of any series on any security exchange or for inclusion of the Notes of any series in any automated quotation system.
<b>Fiscal and Paying Agent</b> .....	Citibank, N.A.
<b>Transfer Agent and Registrar</b> .....	Citibank, N.A.
<b>Governing Law and Jurisdiction</b> .....	The Fiscal Agency Agreement and the Notes will be governed by, and construed in accordance with, the laws of the State of New York. The Guarantees will be governed by, and construed in accordance with, the substantive laws of Switzerland.  The Issuer and the Guarantor will each irrevocably submit to the exclusive jurisdiction of and venue in any U.S. federal or New York state court in the City and County of New York, in any legal suit, action or proceeding arising out of or based upon the Fiscal Agency Agreement or, in the case of the Issuer, any of the Notes. The courts of the Canton of Vaud, Switzerland (venue being the City of Vevey) shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Guarantees.
<b>Risk Factors</b> .....	Investing in the Notes involves risks. Prior to investing in the Notes, potential investors should consider, together with the other information set out or incorporated by reference in this Offering Memorandum, the factors and risks relating to an investment in the Notes. See “ <i>Risk Factors</i> ”.
<b>ISIN</b>	
<b>2021 Notes</b> .....	US641062AJ39 (Rule 144A); USU74078CB75 (Reg S)
<b>2023 Notes</b> .....	US641062AD68 (Rule 144A); USU74078BX05 (Reg S)
<b>2025 Notes</b> .....	US641062AE42 (Rule 144A); USU74078BY87 (Reg S)
<b>2028 Notes</b> .....	US641062AF17 (Rule 144A); USU74078BZ52 (Reg S)
<b>2038 Notes</b> .....	US641062AL84 (Rule 144A); USU74078CC58 (Reg S)
<b>2048 Notes</b> .....	US641062AN41 (Rule 144A); USU74078CD32 (Reg S)

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<b>2021 Notes</b> .....	641062AJ3 (Rule 144A); U74078CB7 (Reg S)
<b>2023 Notes</b> .....	641062AD6 (Rule 144A); U74078BX0 (Reg S)
<b>2025 Notes</b> .....	641062AE4 (Rule 144A); U74078BY8 (Reg S)
<b>2028 Notes</b> .....	641062AF1 (Rule 144A); U74078BZ5 (Reg S)
<b>2038 Notes</b> .....	641062AL8 (Rule 144A); U74078CC5 (Reg S)
<b>2048 Notes</b> .....	641062AN4 (Rule 144A); U74078CD3 (Reg S)

**Timing and Delivery** ..... The Issuer currently anticipates that delivery of the Notes will occur on or about September 24, 2018. See “*Extended Settlement*”.

## RISK FACTORS

*Any investment in the Notes is subject to a number of risks. Prior to investing in the Notes, potential investors should consider carefully the factors and risks associated with any investment in the Notes, the business of the Group and the industry in which the Group operates, together with all other information contained in this Offering Memorandum, including, in particular, the risk factors described below and incorporated by reference herein.*

*Each of the Issuer and the Guarantor believe that the following factors may affect their ability to fulfil their respective obligations under the Notes and the Guarantees which may in turn result in investors losing the value of their investment. Most of these factors are contingencies which may or may not occur and neither the Issuer nor the Guarantor is in a position to express a view on the likelihood of any such contingency occurring.*

*In addition, factors which are material for the purpose of assessing the market risks associated with Notes are also described below.*

*Each of the Issuer and the Guarantor believe that the factors described below represent the principal risks inherent in investing in Notes, but the inability of the Issuer or the Guarantor to pay interest, principal or other amounts on or in connection with any Notes or the Guarantees may occur for other reasons and the Issuer and the Guarantor do not represent that the statements below regarding the risks of holding any Notes are exhaustive. Potential investors should also read the detailed information set out elsewhere in this Offering Memorandum (including any documents incorporated by reference herein) and reach their own views prior to making any investment decision.*

*Additional risks and uncertainties relating to the Group that are not currently known to the Group, or that it currently deems immaterial, may individually or cumulatively also have an adverse impact on the Group's business, financial condition and results of operations and, if any such risk should occur, the price of the Notes may decline and investors could lose all or part of their investment.*

### **Risks Related to the Group's Business and Industry**

#### ***The Group operates in a competitive environment.***

The business environment in which the Group operates is competitive. In its major markets, the Group competes with other corporations that might also have significant financial resources to respond to and develop the markets in which both they and the Group operate. These resources may be applied to change areas of focus or to increase investments in marketing or new products. This could cause the Group's sales or margins to decrease in these markets.

In addition, the rapid and continuous emergence of new distribution channels, particularly in e-commerce, may create consumer price deflation, affecting the Group's retail customer relationships and presenting additional challenges to increasing prices in response to commodity and other cost increases. Moreover, if the Group is unable to adjust to new distribution channels and developments in e-commerce, the Group may be disadvantaged with certain consumers, which could adversely impact the Group's business, financial condition and results of operations.

#### ***Maintaining, extending and expanding the Group's reputation and brand image are essential to its business success.***

The Group has many iconic brands with long-standing consumer recognition across the globe. The Group's success depends on its ability to maintain brand image for its existing products, extend its brands to new platforms and expand its brand image with new product offerings.

Reliance on the Group's brands makes the Group vulnerable to brand damage in a variety of ways. For example, the Group could become the victim of a food safety or other compliance issue, product tampering or contamination or brand dilution by people who use any of the Group's brands without its permission, resulting in negative publicity. Damage to the Group's brands could result in the loss of revenue associated with the affected brands and higher costs to address these circumstances, including those associated with any product recall events that may occur.

The Group's success in maintaining, extending and expanding its brand image depends, in part, on its ability to adapt to a rapidly changing media environment. The Group is increasingly relying on social media and online dissemination of advertising campaigns. The growing use of social and digital media increases the speed and extent that information, including misinformation, and opinions can be shared. Negative posts or comments about the Group, its brands or suppliers and, in some cases, its competitors, on social or digital media, whether or not valid, could seriously damage the Group's brands and reputation.

Furthermore, the Group may fail to invest sufficiently in maintaining, extending and expanding its brand image. If the Group does not successfully maintain, extend and expand its reputation or brand image, then its business, financial condition and results of operations could be adversely impacted.

***The Group is subject to risks related to corporate social responsibility.***

The Group's business faces increasing scrutiny related to environmental, social and governance issues, including sustainable development, product safety, renewable resources, environmental stewardship, supply chain management, climate change, diversity and inclusion, workplace conduct, human rights, philanthropy and support for local communities. If the Group fails to meet applicable standards or expectations with respect to these issues across all its products and in all its operations and activities, the Group's reputation and brand image could be damaged and its business, financial condition and results of operations could be adversely impacted.

Further, the Group has developed a strong corporate reputation over many years for its focus on environmental, social and governance issues. The Group seeks to conduct its business in an ethical and socially responsible way, through sustainable business practices and various programs committed to sustainability, human rights and compliance, which it regards as essential to maximizing shareholder value, while enhancing community quality and environmental stewardship. Implementation of these programs, including *Nestlé needs YOUth*, *Nestlé for Healthier Kids* and *Farmer Connect*, can require significant expenditures of financial and employee resources.

***The Group may be unable to anticipate and successfully respond to changes in consumer preferences and trends, which may result in decreased demand for its products.***

The success of the Group depends, in part, on its ability to anticipate the tastes and dietary habits of consumers and to offer products that appeal to their preferences. Consumer preferences are susceptible to change. Any major change in demographics and/or any failure to anticipate, identify or react to changes in consumer preferences or trends or introduce new and improved products on a timely basis could result in reduced demand for the Group's products, which would in turn cause the volume, revenue and operating companies' income to suffer. Moreover, there are inherent marketplace risks associated with new product or packaging introductions, including uncertainties about trade and consumer acceptance.

The Group must distinguish between short-term fads, mid-term trends and long-term changes in consumer preferences. If the Group does not accurately predict if shifts in consumer preferences will be long-term or if it fails to introduce new and improved products to satisfy those preferences, its sales could decline. In addition, because of its varied consumer base, the Group must offer an array of products that satisfy a broad spectrum of consumer preferences. If the Group fails to expand its product offerings successfully across product categories, or if it does not rapidly develop products in faster growing or more profitable categories, demand for the Group's products could decrease, which could adversely impact its business, financial condition and results of operations.

Successful innovation depends on the Group's ability to correctly anticipate consumer acceptance, to obtain, protect and maintain necessary intellectual property rights and to avoid infringing upon the intellectual property rights of others. The Group must also successfully respond to new products and technological advances made by competitors. Failure to respond to competitive moves and changing habits of consumers could compromise the Group's competitive position and adversely impact the Group's business, financial condition and results of operations.

There is also the risk that the Group's business, financial condition and results of operations may be adversely impacted by an overall reduction in consumer spending.

***Product recalls and product liability claims could adversely impact the Group.***

The Group has a comprehensive food safety assurance program and implements an array of preventive measures to ensure the safety of its products. Nevertheless, selling products for human and animal use and consumption involves inherent legal and other risks, including contamination or spoilage, misbranding, product tampering and other adulteration. The Group could decide to, or be required to, recall products due to suspected or confirmed product contamination or any other such deficiencies. Product recalls or market withdrawals could result in losses due to their costs, the destruction of product inventory and lost sales due to the unavailability of the product for a period of time.

The Group could be adversely impacted if consumers lose confidence in the safety and quality of certain food products or ingredients or the food safety assurance program generally. Adverse attention about these types of concerns, whether or not valid, may damage certain of the Group's brands and/or the Group's reputation, discourage consumers from buying its products or cause production and delivery disruptions.

The Group may also suffer losses if its products or operations violate applicable laws or regulations, or if its products cause injury, illness, or death. In addition, the Group's marketing could face claims of false or deceptive advertising or other criticism. A significant product liability or other legal judgment or a related regulatory enforcement action against the Group, or a significant product recall, may adversely impact the Group's reputation and profitability. Moreover, even if a product liability or fraud claim is unsuccessful, has no merit, or is not pursued, the negative publicity surrounding assertions against the Group's products or processes could adversely impact its business, financial condition and results of operations.

***Price changes for raw materials and commodities may adversely impact the Group's business, financial condition and results of operations.***

The Group relies to a varying degree on the sourcing of raw materials from around the world. This exposes the Group to price fluctuations and supply uncertainties which are subject to factors such as commodity market price volatility, currency fluctuations, changes in governmental agricultural programs, harvest and weather conditions including longer-term changes in weather patterns, water shortages, crop disease, crop yields, alternative crops and by-product values. Underlying base material price changes may result in unexpected increases in raw material and packaging costs and the Group may be unable to fully reflect these increases by raising prices without suffering reduced volume, revenue and operating income.

The ability to maintain the profitability of products containing tradeable commodities is largely dependent on cost management capacity of both direct and indirect materials, including energy, as well as market competitiveness. A significant or sustained decrease in the sale price of products based on commodities such as coffee, cocoa or milk products and ice cream could have an adverse impact on the business, financial condition and results of operations of the Group.

Although the Group monitors its exposure to commodity prices and seeks to hedge against price changes for raw materials and commodities to the extent it deems appropriate, it does not fully hedge against changes in raw materials and commodity prices, and its hedging strategies may not protect the Group from increases in specific raw materials costs.

Should the price of commodities decline over a period of time, producers of raw materials may diversify their product range, which may restrict the availability of raw materials.

In addition, various governments throughout the world are considering regulatory proposals relating to genetically modified organisms or ingredients, food safety and market and environmental regulation which, if adopted, would increase costs. If any of these or other proposals are enacted, the Group may experience difficulties in supply and may be unable to pass on the cost increases to consumers without incurring volume loss as a result of higher prices.

***Prolonged negative perceptions concerning health implications of certain foods could lead to an increase in regulation of the food industry or influence consumer preferences, which may adversely impact the Group's brands, reputation and results of operations.***

The food industry as a whole is faced with the global challenge of rapidly rising obesity levels. The Group makes all of its products available in a range of sizes and varieties designed to meet all needs and all occasions. There is a possibility, however, of governments taking action against the food industry, for example, by levying additional taxes on products with high calories or salt levels or by restricting the advertising of products of this type. Further, even absent additional regulation, consumers may change their purchasing or consumption habits in response to perceived health concerns. Such actions or shifting preferences could have an adverse impact on the Group's brands, reputation and results of operations.

***Adverse weather conditions could reduce the demand for the Group's products.***

The Group's business is subject to some seasonality and adverse weather conditions may impact the Group's sales. The ice cream and water business experience seasonal business swings, which correspond to the North American seasons. Unusually prolonged periods of cold, rain, blizzards, hurricanes or other severe weather patterns could impact consumers' decisions to purchase goods associated with the spring and summer.

***Climate change may have an adverse impact on the Group's business, financial condition and results of operations.***

Climate change is a major global challenge, with shifting weather patterns threatening food security and changes in consumption putting pressure on natural resources. Decreased agricultural productivity in certain regions of the world as a result of changing weather patterns may limit the availability or increase the cost of key agricultural commodities, which are important sources of ingredients for our products. Climate change may also exacerbate water scarcity and cause a further deterioration of water quality in affected regions, which could limit water availability for the Group's water products. Increased frequency or duration of extreme weather conditions could also impair production capabilities, disrupt our supply chain or impact demand for our products. As a result, the effects of climate change could adversely impact on our business, financial condition and results of operations.

***A significant disruption in one or many of the Group's manufacturing facilities or to the Group's suppliers could impact the Group's business, financial condition and results of operations.***

The Group's manufacturing facilities and/or suppliers could be disrupted for reasons beyond the Group's control. These disruptions may include extremes of natural hazards, fire, supplies of materials or services, system failures, workforce actions, political instability, environmental issues or an event such as infectious disease. The Group takes measures to limit these risks, and, in particular, the decentralized nature of the Group's manufacturing assets helps to limit the impact that any local disruption may have on the Group's manufacturing capabilities. However, any significant manufacturing disruptions or a major event in one of the Group's key plants, at a key supplier, contract manufacturer, co-packer and/or warehouse facility could lead to a supply disruption and adversely impact the Group's ability to make and sell products, which could adversely impact the Group's business, financial condition and results of operations. Shifts in production patterns and economic and social inequality in supply chains could also result in capacity constraints, as well as reputational damage.

***Adverse economic, political and business conditions or other developments, as well as other geopolitical risks, such as terrorism, in the countries in which the Group operates, may adversely impact the Group's business, financial condition and results of operations.***

The Group sells products in 189 countries worldwide, so its business is subject to a variety of risks and uncertainties related to trading in many different countries, including political, economic or

social upheaval. Such upheaval could lead governments to make changes, including the imposition of import, investment or currency restrictions, such as tariffs and import quotas and restrictions on the repatriation of earnings and capital, or changes in trade regulation. For instance, uncertainties surrounding the UK's impending withdrawal from the European Union (commonly referred to as "Brexit") and potential changes to major international trade agreements (e.g., the North American Free Trade Agreement), could negatively impact the Group's operations and sales. In addition, the loosening of any such restrictions impacting the Group's competitors could lead to increased competition in some of the Group's markets, could negatively impact the Group's market share and could adversely impact the Group's business, financial conditions and results of operations.

Political, fiscal or social unrest, potential health issues (including pandemic issues) and terrorist threats or acts may also occur in various places around the world, which will have an impact on trade, tourism and travel. These disruptions may directly impact the Group's, suppliers' or customers' physical facilities. Furthermore, terrorists threats or acts may make travel and the transportation of supplies and products more difficult and more expensive and ultimately impact the Group's operating results. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Market Risks—Foreign currency risk*".

Unfavorable global economic conditions, such as a recession or economic slowdown could adversely impact the Group's sales and profitability. Under difficult economic conditions, consumers may seek to reduce discretionary spending by foregoing purchases of the Group's products. The Group cannot predict how current or future global economic conditions will impact the Group's customers, consumers, suppliers, distributors or other third parties and any negative impact on the foregoing may also have an adverse impact on the Group's business, financial condition or results of operations.

***Changes in, or failure to comply with, the laws and regulations applicable to the Group's products or its business could adversely impact the Group's business, financial condition and results of operations.***

The Group is subject to various laws and regulations in numerous countries throughout the world in which it does business, including laws and regulations relating to competition, product safety, advertising and labeling, recycling and product stewardship, the protection of the environment and employment and labor practices. Changes in applicable laws or regulations or evolving interpretations thereof, including increased or additional regulations to discourage the use of plastic, including regulations relating to recovery and/or disposal of plastic packaging materials due to environmental concerns, may result in increased compliance costs, capital expenditures and other financial obligations for the Group, which could impact its profitability or may impede the production, distribution, marketing and sale of its products, which could adversely impact the Group's business, financial condition and results of operations.

In addition, failure to comply with privacy laws and regulations such as the General Data Protection Regulation, anti-corruption laws such as the U.S. Foreign Corrupt Practices Act and other applicable laws or regulations could result in the assessment of damages, the imposition of penalties, suspension of production or distribution, costly changes to equipment or processes due to required corrective action or a cessation or interruption of operation at the Group's facilities (or those of suppliers), as well as damage to its image and reputation, all of which could harm the Group's business, financial condition and results of operations.

Further, the Group conducts business in certain countries that are the target of trade sanctions imposed by the United States. Such trade sanctions notably prohibit transactions with certain financial institutions and certain persons. If the Group fails to comply with these trade sanctions, it could be subject to criminal penalties and/or significant financial penalties.

Some of the Group's products, especially in its Nutrition and Health Science products segment, are subject to regulation by the U.S. Food and Drug Administration (the "FDA") and numerous international, supranational, federal and state authorities. The process of obtaining regulatory approvals to market a drug, cosmetic or other health care supply can be costly and time-consuming, and approvals might not be granted for future products, or additional indications or uses of existing

products, on a timely basis, if at all. Delays in the receipt of, or failure to obtain, approvals for future products, or new indications and uses, could result in delayed realization of product revenues, reduction in revenues, and in substantial additional costs. In addition, no assurance can be given that the Group will remain in compliance with applicable FDA and other regulatory requirements once approval or marketing authorization has been obtained for a product. Possible regulatory actions for non-compliance could include warning letters, fines, damages, injunctions, civil penalties, recalls, seizures of the Group's products and criminal prosecution, any of which could negatively impact the Group's business, financial condition and results of operations.

***Changes to international trade policies, treaties and tariffs, or the emergence of a trade war could adversely impact the Group's business, financial condition and results of operations.***

Changes to international trade policies, treaties and tariffs, or the perception that these changes could occur, could adversely impact the financial and economic conditions of some or all of the jurisdictions in which the Group operates. The United States has recently imposed increased tariffs on certain imports from China and has proposed the implementation of other increased and new tariffs on certain imports from China. In retaliation to the current and proposed tariffs, China has announced and subsequently implemented a plan to impose increased and new tariffs on a wide range of U.S. products. Such trade policy retaliations could result in further changes to international trade policies, treaties and tariffs by the United States and other countries, which could lead to the emergence of a trade war. Any escalation in trade tensions or a trade war, or news and rumors of a potential trade war, could have an adverse impact on the Group's business, financial condition and results of operations. Additionally, the imposition of increased or new tariffs could increase the Group's costs and require the Group to raise prices on certain of its products, which may adversely impact the demand for such products. If the Group is not successful in offsetting the impacts of any such tariffs, the Group's business, financial condition and results of operations could be adversely impacted.

***Significant additional labeling or warning requirements or limitations on the marketing or sale of the Group's products may reduce demand for such products and could adversely impact the Group's business, financial condition or results of operations.***

Certain jurisdictions in which the Group's products are made, manufactured, distributed or sold have either imposed, or are considering imposing, product labeling or warning requirements or limitations on the marketing or sale of certain of its products as a result of ingredients or substances contained in such products. These types of provisions have required that the Group provide a label that highlights perceived concerns about a product or warns consumers to avoid consumption of certain ingredients or substances present in the Group's products. For instance, a number of jurisdictions have imposed or are considering imposing labeling requirements, including color-coded labeling of certain food and beverage products where colors such as red, yellow and green are used to indicate various levels of a particular ingredient, such as sugar, sodium or saturated fat. The imposition or proposed imposition of additional product labeling or warning requirements could reduce overall consumption of the Group's products, lead to negative publicity (whether based on scientific fact or not) or leave consumers with the perception (whether or not valid) that its products do not meet their health and wellness needs. Such factors could adversely impact the Group's business, financial condition or results of operations.

***Failure to comply with environmental, occupational health and safety laws and regulations of the countries in which the Group operates could adversely impact the Group's business, financial condition and results of operations.***

The Group is subject to various environmental laws and regulations in numerous countries throughout the world in which it does business and has to comply with legislation concerning the protection of the environment, including the use of natural resources (e.g., water), release of air emissions and waste water, and the generation, storage, handling, transportation, treatment and disposal of waste materials. In the ordinary course of business, the Group's operations are subject to

internal environmental policy and management procedures, environmental inspections and monitoring by governmental enforcement authorities. Costs may be incurred, including fines, damages and criminal or civil sanctions, or interruptions may be experienced in operations for actual or alleged violations arising under any environmental laws. Moreover, the Group's production facilities require operating permits that are subject to renewal, modification and, in certain circumstances, revocation. Violations of permit requirements can also result in restrictions or prohibitions on plant operations, substantial fines and civil or criminal sanctions. Environmental legislation is also increasingly imposing requirements on the Group's products and packaging (e.g., eco-taxes or deposits), which affect costs.

Similarly, the Group is subject to various health and safety laws and regulations in numerous countries throughout the world in which it operates and has to comply with legislation concerning the protection of the health and welfare of employees and contractors. Despite the Group's internal policy decisions on safety, the training provided to employees, accident prevention and awareness, the risk of accidents and/or long-term health impacts cannot be excluded. Costs may be incurred, including fines, damages and criminal or civil sanctions, or interruptions may result from, actual or alleged violations arising under any health and safety laws and/or regulations.

The failure to comply with any such laws may also adversely impact the Group's reputation.

***The ability to attract and retain highly skilled and talented employees is critical to the success of the Group.***

The success of the Group depends on its ability to attract and retain a highly skilled and talented workforce. The Group may not be able to successfully compete for and attract the high-quality employee talent it wants and its future business needs may require. Any unplanned turnover or unsuccessful implementation of the Group's succession plans to backfill current leadership positions, or to hire, train, develop and retain a highly talented workforce could deplete the Group's institutional knowledge base and erode its competitive advantage or result in increased costs due to increased competition for employees, higher employee turnover or increased employee benefit costs. Any of the foregoing could adversely impact the Group's reputation, business, financial condition or results of operations.

***The Group's results could be adversely impacted as a result of increased obligations under its retirement benefit schemes.***

The Group has various retirement benefit schemes which are funded via investments in equities, bonds and other external assets, the liabilities for which reflect the latest salary levels. The values of such assets are dependent on, among other things, the performance of the equity and debt markets, which are volatile. Any shortfall in the Group's funding obligations may require significant additional funding from the employing entities, which may adversely impact the Group's results of operations.

***The Group's strategy of growth through acquisitions and investments may not be successful.***

From time to time, the Group may evaluate acquisition candidates, alliances, joint ventures or investments that may strategically fit its business objectives. Such acquisitions, alliances, joint ventures and investments may expose the Group to unknown liabilities and may lead the Group to incur additional debt, related interest expense and increase the Group's contingent liabilities.

The Group may not be able to successfully produce, market or sell the products of brands it acquires, and integrating acquired brands so they conform with the Group's trade practice standards may prove challenging and costly and may not deliver the anticipated benefits, cost savings or synergies.

In addition, the Group may not be able to find suitable targets for acquisitions, alliances, joint ventures or investments on acceptable terms and conditions in the future.

***If the Group does not realize the economic benefits it anticipates from its productivity and cost-savings initiatives or is unable to successfully manage such initiatives' possible negative consequences, the Group's business, financial condition and results of operations could be adversely impacted.***

The Group has implemented a number of productivity and cost-savings initiatives that it believes are important to position its business for future success and growth. The Group's future success may depend upon its ability to realize the benefits of its productivity and cost-savings initiatives. In addition, certain of the Group's initiatives may lead to increased costs in other aspects of its business such as increased outsourcing or distribution costs. Some of the actions the Group takes in furtherance of its productivity and cost-savings initiatives may become a distraction for its managers and employees and may disrupt its ongoing business operations; cause deterioration in employee morale which may make it more difficult for us to retain or attract qualified managers and employees; disrupt or weaken the internal control structures of the affected business operations; and give rise to negative publicity which could affect the reputation of our brands. If the Group is unable to successfully manage the possible negative consequences of its productivity and cost-savings initiatives, the Group's business, financial condition and results of operations could be adversely impacted.

***Disruption impacting the reliability, security and privacy of data, as well as the Group's software applications, is a threat.***

The Group depends on accurate, timely information and numerical data from key software applications to enable day-to-day decision making. The Group also uses computer systems to monitor financial conditions and daily cash flows and to process payments to internal and external counterparties. The management of daily cash flows at Group companies depends on the timely receipt of funds from external institutions who act as counterparties to financial transactions, such as bonds, swaps or other derivative financial instruments.

Any disruption caused by a failure of a key software application, of underlying equipment or of communication networks, for whatever reason, could delay day-to-day decision making, payment processes, manufacturing processes, product delivery and/or cause the Group adverse financial losses. Moreover, restoring or recreating information that has been lost could be costly, difficult or even impossible. Changes in the European regulatory environment regarding data privacy and protection could have an adverse impact on our business.

***The Group may not be able to protect its intellectual property rights.***

The success of the branded goods industry in general and the Group's business in particular depends, in large part, on the Group's ability to protect its current and future trademarks, brand names and trade names and to defend the Group's intellectual property rights. The Group has invested considerable effort in protecting its intellectual property rights, including registering trademarks and domain names. The Group cannot, however, be certain that the measures it has taken to protect its intellectual property rights will be sufficient or that third parties will not infringe or misappropriate its intellectual property rights. Given the attractiveness of the Group's brands to consumers, the Group is subject to the risk of third parties manufacturing counterfeit or similar products or using its trademarks or brand names. The Group cannot be certain that the steps it takes to prevent, detect and eliminate counterfeit products will be effective in preventing material loss of profits or erosion of brand equity resulting from lower quality or even dangerous counterfeit product reaching the market. Moreover, certain countries in which the Group operates offer less intellectual property protection than is available in North America and Europe. If the Group is unable to protect its intellectual property against infringement or misappropriation, this could adversely impact the Group's business, financial condition and results of operations.

***The results of litigation claims and legal proceedings cannot be predicted and may adversely impact the Group.***

Various of the Group's companies are party to litigation claims and legal proceedings arising out of the ordinary course of business. The relevant companies in the Group believe that there are valid defenses for the claims and proceedings and such companies intend to defend any such litigation claim or legal proceeding. However, the results of litigation and legal proceedings cannot be predicted with certainty. In the event that the relevant companies' assessment of the various litigation or legal proceedings prove inaccurate or litigation, claims, proceedings, inquiries or investigations that are material arise in the future, there may be an adverse impact on the Group's business, financial condition or results of operations. Responding to litigation claims, legal proceedings, inquiries, and investigations, even those that are ultimately non-meritorious, may also require the Group to incur significant expense and devote significant resources.

***Currency fluctuations could adversely impact the financial condition of the Group.***

The Group operates in many different countries and thus is subject to currency fluctuations, both in terms of its trading activities and the translation of its financial statements. While the Group uses short-term hedging for trading activities, it does not believe that it is appropriate or practicable to hedge long-term translation exposure. The Group does, however, seek some mitigation of such translation exposure by relating the currencies of trading cash flows to those of its debt by using broadly similar interest cover ratios. If the Group experiences significant currency fluctuations or is unable to use effectively similar interest cover ratios, then the Group's financial condition could be adversely impacted.

***Changes in interest rates could adversely impact the Group's results of operations.***

The Group holds a substantial volume of interest rate sensitive financial assets, liabilities and derivatives for operational, financing and investment activities. Changes in interest rates can have adverse impacts on the financial condition and operating results of the Group. In order to mitigate the impact of interest rate risk, the Group continually assesses the exposure of the Group to this risk. Interest rate risk is managed and hedged through the use of derivative financial instruments, such as interest rate swaps and forward rate agreements. When deemed appropriate, there might be unhedged positions.

***Global capital and credit markets could adversely impact the Group's liquidity, increase its costs of borrowing and disrupt the operations of its suppliers and customers.***

Certain of the Group's companies raise finance by the issuance of term debt, principally in the capital markets. Therefore, the Group depends on broad access to these capital markets and investors. Changes in demand for term debt instruments in the capital markets could limit the ability of the Group to fund operations.

In connection with its financing activities, the Group deals with many banks and financial institutions and thus is exposed to a risk of loss in the event of non-performance by the counterparties to financial instruments. While the Group seeks to limit such risk by dealing with counterparties which have high credit ratings, the Group cannot give assurances that counterparties will fulfil their obligations, the failure of which could adversely impact the Group's business, financial condition and results of operations.

In addition, increases in the cost of borrowing could negatively impact the operating results of the Group. Increases in borrowing costs could arise from changes in demand for term debt instruments in the capital markets and a decreasing willingness of banks to provide credit lines and loans.

The Group's business could also be negatively impacted if its suppliers or customers experience disruptions resulting from tighter capital and credit markets or a slowdown in the general economy.

***Changes in tax laws and interpretations could adversely impact our business.***

The Group is subject to income and other taxes in various foreign jurisdictions in which it operates. The Group's domestic and foreign tax liabilities are dependent on the jurisdictions in which our operations are determined to be taxable. A number of factors influence the Group's effective tax rate, including changes in tax laws and treaties as well as the interpretation of existing laws and rules in the jurisdictions in which the Group operates. Significant judgment, knowledge, and experience are required as to the interpretation and application of these rules. The Group's future effective tax rate is impacted by a number of factors including changes in the valuation of our deferred tax assets and liabilities, increases in expenses not deductible for tax and changes in available tax credits. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. In addition, federal, state, and local governments and administrative bodies within various jurisdictions have implemented, or are considering, a variety of broad tax, trade, and other regulatory reforms that may impact us. Increases in or the imposition of new taxes on our business operations or products would increase the cost of products or, to the extent levied directly on consumers, make our products less affordable, which may negatively impact our net operating revenues and profitability. The Group is also regularly subject to audits by tax authorities. Although the Group believes its tax estimates are reasonable, the final determination of tax audits and any related litigation could be materially different from our historical income tax provisions and accruals. Economic and political pressures to increase tax revenue in various jurisdictions may make resolving tax disputes more difficult. The occurrence of any of the foregoing tax risks could have an adverse impact on our business, financial condition and results of operations.

**Risks Related to the Notes**

***The Notes may not be a suitable investment for all investors.***

Each potential investor in the Notes must determine the suitability of that investment in light of such investor's own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the merits and risks of investing in the Notes;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of their particular financial situation, an investment in the Notes and the impact such investment will have on their overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) know that it may not be possible to dispose of the Notes for a substantial period of time, if at all;
- (v) understand thoroughly the terms of the Notes and be familiar with the behavior of any relevant indices and financial markets; and
- (vi) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may impact their investment and their ability to bear the applicable risks.

A potential investor should not invest in the Notes unless such potential investor has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio. The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities, and each potential investor should consult their legal advisers or the appropriate regulators.

***An active trading market for the Notes may not develop, and the transfer of the Notes will be subject to restrictions.***

The Notes of each series are a class of debt securities that have never been traded. We do not intend to apply for a listing of any series of Notes on a stock exchange or for inclusion of any series of Notes on any automated quotation system. The Initial Purchasers have informed us that they intend to make a market in each series of Notes. However, the Initial Purchasers are not obliged to do so, and may discontinue such market making at any time without notice. An active trading market for any series of Notes may not develop, or if one does develop, it may not be sustained.

The Notes and the Guarantees have not been registered under the Securities Act or the securities laws of any other jurisdiction and neither the Issuer nor the Guarantor have any obligation or intention to subsequently register or exchange registered securities for the Notes or the Guarantees. As a result, the Notes may only be transferred or resold pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws. In the absence of such registration exemption or transaction, a holder's ability to transfer the Notes will be significantly restricted. See "*Notice to Investors*".

***The trading market for debt securities may be volatile and may be adversely impacted by many events.***

The market for debt securities is influenced by economic and market conditions, interest rates, investors' expectations of changes in interest rates and currency exchange rates. Global events may lead to market volatility which may have an adverse impact on the price of the Notes.

***The Notes are structurally subordinated to all of the debt and liabilities of the Guarantor's subsidiaries, except the Issuer.***

Each series of Notes the Issuer is offering are obligations of the Issuer and are guaranteed exclusively by the Guarantor. No direct or indirect subsidiary of the Guarantor will guarantee the Notes. Other than as set forth in "*Description of Notes and Guarantees—Negative Pledge*", the Notes and the Guarantees do not restrict the ability of the Guarantor, the Issuer or any of the Guarantor's direct or indirect subsidiaries to incur indebtedness or other liabilities.

Holder will have a direct claim based on the Notes and the Guarantees against the Issuer and the Guarantor, respectively, but will not have a direct claim based on the Notes or the Guarantees against any subsidiary of the Guarantor other than the Issuer, including operating or asset-holding subsidiaries. The right of the Holders of Notes to receive payments under the Notes and the Guarantees will be structurally subordinated to all liabilities of the Guarantor's subsidiaries (other than the Issuer), including the Guarantor's operating and asset-holding subsidiaries and associated companies.

In the event of a bankruptcy, liquidation, reorganization or similar proceeding relating to a subsidiary of the Guarantor (other than the Issuer), the right of Holders of Notes to participate in a distribution of the assets of such subsidiary will rank behind such subsidiary's and associated companies' creditors (including trade creditors) and preferred stockholders (if any), except to the extent that the Issuer or the Guarantor have direct claims against such subsidiary. In any of the foregoing events, there can be no assurance to Holders that there will be sufficient assets to pay amounts due on the Notes. See "*Description of Notes and Guarantees—Ranking*" and "*Description of Notes and Guarantees—Guarantees*".

***The Notes are unsecured obligations of the Issuer and are effectively subordinated to secured obligations on insolvency.***

Persons who are holders of secured obligations of the Issuer will have claims that are prior to the claims of Holders to the extent of the value of the assets securing those other obligations. The Notes are effectively subordinated to secured indebtedness to the extent of the value of the assets securing those other obligations. In the event of any distribution of assets or payment in any foreclosure, dissolution, winding-up, liquidation, reorganization, or other bankruptcy proceeding, the

assets securing the claims of secured creditors will be available to satisfy the claims of those creditors, if any, before they are available to unsecured creditors, including the Holders. In any of the foregoing events, there is no assurance to Holders that there will be sufficient assets to pay amounts due on the Notes.

***The Guarantor and the Issuer are holding companies and will depend on the business of their respective subsidiaries to satisfy the obligations under the Notes and the Guarantees.***

Each of the Guarantor and the Issuer is a holding company. The Guarantor's and the Issuer's only material assets are their ownership interests in their subsidiaries. The ability of the Issuer to meet its financial obligations under the Notes and the ability of the Guarantor to meet its financial obligations under the Guarantees is dependent upon the availability of cash flows from their respective subsidiaries and affiliated companies through dividends, intercompany advances and other payments.

Neither the Guarantor nor the Issuer can assure the Holders that the operating results of its subsidiaries at any given time will be sufficient to make distributions or other payments to it or that any distributions and/or payments will be adequate to pay principal and interest, and any other payments, on the Notes and their other indebtedness when due.

***The Group, including the Issuer, may incur substantially more debt in the future.***

The Group, including the Issuer, may incur substantial additional indebtedness in the future, some of which may be structurally senior in right of payment to the Notes, including in connection with future acquisitions and some of which may be secured by the Group's assets. The terms of the Notes will not limit the amount of indebtedness the Group may incur. Any such incurrence of additional indebtedness could exacerbate the related risks that the Group now faces.

***The Notes will initially be held in book-entry form and therefore owners of book-entry interests in the Notes must rely on the procedures of relevant clearing systems to exercise any rights and remedies.***

Owners of book-entry interests will not be considered Holders. DTC, or its nominee, will be the Holder of the Notes for the benefit of its participants, including Euroclear and Clearstream. After payment to the Holders, the Issuer will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if a person owns a book-entry interest in the Notes, they must rely on the procedures of DTC, and if such person is not a participant in DTC, on the procedures of the participants through which they own their interest, to exercise any rights and obligations of a beneficial holder under the Notes and the Fiscal Agency Agreement. See "*Description of Notes and Guarantees—Book-Entry System; Delivery and Form*" and "*Description of Notes and Guarantees—Depository Procedures*".

Unlike the Holders themselves, owners of book-entry interests in the Notes will not have any direct rights to act upon the Issuer's or the Guarantor's solicitations for consents, requests for waivers or other actions from Holders. Instead, all persons who own a book-entry interest in the Notes will be permitted to act only to the extent that they have received appropriate proxies to do so from DTC, or, if applicable, from a participant. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable persons who own book-entry interests in the Notes to vote on any matters on a timely basis.

Similarly, upon the occurrence of an Event of Default (as defined and described in "*Description of Notes—Events of Default*"), all persons who own a book-entry interest in the Notes will be restricted to acting through DTC. The procedures to be implemented through DTC may not be adequate to ensure the timely exercise of rights under the Notes. See "*Description of Notes and Guarantees—Book-Entry System; Delivery and Form*" and "*Description of Notes and Guarantees—Depository Procedures*".

***The Notes are subject to optional redemption, which may limit their market value.***

The optional redemption feature of the Notes is likely to limit their market value. During any period when the Issuer elects to redeem the Notes of each series, the market value of the Notes of such series generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period. The Issuer may be expected to redeem the Notes of a series when its cost of borrowing is lower than the interest rate on the Notes of such series. At those times, an investor may not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes of the series being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

***Holder's rights under the Fiscal Agency Agreement, the Notes and the Guarantees may be altered without their consent.***

The terms of the Fiscal Agency Agreement, the Notes and the Guarantees provide that the Issuer, the Guarantor and the Fiscal Agent, as the case may be, may, without the consent of any Holder, agree to certain amendments and modifications to the provisions of the Fiscal Agency Agreement, the Notes and the Guarantees, including any change that does not materially adversely affect the terms of the Notes of an applicable series or the interests of the Holders thereof and any amendment or modification which is made to cure any ambiguity, omission, defect, mistake or inconsistency, in the circumstances described in “*Description of Notes and Guarantees—Amendments*”.

***An investment in the Notes involves risks relating to changes in the interest rate environment.***

A Holder of a Note is exposed to the risk that the price of such Note could fall as a result of changes in the market interest rate. While the nominal interest rate of the Notes specified herein is fixed during the life of such Notes, the current interest rate on the capital markets (“*market interest rate*”) typically changes on a daily basis. As the market interest rate changes, the price of the Notes would typically change in the opposite direction. If the market interest rate increases, the price of the Notes would typically fall, until the yield of such Notes is approximately equal to the market interest rate. If the market interest rate falls, the price of the Notes would typically increase, until the yield of such Notes is approximately equal to the market interest rate. Changes in the market interest rate are typically relevant to Holders intending to sell their Notes prior to the maturity date, or in the case that the Notes are redeemed by the Issuer prior to the stated maturity.

***Under certain circumstances, a court could cancel the Notes and the Guarantees under fraudulent transfer and conveyance laws.***

The issuance of the Notes and the Guarantees may be subject to further review under fraudulent transfer and conveyance laws. If either the Issuer or the Guarantor becomes a debtor in a case under the U.S. Bankruptcy Code or encounters other financial difficulty, a court might void such debtor's obligations under the Notes or the Guarantees, as applicable. A court might do so if it found that, the Issuer and/or the Guarantor:

- issued the Notes or the Guarantees (as applicable) with the intent of hindering, delaying, or defrauding any present or future creditor; or
- received less than reasonably equivalent value or fair consideration for the issuance of the Notes or for the incurrence of the Guarantees; and
  - was insolvent or rendered insolvent by reason of such issuance or incurrence;
  - was engaged in a business or transaction for which the Issuer's or the Guarantor's remaining assets constituted unreasonably small capital;
  - intended to incur, or believed that it would incur, debts beyond its ability to pay as they mature; or

- was defendant in an action for money damages against such person if, in either case, after final judgment, the judgment was unsatisfied.

If a court were to find that the issuance of the Notes or the Guarantees was a fraudulent transfer or conveyance, the court could void the payment obligations under the Notes or the Guarantees and require the return of any payment or the return of any realized value with respect to the Notes or the Guarantees. In addition, under the circumstances described above, a court could subordinate rather than void obligations under the Notes or the Guarantees.

The test for determining solvency for purposes of the foregoing will vary depending on the law of the jurisdiction being applied in any proceeding to determine whether a fraudulent transfer has occurred. In general, a court would consider an entity insolvent if:

- the sum of its debts, including contingent and unliquidated liabilities, was greater than the fair value of its assets; or
- the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become due.

If a court voided the Issuer's or the Guarantor's obligations under the Notes or the Guarantees, as applicable, the Holders would cease to be the Issuer's or the Guarantor's creditors and would likely have no source from which to recover amounts due under the Notes and/or the Guarantees.

***The value of the Notes could be adversely impacted by a change of law or administrative practice.***

The Notes are based on New York law and the provisions of the Guarantees are based on Swiss law, each as in effect as at the date of this Offering Memorandum. No assurance can be given as to the impact of any possible judicial decision or change to New York law or administrative practice, or Swiss law or administrative practice, after the date of this Offering Memorandum and any such change could adversely impact the value of any Notes affected by it.

***The Guarantees are not full and unconditional obligations of the Guarantor and it may be difficult for Holders to obtain, or enforce judgments obtained, in U.S. courts against the Guarantor.***

Consistent with the Group's existing debt issuance program and commercial paper programs, the Guarantor has guaranteed the Notes, as a joint and several surety (*caution solidaire*), in accordance with the terms of Article 496 of the Swiss Code of Obligations. A joint and several suretyship (*cautionnement solidaire*) pursuant to Article 496 of the Swiss Code of Obligations is not a full and unconditional guarantee, but rather it is a guarantee that is accessory in nature, which means that its enforceability is dependent upon the legal validity and enforceability of the primary obligation to which it relates. This means that the Guarantor will only have an obligation to pay a Holder an amount under the Guarantee if and to the extent such Holder has a legally valid and enforceable claim against the Issuer to pay such amount under the Notes of the relevant series. A joint and several suretyship pursuant to Article 496 of the Swiss Code of Obligations is also governed by a number of statutory provisions of Swiss law that are designed to protect the surety. Some of these provisions must be reflected in the terms of the suretyship itself, while others apply as a matter of mandatory Swiss law. Among other things, these provisions require the terms of any suretyship to fix the aggregate maximum amount that may be payable by the surety thereunder. Accordingly, the terms of each Guarantee will limit the aggregate amount payable by the Guarantor to the Holders thereunder to a fixed U.S. dollar amount. See "*Description of Notes and Guarantees—Guarantees*" for further information.

In addition, any dispute that might arise out of or in connection with the Guarantees will fall within the exclusive jurisdiction of the courts of the Canton of Vaud, Switzerland (venue being the City of Vevey). This means, among other things, that, in respect of any such dispute, service of process upon the Guarantor must be effected in Switzerland in accordance with Swiss procedural rules, and it is unlikely that investors would be able to enforce in Switzerland against the Guarantor any judgment obtained from a U.S. court with respect to any such dispute.

Furthermore, the Guarantor is incorporated under the laws of Switzerland, certain of the Guarantor's directors and authorized officers reside or may reside outside the United States and certain of its or such persons' assets are or may be located outside the United States. As a result, in the case of disputes not arising out of or in connection with the Guarantees, it may not be possible for investors to effect service of process upon the Guarantor or such persons within the United States. It may also be difficult for investors to enforce in Switzerland against the Guarantor judgments obtained in U.S. courts; in particular, it is doubtful whether a Swiss court would enforce a judgment obtained in U.S. courts predicated solely upon the federal or state securities laws of the United States. Furthermore, awards of punitive damages in actions brought in the United States or elsewhere may be unenforceable in jurisdictions outside the United States. See "*Enforceability of Civil Liabilities*".

***Enforcement claims or court judgments against the Guarantor must be converted into Swiss francs.***

Enforcement claims or court judgments against the Guarantor under Swiss debt collection or bankruptcy proceedings may be made only in Swiss francs and any foreign currency amounts must accordingly be converted into Swiss francs. With respect to enforcing creditors, any such foreign currency amounts will be converted at the exchange rate prevailing in particular on (i) the date of instituting the enforcement proceedings (*réquisition de poursuite*) and (ii), upon creditor's request, the date of the filing for the continuation of the enforcement procedure (*réquisition de continuer la poursuite*). With respect to nonenforcing creditors, foreign currency amounts will be converted at the exchange rate prevailing at the time of the adjudication of bankruptcy (*ouverture de la faillite*).

***Legal investment considerations may restrict certain investments, such as an investment in the Notes.***

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent the Notes are legal investments for it, whether the Notes can be used as collateral for various types of borrowing and whether other restrictions apply to its purchase or pledge of any of the Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

***Exchange rate risks and exchange controls may adversely impact currency conversions of principal and interest paid on the Notes.***

The Issuer will pay principal and interest on the Notes in U.S. dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "*Investor's Currency*") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease the Investor's Currency-equivalent yield on the Notes, the Investor's Currency-equivalent value of the principal payable on the Notes and the Investor's Currency-equivalent market value of the Notes. Governments and monetary authorities may impose (as some have done in the past) exchange controls that could adversely impact an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

***Credit ratings may not reflect all risks, are not recommendations to buy or hold securities and may be subject to revision, suspension or withdrawal at any time.***

One or more independent credit rating agencies may assign credit ratings to the Notes of a series. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may impact the value of the Notes of such

series. These ratings are subject to ongoing evaluation by credit rating agencies, and the Group cannot assure potential investors that any rating will not be changed or withdrawn by a rating agency in the future if, in its judgment, circumstances warrant. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

***A downgrade in the Group's credit ratings could adversely impact its financial condition and the market value of the Notes.***

The Group's credit ratings are an assessment by rating agencies of its ability to pay its debts when due. Consequently, real or anticipated changes in the Group's credit ratings will generally affect the market value of the Notes. In addition, the Group's credit ratings are important to its ability to issue commercial paper at favorable rates of interest. A downgrade in its credit rating could increase the cost of borrowing or make the commercial paper market unavailable to us, which could increase the Group's cost of capital.

If any of the credit rating agencies that have rated the Notes or the Group's other debt securities downgrades or lowers its credit rating, or if any credit rating agency indicates that it has placed any such rating on a so-called "watch list" for a possible downgrading or lowering or otherwise indicates that its outlook for that rating is negative, it could have an adverse impact on the market value of the Notes and the Group's costs and availability of capital, which could in turn have an adverse impact on the Group's financial condition, results of operations, cash flows and the Group's ability to satisfy its debt service obligations (including payments on the Notes).

## **USE OF PROCEEDS**

The Issuer expects the proceeds of the offering of the Notes, net of discounts and commissions, to be USD \$7,918,951,500. The net proceeds of the offering of the Notes will be used for general corporate purposes of the Guarantor and its consolidated subsidiaries, including the repayment or refinancing of commercial paper or other indebtedness issued or incurred to finance the Starbucks Alliance, the repayment or refinancing of certain other existing indebtedness, the funding of dividends and the funding of share repurchases under the Guarantor's share buyback program. All such net proceeds will be used outside of Switzerland unless and to the extent use in Switzerland is permitted under the Swiss taxation laws in force from time to time without payments in respect of the Notes becoming subject to withholding or deduction for Swiss withholding tax as a consequence of such use of proceeds in Switzerland.

## CAPITALIZATION

The following table sets forth, on a consolidated basis, the Guarantor’s cash and cash equivalents, indebtedness, shareholders’ equity and capitalization as of June 30, 2018, in accordance with IFRS, on a historical basis and on an adjusted basis to give effect to (i) the issuance and sale of USD \$8,000,000,000 aggregate principal amount of the Notes, (ii) the receipt by the Issuer of the proceeds from offering totaling USD \$7,918,951,500, after deducting the Initial Purchaser discounts, but before the application of such proceeds and (iii) the payment of approximately USD \$2,500,000 of offering expenses, exclusive of the Initial Purchaser discounts.

The historical information has been derived from the unaudited interim condensed consolidated financial statements of the Guarantor and its subsidiaries incorporated by reference in this Offering Memorandum. You should read this table in conjunction with “*Use of Proceeds*”, “*Selected Financial Data*”, “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” and our audited consolidated financial statements, unaudited interim condensed consolidated financial statements and the notes related to each of those financial statements incorporated by reference in this Offering Memorandum.

	Actual as of June 30, 2018	As Adjusted as of June 30, 2018
<b>(CHF in millions)</b>		
<b>Cash and cash equivalents</b> .....	<b>4,615</b>	<b>12,489<sup>(2)</sup></b>
Current financial debt .....	15,756	15,756
Non-current financial debt .....	19,847	27,721 <sup>(2)</sup>
<b>Total financial debt</b> .....	<b>35,603</b>	<b>43,477<sup>(2)</sup></b>
Share capital .....	306	306
Treasury shares .....	(4,045)	(4,045)
Translation reserve .....	(19,496)	(19,496)
Other reserves .....	(234)	(234)
Retained earnings .....	79,783	79,783
<b>Total equity attributable to shareholders of the Guarantor</b> .....	<b>56,314</b>	<b>56,314</b>
<b>Total capitalization<sup>(1)</sup></b> .....	<b>91,917</b>	<b>99,791</b>

<sup>(1)</sup> Total capitalization represents the sum of Total financial debt and of Total equity attributable to the shareholders of the Guarantor.

<sup>(2)</sup> U.S. dollars converted to Swiss francs on the basis of Reuters mid bid ask rate of 0.9947 on June 29, 2018. The rate on September 17, 2018 was 0.9669.

## SELECTED FINANCIAL DATA

The following tables set forth selected historical consolidated financial data for each of the Issuer and the Guarantor and its respective subsidiaries as of the dates and for each of the periods indicated. The selected historical consolidated financial data as of December 31, 2017 and 2016 and for each of the years ended December 31, 2017, 2016 and 2015 were derived from our audited consolidated financial statements incorporated by reference in this Offering Memorandum. The selected historical consolidated financial data as of and for the first six months of Fiscal 2018 and Fiscal 2017 has been derived from our unaudited interim condensed consolidated financial statements incorporated by reference in this Offering Memorandum. Each of the audited consolidated financial statements incorporated by reference herein have been prepared in accordance with IFRS and Swiss law (in the case of the Guarantor's consolidated financial statements), and each of the unaudited interim condensed consolidated financial statements incorporated by reference herein have been prepared in accordance with International Accounting Standard (“IAS”) 34, the standard of IFRS applicable to interim financial statements.

The application of new accounting standards and changes in presentation and in accounting policies may impact an investor's ability to compare our financial statements year-over-year and period-over-period. Specifically, the figures below for the first six months of each of Fiscal 2018 and Fiscal 2017 are based on restated figures following the first application of the new accounting standards IFRS 15 Revenue from Contract with Customers, IFRS 16 Leases and some other changes in presentation and in accounting policies. However, the figures below for Fiscal 2017, Fiscal 2016 and Fiscal 2015 are based on published figures before the application of these new accounting standards. See “*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key accounting judgments, estimates and assumptions—Changes in presentation and changes in accounting standards*”, “*Management's Discussion and Analysis of Financial Condition and Results of Operations—Items Affecting Comparability of Financial Statements*” and our financial statements and the related notes and other financial information incorporated by reference elsewhere in this Offering Memorandum for further information on the changes in accounting standards, changes in presentation and in accounting policies from Fiscal 2016 to Fiscal 2018 and the ability of investors to compare financial results year-over-year and period-over-period.

The data presented below is not necessarily indicative of results of future operations and should be read in conjunction with “*Use of Proceeds*”, “*Capitalization*”, “*Management's Discussion and Analysis of Financial Condition and Results of Operations*” and our audited consolidated financial statements and unaudited interim condensed consolidated financial statements and the notes related to each of those financial statements incorporated by reference in this Offering Memorandum.

*The Issuer*

<b>Consolidated Income Statement</b> (U.S. dollars in thousands)	<b>Six months ended June 30,</b>	
	<b>2018</b>	<b>2017</b>
Sales.....	10,204,139	10,181,552
Cost of goods sold.....	(5,678,100)	(5,627,938)
Distribution expenses.....	(985,910)	(934,256)
Marketing, general and administrative expenses.....	(1,713,231)	(1,804,369)
Royalties to affiliated company.....	(549,426)	(558,075)
Net other trading expenses.....	<u>(124,887)</u>	<u>(87,508)</u>
<b>Trading operating profit</b> .....	<b>1,152,585</b>	<b>1,169,406</b>
Net other operating expenses.....	<u>(993,504)</u>	<u>(483)</u>
<b>Operating profit</b> .....	<b>159,081</b>	<b>1,168,923</b>
Net financial expenses.....	<u>(70,389)</u>	<u>(92,546)</u>
<b>Profit before taxes, associates and joint ventures</b> .....	<b>88,692</b>	<b>1,076,377</b>
Income tax expense.....	(513,736)	(354,638)
(Loss) profit from associates and joint ventures.....	<u>(1,796)</u>	<u>4,822</u>
<b>(Loss) Profit for the period</b> .....	<b><u>(426,840)</u></b>	<b><u>726,561</u></b>

<b>Consolidated Income Statement</b> (U.S. dollars in thousands)	<b>Year ended December 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Sales.....	21,975,415	22,069,217	21,399,111
Cost of goods sold.....	(11,988,149)	(11,963,856)	(11,824,068)
Distribution expenses.....	(2,035,228)	(1,984,555)	(1,932,695)
Marketing, general and administrative expenses.....	(3,531,336)	(3,753,965)	(3,572,784)
Royalties to affiliated company.....	(1,196,124)	(1,214,361)	(1,180,428)
Net other trading expenses.....	<u>(219,398)</u>	<u>(117,683)</u>	<u>(45,354)</u>
<b>Trading operating profit</b> .....	<b>3,005,180</b>	<b>3,034,797</b>	<b>2,843,782</b>
Net other operating expenses.....	<u>(921,122)</u>	<u>(9,634)</u>	<u>(9,968)</u>
<b>Operating profit</b> .....	<b>2,084,058</b>	<b>3,025,163</b>	<b>2,833,814</b>
Net financial expenses.....	(174,437)	(211,922)	(237,073)
Share of results from joint ventures and associated companies.....	<u>1,618</u>	<u>3,157</u>	<u>4,152</u>
<b>Income from continuing operations before income taxes</b> .....	<b>1,911,239</b>	<b>2,816,398</b>	<b>2,600,893</b>
Income tax expense.....	<u>(148,494)</u>	<u>(1,045,947)</u>	<u>(678,205)</u>
<b>Income from continuing operations</b> .....	<b>1,762,745</b>	<b>1,770,451</b>	<b>1,922,688</b>
Income from discontinued operations, net of taxes.....	<u>—</u>	<u>13,553</u>	<u>159</u>
<b>Net income</b> .....	<b><u>1,762,745</u></b>	<b><u>1,784,004</u></b>	<b><u>1,922,847</u></b>

<b>Consolidated Balance Sheet</b> (U.S. dollars in thousands, except capital stock par value and shares)	<b>As of</b>	<b>As of December 31,</b>	
	<b>June 30,</b>	<b>2017</b>	<b>2016</b>
	<b>2018</b>		
<b>Assets</b>			
Current assets:			
Cash and cash equivalents .....	521,235	45,903	430,712
Short-term investments .....	235,641	54,601	42,475
Trade and other receivables, net.....	15,432,503	12,095,341	8,330,288
Inventories, net .....	2,112,184	1,674,582	1,591,315
Derivative assets .....	92,959	123,258	92,074
Assets held for sale.....	4,142,933	390,016	—
Prepayments .....	120,749	79,766	85,843
<b>Total current assets</b> .....	<b>22,658,204</b>	<b>14,463,467</b>	<b>10,572,707</b>
Non-current assets:			
Property, plant and equipment, net .....	5,947,138	5,334,907	5,329,648
Employee benefits assets .....	353,005	238,574	178,183
Investments in joint ventures and associated companies .....	48,235	50,066	8,621
Deferred tax assets .....	647,158	570,802	918,928
Financial assets .....	1,256,547	4,698,666	4,226,938
Goodwill.....	14,929,132	16,167,268	17,097,741
Intangible assets, net.....	232,582	1,348,836	1,188,159
<b>Total non-current assets</b> .....	<b>23,413,797</b>	<b>28,409,119</b>	<b>28,948,218</b>
<b>Total assets</b> .....	<b>46,072,001</b>	<b>42,872,586</b>	<b>39,520,925</b>
<b>Liabilities and Equity</b>			
Current liabilities:			
Trade and other payables.....	2,013,934	2,058,669	1,837,626
Financial liabilities.....	8,810,258	6,003,430	6,009,843
Provisions.....	213,861	202,029	115,012
Derivative liabilities .....	359,640	349,162	873,081
Current income tax liabilities .....	769,699	25,245	83,628
Liabilities directly associated with assets held for sale .....	2,642,933	—	—
Accruals .....	1,295,990	1,583,260	1,538,798
<b>Total current liabilities</b> .....	<b>16,106,315</b>	<b>10,221,795</b>	<b>10,457,988</b>
Non-current liabilities:			
Financial liabilities.....	9,440,429	8,756,665	6,254,350
Employee benefits liabilities .....	1,706,458	1,805,925	1,785,210
Deferred tax liabilities.....	1,323,286	1,593,303	2,322,198
Provisions.....	86,337	112,248	98,640
Other accrued liabilities .....	4,338	2,304,969	2,223,484
<b>Total non-current liabilities</b> .....	<b>12,560,848</b>	<b>14,573,110</b>	<b>12,683,882</b>
<b>Total liabilities</b> .....	<b>28,667,163</b>	<b>24,794,905</b>	<b>23,141,870</b>
<b>Equity</b>			
Capital stock, USD 100 par value. Authorized, issued and outstanding, 1,000 shares .....	100	100	100
Additional paid-in capital.....	5,624,297	5,624,297	5,624,297
Other equity reserves.....	(1,116,202)	(1,074,886)	(1,010,767)
Accumulated earnings .....	12,896,643	13,528,170	11,765,425
<b>Total equity</b> .....	<b>17,404,838</b>	<b>18,077,681</b>	<b>16,379,055</b>
<b>Total liabilities and equity</b> .....	<b>46,072,001</b>	<b>42,872,586</b>	<b>39,520,925</b>

*The Guarantor*

<b>Consolidated Income Statement</b> (CHF in millions, except percentages and per share data)	<b>Six months ended June 30,</b>		<b>Year ended December 31,</b>		
	<b>2018</b>	<b>2017</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Sales</b> .....	<b>43,920</b>	<b>42,926</b>	<b>89,791</b>	<b>89,469</b>	<b>88,785</b>
Other revenue.....	154	165	330	317	298
Cost of goods sold .....	(22,259)	(21,719)	(44,293)	(44,199)	(44,730)
Distribution expenses.....	(4,166)	(3,920)	(8,205)	(8,059)	(7,899)
Marketing and administrative expenses.....	(9,792)	(9,804)	(20,540)	(21,485)	(20,744)
Research and development costs .....	(794)	(827)	(1,724)	(1,736)	(1,678)
Other trading income .....	19	59	111	99	78
Other trading expenses.....	(691)	(408)	(1,607)	(713)	(728)
<b>Trading operating profit</b> .....	<b>6,391</b>	<b>6,472</b>	<b>13,233</b>	<b>13,693</b>	<b>13,382</b>
Other operating income .....	2,467	180	379	354	126
Other operating expenses .....	(1,158)	(158)	(3,500)	(884)	(1,100)
<b>Operating profit</b> .....	<b>7,700</b>	<b>6,494</b>	<b>10,112</b>	<b>13,163</b>	<b>12,408</b>
Financial income .....	81	73	152	121	101
Financial expense .....	(427)	(405)	(771)	(758)	(725)
<b>Profit before taxes, associates and joint ventures</b> .....	<b>7,354</b>	<b>6,162</b>	<b>9,493</b>	<b>12,526</b>	<b>11,784</b>
Taxes.....	(1,939)	(1,662)	(2,779)	(4,413)	(3,305)
Income from associates and joint ventures .....	573	563	824	770	988
<b>Profit for the period</b> .....	<b>5,988</b>	<b>5,063</b>	<b>7,538</b>	<b>8,883</b>	<b>9,467</b>
of which attributable to non-controlling interests.....	163	166	355	352	401
of which attributable to shareholders of the parent (Net profit) .....	5,825	4,897	7,183	8,531	9,066
<b>As percentage of sales</b>					
Trading operating profit.....	14.6%	15.1%	14.7%	15.3%	15.1%
Profit for the year attributable to shareholders of the parent (Net profit).....	13.3%	11.4%	8.0%	9.5%	10.2%
<b>Earnings per share</b>					
Basic earnings per share.....	1.92	1.58	2.32	2.76	2.90
Diluted earnings per share .....	1.92	1.57	2.32	2.75	2.89

<b>Consolidated Balance Sheet</b> (CHF in millions)	<b>As of</b>	<b>As of December 31,</b>	
	<b>June 30,</b>	<b>2017</b>	<b>2016</b>
	<b>2018</b>		
<b>Assets</b>			
Current assets:			
Cash and cash equivalents.....	4,615	7,938	7,990
Short-term investments.....	2,102	655	1,306
Inventories.....	10,060	9,061	8,401
Trade and other receivables.....	11,841	12,422	12,411
Prepayments and accrued income.....	857	607	573
Derivative assets.....	596	231	550
Current income tax assets.....	784	919	786
Assets held for sale.....	4,176	357	25
<b>Total current assets.....</b>	<b>35,031</b>	<b>32,190</b>	<b>32,042</b>
Non-current assets:			
Property, plant and equipment.....	29,906	27,775	27,544
Goodwill.....	30,786	29,748	33,007
Intangible assets.....	20,931	20,615	20,397
Investments in associates and joint ventures.....	10,462	11,628	10,709
Financial assets.....	2,709	6,003	5,719
Employee benefits assets.....	591	392	310
Current income tax assets.....	80	62	114
Deferred tax assets.....	1,952	1,967	2,049
<b>Total non-current assets.....</b>	<b>97,417</b>	<b>98,190</b>	<b>99,859</b>
<b>Total assets.....</b>	<b>132,448</b>	<b>130,380</b>	<b>131,901</b>
<b>Liabilities and Equity</b>			
Current liabilities:			
Financial debt.....	15,756	10,536	12,118
Trade and other payables.....	16,979	18,872	18,629
Accruals and deferred income.....	4,285	4,094	3,855
Provisions.....	855	863	620
Derivative liabilities.....	498	507	1,068
Current income tax liabilities.....	2,776	1,170	1,221
Liabilities directly associated with assets held for sale.....	2,640	12	6
<b>Total current liabilities.....</b>	<b>43,789</b>	<b>36,054</b>	<b>37,517</b>
Non-current liabilities:			
Financial debt.....	19,847	15,932	11,091
Employee benefits liabilities.....	6,306	7,111	8,420
Deferred tax liabilities.....	3,380	2,445	2,640
Provisions.....	1,088	3,559	3,865
Other payables.....	483	2,502	2,387
<b>Total non-current liabilities.....</b>	<b>31,104</b>	<b>31,549</b>	<b>28,403</b>
<b>Total liabilities.....</b>	<b>74,893</b>	<b>67,603</b>	<b>65,920</b>
<b>Equity</b>			
Share capital.....	306	311	311
Treasury shares.....	(4,045)	(4,537)	(990)
Translation reserve.....	(19,496)	(19,433)	(18,799)
Other reserves.....	(234)	989	1,198
Retained earnings.....	79,783	84,174	82,870
<b>Total equity attributable to shareholders of the parent.....</b>	<b>56,314</b>	<b>61,504</b>	<b>64,590</b>
Non-controlling interests.....	1,241	1,273	1,391
<b>Total equity.....</b>	<b>57,555</b>	<b>62,777</b>	<b>65,981</b>
<b>Total liabilities and equity.....</b>	<b>132,448</b>	<b>130,380</b>	<b>131,901</b>

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion and analysis is based on the Group's audited consolidated financial statements for Fiscal 2017, Fiscal 2016 and Fiscal 2015 and unaudited interim condensed consolidated financial statements for the first six months of Fiscal 2018 and the restated unaudited base-line comparatives for the first six months of Fiscal 2017, as included in the unaudited interim condensed consolidated financial statements for the first six months of Fiscal 2018, incorporated by reference elsewhere in this Offering Memorandum, all of which have been prepared in accordance with the IFRS issued by the IASB and with Swiss law. You should read the following discussion and analysis in conjunction with the sections entitled "Selected Financial Data", along with the Group's audited consolidated financial statements and unaudited interim condensed consolidated financial statements and the related notes and other financial information incorporated by reference elsewhere in this Offering Memorandum. The following discussion contains forward-looking statements. Actual results could differ materially from the results discussed in the forward-looking statements. See "Risk Factors" and "Forward-looking Statements" elsewhere in this Offering Memorandum for a discussion of the risks, uncertainties and assumptions associated with these statements.*

### **Our Business**

Nestlé is the world's largest food and beverage company. We are based in the Swiss town of Vevey, where Nestlé was founded more than 150 years ago. The Group has factories in 85 countries, sales in 189 countries and employs around 323,000 people. We offer a wide portfolio of products and services for people and their pets throughout their lives. Our more than 2,000 brands range from global icons such as *Nescafé* and *Nespresso* to local favorites like *Ninho*.

Nestlé's success is built on its Nutrition, Health and Wellness strategy. Our founder, Henri Nestlé, believed that good nutrition was the key to a healthy life. Today, food and beverages remain core to our strategy. Our aim is to provide the tastiest and healthiest choices, at all times of the day and for all stages of life, delivered in a convenient and time-saving manner.

We also offer consumer healthcare products to help people meet their health and wellness goals. Nestlé's product portfolio is broken up into seven categories: powdered and liquid beverages, water, milk products and ice cream, nutrition and health science, prepared dishes and cooking aids, confectionery and petcare. Across these seven product categories, we offer tasty and healthy choices for all life stages, at all times of day.

As of June 30, 2018, the Group held 129,881,021 shares, with an approximate market value of CHF 31.8 billion, in L'Oréal S.A., the world leader in cosmetics, representing a 23.24% ownership stake of L'Oréal after elimination of its treasury shares. On February 15, 2018, the Group announced that it did not intend to increase its stake in L'Oréal S.A. and had also decided not to renew the related shareholder agreement with the Bettencourt family that was to expire on March 21, 2018.

### **Strategy—Our Value Creation Model**

Nestlé's strategy is to pursue a value creation model that balances top-line growth, bottom-line performance, growth in earnings per share, competitive shareholder returns, flexibility for external growth and access to financial markets.

We have a strong portfolio, with profitable growth platforms and leading market positions in many product categories. We plan to increasingly focus capital spending on advancing the high-growth food and beverage categories of coffee, petcare, infant nutrition and bottled water. We are also building on our strong position in emerging markets and pursuing growth opportunities in consumer healthcare.

We will pursue external growth opportunities that fit within these targeted categories and geographies, deliver attractive returns and build on the Group's leadership positions. We are actively

adjusting our product portfolio in line with this strategy and believe our portfolio is well-positioned to deliver profitable growth over the short and long term. We aim to achieve such growth by identifying and capturing consumer trends early, investing selectively in high-growth categories and geographies and operating efficiently.

## **Recent Developments in the Group's Business**

### ***Geographic Growth***

During the first six months of Fiscal 2018, the Group did not have significant increases of ownership interest in affiliated companies. During Fiscal 2017, the Group increased its ownership interest in affiliated companies, the most significant of which was in China.

Our largest sales markets in both Fiscal 2017 and the first six months of Fiscal 2018 were the United States, Greater China Region, France, Brazil, Mexico, Germany, the United Kingdom, the Philippines, Canada, Italy, Japan, Spain, Russia, India and Australia. In the first six months of Fiscal 2018, sales in the United States represented 28.7% of the Group's total sales and in Fiscal 2017, sales in the United States represented 29.7% of the Group's total sales.

In terms of geographic areas, sales of CHF 43.9 billion in the first six months of Fiscal 2018 were distributed as follows: Americas 43.2%, Europe, Middle East and North Africa 30.2% and Asia, Oceania and sub-Saharan Africa 26.6%. In Fiscal 2017, sales of CHF 89.8 billion were distributed as follows: Americas 45.3%, Europe, Middle East and North Africa 29.1% and Asia, Oceania and sub-Saharan Africa 25.6%.

### ***Starbucks Alliance***

In August 2018, the Group entered into the Starbucks Alliance, through which the Group acquired the perpetual rights to market, sell and distribute certain Starbucks' consumer and foodservice products globally for an up-front cash payment of USD 7.15 billion. Such consumer and foodservice products include Starbucks®, Seattle's Best Coffee®, Teavana, Starbucks VIA® Instant, Torrefazione Italia® coffee and Starbucks-branded K-Cup® pods. Through the Starbucks Alliance, the Group and Starbucks will work closely together on the existing Starbucks range of roast and ground coffee, whole beans as well as instant and portioned coffee. The Starbucks Alliance will also capitalize on the experience and capabilities of both companies to work on innovation with the goal of enhancing its product offerings for coffee lovers globally. This partnership with Starbucks significantly strengthens Group's coffee portfolio in the North American premium roast and ground and portioned coffee business. It also unlocks global expansion in grocery and foodservice for the Starbucks brand, utilizing the global reach of Nestlé. Approximately 500 Starbucks employees in the United States and Europe will join the Group, with the majority based in Seattle and London.

### ***Recent Acquisitions***

In March 2018, Nestlé acquired Atrium Innovations for USD 2.3 billion in cash, a global leader in nutritional health products with sales mainly in the United States of about USD 700 million in Fiscal 2017. This acquisition supports Nestlé's pursuit of growth opportunities in consumer healthcare to complement the Group's focus on its high-growth food and beverage categories. Atrium Innovations' brands are a natural complement to the Nestlé Consumer Care portfolio and Atrium Innovations' portfolio extends Nestlé's product range with value-added solutions such as probiotics, plant-based protein nutrition, meal replacements and an extensive multivitamin line. Atrium Innovations' largest brands are *Garden of Life*, the first brand in the natural products industry in the United States, and *Pure Encapsulations*, a full line of hypoallergenic, research-based dietary supplements and the first recommended brand in the U.S. practitioner market.

In September 2017, the Group entered into an agreement to purchase a 68% stake in the U.S. coffee roaster and retailer Blue Bottle. The transaction closed in the fall of 2017. Blue Bottle continues to operate as a stand-alone entity, while having full access to Nestlé's well-recognized

capabilities in coffee and its strong global consumer reach. This transaction was part of Nestlé's focus on investing in high-growth categories and acting on consumer trends. Blue Bottle has allowed Nestlé to strengthen its position in the U.S. coffee market, the largest in the world, as well as internationally, building on success in Japan. It also offers opportunities for Nestlé to grow in super premium ready-to-drink and roast and ground coffee, largely through online subscription.

### ***Disposals***

In March 2018, the Group completed the sale of the U.S. Confectionery Business to the Ferrero Group for USD 2.8 billion in cash. The U.S. Confectionery Business generated sales of approximately USD 900 million in 2017, representing approximately 3.0% of the Group's total sales in the United States. The U.S. Confectionery Business includes popular local chocolate brands such as *Butterfinger*, *Crunch*, *BabyRuth*, *100Grand*, *Raisinets*, *Chunky*, *OhHenry!* and *SnoCaps*, as well as local sugar brands such as *SweeTarts*, *LaffyTaffy*, *Nerds*, *FunDip*, *PixyStix*, *Gobstopper*, *BottleCaps*, *Spree* and *Runts*. The sale of the U.S. Confectionery Business only covers U.S.-focused confectionery brands and does not include Nestlé's iconic *Toll House* baking products, a strategic growth brand Nestlé will continue to develop. Nestlé remains fully committed to growing its leading international confectionery activities around the world, particularly its global brand *KitKat*.

### ***Share Buyback Program***

On June 27, 2017, the Group's Board of Directors approved a share buyback program of up to CHF 20.0 billion, which started on July 4, 2017, and is expected to be completed by the end of June 2020.

### **Factors Affecting Our Business and Results of Operations**

The following trends have impacted our sales and operating income over the past three years and we believe that they will continue to be factors affecting our business, financial condition and results of operations in the future. See the "*Risk Factors*" section included elsewhere in this Offering Memorandum for risk factors affecting our business, which will include more information regarding the below.

#### ***Consumer preferences***

The success of the Group depends, in part, on its ability to anticipate consumer preferences and to offer high-quality, competitive, relevant and innovative products. Prolonged negative perceptions concerning health implications of processed food and beverages have influenced consumer preferences. Our Nutrition, Health and Wellness strategy aims to enhance people's lives at all stages through industry-leading research and development, drive innovation and continuously improve our product portfolio. Through our Nutrition, Health and Wellness strategy, the Group has long-term objectives in place to apply scientific and nutritional know-how to enhance nutrition, health and wellness, contributing to healthier eating, drinking and lifestyle habits, as well as respond to changes in consumer preferences and improve the accessibility of safe and affordable food globally. Please see "*Risk Factors—The Group may be unable to anticipate and successfully respond to changes in consumer preferences and trends, which may result in decreased demand for its products*" included elsewhere in this Offering Memorandum for more information.

#### ***Increases in commodity, manufacturing and supply of finished goods costs***

Nestlé is dependent on the sustainable supply of a number of raw and packaging materials. Nestlé is also reliant on manufacturing and the supply of finished goods for all product categories. Increases in the costs of commodities, manufacturing and the supply of finished goods have exerted pressure on margins and have, at times, led to price increases of certain of our products. Please see "*Market Risks—Price risk: Commodity price risk*" below and "*Risk Factors—Price changes for raw*

*materials and commodities may adversely impact the Group's business, financial condition and results of operations*" included elsewhere in this Offering Memorandum for more information.

### **Items Affecting Comparability of Financial Statements**

The following is a summary of certain items that may impact an investor's ability to compare our financial statements year-over-year and period-over-period.

#### ***Changes in accounting standards and changes in presentation and in accounting policies***

The application of new accounting standards and changes in presentation and in accounting policies may impact an investor's ability to compare our financial statements year-over-year and period-over-period. See "*—Key accounting judgments, estimates and assumptions—Changes in presentation and changes in accounting standards*" below and our financial statements and the related notes and other financial information incorporated by reference elsewhere in this Offering Memorandum for further information on the changes in accounting standards and changes in presentation and in accounting policies from Fiscal 2016 to Fiscal 2018.

#### ***Reorganization of Nestlé Nutrition business***

Effective as of January 1, 2018, the Nestlé Nutrition business was transformed into a Regionally Managed Business ("*RMB*") from a Globally Managed Business ("*GMB*"). In connection therewith, Nestlé Nutrition is no longer a stand-alone reportable operating segment. Instead, the financial results of the Nestlé Nutrition business are now shown through our three geographic zones (discussed below) as a RMB, with the Gerber Life Insurance business reported in the "Other Businesses" segment. The financial statements for the first six months of Fiscal 2017 have been restated to reflect the effect of this change. The restated figures for the first six months of Fiscal 2017 have not been audited, they are included in the financial statements for the first six months of Fiscal 2018, incorporated by reference elsewhere in this Offering Memorandum. However, the financial statements for all prior periods have not been restated.

#### ***Introduction of Underlying Trading operating profit***

Effective as of January 1, 2017, Underlying Trading operating profit is voluntarily shown in our financial statements through our reportable operating segments and information by products. The figures for the reportable operating segments and products in our financial statements for Fiscal 2016 have been restated accordingly. The restated figures for Fiscal 2016 have been included in the financial statements for Fiscal 2017, incorporated by reference elsewhere in this Offering Memorandum. However, the related figures for all prior periods have not been restated. See "*—Components of Sales, Costs, Expenses and Underlying Trading operating profit*" below for more information on Underlying Trading operating profit.

#### ***Reorganization of Nestlé Professional business***

Effective as of January 1, 2017, the Nestlé Professional business was transformed into a RMB from a GMB and transferred to the three geographic zones (discussed below). The financial results for Fiscal 2016 have been restated accordingly in our financial statements to reflect the effect of this change. The restated figures for Fiscal 2016 have been included in the financial statements for Fiscal 2017, incorporated by reference elsewhere in this Offering Memorandum. However, the financial statements for all prior periods have not been restated.

## **Components of Sales, Costs, Expenses and Trading operating profit**

### ***Sales***

Sales represents amounts received and receivable from third parties for goods supplied to customers and for services rendered. Revenue from the sales of goods is recognized in the income statement at the moment when control of the goods have been transferred to the customer, which is mainly upon arrival at the customer. Trade assets (mainly coffee machines, water coolers, and freezers) may be sold or leased separately to customers. Arrangements where the Group transfers substantially all the risks and rewards incidental to ownership to the customer are treated as finance lease arrangements. Operating lease revenue for trade asset rentals is recognized on a straight-line basis over the lease term. Revenue is measured as the amount of consideration which the Group expects to receive, based on the list price applicable to a given distribution channel after deduction of returns, sales taxes, pricing allowances, other trade discounts and couponing and price promotions to consumers. The level of discounts, allowances and promotional rebates are recognized as a deduction from revenue at the time that the related sales are recognized or when the rebate is offered to the customer, or consumer, if applicable. They are estimated based on historical experience and the specific terms of the agreements with the customers, or consumers, if applicable. Payments made to customers, or consumers, if applicable, for commercial services received are expensed. Sales returns provisions are recognized as revenue deductions when there is a historical practice of taking products back from customers (mainly in the Infant Nutrition business). The amount recorded is based on estimated rates of return, considering historical return rates and other relevant factors, including current levels of inventory in the trade and sales throughput rates. No asset is recognized for products to be recoverable from these returns, as they are not anticipated to be resold.

Other revenue is primarily sales-based royalties and license fees from third parties which have been earned during the period.

### ***Cost of goods sold***

Cost of goods sold is determined on the basis of the cost of production or of purchase, adjusted for the variation of inventories.

### ***Distribution expenses***

Distribution expenses consist of the cost of storing and delivering finished products to customers, including the cost of warehousing, transportation and handling and delivery planning and invoicing activities.

### ***Marketing and administration expenses***

Marketing and administration expenses consist of the costs of advertising and promotions, as well as functions such as marketing, sales, accounting, procurement, information technology, human resources and general management, including the related overheads such as building and occupancy costs.

### ***Research and development costs***

Research costs consist of costs related to original and planned investigations undertaken with the prospect of gaining new scientific or technical knowledge and understanding, and are expensed as incurred.

Development costs are costs related to the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use. Development costs

are generally charged to the income statement due to uncertainties inherent in the development of new products because the expected future economic benefits cannot be reliably determined.

#### ***Other trading income/(expenses)***

Other trading income and expenses consist of restructuring costs (“*Restructuring Costs*”), impairment of property, plant and equipment and intangible assets (other than goodwill and non-commercialized intangible assets), litigations and onerous contracts, results of disposal of property, plant and equipment and specific other income and expenses that fall within the control of operating segments. Restructuring Costs are restricted to dismissal indemnities and employee benefits paid to terminated employees upon the reorganization of a business or function. It does not include dismissal indemnities paid for normal attrition, poor performance, professional misconduct, etc.

#### ***Trading operating profit***

Trading operating profit (“*Trading operating profit*”) is one of the key metrics Management uses to monitor the Group and segment performance. Trading operating profit is a subtotal in the consolidated income statement, appearing above Operating profit. Trading operating profit is Operating profit before the impact of Other operating income and Other operating expenses, which represent the results of transactions and decisions taken at the Group level and are largely out of control of Management of the operating segments (e.g., acquisitions, disposals or strategic alliances), or the impacts of events which are irregular in nature and difficult to predict (e.g., wars and natural disasters). It includes restructuring costs, impairment of property, plant and equipment and intangible assets (other than goodwill and non-commercialized intangible assets), litigations and onerous contracts, results on disposal of property, plant and equipment, and specific other income and expenses that fall within the control of operating segments. It excludes Other operating income and Other operating expenses.

#### ***Other operating income/(expenses)***

Other operating income and expenses consist of impairment of goodwill and non-commercialized intangible assets, results of disposals of businesses (including impairment and subsequent re-measurement of businesses classified as held for sale, as well as other directly related disposal costs like restructuring costs directly linked to businesses disposed of and legal, advisory and other professional fees), acquisition-related costs, the effect of hyperinflation accounting and income and expenses that fall beyond the control of operating segments and relate to events such as natural disasters and the expiration of assets.

#### ***Operating profit***

Operating profit consists of the result of operations including the recurring and non-recurring events before net financial income/(expenses), taxes and income from associates and joint ventures. Operating profit is Trading operating profit including the impact of Other operating income/(expenses).

#### ***Profit before taxes, associates and joint ventures***

Profit before taxes, associates and joint ventures represents profit before the impact of taxes (as discussed below), associates and joint ventures. Associates are companies where the Group has the power to exercise a significant influence but does not exercise control. Significant influence may be obtained when the Group has 20% or more of the voting rights in the investee or has obtained a seat on the board of directors of the investee or otherwise participates in the policy-making process of the investee. Joint ventures are contractual arrangements over which the Group exercises joint control with partners where the parties have rights to the net assets of the arrangement. Profit before taxes, associates and joint ventures is Operating profit less Net financial income/(expenses),

which includes the Net financing cost of Net financial debt and Net interest income/(expense) on defined benefit plans.

### ***Taxes***

Taxes include current and deferred taxes on profit as well as actual or potential withholding taxes on current and expected transfers of income from subsidiaries and tax adjustments relating to prior years. Income tax is recognized in the income statement, except to the extent that it relates to items directly taken to equity or other comprehensive income, in which case it is recognized against equity or other comprehensive income.

The Group is subject to taxes in different countries all over the world. Taxes and fiscal risks recognized in the consolidated financial statements reflect Management's best estimate of the outcome based on the facts known at the balance sheet date in each individual country. These facts may include change in tax laws and interpretation thereof in the various jurisdictions where the Group operates. They may have an impact on the income tax as well as the resulting assets and liabilities. Any differences between tax estimates and final tax assessments are charged to the income statement in the period in which they are incurred, unless anticipated.

### ***Net Profit***

Net profit is profit after the impact of taxes, associates and joint ventures.

### **Definitions of Alternative Performance Measures**

The following discussion contains certain financial performance measures that are not defined by IFRS and are used by Management to assess the financial and operational performance of the Group. These financial performance measures include: Organic Growth, Real internal growth, Pricing, Underlying Trading operating profit, Underlying Trading operating profit margin, Trading operating profit margin, Free cash flow and Net financial debt. See "*Liquidity and Capital Resources*" below, "*Presentation of Financial and Other Data—Use of Non-IFRS Financial Measures*" included elsewhere in this Offering Memorandum and the Alternative Performance Measures incorporated by reference in this Offering Memorandum for further information.

### ***Real Internal Growth***

Real Internal Growth ("*RIG*") represents the impact on sales of volume increases or decreases, weighted by relative value per unit sold. RIG is calculated at the level of the individual product reference (stock keeping unit) per distribution channel, by comparing the weighted sales (this year's volumes valued at the prior year's prices in local currency) to the prior year's sales. At the product level, RIG is primarily driven by changes in volume, while when aggregated at operating segments or Group level, it embeds the impact of the evolution of the product mix.

Sales of newly launched products are included from the moment of launch which tends to increase RIG, while products which are discontinued have a negative impact on RIG since the historical sales continue to be included in the prior year comparatives. This reflects in a balanced way the impacts of renovation and innovation and the impact on sales coming from ongoing product rationalization efforts.

As RIG is a component of OG (as defined below), it excludes the impact of acquisitions and divestitures and exchange rates.

### ***Pricing***

Pricing (“*Pricing*”) is part of OG (as defined below) and represents the portion of sales growth caused by changes in prices over the period. It excludes the impact of RIG, acquisitions and divestitures and exchange rates.

Analyzing Pricing allows Management to assess the degree to which inflationary or deflationary factors have contributed to the evolution of sales and the degree to which cost changes have been passed on to customers.

### ***Organic Growth***

Organic Growth (“*OG*”) combines RIG and Pricing and represents the growth of the business after removing the impact of acquisitions, divestitures and other changes in the Group’s scope of activity and exchange rate movements. OG allows Management to view a “like-for-like” comparison with the previous year in constant scope and constant currency, providing Management with a deeper understanding of the business dynamics which contribute to reported sales from one year to another.

For purposes of calculating OG: (1) the sales of an acquired business are excluded for the 12 months following the business combination, but incremental sales generated by post-acquisition expansion of the business are generally included and (2) sales of a divested business are removed from comparatives for the 12 months prior to the divestiture. Supply agreements related to the divested business are included in acquisitions and divestitures during a transitory period. The pricing impact of changes in the way that a business is transacted in an entire country (e.g., establishing a local operating company instead of exporting to a distributor, or vice versa) are included in acquisitions and divestitures, respectively.

The effects of changes in foreign exchange rates are calculated as the current year sales’ values converted at the current year’s exchange rates, less the current year’s sales converted at the prior year’s rates.

### ***Underlying Trading operating profit***

Underlying Trading operating profit (“*Underlying Trading operating profit*”) is one of the key metrics Management uses to monitor the Group and segment performance. Underlying Trading operating profit is Trading operating profit before the impact of Other trading expenses and Other trading income, which are mainly restructuring costs, impairment of property, plant and equipment, litigations and onerous contracts. The exclusion of these items allows Management to track and better understand and predict the results due to the day-to-day trading activities under the control of the operational management in the business units. It excludes the impacts of decisions (such as factory closures, disposal of a piece of real estate or restructuring plans, etc.) made in conjunction with geographic zone or GMB management, or litigations and disputes or events which distort the underlying performance due to their frequency or the unpredictability of the outcome.

### ***Underlying Trading operating profit margin***

Underlying Trading operating profit margin (“*Underlying Trading operating profit margin*”) is Underlying Trading operating profit calculated as a percentage of sales.

### ***Trading operating profit margin***

Trading operating profit margin (“*Trading operating profit margin*”) is Trading operating profit calculated as a percentage of sales.

## Results of Operations

### Results of Operations—Consolidated Results

#### First Six Months of Fiscal 2018 Compared to First Six Months of Fiscal 2017

The following table sets forth the Group's unaudited semi-annual historical results of operations for each of the first six months of Fiscal 2018 and the first six months of Fiscal 2017. For purposes of comparing the two aforementioned periods, we have restated the figures for the first six months of Fiscal 2017 as explained under “—Items Affecting Comparability of Financial Statements” above.

	Six months ended June 30,		% Change
	2018	2017	
<b>(CHF in millions)</b>			
<b>Sales</b> .....	<b>43,920</b>	<b>42,926</b>	<b>2.3%</b>
Other revenue.....	154	165	(6.7)%
Cost of goods sold .....	(22,259)	(21,719)	2.5%
Distribution expenses.....	(4,166)	(3,920)	6.3%
Marketing and administrative expenses.....	(9,792)	(9,804)	(0.1)%
Research and development costs .....	(794)	(827)	(4.0)%
Other trading income.....	19	59	(67.8)%
Other trading expenses.....	(691)	(408)	69.4%
<b>Trading operating profit</b> .....	<b>6,391</b>	<b>6,472</b>	<b>(1.3)%</b>
Other operating income .....	2,467	180	1,270.6%
Other operating expenses .....	(1,158)	(158)	632.9%
<b>Operating profit</b> .....	<b>7,700</b>	<b>6,494</b>	<b>18.6%</b>
Financial income .....	81	73	11.0%
Financial expense.....	(427)	(405)	5.4%
<b>Profit before taxes, associates and joint ventures</b> .....	<b>7,354</b>	<b>6,162</b>	<b>19.3%</b>
Taxes.....	(1,939)	(1,662)	16.7%
Income from associates and joint ventures .....	573	563	1.8%
<b>Profit of the period</b> .....	<b>5,988</b>	<b>5,063</b>	<b>18.3%</b>
of which attributable to shareholders of the parent (“ <i>Net profit</i> ”) ...	<b>5,825</b>	4,897	<b>19.0%</b>

### Sales

Sales for the first six months of Fiscal 2018 were CHF 43.9 billion, an increase of CHF 994 million, or a reported sales growth of 2.3%, compared to the first six months of Fiscal 2017. The increase in sales was driven by OG of 2.8%. RIG was 2.5% and remained at the high end of the food and beverage industry. Pricing contributed 0.3%, reflecting the challenging environment in Europe and lower inflation in some emerging markets. OG in the first six months of Fiscal 2018 improved materially in North America and China. All categories reported positive growth, led by coffee, petcare and Nestlé Health Science. Infant nutrition sales growth accelerated, with a broad-based improvement across all geographies.

Acquisitions and divestments had a net neutral impact on sales, with the acquisition of Atrium Innovations and other deals being offset by divestments, mainly the U.S. Confectionery Business. Foreign exchange had a negative impact of 0.5%.

	<b>Six months ended June 30,</b>	
	<b><u>2018</u></b>	<b><u>2017</u></b>
Real internal growth .....	2.5%	1.4%
Pricing .....	<u>0.3%</u>	<u>0.9%</u>
<b>Organic Growth</b> .....	<b>2.8%</b>	<b>2.3%</b>
<i>Net M&amp;A</i> .....	0.0%	(2.3)%
<i>Foreign exchange</i> .....	<u>(0.5)%</u>	<u>(0.3)%</u>
<b>Reported sales growth (loss)</b> .....	<b><u>2.3%</u></b>	<b><u>(0.3)%</u></b>

### ***Cost of goods sold***

Cost of goods sold increased by 2.5%, compared to the first six months of Fiscal 2017. This increase was primarily due to an increase in commodity costs, especially oil and PET packaging.

### ***Distribution expenses***

Distribution expenses for the first six months of Fiscal 2018 were CHF 4.2 billion, an increase of CHF 246 million, or 6.3%, compared to the first six months of Fiscal 2017. The increase in distributions expenses was primarily due to fuel price inflation, freight cost inflation and the continued expansion of *Nespresso* boutiques globally.

### ***Marketing and administration expenses***

Marketing and administration expenses for the first six months of Fiscal 2018 were CHF 9.8 billion, a decrease of CHF 12 million, or 0.1%, compared to the first six months of Fiscal 2017. The decrease in marketing and administration expenses was primarily due to the successful execution of ongoing restructuring initiatives, as well as cost efficiencies in marketing and administrative activities.

### ***Research and development costs***

Research and development costs for the first six months of Fiscal 2018 were CHF 794 million, a decrease of CHF 33 million, or 4.0%, compared to the first six months of Fiscal 2017.

### ***Other trading income/(expenses)***

Other trading income for the first six months of Fiscal 2018 was CHF 19 million, a decrease of CHF 40 million, or 67.8%, compared to the first six months of Fiscal 2017. Other trading expenses for the first six months of Fiscal 2018 were CHF 691 million, an increase of CHF 283 million, or 69.4%, compared to the first six months of Fiscal 2017. Net other trading expenses for the first six months of Fiscal 2018 (the sum of other trading income minus other trading expenses) were CHF 672 million, an increase of CHF 323 million, or 92.6%, compared to first six months of Fiscal 2017. This increase in net other trading expenses was primarily due to an increase in restructuring costs and an increase in impairment of fixed assets, particularly in the Nutrition business within Zone AOA (as defined below).

### ***Trading operating profit***

Trading operating profit for the first six months of Fiscal 2018 was CHF 6.4 billion, a decrease of CHF 81 million, or 1.3%, compared to the first six months of Fiscal 2017. The main factors contributing to this decrease in trading operating profit were higher costs of goods sold, higher distribution costs and an increase in other net trading expenses of CHF 323 million, including restructuring and related costs. These were partially offset by an increase in sales, and cost efficiencies in marketing and administrative activities. Trading operating profit margin for the first

six months of Fiscal 2018 was 14.6%, a decrease of 50 basis points, compared to the first six months of Fiscal 2017.

	<b>Six months ended June 30,</b>	
	<b>2018</b>	<b>2017</b>
<b>(CHF in millions)</b>		
Sales.....	43,920	42,926
TOP.....	<u>6,391</u>	<u>6,472</u>
<b>TOP margin</b> .....	<u><b>14.6%</b></u>	<u><b>15.1%</b></u>

### ***Operating profit***

Operating profit for the first six months of Fiscal 2018 was CHF 7.7 billion, an increase of CHF 1.2 billion, or 18.6%, compared to the first six months of Fiscal 2017. The main factor contributing to this increase in operating profit was a net profit on disposal of businesses, largely relating to the divestment of the U.S. Confectionery Business.

### ***Profit before taxes, associates and joint ventures***

Profit before taxes, associates and joint ventures for the first six months of Fiscal 2018 was CHF 7.4 billion, an increase of CHF 1.2 billion, or 19.3%, compared to the first six months of Fiscal 2017. The main factor contributing to this increase in profit before taxes, associates and joint ventures was a net profit on disposal of businesses, largely relating to the divestment of the U.S. Confectionery Business.

### ***Taxes***

Taxes for the first six months of Fiscal 2018 increased by 16.7%, compared to the first six months of Fiscal 2017. The increase in taxes was primarily due to the profit on disposal of businesses, partially offset by a lower corporate tax rate in the United States compared to the first six months of Fiscal 2017.

### ***Net profit***

Net profit for the first six months of Fiscal 2018 was CHF 5.8 billion, an increase of CHF 928 million, or 19.0%, compared to the first six months of Fiscal 2017. The increase in net profit was primarily due to the net profit on disposal of businesses, largely relating to the divestment of the U.S. Confectionery Business.

### ***Underlying Trading operating profit***

Underlying Trading operating profit for the first six months of Fiscal 2018 was CHF 7.1 billion, an increase of CHF 242 million, or 3.5%, compared to the first six months of Fiscal 2017. The main factors contributing to this increase in Underlying Trading operating profit were sales growth and margin expansion, which was supported by operating efficiencies and successful execution of ongoing restructuring initiatives, partially offset by higher commodity and packaging costs of approximately CHF 90 million, amounting to a 20 basis point headwind, as well as increased distribution costs.

	<b>Six months ended June 30,</b>		
	<b>2018</b>	<b>2017</b>	<b>% Change</b>
<b>(CHF in millions)</b>			
<b>Sales</b> .....	<b>43,920</b>	<b>42,926</b>	<b>2.3%</b>
Other revenue.....	154	165	(6.7)%
Cost of goods sold .....	(22,259)	(21,719)	2.5%
Distribution expenses.....	(4,166)	(3,920)	6.3%
Marketing and administrative expenses.....	(9,792)	(9,804)	(0.1)%

	<b>Six months ended June 30,</b>		<b>% Change</b>
	<b>2018</b>	<b>2017</b>	
<b>(CHF in millions)</b>			
Research and development costs .....	<u>(794)</u>	<u>(827)</u>	<u>(4.0)%</u>
<b>Underlying Trading operating profit</b> .....	<b><u>7,063</u></b>	<b><u>6,821</u></b>	<b><u>3.5%</u></b>

#### ***Underlying Trading operating profit margin***

Underlying Trading operating profit margin for the first six months of Fiscal 2018 was 16.1%, an increase of 20 basis points, compared to the first six months of Fiscal 2017.

	<b>Six months ended June 30,</b>	
	<b>2018</b>	<b>2017</b>
<b>(CHF in millions)</b>		
Sales .....	43,920	42,926
Underlying Trading operating profit .....	<u>7,063</u>	<u>6,821</u>
<b>Underlying TOP margin</b> .....	<b><u>16.1%</u></b>	<b><u>15.9%</u></b>

#### ***Fiscal 2017 Compared to Fiscal 2016***

The following table presents the Group's historical results of operations and the changes in these results in CHF and as a percentage for Fiscal 2017 and Fiscal 2016. The figures below do not give effect to the restatement of financial results for Fiscal 2017 following the first application of the new accounting standards IFRS 15 Revenue from Contract with Customers, IFRS 16 Leases and some other changes in presentation and in accounting policies. However, the figures for Fiscal 2016 below are restated financial results for Fiscal 2016, reflecting the reorganization of Nestlé Professional. The restated figures for Fiscal 2016 have been included in the financial statements for Fiscal 2017, incorporated by reference elsewhere in this Offering Memorandum. For more information on the ability of investors to compare financial results year-over-year, see “—Items Affecting Comparability of Financial Statements” above and “—Changes in presentation and Changes in accounting standards” below.

	<b>Year ended December 31,</b>		<b>% Change</b>
	<b>2017</b>	<b>2016</b>	
<b>(CHF in millions)</b>			
<b>Sales</b> .....	<b>89,791</b>	<b>89,469</b>	<b>0.4%</b>
Other revenue .....	330	317	4.1%
Cost of goods sold .....	(44,923)	(44,199)	1.6%
Distribution expenses .....	(8,205)	(8,059)	1.8%
Marketing and administrative expenses .....	(20,540)	(21,485)	(4.4)%
Research and development costs .....	(1,724)	(1,736)	(0.7)%
Other trading income .....	111	99	12.1%
Other trading expenses .....	(1,607)	(713)	125.4%
<b>Trading operating profit</b> .....	<b>13,233</b>	<b>13,693</b>	<b>(3.4)%</b>
Other operating income .....	379	354	7.1%
Other operating expenses .....	(3,500)	(884)	295.9%
<b>Operating profit</b> .....	<b>10,112</b>	<b>13,163</b>	<b>(23.2)%</b>
Financial income .....	152	121	25.6%
Financial expense .....	(771)	(758)	1.7%
<b>Profit before taxes, associates and joint ventures</b> .....	<b>9,493</b>	<b>12,526</b>	<b>(24.2)%</b>
Taxes .....	(2,779)	(4,413)	(37.0)%
Income from associates and joint ventures .....	824	770	7.0%
<b>Profit of the period</b> .....	<b>7,538</b>	<b>8,883</b>	<b>(15.1)%</b>
Net profit .....	7,183	8,531	(15.8)%

## **Sales**

Sales for Fiscal 2017 were CHF 89.8 billion, an increase of CHF 322 million, or a reported sales growth of 0.4%, compared to Fiscal 2016. The increase in sales was driven by OG of 2.4%, consisting of 1.6% RIG and 0.8% Pricing. This was partially offset by the net effect of acquisitions, divestitures and other changes in the Group (“*Net M&A*”), which reduced sales by 1.9%. Foreign exchange fluctuations reduced sales by a further 0.1%. OG was encouraging in Europe and Asia while North America and Brazil saw a challenging environment.

	<b>Year ended December 31,</b>	
	<b>2017</b>	<b>2016</b>
Real internal growth.....	1.6%	2.4%
Pricing.....	<u>0.8%</u>	<u>0.8%</u>
<b>Organic Growth</b> .....	<b>2.4%</b>	<b>3.2%</b>
Net M&A .....	(1.9)%	(0.8)%
Foreign exchange.....	<u>(0.1)%</u>	<u>(1.6)%</u>
<b>Reported sales growth (loss)</b> .....	<b><u>0.4%</u></b>	<b><u>0.8%</u></b>

## **Cost of goods sold**

Cost of goods sold increased by 1.6%, compared to Fiscal 2016. This increase was primarily due to higher commodity costs of approximately CHF 900 million, mainly driven by inflation in the raw material prices of dairy and coffee.

## **Distribution expenses**

Distribution expenses for Fiscal 2017 were CHF 8.2 billion, an increase of CHF 146 million, or 1.8%, compared to Fiscal 2016. The increase in distribution expenses was primarily due to product mix and continued expansion of *Nespresso* boutiques globally.

## **Marketing and administration expenses**

Marketing and administration expenses for Fiscal 2017 were CHF 20.5 billion, a decrease of CHF 945 million, or 4.4%, compared to Fiscal 2016, primarily due to lower structural costs and marketing expenses.

## **Research and development costs**

Research and development costs for Fiscal 2017 were CHF 1.7 billion, a decrease of CHF 12 million, or 0.7%, compared to Fiscal 2016.

## **Other trading income/(expenses)**

Other trading income for Fiscal 2017 was CHF 111 million, an increase of CHF 12 million or 12.1% compared to Fiscal 2016. Other expenses for Fiscal 2017 were CHF 1.6 billion, an increase of CHF 894 million or 125.4% compared to Fiscal 2016. As a result, the net of such other trading expenses for Fiscal 2017 (the sum of other trading income minus other trading expenses) was CHF 1.5 billion, an increase of CHF 882 million, or 143.6%, compared to Fiscal 2016. The increase in net other trading expenses was primarily due to an increase in restructuring costs, impairment of fixed assets and litigation costs.

## **Trading operating profit**

Trading operating profit for Fiscal 2017 was CHF 13.2 billion, a decrease of CHF 460 million, or 3.4%, compared to Fiscal 2016. The main factor contributing to this decrease was an increase in restructuring and related costs of approximately CHF 900 million, which more than offset operating

efficiencies and cost savings from restructuring activities. Trading operating profit margin for Fiscal 2017 was 14.7%, a decrease of 60 basis points, compared to Fiscal 2016, primarily due to the increase in restructuring and related costs.

	<u>Year ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
<b>(CHF in millions)</b>		
Sales.....	89,791	89,469
TOP.....	<u>13,233</u>	<u>13,693</u>
<b>TOP margin .....</b>	<b><u>14.7%</u></b>	<b><u>15.3%</u></b>

### ***Operating profit***

Operating profit for Fiscal 2017 was CHF 10.1 billion, a decrease of CHF 3.1 billion, or 23.2%, compared to Fiscal 2016. The main factors contributing to this decrease in operating profit were lower trading operating profit, and a CHF 2.8 billion goodwill impairment related to Nestlé Skin Health.

### ***Profit before taxes, associates and joint ventures***

Profit before taxes, associates and joint ventures for Fiscal 2017 was CHF 9.5 billion, a decrease of CHF 3.0 billion, or 24.2%, compared to Fiscal 2016. The main factor contributing to this decrease in profit before taxes, associates and joint ventures was a CHF 2.8 billion goodwill impairment.

### ***Taxes***

Taxes for Fiscal 2017 were CHF 2.8 billion, a decrease of CHF 1.6 billion, or 37.0%, compared to Fiscal 2016. The decrease in Taxes in Fiscal 2017 included a one-time income of CHF 0.8 billion compared to Fiscal 2016 related to deferred tax, arising in the United States, in accordance with the federal tax reform. This was in addition to a one-off tax charge of CHF 0.5 billion that impacted Fiscal 2016, related to deferred tax, arising in Switzerland, in accordance with a new cantonal tax law.

### ***Net profit***

Net profit for Fiscal 2017 was CHF 7.2 billion, a decrease of CHF 1.3 billion, or 15.8%, compared to Fiscal 2016. The decrease in net profit was primarily due to an impairment of goodwill related to Nestlé Skin Health, which was taken to reflect the current prospects of the business.

### ***Underlying Trading operating profit***

Underlying Trading operating profit for Fiscal 2017 was CHF 14.7 billion, an increase of CHF 422 million, or 2.9%, compared to Fiscal 2016. The main factors contributing to this increase were sales growth and margin expansion, which was supported by operating efficiencies and successful execution of ongoing restructuring initiatives.

	<u>Year ended December 31,</u>		<u>% Change</u>
	<u>2017</u>	<u>2016</u>	
<b>(CHF in millions)</b>			
<b>Sales.....</b>	<b>89,791</b>	<b>89,469</b>	<b>0.4%</b>
Other revenue.....	330	317	4.1%
Cost of goods sold.....	(44,923)	(44,199)	1.6%
Distribution expenses.....	(8,205)	(8,059)	1.8%
Marketing and administrative expenses.....	(20,540)	(21,485)	(4.4)%
Research and development costs.....	<u>(1,724)</u>	<u>(1,736)</u>	<u>(0.7)%</u>
<b>Underlying Trading operating profit.....</b>	<b><u>14,729</u></b>	<b><u>14,307</u></b>	<b><u>2.9%</u></b>

### ***Underlying Trading operating profit margin***

Underlying Trading operating profit margin for Fiscal 2017 was 16.4%, an increase of 40 basis points, compared to Fiscal 2016.

	<b>Year ended December 31,</b>	
	<b>2017</b>	<b>2016</b>
<b>(CHF in millions)</b>		
Sales.....	89,791	89,469
Underlying TOP.....	<u>14,729</u>	<u>14,307</u>
<b>Underlying TOP margin.....</b>	<b><u>16.4%</u></b>	<b><u>16.0%</u></b>

### ***Fiscal 2016 Compared to Fiscal 2015***

The following table presents the Group's historical results of operations and the changes in these results in CHF and as a percentage for the periods presented. For purposes of comparing Fiscal 2016 against Fiscal 2015, the figures below for Fiscal 2016 and Fiscal 2015 have not been restated and are based on published figures from Fiscal 2016. See “—*Items Affecting Comparability of Financial Statements*” above and “—*Changes in presentation and Changes in accounting standards*” below for more information about ability to compare financial results year-over-year.

	<b>Year ended December 31,</b>		<b>% Change</b>
	<b>2016</b>	<b>2015</b>	
<b>(CHF in millions)</b>			
<b>Sales.....</b>	<b>89,469</b>	<b>88,785</b>	<b>0.8%</b>
Other revenue.....	317	298	6.4%
Cost of goods sold.....	(44,199)	(44,730)	(1.2)%
Distribution expenses.....	(8,059)	(7,899)	2.0%
Marketing and administrative expenses.....	(21,485)	(20,744)	3.6%
Research and development costs.....	(1,736)	(1,678)	3.5%
Other trading income.....	99	78	26.9%
Other trading expenses.....	(713)	(728)	(2.1)%
<b>Trading operating profit.....</b>	<b>13,693</b>	<b>13,382</b>	<b>2.3%</b>
Other operating income.....	354	126	181.0%
Other operating expenses.....	(884)	(1,100)	(19.6)%
<b>Operating profit.....</b>	<b>13,163</b>	<b>12,408</b>	<b>6.1%</b>
Financial income.....	121	101	19.8%
Financial expense.....	(758)	(725)	4.6%
<b>Profit before taxes, associates and joint ventures.....</b>	<b>12,526</b>	<b>11,784</b>	<b>6.3%</b>
Taxes.....	4,413	3,305	33.5%
Income from associates and joint ventures.....	770	988	(22.1)%
<b>Profit of the period.....</b>	<b>8,883</b>	<b>9,467</b>	<b>(6.2)%</b>
Net profit.....	8,531	9,066	(5.9)%

### ***Sales***

Sales for Fiscal 2016 were CHF 89.5 billion, an increase of CHF 684 million, or a reported sales growth of 0.8%, compared to Fiscal 2015. The increase in sales was driven by OG of 3.2%, comprising 2.4% RIG and 0.8% Pricing. This was partially offset by net M&A, which reduced sales by 0.8%. Foreign exchange fluctuations reduced sales by a further 1.6%. OG and RIG were positive

in all reportable operating segments, highlighting the strength and resilience of our diversified portfolio.

	<u>Year ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Real internal growth .....	2.4%	2.2%
Pricing .....	0.8%	2.0%
<b>Organic Growth</b> .....	<b>3.2%</b>	<b>4.2%</b>
Net M&A .....	(0.8)%	0.1%
Foreign exchange .....	<u>(1.6)%</u>	<u>(7.4)%</u>
<b>Reported sales growth (loss)</b> .....	<b><u>0.8%</u></b>	<b><u>(3.1)%</u></b>

### *Cost of goods sold*

Cost of goods sold decreased by 1.2%, compared to Fiscal 2015. The decrease was primarily due to lower commodity costs of approximately CHF 500 million, mainly driven by deflation in dairy and coffee raw material prices.

### *Distribution expenses*

Distribution expenses for Fiscal 2016 were CHF 8.1 billion, an increase of CHF 160 million, or 2.0%, compared to Fiscal 2015. The increase in distribution expenses was primarily due to product mix and continued expansion of *Nespresso* boutiques globally.

### *Marketing and administration expenses*

Marketing and administration expenses for Fiscal 2016 were CHF 21.5 billion, an increase of CHF 741 million, or 3.6%, compared to Fiscal 2015. The increase in marketing and administration expenses was partially due to an increase in marketing spend in order to support our innovation pipeline and build platforms in digital marketing.

### *Research and development costs*

Research and development costs for Fiscal 2016 were CHF 1.7 billion, an increase of CHF 58 million, or 3.5%, compared to Fiscal 2015.

### *Other trading income/(expenses)*

Other trading income for Fiscal 2016 was CHF 99 million, an increase of CHF 21 million or 26.9% compared to Fiscal 2015. Other expenses for Fiscal 2016 were CHF 713 million, a decrease of CHF 15 million or 2.1% compared to Fiscal 2015. As a result, net other trading expenses for Fiscal 2016 (the sum of other trading income minus other trading expenses) was CHF 614 million, a decrease of CHF 36 million, or 5.5%, compared to Fiscal 2015. The decrease in net other trading expenses was primarily due to reduced impairment of fixed assets and litigation costs.

### *Trading operating profit*

Trading operating profit for Fiscal 2016 was CHF 13.7 billion, an increase of CHF 311 million, or 2.3%, compared to Fiscal 2015. The main factors contributing to this increase in trading operating profit were sales growth, operating efficiencies and restructuring-related cost savings, resulting in

margin expansion. Trading operating profit margin for Fiscal 2016 was 15.3%, an increase of 20 basis points, compared to Fiscal 2015.

	Year ended December 31,	
	<u>2016</u>	<u>2015</u>
(CHF in millions)		
Sales .....	89,469	88,785
TOP.....	<u>13,693</u>	<u>13,382</u>
<b>TOP margin</b> .....	<u><b>15.3%</b></u>	<u><b>15.1%</b></u>

### ***Operating profit***

Operating profit for Fiscal 2016 was CHF 13.2 billion, an increase of CHF 755 million, or 6.1%, compared to Fiscal 2015. The main factors contributing to this increase in operating profit was an increase in trading operating profit, an increase in profit on disposal of businesses, and decreased losses on disposal of activities.

### ***Profit before taxes, associates and joint ventures***

Profit before taxes, associates and joint ventures for Fiscal 2016 was CHF 12.5 billion, an increase of CHF 742 million, or 6.3%, compared to Fiscal 2015. The main factors contributing to this increase in operating profit were an increase in trading operating profit, an increase in profit on disposal of businesses, and decreased losses on disposal of activities.

### ***Taxes***

Taxes for Fiscal 2016 were CHF 4.4 billion, an increase of CHF 1.1 billion, or 33.5%, compared to Fiscal 2015. The increase in taxes was primarily due to a change in corporate tax regulation in Switzerland, which had a one-time impact in Fiscal 2016.

### ***Net profit***

Profit for the year for Fiscal 2016 was CHF 8.5 billion, a decrease of CHF 535 million, or 5.9%, compared to Fiscal 2015. This decrease was primarily due to a one-off non-cash adjustment to deferred taxes.

### ***Results of Operations—Segment Review***

Reporting by operating segment reflects the Group’s management structure and the way financial information is regularly reviewed by the Group’s chief operating decision maker, which is defined as the Group’s executive board. Geographic zones and GMBs that meet the quantitative threshold of 10% of total sales or trading operating profit for all operating segments (the “*Reporting Threshold*”) are presented on a stand-alone basis as reportable operating segments. Even though it does not meet the reporting threshold, Nestlé Waters is reported separately for consistency with long-standing practice of the Group. As of January 1, 2018, the Group’s reportable operating segments are:

- Zone Americas (“*Zone AMS*”);
- Zone Europe, Middle East and North Africa (“*Zone EMENA*”);
- Zone Asia, Oceania and sub-Saharan Africa (“*Zone AOA*”);
- Nestlé Waters; and
- Other Businesses, which is a combination of several GMBs that do not meet the Reporting Threshold including *Nespresso*, Nestlé Health Science and Nestlé Skin Health.

As described above under “—*Items Affecting Comparability of Financial Statements*”, the figures in the financial statements relating to the reportable operating segments for the first six months of

Fiscal 2017 have been restated following changes to the Group's reportable operating segments effective from January 1, 2018. However, the Group's financial statements for all prior periods have not been restated. See “—Items Affecting Comparability of Financial Statements” for further information regarding this reorganization and subsequent restatement of figures.

We also disclose information according to seven product groups. These are: Powdered and Liquid Beverages, Water, Milk Products and Ice Cream, Nutrition and Health Science, Prepared Dishes and Cooking Aids, Confectionery and Petcare.

Unallocated items represent items whose allocation to a reportable operating segment or product would be arbitrary. They mainly consist of: corporate expenses and related assets/liabilities, research and development costs and related assets/liabilities and some goodwill and intangible assets.

For further information, see “Note 3—Analyses by segment” of the Guarantor 2018 Half-Yearly Financial Report and 2017 Condensed Financial Statements incorporated by reference in this Offering Memorandum.

### *First Six Months of Fiscal 2018 Compared to First Six Months of Fiscal 2017*

#### ***Reportable Operating Segments***

The following table presents the revenue and results of each of the Group's reportable operating segments for the first six months of Fiscal 2018 as compared to the first six months of Fiscal 2017. As explained above under “—Results of Operations—Segment Review” and “—Items Affecting Comparability of Financial Statements”, the figures for the first six months of Fiscal 2017 are on a restated basis.

	<u>Total Group</u>	<u>Zone AMS</u>	<u>Zone EMENA</u>	<u>Zone AOA</u>	<u>Nestlé Waters</u>	<u>Other Businesses</u>	<u>Unallocated items</u>
<b>(CHF in millions)</b>							
6M-2018 Sales.....	43,920	14,153	9,303	10,634	3,967	5,863	—
6M-2017 Sales.....	<u>42,926</u>	<u>14,689</u>	<u>8,741</u>	<u>10,273</u>	<u>3,988</u>	<u>5,235</u>	<u>—</u>
Real internal growth.....	2.5%	1.0%	3.1%	3.7%	(0.7)%	5.4%	—
Pricing.....	<u>0.3%</u>	<u>0.0%</u>	<u>(0.6)%</u>	<u>0.7%</u>	<u>1.7%</u>	<u>0.3%</u>	<u>—</u>
Organic Growth.....	2.8%	1.0%	2.5%	4.4%	1.0%	5.7%	—
Net M&A.....	0.0%	(1.0)%	(0.2)%	(0.1)%	(0.8)%	4.9%	—
Foreign Exchange.....	<u>(0.5)%</u>	<u>(3.6)%</u>	<u>4.1%</u>	<u>(0.8)%</u>	<u>(0.7)%</u>	<u>1.4%</u>	<u>—</u>
<b>Reported sales growth.....</b>	<b><u>2.3%</u></b>	<b><u>(3.6)%</u></b>	<b><u>6.4%</u></b>	<b><u>3.5%</u></b>	<b><u>(0.5)%</u></b>	<b><u>12.0%</u></b>	<b><u>—</u></b>
6M-2018 Underlying TOP.....	7,063	2,680	1,758	2,435	398	960	(1,168)
6M-2017 Underlying TOP.....	<u>6,821</u>	<u>2,734</u>	<u>1,593</u>	<u>2,377</u>	<u>505</u>	<u>777</u>	<u>(1,165)</u>

#### ***Underlying Trading operating profit and Underlying Trading operating profit margin***

Underlying Trading operating profit for the first six months of Fiscal 2018 was CHF 7.1 billion, an increase of CHF 242 million, or 3.5%, compared to the first six months of Fiscal 2017. The main factors contributing to this increase in Underlying Trading operating profit were sales growth and margin expansion, which was supported by operating efficiencies and successful execution of ongoing restructuring initiatives. Underlying Trading operating profit margin for the first six months of Fiscal 2018 was 16.1%, an increase of 20 basis points, compared to the first six months of Fiscal 2017.

	<u>Total Group</u>	<u>Zone AMS</u>	<u>Zone EMENA</u>	<u>Zone AOA</u>	<u>Nestlé Waters</u>	<u>Other Businesses</u>	<u>Unallocated items</u>
<b>(CHF in millions)</b>							
6M-2018 Sales.....	43,920	14,153	9,303	10,634	3,967	5,863	—
6M-2017 Sales.....	42,926	14,689	8,741	10,273	3,988	5,235	—
6M-2018 Underlying TOP.....	7,063	2,680	1,758	2,435	398	960	(1,168)
6M-2017 Underlying TOP.....	<u>6,821</u>	<u>2,734</u>	<u>1,593</u>	<u>2,377</u>	<u>505</u>	<u>777</u>	<u>(1,165)</u>
<b>6M-2018 Underlying TOP margin ...</b>	<b><u>16.1%</u></b>	<b><u>18.9%</u></b>	<b><u>18.9%</u></b>	<b><u>22.9%</u></b>	<b><u>10.0%</u></b>	<b><u>16.4%</u></b>	<b><u>—</u></b>
<b>6M-2017 Underlying TOP margin ...</b>	<b><u>15.9%</u></b>	<b><u>18.6%</u></b>	<b><u>18.2%</u></b>	<b><u>23.1%</u></b>	<b><u>12.7%</u></b>	<b><u>14.8%</u></b>	<b><u>—</u></b>

### **Trading operating profit and Trading operating profit margin**

Trading operating profit for the first six months of Fiscal 2018 was CHF 6.4 billion, an increase of CHF 81 million, or 1.3%, compared to the first six months of Fiscal 2017. The main factors contributing to this decrease in Trading operating profit were higher costs of goods sold, higher distribution costs and an increase in restructuring and related costs of CHF 323 million. The higher distribution costs and the increase in restructuring and related costs were partially offset by an increase in sales and cost efficiencies in marketing and administrative functions. Trading operating profit margin for the first six months of Fiscal 2018 was 14.6%, a decrease of 50 basis points, compared to the first six months of Fiscal 2017.

	<u>Total Group</u>	<u>Zone AMS</u>	<u>Zone EMENA</u>	<u>Zone AOA</u>	<u>Nestlé Waters</u>	<u>Other Businesses</u>	<u>Unallocated items</u>
<b>(CHF in millions)</b>							
6M-2018 Sales.....	43,920	14,153	9,303	10,634	3,967	5,863	—
6M-2017 Sales.....	<u>42,926</u>	<u>14,689</u>	<u>8,741</u>	<u>10,273</u>	<u>3,988</u>	<u>5,235</u>	<u>—</u>
6M-2018 TOP.....	6,391	2,514	1,631	2,193	346	915	(1,208)
6M-2017 TOP.....	<u>6,472</u>	<u>2,604</u>	<u>1,493</u>	<u>2,314</u>	<u>486</u>	<u>751</u>	<u>(1,176)</u>
<b>6M-2018 TOP margin.....</b>	<b>14.6%</b>	<b>17.8%</b>	<b>17.5%</b>	<b>20.6%</b>	<b>8.7%</b>	<b>15.6%</b>	<b>—</b>
<b>6M-2017 TOP margin.....</b>	<b><u>15.1%</u></b>	<b><u>17.7%</u></b>	<b><u>17.1%</u></b>	<b><u>22.5%</u></b>	<b><u>12.2%</u></b>	<b><u>14.3%</u></b>	<b><u>—</u></b>

#### Zone AMS

In the first six months of Fiscal 2018, Zone AMS' sales were CHF 14.2 billion, a decrease of CHF 536 million, or 3.6%, compared to the first six months Fiscal 2017. The decrease in sales was driven by OG of 1.0%, consisting of 1.0% RIG and 0.0% Pricing. Net divestments reduced sales by 1.0%, largely related to the divestment of the U.S. Confectionery Business. Foreign exchange fluctuations reduced sales by a further 3.6%.

North America saw positive OG and pricing in the first six months of Fiscal 2018. RIG improved materially in the United States and Canada as compared to the first six months of Fiscal 2017. There was solid growth in the Nestlé Purina Petcare Company, Nestlé Coffee Mate creamers and coffee, particularly in e-commerce. *Hot Pockets* and pizza, particularly *DiGiorno*, also made positive contributions. Latin America delivered positive OG, but slowed compared to the first six months of Fiscal 2017. In Brazil, a nationwide strike by truckers in May 2018 disrupted operations and distribution and reduced Zone growth by approximately 80 basis points in the second quarter. Mexico maintained mid single-digit OG, with strong support by *Nescafé*. There was also good momentum in other parts of Latin America.

In the first six months of Fiscal 2018, Zone AMS' Underlying Trading operating profit was CHF 2.7 billion, a decrease of CHF 54 million, or 2.0%, compared to the first six months Fiscal 2017. This reduction was driven by lower sales (negatively impacted by foreign exchange fluctuations) and inflation in commodity and freight costs. These were partially offset by operational efficiencies. Zone AMS' Underlying Trading operating profit margin for the first six months of Fiscal 2018 was 18.9%, an increase of 30 basis points, compared to the first six months of Fiscal 2017.

In the first six months of Fiscal 2018, Zone AMS' Trading operating profit was CHF 2.5 billion, a decrease of CHF 90 million, or 3.5%, compared to the first six months Fiscal 2017. This reduction was driven by lower Underlying Trading operating profit. Zone AMS' Trading operating profit margin for the first six months of Fiscal 2018 was 17.8%, an increase of 10 basis points, compared to the first six months of Fiscal 2017.

#### Zone EMENA

In the first six months of Fiscal 2018, Zone EMENA's sales were CHF 9.3 billion, an increase of CHF 562 million, or 6.4%, compared to the first six months Fiscal 2017. The increase in sales was driven by OG of 2.5%, consisting of 3.1% RIG and (0.6)% Pricing. Net divestments reduced sales by 0.2%. Foreign exchange fluctuations had a positive impact of 4.1%.

Zone EMENA saw positive growth across most geographies and categories. Petcare, coffee and nutrition were the main contributors. Petcare maintained strong momentum, based on the success of *Felix* in Russia. Coffee also saw good growth with stronger RIG, supported by the relaunch of *Nescafé Gold*. Nutrition and dairy performed well in Central and Eastern Europe, and the Middle East and North Africa. Confectionery saw improved growth, particularly in the United Kingdom. New product launches included *KitKat Ruby* and *MilkyBar Wowsomes*, a new chocolate bar with 30% less sugar versus comparable bars based on Nestlé's breakthrough natural structured sugar.

In the first six months of Fiscal 2018, Zone EMENA's Underlying Trading operating profit was CHF 1.8 billion, an increase of CHF 165 million, or 10.4%, compared to the first six months Fiscal 2017. This improvement was driven by sales growth, operational efficiencies, structural cost savings and lower commodity costs. Zone EMENA's Underlying Trading operating profit margin for the first six months of Fiscal 2018 was 18.9%, an increase of 70 basis points, compared to the first six months of Fiscal 2017.

In the first six months of Fiscal 2018, Zone EMENA's Trading operating profit was CHF 1.6 billion, an increase of CHF 138 million, or 9.2%, compared to the first six months Fiscal 2017. This improvement was driven by higher Underlying Trading operating profit, partially offset by restructuring costs. Zone EMENA's Trading operating profit margin for the first six months of Fiscal 2018 was 17.5%, an increase of 40 basis points, compared to the first six months of Fiscal 2017.

### Zone AOA

In the first six months of Fiscal 2018, Zone AOA's sales were CHF 10.6 billion, an increase of CHF 361 million, or 3.5%, compared to the first six months of Fiscal 2017. The increase in sales was driven by OG of 4.4%, consisting of 3.7% RIG and 0.7% Pricing. Net divestments and reduced sales by 0.1%, and foreign exchange fluctuations reduced sales by a further 0.8%.

Zone AOA delivered mid single-digit growth, with positive contributions from most geographies and categories. OG for the first six months of Fiscal 2018 in China accelerated, with strong momentum in coffee, culinary and in e-commerce. Southeast Asia delivered solid results with strong contributions from Vietnam and Indonesia, especially in our *Milo* products. Mid single-digit growth in South Asia was supported by innovation and renovation, particularly for our *Maggi*, *KitKat* and *Nescafé* brands. Sub-Saharan Africa saw high single-digit growth, even as inflation-driven pricing slowed versus last year. Japan and Oceania were flat, with positive RIG offset by negative pricing in a deflationary environment. Nutrition saw improved sales momentum in most markets.

In the first six months of Fiscal 2018, Zone AOA's Underlying Trading operating profit was CHF 2.4 billion, an increase of CHF 58 million, or 2.4 %, compared to the first six months Fiscal 2017. This improvement was mainly driven by an increase in sales. Zone AOA's Underlying Trading operating profit margin for the first six months of Fiscal 2018 was 22.9%, a decrease of 20 basis points, compared to the first six months of Fiscal 2017.

In the first six months of Fiscal 2018, Zone AOA's Trading operating profit was CHF 2.2 billion, a decrease of CHF 121 million, or 5.2%, compared to the first six months Fiscal 2017. This reduction was driven by an impairment of assets and an increase in restructuring costs, which more than offset the increase in Underlying Trading operating profit. Zone AOA's Trading operating profit margin for the first six months of Fiscal 2018 was 20.6%, a decrease of 190 basis points, compared to the first six months of Fiscal 2017.

### Nestlé Waters

In the first six months of Fiscal 2018, Nestlé Waters' sales were CHF 4.0 billion, a decrease of CHF 21 million, or 0.5%, compared to the first six months Fiscal 2017. The decrease in sales was driven by OG of 1.0%, consisting of (0.7)% RIG and 1.7% Pricing. Net divestments reduced sales by 0.8%. Foreign exchange fluctuations reduced sales by a further 0.7%.

In the United States, price increases were implemented in June 2018 to reflect significant inflation in packaging and distribution costs. The launch of the sparkling water range under our

regional spring water brands, such as *Poland Spring*, *Deer Park*, *Zephyrhills*, *Ozarka*, *Ice Mountain* and *Arrowhead*, made a positive contribution to our growth. Europe saw slightly negative OG, reflecting difficult comparables. Emerging markets were flat, impacted by negative sales development in China and the pending divestment of the business in Brazil. The international premium brands, *S. Pellegrino* and *Perrier*, continued to deliver good growth.

In the first six months of Fiscal 2018, Nestlé Waters' Underlying Trading operating profit was CHF 398 million, a decrease of CHF 107 million, or 21.2%, compared to the first six months Fiscal 2017. This reduction was driven by slightly lower sales, and higher costs related to PET packaging and distribution that were not yet compensated by price increases. Nestlé Waters' Underlying Trading operating profit margin for the first six months of Fiscal 2018 was 10.0%, a decrease of 270 basis points, compared to the first six months of Fiscal 2017.

In the first six months of Fiscal 2018, Nestlé Waters' Trading operating profit was CHF 346 million, a decrease of CHF 140 million, or 28.8%, compared to the first six months Fiscal 2017. This reduction was driven by lower Underlying Trading operating profit and increased restructuring costs and net other trading expenses. Nestlé Waters' Trading operating profit margin for the first six months of Fiscal 2018 was 8.7%, a decrease of 350 basis points, compared to the first six months of Fiscal 2017.

#### Other Businesses

In the first six months of Fiscal 2018, Other businesses' sales were CHF 5.9 billion, an increase of CHF 628 million, or 12.0%, compared to the first six months Fiscal 2017. The increase in sales was driven by OG of 5.7%, consisting of 5.4% RIG and 0.3% Pricing. Net acquisitions increased sales by 4.9%, mainly due to the consolidation of Atrium Innovations into Nestlé Health Science from March 2018. Foreign exchange fluctuations increased sales by a further 1.4%.

*Nespresso* maintained mid single-digit growth. The Americas and Asia saw strong growth and Western Europe was resilient in a context of increasing competitive pressure. Growth was supported by the continued progress of the Vertuo system roll-out and boutique expansion. Nestlé Health Science saw mid single-digit growth, with good growth in Medical Nutrition. The acquisition of Atrium Innovations provided additional momentum in the second quarter, with strong demand for its non-GMO, organic and natural product offerings. Nestlé Skin Health had mid single-digit growth, but pricing was negative.

In the first six months of Fiscal 2018, Other businesses' Underlying Trading operating profit was CHF 1.0 billion, an increase of CHF 183 million, or 23.6%, compared to the first six months Fiscal 2017. This improvement was driven by improved profitability for *Nespresso* and Nestlé Skin Health, as well as the acquisition of Atrium Innovations. Other Businesses' Underlying Trading operating profit margin for the first six months of Fiscal 2018 was 16.4%, an increase of 160 basis points, compared to the first six months of Fiscal 2017.

In the first six months of Fiscal 2018, Other businesses' Trading operating profit was CHF 915 million, an increase of CHF 164 million, or 21.8%, compared to the first six months Fiscal 2017. This improvement was driven by higher Underlying Trading operating profit, partially offset by higher restructuring costs. Other Businesses' Trading operating profit margin for the first six months of Fiscal 2018 was 15.6%, an increase of 130 basis points, compared to the first six months of Fiscal 2017.

## Products

The following table presents the revenue and results of the Group's products for the first six months of Fiscal 2018 as compared to the first six months of Fiscal 2017:

	Total Group	Powdered & liquid beverages	Water	Milk products & ice cream	Nutrition & Health Science	Prepared dishes & cooking aids	Confectionery	Petcare	Unallocated items
<b>(CHF in millions)</b>									
6M-2018 Sales.....	43,920	10,265	3,729	6,385	7,912	5,819	3,634	6,176	—
6M-2017 Sales.....	<u>42,926</u>	<u>9,805</u>	<u>3,734</u>	<u>6,492</u>	<u>7,471</u>	<u>5,724</u>	<u>3,700</u>	<u>6,000</u>	<u>—</u>
Real internal growth ...	2.5%	2.8%	(0.4)%	0.8%	4.5%	1.4%	4.1%	3.2%	—
Pricing .....	<u>0.3%</u>	<u>0.6%</u>	<u>1.7%</u>	<u>0.2%</u>	<u>(0.4)%</u>	<u>0.1%</u>	<u>(1.3)%</u>	<u>0.6%</u>	<u>—</u>
<b>Organic Growth.....</b>	<b><u>2.8%</u></b>	<b><u>3.4%</u></b>	<b><u>1.3%</u></b>	<b><u>1.0%</u></b>	<b><u>4.1%</u></b>	<b><u>1.5%</u></b>	<b><u>2.8%</u></b>	<b><u>3.8%</u></b>	<b><u>—</u></b>
6M-2018 Underlying TOP .....	7,063	2,394	352	1,128	1,603	1,010	449	1,295	(1,168)
6M-2017 Underlying TOP .....	<u>6,821</u>	<u>2,256</u>	<u>486</u>	<u>1,172</u>	<u>1,477</u>	<u>959</u>	<u>388</u>	<u>1,248</u>	<u>(1,165)</u>

## Underlying Trading operating profit and Underlying Trading operating profit margin

	Total Group	Powdered & liquid beverages	Water	Milk products & ice cream	Nutrition & Health Science	Prepared dishes & cooking aids	Confectionery	Petcare	Unallocated items
<b>(CHF in millions)</b>									
6M-2018 Sales.....	43,920	10,265	3,729	6,385	7,912	5,819	3,634	6,176	—
6M-2017 Sales.....	<u>42,926</u>	<u>9,805</u>	<u>3,734</u>	<u>6,492</u>	<u>7,471</u>	<u>5,724</u>	<u>3,700</u>	<u>6,000</u>	<u>—</u>
6M-2018 Underlying TOP .....	7,063	2,394	352	1,128	1,603	1,010	449	1,295	(1,168)
6M-2017 Underlying TOP .....	<u>6,821</u>	<u>2,256</u>	<u>486</u>	<u>1,172</u>	<u>1,477</u>	<u>959</u>	<u>388</u>	<u>1,248</u>	<u>(1,165)</u>
<b>6M-2018 Underlying TOP margin .....</b>	<b><u>16.1%</u></b>	<b><u>23.3%</u></b>	<b><u>9.4%</u></b>	<b><u>17.7%</u></b>	<b><u>20.3%</u></b>	<b><u>17.4%</u></b>	<b><u>12.4%</u></b>	<b><u>21.0%</u></b>	<b><u>—</u></b>
<b>6M-2017 Underlying TOP margin .....</b>	<b><u>15.9%</u></b>	<b><u>23.0%</u></b>	<b><u>13.0%</u></b>	<b><u>18.1%</u></b>	<b><u>19.8%</u></b>	<b><u>16.8%</u></b>	<b><u>10.5%</u></b>	<b><u>20.8%</u></b>	<b><u>—</u></b>

## Fiscal 2017 Compared to Fiscal 2016

### Reportable Operating Segments

The following table presents the revenue and results of the Group's reportable operating segments for Fiscal 2017 as compared to Fiscal 2016. The figures below do not give effect to the restatement of financial results for Fiscal 2017 following the first application of the new accounting standards IFRS 15 Revenue from Contract with Customers, IFRS 16 Leases and some other changes in presentation and in accounting policies. The restated figures for Fiscal 2016 have been included in the financial statements for Fiscal 2017, incorporated by reference elsewhere in this Offering Memorandum. However, the figures for Fiscal 2016 below are restated financial results for Fiscal 2016, reflecting the reorganization of Nestlé Professional. The restated figures for Fiscal 2016 have been included in the financial statements for Fiscal 2017, incorporated by reference elsewhere in this Offering Memorandum. For more information on the ability of investors to compare financial results year-over-year, see above "Items Affecting Comparability of Financial Statements" and "—Changes in presentation and Changes in accounting standards" below.

	<u>Total Group</u>	<u>Zone AMS</u>	<u>Zone EMENA</u>	<u>Zone AOA</u>	<u>Nestlé Waters</u>	<u>Nestlé Nutrition</u>	<u>Other Businesses</u>	<u>Unallocated items</u>
<b>(CHF in millions)</b>								
2017 Sales .....	89,791	28,479	16,535	16,224	7,955	10,361	10,237	—
2016 Sales .....	<u>89,469</u>	<u>28,130</u>	<u>17,428</u>	<u>15,904</u>	<u>7,926</u>	<u>10,326</u>	<u>9,755</u>	—
Real internal growth...	1.6%	0.2%	1.7%	2.9%	1.8%	0.9%	4.5%	—
Pricing.....	<u>0.8%</u>	<u>0.7%</u>	<u>0.6%</u>	<u>1.8%</u>	<u>0.3%</u>	<u>0.2%</u>	<u>0.3%</u>	—
Organic Growth .....	2.4%	0.9%	2.3%	4.7%	2.1%	1.1%	4.8%	—
Net M&A .....	(1.9)%	(0.5)%	(8.0)%	(0.4)%	(0.5)%	(0.4)%	(0.8)%	—
Foreign Exchange .....	<u>(0.1)%</u>	<u>0.8%</u>	<u>0.6%</u>	<u>(2.3)%</u>	<u>(1.4)%</u>	<u>(0.2)%</u>	<u>1.0%</u>	—
<b>Reported sales growth..</b>	<b><u>0.4%</u></b>	<b><u>1.2%</u></b>	<b><u>(5.1)%</u></b>	<b><u>2.0%</u></b>	<b><u>0.2%</u></b>	<b><u>0.5%</u></b>	<b><u>5.0%</u></b>	—
2017 Underlying TOP ..	14,729	5,791	2,990	3,265	1,012	2,384	1,625	(2,338)
2016 Underlying TOP ..	<u>14,307</u>	<u>5,537</u>	<u>3,020</u>	<u>3,171</u>	<u>990</u>	<u>2,389</u>	<u>1,503</u>	<u>(2,303)</u>

Total Underlying Trading operating profit for Fiscal 2017 was CHF 14.7 billion, an increase of CHF 422 million, or 2.9%, compared to Fiscal 2016. The change in Underlying Trading operating profit was primarily due to operating efficiencies and successful execution of ongoing restructuring initiatives, partially offset by an increase in commodity costs of approximately CHF 900 million. Underlying Trading operating profit margin for Fiscal 2017 was 16.4%, an increase of 40 basis points, compared to Fiscal 2016.

	<u>Total Group</u>	<u>Zone AMS</u>	<u>Zone EMENA</u>	<u>Zone AOA</u>	<u>Nestlé Waters</u>	<u>Nestlé Nutrition</u>	<u>Other Businesses</u>	<u>Unallocated items</u>
<b>(CHF in millions)</b>								
2017 Sales .....	89,791	28,479	16,535	16,224	7,955	10,361	10,237	—
2016 Sales .....	<u>89,469</u>	<u>28,130</u>	<u>17,428</u>	<u>15,904</u>	<u>7,926</u>	<u>10,326</u>	<u>9,755</u>	—
2017 Underlying TOP .....	14,729	5,791	2,990	3,265	1,012	2,384	1,625	(2,338)
2016 Underlying TOP .....	<u>14,307</u>	<u>5,537</u>	<u>3,020</u>	<u>3,171</u>	<u>990</u>	<u>2,389</u>	<u>1,503</u>	<u>(2,303)</u>
<b>2017 Underlying TOP margin .....</b>	<b><u>16.4%</u></b>	<b><u>20.3%</u></b>	<b><u>18.1%</u></b>	<b><u>20.1%</u></b>	<b><u>12.7%</u></b>	<b><u>23.0%</u></b>	<b><u>15.9%</u></b>	—
<b>2016 Underlying TOP margin .....</b>	<b><u>16.0%</u></b>	<b><u>19.7%</u></b>	<b><u>17.3%</u></b>	<b><u>19.9%</u></b>	<b><u>12.5%</u></b>	<b><u>23.1%</u></b>	<b><u>15.4%</u></b>	—

Total Trading operating profit for Fiscal 2017 was CHF 13.2 billion, a decrease of CHF 460 million, or 3.4%, compared to the Fiscal 2016. The change in Trading operating profit was primarily due to the acceleration of restructuring projects which incurred higher costs than the previous year. Trading operating profit margin for Fiscal 2017 was 14.7%, a decrease of 60 basis points, compared to Fiscal 2016.

	<u>Total Group</u>	<u>Zone AMS</u>	<u>Zone EMENA</u>	<u>Zone AOA</u>	<u>Nestlé Waters</u>	<u>Nestlé Nutrition</u>	<u>Other Businesses</u>	<u>Unallocated items</u>
<b>(CHF in millions)</b>								
2017 Sales .....	89,791	28,479	16,535	16,224	7,955	10,361	10,237	—
2016 Sales .....	<u>89,469</u>	<u>28,130</u>	<u>17,428</u>	<u>15,904</u>	<u>7,926</u>	<u>10,326</u>	<u>9,755</u>	—
2017 TOP .....	13,233	5,459	2,768	3,123	948	2,282	1,174	(2,521)
2016 TOP .....	<u>13,693</u>	<u>5,356</u>	<u>2,888</u>	<u>3,085</u>	<u>946</u>	<u>2,342</u>	<u>1,407</u>	<u>(2,331)</u>
<b>2017 TOP margin .....</b>	<b><u>14.7%</u></b>	<b><u>19.2%</u></b>	<b><u>16.7%</u></b>	<b><u>19.2%</u></b>	<b><u>11.9%</u></b>	<b><u>22.0%</u></b>	<b><u>11.5%</u></b>	—
<b>2016 TOP margin .....</b>	<b><u>15.3%</u></b>	<b><u>19.0%</u></b>	<b><u>16.6%</u></b>	<b><u>19.4%</u></b>	<b><u>11.9%</u></b>	<b><u>22.7%</u></b>	<b><u>14.4%</u></b>	—

### Zone AMS

In Fiscal 2017, Zone AMS' sales were CHF 28.5 billion, an increase of CHF 349 million, or 1.2%, compared to Fiscal 2016. In Fiscal 2017, OG was 0.9%, RIG was 0.2% and Pricing was 0.7% due to a lower contribution from Latin America (i.e., Brazil). In Fiscal 2017, Net divestments reduced reported sales by 0.5% but foreign exchange increased reported sales by 0.8%.

In Fiscal 2017, Zone AMS' Underlying Trading operating profit was CHF 5.8 billion, an increase of CHF 254 million, or 4.6%, compared to Fiscal 2016. The Zone's Underlying Trading operating profit margin improved by 60 basis points to 20.3%, as ongoing restructuring projects

reduced structural costs. Operational efficiency savings helped to offset cost increases from commodity inflation and foreign exchange.

In Fiscal 2017, Zone AMS' Trading operating profit was CHF 5.5 billion, an increase of CHF 103 million, or 1.9%, compared to Fiscal 2016. The Zone's Trading operating profit margin improved by 20 basis points to 19.2% as the Underlying Trading operating profit margin improvement of 60 basis points was partially offset by higher net other trading expenses, largely due to higher restructuring costs.

#### Zone EMENA

In Fiscal 2017, Zone EMENA's sales were CHF 16.5 billion, a decrease of CHF 893 million, or 5.1%, compared to Fiscal 2016. In Fiscal 2017, OG increased to 2.3%, RIG remained at 1.7% and Pricing improved to 0.6%, driven by a return to positive Pricing in Western Europe, as compared to Fiscal 2016. Net divestments reduced reported sales by 8.0%, mainly reflecting the transfer of the ice cream business to the Froneri joint venture. However, foreign exchange effects increased reported sales by 0.6%.

In Fiscal 2017, Zone EMENA's Underlying Trading operating profit was CHF 3.0 billion, a decrease of CHF 30 million, or 1.0%, compared to Fiscal 2016. The Zone's Underlying Trading operating profit margin increased by 80 basis points to 18.1%, despite higher commodity costs. This improvement was driven by price increases, portfolio management, operational efficiencies and structural cost savings.

In Fiscal 2017, Zone EMENA's Trading operating profit was CHF 2.8 billion, a decrease of CHF 120 million, or 4.2%, compared to Fiscal 2016. The Zone's Trading operating profit margin increased by 10 basis points to 16.7% as the Underlying Trading operating profit improvement of 80 basis points was partially offset by higher net other trading expenses.

#### Zone AOA

In Fiscal 2017, Zone AOA's sales were CHF 16.2 billion, an increase of CHF 320 million, or 2.0%, compared to Fiscal 2016. In Fiscal 2017, OG was strong at 4.7%, RIG remained at 2.9% and Pricing improved to 1.8% from Fiscal 2016. In Fiscal 2017, net divestments and foreign exchange reduced reported sales by 0.4% and 2.3%, respectively.

In Fiscal 2017, Zone AOA's Underlying Trading operating profit was CHF 3.3 billion, an increase of CHF 94 million, or 3.0%, compared to Fiscal 2016. The Zone's Underlying Trading operating profit margin improved by 20 basis points from Fiscal 2016 to 20.1% as pricing, operational efficiencies and structural cost savings more than offset an increase in commodity costs.

In Fiscal 2017, Zone AOA's Trading operating profit was CHF 3.1 billion, an increase of CHF 38 million, or 1.2%, compared to Fiscal 2016. In Fiscal 2017, the Zone's Trading operating profit margin decreased by 20 basis points from Fiscal 2016 to 19.2% due to an increase in net other trading expenses.

#### Nestlé Waters

In Fiscal 2017, Nestlé Waters' sales were CHF 8.0 billion, an increase of CHF 29 million, or 0.4%, compared to Fiscal 2016. In Fiscal 2017, OG was 2.1%, RIG was 1.8%, reflecting softer growth across both North America and Europe, and Pricing remained at 0.3% due to the deflationary environment. Net divestments and foreign exchange reduced reported sales by 0.5% and 1.4%, respectively.

In Fiscal 2017, Nestlé Waters' Underlying Trading operating profit was CHF 1.0 billion, an increase of CHF 22 million, or 2.2%, compared to Fiscal 2016. In Fiscal 2017, Nestlé Waters' Underlying Trading operating profit margin improved by 20 basis points to 12.7%, as operating efficiencies and increased structural cost savings offset higher commodity costs. The strong growth of the international brands also drove improved profitability through premiumization.

In Fiscal 2017, Nestlé Waters' Trading operating profit was CHF 0.9 billion, an increase of CHF 2 million, or 0.2%, In Fiscal 2017, Nestlé Waters' Trading operating profit margin was flat at 11.9%.

#### Nestlé Nutrition

In Fiscal 2017, Nestlé Nutrition's sales were CHF 10.4 billion, an increase of CHF 35 million, or 0.3%, compared to Fiscal 2016. In Fiscal 2017, OG was 1.1%, RIG was 0.9% and Pricing was 0.2%. In China, OG remained soft but saw some improvement in the back half of the year. The United States had slightly positive OG driven by price increases. Brazil had negative growth, reflecting price decreases and soft demand. Net divestments and foreign exchange reduced reported sales by 0.4% and 0.2%, respectively.

In Fiscal 2017, Nestlé Nutrition's Underlying Trading operating profit was CHF 2.4 billion, a decrease of CHF 5 million, or 0.2%, compared to Fiscal 2016. In Fiscal 2017, Nestlé Nutrition's Underlying Trading operating profit margin decreased by 10 basis points to 23.0%, mainly due to lower profitability in Brazil, where Pricing was significantly impacted by deflationary pressures.

In Fiscal 2017, Nestlé Nutrition's Trading operating profit was CHF 2.3 billion, a decrease of CHF 60 million, or 2.6%, compared to Fiscal 2016. In Fiscal 2017, Nestlé Nutrition's Trading operating profit margin decreased by 70 basis points to 22.0%, due to an increase in net other trading expenses.

#### Other Businesses

In Fiscal 2017, Other Businesses' sales were CHF 10.2 billion, an increase of CHF 482 million, or 4.9%, compared to Fiscal 2016. In Fiscal 2017, OG of 4.8%, RIG was 4.5% and Pricing was 0.3%. Net acquisitions decreased reported sales by 0.8% and foreign exchange had a positive 1.0% impact.

In Fiscal 2017, Other Businesses' Underlying Trading operating profit was CHF 1.6 billion, an increase of CHF 122 million, or 8.1%, compared to Fiscal 2016. The Underlying Trading operating profit margin of Other Businesses in Fiscal 2017 increased by 50 basis points to 15.9%, primarily due to an improvement in Nestlé Skin Health, even though the profitability of this business remained substantially below its historical level.

In Fiscal 2017, Other Businesses' Trading operating profit was CHF 1.2 billion, a decrease of CHF 233 million, or 16.6%, compared to Fiscal 2016. The Trading operating profit margin of Other Businesses decreased by 290 basis points to 11.5%, primarily due to an increase in net other trading expenses, mainly related to Skin Health.

## Products

The following table presents the revenue and results of the Group's products for the Fiscal 2017 as compared to Fiscal 2016:

	Total Group	Powdered & liquid beverages	Water	Milk products & ice cream	Nutrition & Health Science	Prepared dishes & cooking aids	Confectionery	Petcare	Unallocated items
<b>(CHF in millions)</b>									
2017 Sales .....	89,791	20,408	7,455	13,447	15,257	11,957	8,805	12,462	—
2016 Sales .....	89,469	19,792	7,414	14,331	15,038	12,148	8,679	12,067	—
Real internal growth.	1.6%	2.1%	2.1%	0.4%	1.9%	1.0%	1.4%	2.5%	—
Pricing.....	0.8%	1.5%	0.3%	1.6%	0.2%	1.2%	(1.1)%	0.5%	—
<b>Organic Growth .....</b>	<b>2.4%</b>	<b>3.6%</b>	<b>2.4%</b>	<b>2.0%</b>	<b>2.1%</b>	<b>2.2%</b>	<b>0.3%</b>	<b>3.0%</b>	<b>—</b>
2017 Underlying TOP.....	14,729	4,461	968	2,509	2,961	2,103	1,387	2,678	(2,338)
2016 Underlying TOP.....	14,307	4,270	950	2,759	2,900	1,940	1,237	2,554	(2,303)

### Underlying Trading operating profit and Underlying Trading operating profit margin

	Total Group	Powdered & liquid beverages	Water	Milk products & ice cream	Nutrition & Health Science	Prepared dishes & cooking aids	Confectionery	Petcare	Unallocated items
<b>(CHF in millions)</b>									
2017 Sales.....	89,791	20,408	7,455	13,447	15,257	11,957	8,805	12,462	—
2016 Sales.....	89,469	19,792	7,414	14,331	15,038	12,148	8,679	12,067	—
2017 Underlying TOP..	14,729	4,461	968	2,509	2,961	2,103	1,387	2,678	(2,338)
2016 Underlying TOP..	14,307	4,270	950	2,759	2,900	1,940	1,237	2,554	(2,303)
<b>2017 Underlying TOP margin.....</b>	<b>16.4%</b>	<b>21.9%</b>	<b>13.0%</b>	<b>18.7%</b>	<b>19.4%</b>	<b>17.6%</b>	<b>15.8%</b>	<b>21.5%</b>	<b>—</b>
<b>2016 Underlying TOP margin.....</b>	<b>16.0%</b>	<b>21.6%</b>	<b>12.8%</b>	<b>19.3%</b>	<b>19.3%</b>	<b>16.0%</b>	<b>14.3%</b>	<b>21.2%</b>	<b>—</b>

### *Fiscal 2016 Compared to Fiscal 2015*

#### **Reportable Operating Segments**

The following table presents the revenue and results of the Group's reportable operating segments for Fiscal 2016 as compared to Fiscal 2015. For purposes of comparing Fiscal 2016 against Fiscal 2015, the figures below for Fiscal 2016 and Fiscal 2015 have not been restated and are based on originally published figures from Fiscal 2016. For more information about ability to compare financial results year-over-year, see above "Items Affecting Comparability of Financial Statements" and "—Changes in presentation and Changes in accounting standards".

	<u>Total Group</u>	<u>Zone AMS</u>	<u>Zone EMENA</u>	<u>Zone AOA</u>	<u>Nestlé Waters</u>	<u>Nestlé Nutrition</u>	<u>Other Businesses</u>	<u>Unallocated items</u>
<b>(CHF in millions)</b>								
2016 Sales .....	89,469	26,356	16,249	14,493	7,926	10,326	14,119	—
2015 Sales .....	<u>88,785</u>	<u>25,844</u>	<u>16,403</u>	<u>14,338</u>	<u>7,625</u>	<u>10,461</u>	<u>14,114</u>	<u>—</u>
Real internal growth....	2.4%	1.3%	2.7%	2.9%	4.5%	0.9%	3.4%	—
Pricing.....	<u>0.8%</u>	<u>2.9%</u>	<u>(0.7)%</u>	<u>0.3%</u>	<u>0.0%</u>	<u>0.6%</u>	<u>0.3%</u>	<u>—</u>
Organic Growth .....	3.2%	4.2%	2.0%	3.2%	4.5%	1.5%	3.7%	—
Net M&A .....	(0.8)%	0.3%	(1.5)%	(0.3)%	(0.5)%	(0.2)%	(3.4)%	—
Foreign Exchange .....	<u>(1.6)%</u>	<u>(2.5)%</u>	<u>(1.4)%</u>	<u>(1.8)%</u>	<u>(0.1)%</u>	<u>(2.6)%</u>	<u>(0.3)%</u>	<u>—</u>
<b>Reported sales growth..</b>	<b><u>0.8%</u></b>	<b><u>2.0%</u></b>	<b><u>(0.9)%</u></b>	<b><u>1.1%</u></b>	<b><u>3.9%</u></b>	<b><u>(1.3)%</u></b>	<b><u>0.0%</u></b>	<b><u>—</u></b>
2016 TOP .....	13,693	5,074	2,712	2,756	946	2,342	2,144	(2,281)
2015 TOP .....	<u>13,382</u>	<u>5,021</u>	<u>2,572</u>	<u>2,632</u>	<u>825</u>	<u>2,361</u>	<u>2,221</u>	<u>(2,250)</u>

Total Trading operating profit for Fiscal 2016 was CHF 13.7 billion, an increase of CHF 311 million, or 2.3%, compared to Fiscal 2015. Trading operating profit was CHF 13.7 billion with a margin of 15.3%, up 20 basis points on a reported basis. The change in Trading operating profit margin was primarily due to the benefits of our cost-savings programs and successful portfolio management (e.g. disposal of *Davigel* in France at the end of 2015 and the creation of Froneri at the end of 2016), partially offset by the impact of higher commodity Pricing, restructuring expenses and increased investment in brand support, digital marketing and research and development.

	<u>Total Group</u>	<u>Zone AMS</u>	<u>Zone EMENA</u>	<u>Zone AOA</u>	<u>Nestlé Waters</u>	<u>Nestlé Nutrition</u>	<u>Other Businesses</u>	<u>Unallocated items</u>
<b>(CHF in millions)</b>								
2016 Sales .....	89,469	26,356	16,249	14,493	7,926	10,326	14,119	—
2015 Sales .....	<u>88,785</u>	<u>25,844</u>	<u>16,403</u>	<u>14,338</u>	<u>7,625</u>	<u>10,461</u>	<u>14,114</u>	<u>—</u>
2016 TOP .....	13,693	5,074	2,712	2,756	946	2,342	2,144	(2,281)
2015 TOP .....	<u>13,382</u>	<u>5,021</u>	<u>2,572</u>	<u>2,632</u>	<u>825</u>	<u>2,361</u>	<u>2,221</u>	<u>(2,250)</u>
<b>2016 TOP margin .....</b>	<b><u>15.3%</u></b>	<b><u>19.3%</u></b>	<b><u>16.7%</u></b>	<b><u>19.0%</u></b>	<b><u>11.9%</u></b>	<b><u>22.7%</u></b>	<b><u>15.2%</u></b>	<b><u>—</u></b>
<b>2015 TOP margin .....</b>	<b><u>15.1%</u></b>	<b><u>19.4%</u></b>	<b><u>15.7%</u></b>	<b><u>18.4%</u></b>	<b><u>10.8%</u></b>	<b><u>22.6%</u></b>	<b><u>15.7%</u></b>	<b><u>—</u></b>

#### Zone AMS

In Fiscal 2016, Zone AMS' sales was CHF 26.4 billion, an increase of CHF 512 million, or 2.0%, compared to Fiscal 2015. In Fiscal 2016, OG was 4.2% and RIG was 1.3%. In North America, growth accelerated year-on-year. In Latin America, strong OG was led by price increases following currency depreciation, as RIG slowed.

In Fiscal 2016, Zone AMS' Trading operating profit was CHF 5.1 billion, an increase of CHF 53 million, or 1.1%, compared to Fiscal 2015. This improvement was driven by reported sales growth, partially offset by an increase in restructuring costs and high cost inflation in Latin America. Zone AMS' Trading operating profit margin decreased by 10 basis points to 19.3%, due to an increase in restructuring costs. The profitability margin improved in North America, but Latin America was largely affected by high cost inflation caused by currency depreciation and commodity prices.

#### Zone EMENA

In Fiscal 2016, Zone EMENA's sales were CHF 16.2 billion, a decrease of CHF 154 million, or 0.9%, compared to Fiscal 2015. In Fiscal 2016, OG was 2.0% and RIG was 2.7%, while Pricing was negative due to sustained low commodity prices, trade pressure and intense competition.

In Fiscal 2016, Zone EMENA's Trading operating profit was CHF 2.7 billion, an increase of CHF 140 million, or 5.4%, compared to Fiscal 2015. This improvement was driven by premiumization, volume leverage, operational efficiency savings, favorable input cost and portfolio management (e.g., the creation of Froneri), partially offset by restructuring expenses and increased

marketing spend. Zone EMENA's Trading operating profit margin improved by 100 basis points to 16.7% even as restructuring costs and marketing investment increased.

### Zone AOA

In Fiscal 2016, Zone AOA's sales were CHF 14.5 billion, an increase of CHF 155 million, or 1.1%, compared to Fiscal 2015. In Fiscal 2016, Zone AOA experienced 3.2% of OG and 2.9% of RIG as strong growth in emerging markets and South East Asia offset a double-digit decline of Yinlu in China, the disruptive impact from demonetization in India, and continuing deflationary pressure in Oceania.

In Fiscal 2016, Zone AOA's Trading operating profit was CHF 2.8 billion, an increase of CHF 124 million, or 4.7%, compared to Fiscal 2015. This improvement was driven by favorable input costs, particularly in dairy, cost efficiencies and improved volumes and product mix and lower one-off costs. The Zone improved its Trading operating profit margin by 60 basis points to 19.0% while also increasing marketing investment and restructuring expenditure.

### Nestlé Waters

In Fiscal 2016, Nestlé Waters' sales were CHF 7.9 billion, an increase of CHF 301 million, or 3.9%, compared to Fiscal 2015. In Fiscal 2016, the segment experienced 4.5% of OG and 4.5% of RIG, while pricing remained flat. The strong sales growth was driven by demand for healthier beverages and safe drinking as well as strong growth in our international premium brands, *S. Pellegrino* and *Perrier*. There was some negative impact on sales due to the shutdown of a factory in Texas following a tornado in April 2016.

In Fiscal 2016, Nestlé Waters' Trading operating profit was CHF 0.9 billion, an increase of CHF 121 million, or 14.7%, compared to Fiscal 2015. This improvement was driven by a combination of volume growth, positive product mix through premiumization, operational efficiencies and favorable input costs, partially offset by increased marketing spend. There was a strong Trading operating profit margin improvement of 110 basis points to 11.9%.

### Nestlé Nutrition

In Fiscal 2016, Nestlé Nutrition's sales were CHF 10.3 billion, a decrease of CHF 135 million, or 1.3%, compared to Fiscal 2015. In Fiscal 2016, Nestlé Nutrition had 1.5% of OG and 0.9% of RIG. The subdued growth was primarily due to new regulations in China that impacted pricing and inventory levels, low dairy prices and negative pricing from intense competition.

In Fiscal 2016, Nestlé Nutrition's Trading operating profit was CHF 2.3 billion, a decrease of CHF 19 million, or 0.8%, compared to Fiscal 2015. Nestlé Nutrition's Trading operating profit margin increased by 10 basis points to 22.7%. This was driven by premiumization and sustained low dairy prices, partially offset by increased marketing investment behind brands.

### Other Businesses

In Fiscal 2016, Other Businesses' sales were CHF 14.1 billion, an increase of CHF 5 million, compared to Fiscal 2015. In Fiscal 2016, Other Businesses experienced 3.7% of OG and 3.4% of RIG. Performance by GMB was as follows:

- Nestlé Professional continued to grow, led by mid-single-digit growth in emerging markets with strong growth in Russia and Mexico and solid growth in China. The United States also had good OG while business in Canada and Western Europe declined.
- *Nespresso* continued to grow in Fiscal 2016. The United States and Canada saw strong momentum from the continued success of the VertuoLine system. Sales in France also benefitted from the launch of VertuoLine at the end of the year. The United Kingdom saw strong acceleration following brand investment and the launch of a subscription model. In Asia, both China and Korea performed well.

- Nestlé Health Science maintained a good pace of growth. Consumer care was once again the key source of growth including the Boost range of products, Carnation Breakfast Essentials and, in Europe, *Meritene*. Medical nutrition benefitted from strong contributions from the allergy portfolio (especially in China), Vitaflo and oral nutritional supplements in key markets.
- Nestlé Skin Health performed well in consumer care. However, we adjusted inventory levels in the trade at the end of the year. Increased competition and pressure from generic products affected the U.S. prescription business.

In Fiscal 2016, Other Businesses' Trading operating profit was CHF 2.1 billion, a decrease of CHF 77 million, or 3.5%, compared to Fiscal 2015. The Trading operating profit margin of this segment was impacted by performance of Nestlé Skin Health, an adjustment of trade inventories and higher restructuring and litigation costs, all of which affected profitability. This was offset by improved profitability by both Nestlé Professional and *Nespresso*, mainly due to favorable input costs.

### Products

The following table presents the revenue and results of the Group's products for the Fiscal 2016 as compared Fiscal 2015:

	Total Group	Powdered & liquid beverages	Water	Milk products & ice cream	Nutrition & Health Science	Prepared dishes & cooking aids	Confectionery	Petcare	Unallocated items
(CHF in millions)									
2016 Sales .....	89,469	19,792	7,414	14,331	15,038	12,148	8,679	12,067	—
2015 Sales .....	88,785	19,245	7,112	14,637	14,854	12,579	8,870	11,488	—
Real internal growth (RIG) ..	2.4%	3.7%	5.0%	0.5%	1.6%	2.0%	(0.5)%	4.4%	—
Pricing.....	0.8%	0.9%	0.0%	1.1%	0.4%	0.7%	2.3%	0.9%	—
<b>Organic Growth ..</b>	<b>3.2%</b>	<b>4.6%</b>	<b>5.0%</b>	<b>1.6%</b>	<b>2.0%</b>	<b>2.7%</b>	<b>1.8%</b>	<b>5.3%</b>	<b>—</b>
2016 TOP .....	13,693	4,111	906	2,640	2,775	1,817	1,190	2,535	(2,281)
2015 TOP .....	13,382	4,100	796	2,471	2,909	1,724	1,246	2,386	(2,250)

### Trading operating profit and Trading operating profit margin

	Total Group	Powdered & liquid beverages	Water	Milk products & ice cream	Nutrition & Health Science	Prepared dishes & cooking aids	Confectionery	Petcare	Unallocated items
(CHF in millions)									
2016 Sales .....	89,469	19,792	7,414	14,331	15,038	12,148	8,679	12,067	—
2015 Sales .....	88,785	19,245	7,112	14,637	14,854	12,579	8,870	11,488	—
2016 TOP .....	13,693	4,111	906	2,640	2,775	1,817	1,190	2,535	(2,281)
2015 TOP .....	13,382	4,100	796	2,471	2,909	1,724	1,246	2,386	(2,250)
<b>2016 TOP margin...</b>	<b>15.3%</b>	<b>20.8%</b>	<b>12.2%</b>	<b>18.4%</b>	<b>18.5%</b>	<b>15.0%</b>	<b>13.7%</b>	<b>21.0%</b>	<b>—</b>
<b>2015 TOP margin...</b>	<b>15.1%</b>	<b>21.3%</b>	<b>11.2%</b>	<b>16.9%</b>	<b>19.6%</b>	<b>13.7%</b>	<b>14.0%</b>	<b>20.8%</b>	<b>—</b>

## Liquidity and Capital Resources

### General

The Group's historical liquidity needs have arisen primarily to finance the Group operations (e.g. capital expenditures), business acquisitions and the payment of dividends, as well as the share buy-back programs. The primary sources of liquidity have been our cash flows from our operations, cash received from business disposals and borrowings under our available borrowing facilities.

### **Cash flow, Capital Expenditure and Net Financial Debt**

Operating cash flow (“*Operating cash flow*”) equals cash generated from operations less net cash flows from treasury activities, taxes paid and dividends and interest from associates and joint ventures.

Capital expenditure (“*Capital expenditure*”) refers only to the Group’s investment in property, plant and equipment.

Free cash flow (“*Free cash flow*”) equals Operating cash flow less capital expenditure, expenditure on intangible assets and other investing activities. Prior to January 1, 2018, the definition of Free cash flow also included investments (net of divestments) in associates and joint ventures. This alternative performance measure is useful for Management as it represents the cash-generating capability of the Group to pay dividends, repay providers of capital, or carry out acquisitions, if any. See “*Presentation of Financial and Other Data—Use of Non-IFRS Financial Measures*” included elsewhere in this Offering Memorandum and the Alternative Performance Measures incorporated by reference in this Offering Memorandum for further information.

Net financial debt at the end of the period or year, as applicable, (“*Net financial debt*”) represents the net level of financial debt contracted by the Group with external parties at the end of a reporting period (e.g. bonds, commercial papers) after considering cash and investments readily convertible into cash. This alternative performance measure is composed of the current and non-current financial debt and derivatives less cash and cash equivalent and short-term investments. Prior to January 1, 2018, the definition of Net financial debt excluded derivatives. The Operating cash flow-to-Net financial debt ratio is a useful metric for Management as it highlights the ability of the Group to repay its debt. See “*Presentation of Financial and Other Data—Use of Non-IFRS Financial Measures*” included elsewhere in this Offering Memorandum and the Alternative Performance Measures incorporated by reference in this Offering Memorandum for further information.

#### *Reconciliation of Free cash flow and composition of Net financial debt for the First Six Months of Fiscal 2018 Compared to First Six Months of Fiscal 2017*

	<b>Six months ended June 30,</b>	
	<b>2018</b>	<b>2017</b>
<b>(CHF in millions)</b>		
Operating cash flow .....	4,399	3,384
Capital expenditure .....	(1,158)	(1,024)
Expenditure on intangible assets .....	(251)	(354)
Other investing activities .....	(106)	(112)
<b>Free cash flow .....</b>	<b>2,884</b>	<b>1,894</b>
Current financial debt.....	(15,756)	(14,779)
Non-current financial debt .....	(19,847)	(13,149)
Derivatives .....	77	(785)
Cash and cash equivalents.....	4,615	3,954
Short-term investments.....	2,102	1,039
<b>Net financial debt at end of period .....</b>	<b>(28,809)</b>	<b>(23,720)</b>

The first six months of Fiscal 2018 and Fiscal 2017 above include the first application of the new accounting standards IFRS 15 Revenue from Contract with Customers, IFRS 16 Leases and some other changes in presentation and in accounting policies. For more information on the restatement as from January 1, 2018, see “—*Items Affecting Comparability of Financial Statements*” above and “—*Changes in presentation and Changes in accounting standards*” below for more information about ability to compare financial results year-over-year.

In addition, compared to prior results, the first six months of Fiscal 2018 and the first six months Fiscal 2017 above include changes to the definition of the Free cash flow (from January 1, 2018, investments (net of divestments) in associates and joint ventures are excluded from the

definition of the Free cash flow) and Net financial debt (from January 1, 2018, the definition of Net financial debt includes derivatives hedging net financial debt).

### ***First Six Months of Fiscal 2018 Compared to First Six Months of Fiscal 2017***

Operating cash flow in the first six months of Fiscal 2018 was CHF 4.4 billion, compared to CHF 3.4 billion in the first six months of Fiscal 2017. Operating cash flow was positively impacted by an improvement in working capital, lower taxes and increased operating profit.

Capital expenditures in the first six months of Fiscal 2018 were CHF 1.2 billion compared to CHF 1.0 billion in the first six months of Fiscal 2017.

Free cash flow in the first six months of Fiscal 2018 was CHF 2.9 billion, compared to CHF 1.9 billion in the first six months of Fiscal 2017. Free cash flow was positively impacted by an improvement in working capital, lower taxes and increased operating profit.

Net financial debt in the first six months of Fiscal 2018 was CHF 28.8 billion, an increase of CHF 5.1 billion compared to the first six months of Fiscal 2017. This increase in Net financial debt was mainly due to the ongoing share buyback program and the acquisition of businesses.

### ***Reconciliation of Free cash flow and composition of Net financial debt for Fiscal 2017, Fiscal 2016 and Fiscal 2015***

	<b>Year ended December 30,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>(CHF in millions)</b>			
Operating cash flow.....	13,486	15,582	14,302
Capital expenditure .....	(3,934)	(4,010)	(3,872)
Expenditure on intangible assets .....	(769)	(682)	(422)
Investments (net of divestments) in associates and joint ventures .....	(140)	(748)	(44)
Other investing activities.....	(134)	(34)	(19)
<b>Free cash flow .....</b>	<b>8,509</b>	<b>10,108</b>	<b>9,945</b>
Current financial debt.....	(10,536)	(12,118)	(9,629)
Non-current financial debt .....	(15,932)	(11,091)	(11,601)
Cash and cash equivalents .....	7,938	7,990	4,884
Short-term investments.....	655	1,306	921
Derivatives.....	n/a	n/a	n/a
<b>Net financial debt at end of year .....</b>	<b>(17,875)</b>	<b>(13,913)</b>	<b>(15,425)</b>

As opposed to the results for the first six months of Fiscal 2018 and the first six months Fiscal 2017, the results for Fiscal 2017, Fiscal 2016 and Fiscal 2015 above do not include changes to the definition of the Free cash flow effective from January 1, 2018 (where investments (net of divestments) in associates and joint ventures were excluded from the definition of the Free cash flow) and the changes for the definition of Net financial debt from January 1, 2018 (where the definition of Net financial debt was changed to include derivatives hedging net financial debt).

### ***Fiscal 2017 Compared to Fiscal 2016***

Operating cash flow in Fiscal 2017 was CHF 13.5 billion, compared to CHF 15.6 billion in Fiscal 2016. Cash flows from operations were negatively impacted by an increase in working capital, mainly due to inventories following commodity price inflation.

Capital expenditures in Fiscal 2017 were CHF 3.9 billion compared to CHF 4.0 billion Fiscal 2016 and includes CHF 2.1 billion in machinery and equipment, and CHF 1.0 billion in land and buildings.

Free cash flow in Fiscal 2017 was CHF 8.5 billion, compared to CHF 10.1 billion in Fiscal 2016. This was driven by working capital development, which saw a slower rate of improvement following the exceptionally large reduction in the prior year.

Net financial debt in Fiscal 2017 was CHF 17.9 billion, an increase of CHF 4.0 billion, compared to Fiscal 2016. The increase in Net financial debt in Fiscal 2017 was mainly due to the commencement of a share buyback program and an increase in working capital during the year.

### ***Fiscal 2016 Compared to Fiscal 2015***

Operating cash flow in Fiscal 2016 was CHF 15.6 billion, compared to CHF 14.3 billion in Fiscal 2015. Cash flows from operations benefited from a reduction in working capital, largely driven by an increase in trade payables.

Capital expenditures in Fiscal 2016 were CHF 4.0 billion compared to CHF 3.9 billion Fiscal 2015 and include: CHF 2.0 billion in machinery and equipment and CHF 1.1 billion in land and buildings.

Free cash flow in Fiscal 2016 was CHF 10.1 billion, compared to CHF 9.9 billion in Fiscal 2015. This increase was primarily a result of sales growth, margin improvement and positive working capital development.

Net financial debt in Fiscal 2016 was CHF 13.9 billion, a decrease of CHF 1.5 billion, compared to Fiscal 2015. This decrease in Net financial debt in Fiscal 2016 was mainly due to strong Free cash flow generation following a reduction in working capital.

### ***Off-Balance Sheet Arrangements and Aggregate Contractual Obligations***

The Nestlé Group has entered into long-term agreements to in-license or acquire intellectual property or operating rights from some third parties or associates (related parties). If agreed objectives or performance targets are achieved, these agreements may require potential milestone payments and other payments by the Group, which may be capitalized as non-commercialized intangible assets as defined in “*Note 9–Goodwill and Intangible assets*” in the Guarantor 2017 Consolidated Financial Statements incorporated by reference in this Offering Memorandum. As of December 31, 2017, the Group’s committed payments (undiscounted and not risk adjusted) and their estimated timing were:

	<b><u>Unconditional commitments</u></b>	<b><u>Potential milestone payments</u></b>	<b><u>Total</u></b>
<b>(CHF in millions)</b>			
Within one year.....	2	85	87
In the second year .....	—	156	156
In the third and fourth year.....	—	284	284
Thereafter.....	<u>—</u>	<u>1,198</u>	<u>1,198</u>
<b>Total .....</b>	<b><u>2</u></b>	<b><u>1,723</u></b>	<b><u>1,725</u></b>

In addition, at December 31, 2017, the Group was committed to property, plant and equipment expenditure amounting to CHF 527 million and intangible assets expenditure of CHF 9 million.

### **Market Risks**

In the ordinary course of business, the Group is exposed to risk from movements in foreign currency exchange rates, interest rates, commodity prices and equity prices that affect its assets, liabilities and future transactions. For more information on foreign currency risk, interest rate risk, commodity price risk and equity price risk, please see “*Note 12.2c.—Market Risk*” in the Guarantor 2017 Consolidated Financial Statements incorporated by reference in this Offering Memorandum and “*Risk Factors*” included elsewhere in this Offering Memorandum.

### ***Foreign currency risk***

The Group is exposed to foreign currency risk from transactions and translation.

Transactional exposures arise from transactions in foreign currency. They are managed within a prudent and systematic hedging policy in accordance with the Group's specific business needs through the use of currency forwards, futures, swaps and options. Exchange differences recorded in our consolidated income statements represented a loss of CHF 99 million in Fiscal 2017 as compared to a loss of CHF 147 million in Fiscal 2016, and a loss of CHF 156 million in Fiscal 2015. They are allocated to the appropriate headings of expenses by function.

Our primary exposures to foreign exchange rates are to the U.S. Dollar, Euro, Chinese Yen, Brazilian Real, Philippine Peso, British Pound and Mexican Peso. During Fiscal 2017, foreign exchange negatively impacted sales performance by 0.1%. Approximately 80% of our products are produced in the markets in which they are sold; however, some of our products are exported from and imported into the markets in which they are sold (e.g., *Nespresso*), resulting in some limited transactional foreign exchange exposure.

Translation exposure arises from the consolidation of the financial statements of foreign operations in Swiss francs, which is, in principle, not hedged.

Value at risk ("*VaR*") based on a historic data for a 250-day period and confidence level of 95% results in a potential one-day loss for currency risk of less than CHF 10 million in Fiscal 2017, Fiscal 2016 and Fiscal 2015. The Group cannot predict future movements in exchange rates, therefore the aforementioned VaR number neither represents actual losses nor considers the effects of favorable movements in underlying variables. Accordingly, the VaR number may only be considered indicative of future movements to the extent the historic market patterns repeat in the future.

#### ***Interest rate risk***

The Group is exposed primarily to fluctuation in USD and EUR interest rates. Interest rate risk on financial debt is managed based on duration and interest management targets set by the Asset and Liability Management Committee through the use of fixed rate debt and interest rate swaps. Taking into account the impact of interest derivatives, the proportion of financial debt subject to fixed interest rates for a period longer than one year represents 59% in Fiscal 2017, 45% in Fiscal 2016 and 50% in Fiscal 2015.

Based on the structure of net debt as of December 31, 2017, an increase of interest rates of 100 basis points would cause an additional expense in net financing cost of net debt of CHF 29 million (2016—CHF 49 million; 2015—CHF 57 million).

#### ***Price risk: Commodity price risk***

Commodity price risk arises from transactions in the world commodity markets for securing the supplies of green coffee, cocoa beans, and other commodities necessary for the manufacture of some of the Group's products.

The Group's objective is to minimize the impact of commodity price fluctuations and this exposure is hedged in accordance with the Group's policy on commodity price risk management. The Group's Global Procurement Organization is responsible for managing commodity price risk on the basis of internal directives and centrally determined limits, generally through the use of exchange-traded commodity derivatives. The commodity price risk exposure of future purchases is managed using a combination of derivatives (mainly futures and options) and executory contracts. As a result of the short product business cycle of the Group, the majority of the anticipated future raw material transactions outstanding at the end of a fiscal year are expected to occur in the next fiscal year.

#### ***Price risk: Equity price risk***

The Group is exposed to equity price risk on investments. To manage the price risk arising from these investments, the Group diversifies its portfolios in accordance with the guidelines set by the Board of Directors.

### **Key accounting judgments, estimates and assumptions**

The Group's financial statements comply with IFRS issued by the IASB and with Swiss law. They have been prepared on an accrual basis and under the historical cost convention, unless stated otherwise. All significant consolidated companies, joint arrangements and associates have a December 31 accounting year-end.

The preparation of these financial statements requires Management to exercise judgment and to make estimates and assumptions that affect the application of policies, reported amounts of revenues, expenses, assets and liabilities and disclosures. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revisions affect only that period, or in the period of the revision and future periods should the revision affect both current and future periods. Those areas affect mainly provisions and contingencies, goodwill and intangible assets with indefinite useful life impairment tests, employee benefits, allowance for doubtful receivables and taxes to which to which is added the ones on right of use of assets following the first application of IFRS 16 Leases.

### ***Provisions and contingencies***

Provisions comprise liabilities of uncertain timing or amount that arise from restructuring plans, environmental, litigation and other risks. Provisions are recognized when a legal or constructive obligation stemming from a past event exists and when the future cash outflows can be reliably estimated. Provisions are measured at the present value of the expenditures unless the impact of discounting is immaterial. Obligations arising from restructuring plans are recognized when detailed formal plans have been established and when there is a valid expectation that such plans will be carried out by either starting to implement them or announcing their main features. Obligations under litigation reflect Group Management's best estimate of the outcome based on the facts known at the balance sheet date.

Contingent assets and liabilities are possible rights and obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not fully within the control of the Group.

### ***Goodwill and Intangible Assets—Impairment (including non-commercialized intangible assets)***

Goodwill is initially recognized during a business combination. Subsequently, it is measured at cost less impairment.

Goodwill and intangible assets with an indefinite life or not yet available for use are tested for impairment at least annually and when there is an indication of impairment. Finite life intangible assets are tested when there is an indication of impairment. The annual impairment tests are performed at the same time each year and at the cash generating unit ("CGU") level. The Group defines its CGU for goodwill impairment testing based on the way that it monitors and derives economic benefits from the acquired goodwill. For indefinite life intangible assets, the Group defines its CGU as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Finally, the CGU for impairment test of non-commercialized intangible assets is defined at the level of the intangible asset itself. The impairment tests are performed by comparing the carrying value of the assets of these CGU with their recoverable amount, based on their value in use, which corresponds to their future projected cash flows discounted at an appropriate pre-tax rate of return. Usually, the cash flows correspond to estimates made by Group Management in financial plans and business strategies covering a period of five years after making adjustments to consider the assets in their current condition. They are then projected to perpetuity using a multiple which corresponds to a steady or declining growth rate. The Group assesses the uncertainty of these estimates by making sensitivity analyses. The discount rate reflects the current assessment of the time value of money and the risks specific to the CGU (essentially country risk). The business risk is included in the determination of

the cash flows. Both the cash flows and the discount rates include inflation. An impairment loss in respect of goodwill is never subsequently reversed.

Internally generated intangible assets (essentially management information system software) are capitalized provided that there is an identifiable asset that will be useful in generating future benefits in terms of savings, economies of scale, etc. Payments made to third parties in order to in-license or acquire intellectual property rights, compounds and products are capitalized as non-commercialized intangible assets, as they are separately identifiable and are expected to generate future benefits. Non-commercialized intangible assets are not amortized, but tested for impairment. Any impairment charge is recorded in the consolidated income statement under Other operating expenses. They are reclassified as commercialized intangible assets once development is complete, usually when approval for sales has been granted by the relevant regulatory authority.

Indefinite life intangible assets mainly comprise certain brands, trademarks and intellectual property rights. They are not amortized but tested for impairment annually or more frequently if an impairment indicator is triggered. The assessment of the classification of intangible assets as indefinite is reviewed annually.

Finite life intangible assets are amortized over the shorter of their contractual or useful economic lives. They comprise mainly of management information systems, patents and rights to carry on an activity. Finite life intangible assets are amortized on a straight-line basis assuming a zero residual value: management information systems over a period ranging from three to five years; other finite intangible assets over the estimated useful life or the related contractual period, generally five to 20 years or longer, depending on specific circumstances. Useful lives and residual values are reviewed annually. Amortization of finite life intangible assets starts when they are available for use and is allocated to the appropriate headings of expenses by function in the income statement.

Internal research costs are charged to the income statement in the year in which they are incurred. Development costs are only recognized as assets on the balance sheet if all the recognition criteria set by IAS 38–Intangible Assets are met before the products are launched on the market. Development costs are generally charged to the income statement in the year in which they are incurred due to uncertainties inherent in the development of new products because the expected future economic benefits cannot be reliably determined. As long as the products have not reached the market place, there is no reliable evidence that positive future cash flows would be obtained. Capitalized development costs are subsequently accounted for as described in the section Intangible assets.

### ***Post-employment benefits***

The liabilities of the Group arising from defined benefit obligations, and the related current service cost, are determined using the projected unit credit method. Actuarial advice is provided both by external consultants and by actuaries employed by the Group. The actuarial assumptions used to calculate the defined benefit obligations vary according to the economic conditions of the country in which the plan is located. Such plans are either externally funded (in the form of independently administered funds) or unfunded. The deficit or excess of the fair value of plan assets over the present value of the defined benefit obligation is recognized as a liability or an asset on the balance sheet.

Pension cost charged to the income statement consists of service cost (current and past service cost, gains and losses arising from curtailment and settlement) and administration costs (other than costs of managing plan assets), which are allocated to the appropriate heading by function, and net interest expense or income, which is presented as part of net financial income/(expense). The actual return less interest income on plan assets, changes in actuarial assumptions, and differences between actuarial assumptions and what has actually occurred are reported in other comprehensive income.

Some benefits are also provided by defined contribution plans. Contributions to such plans are charged to the income statement as incurred. For further information, see “*Note 10–Employee*

*benefits*” in the Guarantor 2017 Consolidated Financial Statements incorporated by reference in this Offering Memorandum.

### ***Taxes***

The Group is subject to taxes in different countries all over the world. Taxes include current and deferred taxes on profit as well as actual or potential withholding taxes on current and expected transfers of income from subsidiaries and tax adjustments relating to prior years. Income tax is recognized in the income statement, except to the extent that it relates to items directly taken to equity or other comprehensive income, in which case it is recognized against equity or other comprehensive income.

Taxes and fiscal risks recognized in the consolidated financial statements incorporated herein by reference reflect Management’s best estimate of the outcome based on the facts known at the balance sheet date. These facts may include change in tax laws and interpretation thereof in the various jurisdictions where the Group operates. They may have an impact on the income tax as well as the resulting assets and liabilities. Any differences between tax estimates and final tax assessments are charged to the income statement in the period in which they are incurred, unless anticipated.

Deferred taxes are based on the temporary differences that arise when taxation authorities recognize and measure assets and liabilities with rules that differ from the principles of the consolidated financial statements incorporated herein by reference. They also arise on temporary differences stemming from tax losses carried forward.

Deferred taxes are calculated under the liability method at the rates of tax expected to prevail when the temporary differences reverse subject to such rates being substantially enacted at the balance sheet date. Any changes of the tax rates are recognized in the income statement unless related to items directly recognized against equity or other comprehensive income. Deferred tax liabilities are recognized on all taxable temporary differences excluding non-deductible goodwill. Deferred tax assets are recognized on all deductible temporary differences provided that it is probable that future taxable income will be available.

### ***Leases***

At inception, the Group assesses whether a contract is or contains a lease. This assessment involves the exercise of judgment about whether it depends on a specified asset, whether the Group obtains substantially all the economic benefits from the use of that asset, and whether the Group has the right to direct the use of the asset. The Group has elected not to separate lease and non-lease components for leases of vehicles. The Group recognizes a right of use (“*ROU*”) asset and a lease liability at the commencement of the lease. The ROU is initially measured based on the present value of lease payments, plus initial direct costs and the cost of obligations to refurbish the asset, less any incentives received. The ROU is depreciated over the shorter of the lease term or the useful life of the underlying asset. The ROU is subject to testing for impairment if there is an indicator for impairment. Lease payments generally include fixed payments and variable payments that depend on an index (such as an inflation index). When the lease contains an extension or purchase option that the Group considers reasonably certain to be exercised, the cost of the option is included in the lease payments. ROU assets are included in the heading Property, plant and equipment, and the lease liability is included in the headings current and non-current Financial debt. The Group has elected not to recognize ROU assets and liabilities for leases where the total lease term is less than or equal to 12 months, or for leases of low value IT equipment. The payments for such leases are recognized in the income statement on a straight-line basis over the lease term.

## ***Changes in presentation and changes in accounting standards***

### *Changes in presentation—income statement*

From January 1, 2018, the Group has applied the following material changes in presentation:

1. The costs of defective products, and maintenance and other costs of trade assets (such as coffee machines, water coolers and freezers) previously reported under “Marketing and administration expenses” have been reclassified to “Cost of goods sold”; and
2. Some costs previously reported under “Marketing and administration expenses” have been reclassified to “Research and development expenses” and “Distribution expenses”.

The above changes were made to better align with the function of the expenditure. The figures for the first six months of Fiscal 2017 in the unaudited interim condensed consolidated financial statements for the first six months of Fiscal 2018 have been restated accordingly. However, the financial statements for all prior periods have not been restated.

### *Changes in presentation—cash flow statement*

From January 1, 2018, the Group has applied non-significant changes in presentation between operating cash flow, cash flow from financing activities and cash flow from investing activities regarding cash flows of treasury investments and current financial debt. The figures for the first six months of Fiscal 2017 in the unaudited interim condensed consolidated financial statements for the first six months of Fiscal 2018 have been restated accordingly. However, the financial statements for all prior periods have not been restated.

### *Changes in accounting policies*

From January 1, 2018, the Group has applied the following changes in accounting policies:

1. Some costs that were previously included in the carrying value of inventory are now expensed as incurred, following a re-evaluation of the relevance of including these costs (the major part of which relates to allocated information technology costs) in inventory. For a like-for-like comparison of the performance Fiscal 2017 and onwards, the value of inventory on hand at January 1, 2017 has been restated; and
2. Some taxes and levies on revenue or receipts, reported previously as “Taxes” are considered now respectively as a reduction of “Sales” and as “Marketing and administration expenses”, in order to better align with the function of the expenditure.

The figures for the first six months of Fiscal 2017 in the unaudited interim condensed consolidated financial statements for the first six months of Fiscal 2018 have been restated accordingly. However, the financial statements for all prior periods have not been restated.

### *New accounting standards*

On January 1, 2018, the Group adopted the following new accounting standards:

#### ***IFRS 15—Revenue from Contract with Customers***

This standard combines, enhances and replaces specific guidance on recognizing revenue with a single standard. It defines a new five-step model to recognize revenue from customer contracts. The Group undertook a review of the main types of commercial arrangements used with customers under this model and has concluded that the application of IFRS 15 had the main following effects:

- as a consequence of the change in revenue recognition from transfer of risks and rewards to transfer of control, a small proportion of sales (less than 0.5% of annual sales) is recognized on average two days later under the new standard;
- payments to customers currently treated as distribution costs have been reclassified as deductions from sales under the new standard; and

- the timing of accruals for certain amounts payable to customers was reviewed and as a result the current liability for these amounts at the beginning of 2017 was increased.

This standard was mandatory for the accounting period beginning on January 1, 2018 and has been applied with retrospective impact, utilizing the practical expedient to not restate contracts that begin and end within the same annual accounting period. The figures for the first six months of Fiscal 2017 in the unaudited interim condensed consolidated financial statements for the first six months of Fiscal 2018 have been restated accordingly. However, the financial statements for all prior periods have not been restated.

### ***IFRS 16—Leases***

This standard replaces IAS 17 and sets out the principles for the recognition, measurement, presentation and disclosure of leases.

The main effect on the Group is that IFRS 16 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for almost all leases and therefore resulted in an increase of Property, plant and equipment and total Financial debt at January 1, 2017.

This standard is mandatory for the accounting period beginning on January 1, 2019 but the Group early adopted it on January 1, 2018 under the full retrospective approach, utilizing the practical expedient to not reassess whether a contract contains a lease.

The figures for the first six months of Fiscal 2017 in the unaudited interim condensed consolidated financial statements for the first six months of Fiscal 2018 have been restated accordingly. However, the financial statements for all prior periods have not been restated.

### ***IFRS 9—Financial Instruments***

The standard addresses the accounting principles for the financial reporting of financial assets and financial liabilities, including classification, measurement, impairment, de-recognition and hedge accounting.

The Group has performed a review of the business model corresponding to the different portfolios of financial assets and of the characteristics of these financial assets. Consequently, debt instruments whose cash flows are solely payments of principal and interest were designated either at amortized cost or at fair value through Other comprehensive income depending the objectives of the business model. The existing investments in equity instruments at the date of the initial application were generally designated at fair value through Other comprehensive income by election. This election generated a reclassification between equity components of CHF 1.2 billion with no net significant impact on the total Group's equity.

There was no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the Group does not have any such liabilities.

The impact of the new impairment model has been reviewed. The analysis required the identification of the credit risk associated with the counterparties and, considering that the majority of Group's financial assets are trade receivables, also integrates statistical data reflecting the actual past experience of incurred loss due to default. The amount of additional impairment recognized on January 1, 2018 is CHF 15 million.

Furthermore, the Group has updated the definitions of its hedging relationships in line with its risk management activities and policies, with specific attention to the identification of the components in the pricing of the commodities.

This standard was mandatory for the accounting period beginning on January 1, 2018 and was applied retrospectively as at January 1, 2018, but with no restatement of comparative information for prior years. Consequently, the Group recognized any difference between the carrying amount of financial instruments under IAS 39 and the carrying amount under IFRS 9 in the opening retained earnings (or other equity components) as at January 1, 2018.

The Group has applied the 12-month credit loss model on debt securities considering the low credit risk or the absence of significant increase of the credit risk of the counterparties since the initial recognition of the investments.

Changes to hedge accounting policies have been applied prospectively. All hedging relationships designated under IAS 39 at December 31, 2017 met the criteria for hedge accounting under IFRS 9 at January 1, 2018 and are therefore regarded as continuing hedging relationships.

The total adjustment (net of taxes) to the opening equity as at January 1, 2018 was not material.

For further information, see “*Note 9—Fair value of financial instruments*” and “*Note 12—Restatements of 2017 comparatives and first application of IFRS 9*” of the Guarantor 2018 Half-Yearly Financial Report for the changes as at January 1, 2018 on the fair value hierarchy of financial instruments and the changes from the original measurement category under IAS 39 and the new category under IFRS 9 for each class of Group’s financial assets.

### ***IFRIC 23—Uncertainty over Income Tax Treatments***

IFRIC 23 specifies how to reflect uncertainty in accounting for income taxes. IFRIC 23 is mandatory for the accounting period beginning on January 1, 2019 but the Group early adopted it with effect from January 1, 2018. There was no impact on the measurement of taxes as a consequence of this adoption. The uncertain tax liabilities formerly included under Provisions have been reclassified to Current income tax liabilities. The figures for the first six months of Fiscal 2017 financial statements have been restated accordingly. However, the financial statements for all prior periods have not been restated.

In addition, a number of other existing standards have been modified on miscellaneous points with effect from January 1, 2018. Such changes include Classification and Measure of Share-based Payment Transactions (Amendments to IFRS 2), Annual Improvements to IFRSs 2014-2016 Cycle (Amendments to IFRS 1 and IAS 28), and IFRIC 22 Foreign Currency Transactions and Advance Consideration.

None of these other amendments had a material effect on the Group’s financial statements.

## **CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS**

In the course of our ordinary business activities, we may enter into agreements with or render services to related parties provided the relationships are disclosed. In turn, such related parties may render services or deliver goods to us as part of their business. We believe all such transactions are negotiated and conducted on a basis equivalent to those that would have been achievable on an arm's-length basis, and that the terms of these transactions are comparable to those currently contracted with unrelated third-party suppliers and service providers.

## DESCRIPTION OF NOTES AND GUARANTEES

### General

Each of the 2021 Notes, the 2023 Notes, the 2025 Notes, the 2028 Notes, the 2038 Notes and the 2048 Notes will be issued pursuant to a fiscal and paying agency agreement, expected to be dated the issue date of the Notes (the “*Fiscal Agency Agreement*”), among the Issuer, the Guarantor and Citibank, N.A., as fiscal agent (in such capacity, the “*Fiscal Agent*”), paying agent (in such capacity, the “*Paying Agent*”), transfer agent (in such capacity, the “*Transfer Agent*”) and registrar (in such capacity, the “*Registrar*”, and, together with the Fiscal Agent, the Paying Agent and the Transfer Agent, the “*Agents*”) of the Notes.

The Issuer reserves the right, at any time, to vary or terminate the appointment of the Agents and/or to appoint successor Agents and additional or other Paying Agents; *provided* that it will, so long as the Notes are outstanding, maintain a Paying Agent in New York City. Notice of any change of Fiscal Agent or any change in or addition to the Paying Agent or any change in their respective specified offices will be published as set forth below under “—*Notices*”. References herein to any Agent shall include, where the context so requires, any successor or additional Agents appointed from time to time.

Holder are deemed to have notice of all provisions of the Fiscal Agency Agreement, the Notes of the relevant series and the Guarantee related thereto. The summary information set forth herein does not purport to be complete and is subject to the actual provisions of the Fiscal Agency Agreement, the Notes and the Guarantees. Copies of the Fiscal Agency Agreement, the Notes and the Guarantees are available for inspection at the office of the Issuer. A copy of the Fiscal Agency Agreement is also available upon request from the Fiscal Agent.

### Amount and Denomination

In this offering, the Issuer will issue the 2021 Notes in the aggregate principal amount of \$1,000,000,000, the 2023 Notes in the aggregate principal amount of \$1,500,000,000, the 2025 Notes in the aggregate principal amount of \$900,000,000, the 2028 Notes in the aggregate principal amount of \$1,250,000,000, the 2038 Notes in the aggregate principal amount of \$1,250,000,000 and the 2048 Notes in the aggregate principal amount of \$2,100,000,000. The Notes of each series will be issued in denominations of \$150,000 and integral multiples of \$1,000 in excess thereof.

### Ranking

The Notes will constitute direct, unsecured, unsubordinated and unconditional obligations of the Issuer, which will at all times rank equally with each other and with all other present and future unsecured and unsubordinated indebtedness of the Issuer (other than obligations mandatorily preferred by law applying to companies generally).

### Additional Notes

The Notes of each series will initially be issued in the respective aggregate principal amounts set forth above. The Issuer may, at its option, at any time, and without the consent of the Holders of the applicable series of Notes, create and issue additional Notes (the “*Additional Notes*”) of such series in one or more transactions subsequent to September 24, 2018 with terms (other than the issue price, issue date and, if applicable, the payment of interest accruing prior to the issue date and the date of the first payment of interest thereon), identical to the outstanding Notes of such series, including having the same CUSIP and/or ISIN number, so that such Additional Notes shall be consolidated with and form a single series with such outstanding Notes under such Notes and the Fiscal Agency Agreement; *provided* that Additional Notes and outstanding Notes of the same series with the same CUSIP, ISIN or other identifying number must be fungible for U.S. federal income tax purposes. Any such Additional Notes will have the same terms as to status, redemption and otherwise as the outstanding Notes of the related series. However, if an Event of Default (as defined and described under “—*Events of Default*” below) has occurred and is continuing with

respect to the Notes of an applicable series, no Additional Notes of such series may be issued. Unless the context otherwise requires, in this “*Description of Notes and Guarantees*”, references to the “Notes” include the Notes and any Additional Notes that are issued. Additional Notes, if any, will be issued under an offering document that is separate from this Offering Memorandum.

## **Guarantees**

Consistent with the Group’s existing debt issuance program and commercial paper programs, the Guarantor will guarantee, as a joint and several surety (*caution solidaire*) in accordance with the terms of Article 496 of the Swiss Code of Obligations, to the Holders the due and punctual payment of all sums payable by the Issuer in respect of each series of Notes. The Guarantor’s obligations in that respect will be contained in, and subject to the limitations provided in, the Guarantee relating to the relevant series of Notes. The obligations of the Guarantor under each Guarantee will constitute direct, unsecured and unsubordinated obligations of the Guarantor and will rank equally with all present and future unsecured and unsubordinated obligations of the Guarantor (other than obligations mandatorily preferred by law applying to companies generally).

A joint and several suretyship (*cautionnement solidaire*) pursuant to Article 496 of the Swiss Code of Obligations is a guarantee that is accessory in nature, which means that its enforceability is dependent upon the legal validity and enforceability of the primary obligation to which it relates. In the case of the Guarantees, this means that the Guarantor will only have an obligation to pay a Holder an amount under the Guarantee if and to the extent such Holder has a legally valid and enforceable claim against the Issuer to pay such amount under the Notes of the relevant series. A joint and several suretyship pursuant to Article 496 of the Swiss Code of Obligations is also governed by a number of statutory provisions of Swiss law that are designed to protect the surety. Some of these provisions must be reflected in the terms of the suretyship itself, while others apply as a matter of mandatory Swiss law. These provisions mean for the Guarantees, among other things, that:

- if the Issuer has not paid to the relevant Holder an amount when due under the Notes, unless the Issuer is manifestly insolvent, such Holder must first have unsuccessfully requested the Issuer to pay such amount prior to being able to make a demand for payment under the related Guarantee;
- any defenses that the Issuer may assert against a Holder, whether available to the Issuer under the terms of the Notes or under the laws of the State of New York or otherwise, may, as a rule, also be asserted by the Guarantor against such Holder with respect to claims under the related Guarantee (even if the Issuer has itself waived or otherwise not exercised any such defense);
- the terms of each Guarantee will limit the aggregate amount payable by the Guarantor to Holders thereunder (including amounts in respect of principal, interest and other amounts due and unpaid under the Notes) to a fixed U.S. dollar amount. The maximum U.S. dollar amount set forth in the Guarantee relating to each series of Notes will be equal to:
  - in the case of the 2021 Notes, \$1,093,000,000;
  - in the case of the 2023 Notes, \$1,650,750,000;
  - in the case of the 2025 Notes, \$994,500,000;
  - in the case of the 2028 Notes, \$1,385,937,500;
  - in the case of the 2038 Notes, \$1,396,250,000; and
  - in the case of the 2048 Notes, \$2,352,000,000.

The maximum amounts described above represent (i) the initial aggregate principal amount of Notes of the relevant series, plus (ii) three multiplied by the product of (x) the interest rate per annum applicable to such Notes and (y) the initial aggregate principal amount of such Notes;

- if a Holder seeks to enforce the Guarantee against the Guarantor in Switzerland, the Guarantor may petition the competent court to stay the enforcement proceeding until such time as insolvency or related proceedings against the Issuer are completed without such Holder having been paid in full for amounts owed to it under the Notes, so long as the Guarantor posts sufficient collateral;
- in the event of insolvency proceedings in respect of the Issuer, if a Holder of a Note fails to file its claims against the Issuer under such Note or to do everything conscionable to safeguard its rights under such Note in such proceedings, such Holder will forfeit its claims against the Guarantor under the related Guarantee if and to the extent that the Guarantor suffers damages as a result of such failure; and
- in accordance with Swiss law on suretyships, a Holder cannot make any further claim under or in connection with the Guarantee after its termination date, unless legal proceedings are initiated by such Holder prior to the end of the four week period following such termination date and pursued by such Holder without significant interruption. The termination date in each Guarantee is defined as the earlier of (x) the date on which all sums payable in respect of the Notes of the relevant series have been paid in full and (y) the date that is one year after the maturity date of the Note of the relevant series.

The Guarantees will be governed by, and construed in accordance with, the substantive laws of Switzerland. The courts of the Canton of Vaud, Switzerland (venue being the City of Vevey) shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Guarantees. Executed originals of the Guarantees will be held by the Fiscal Agent on behalf of the Holders and will also be attached to the Notes. See “*Risk Factors—The Guarantees are not full and unconditional obligations of the Guarantor and it may be difficult for Holders to obtain, or enforce judgments obtained, in U.S. courts against the Guarantor*”.

### **Principal and Interest**

The 2021 Notes will bear interest on their principal amount at 3.100% per annum from (and including) September 24, 2018 to (but excluding) September 24, 2021, the 2023 Notes will bear interest on their principal amount at 3.350% per annum from (and including) September 24, 2018 to (but excluding) September 24, 2023, the 2025 Notes will bear interest on their principal amount at 3.500% per annum from (and including) September 24, 2018 to (but excluding) September 24, 2025, the 2028 Notes will bear interest on their principal amount at 3.625% per annum from (and including) September 24, 2018 to (but excluding) September 24, 2028, the 2038 Notes will bear interest on their principal amount at 3.900% per annum from (and including) September 24, 2018 to (but excluding) September 24, 2038 and the 2048 Notes will bear interest on their principal amount at 4.000% per annum from (and including) September 24, 2018 to (but excluding) September 24, 2048, in each case unless redeemed prior to maturity as contemplated below. The Notes will be payable at 100% of the face amount thereof upon redemption at maturity.

Interest on the 2021 Notes, the 2023 Notes, the 2025 Notes, the 2028 Notes, the 2038 Notes and the 2048 Notes will be payable semi-annually in arrears on March 24 and September 24 of each year (each, an “*Interest Payment Date*”), commencing on March 24, 2019. Interest on the Notes will be payable to the Holders of record at the close of business on the Business Day (as defined below) immediately preceding the related Interest Payment Date.

Each Note will cease to bear interest upon maturity or earlier redemption unless, upon due presentation, payment of the amount due is improperly withheld or refused, in which case it will continue to bear interest (before as well as after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Holder and (ii) the day that is seven days after the day the Paying Agent has notified the Holders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

If the due date for any payment in respect of any Note is not a Business Day, then the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day, and will not be entitled to any further interest or other payment as a result of any such delay.

Interest on the Notes will be calculated on the basis of a 360-day year of twelve 30-day months.

“*Business Day*” means any day that is not a Saturday, a Sunday, or a day on which commercial banking institutions in the New York City are authorized or obligated by law to close.

### **Book-Entry; Delivery and Form**

Each series of Notes offered and sold to QIBs in reliance on Rule 144A initially will be issued in the form of one or more restricted global notes in definitive, fully registered form without interest coupons (together, the “*Rule 144A Global Notes*”). Each series of Notes offered and sold to non-U.S. persons in offshore transactions in reliance on Regulation S will initially be issued in the form of one or more temporary global notes in registered form without interest coupons (together, the “*Regulation S Temporary Global Notes*”). The Rule 144A Global Notes and the Regulation S Temporary Global Notes will be deposited on the date of issuance with the Fiscal Agent, and registered in the name of Cede & Co., as nominee for DTC, in each case for credit to an account of a direct or indirect participant in DTC (including Euroclear and Clearstream, as described below). Prior to the 40th day after the later of the commencement of the offering of the Notes and the date of the original issue of the Notes (such period through and including such 40th day, the “*Distribution Compliance Period*”), beneficial interests in the Regulation S Temporary Global Notes may be held only through an account of a direct or indirect participant in DTC (including Euroclear and Clearstream, as described below), unless transferred to a person that takes delivery through a Rule 144A Global Note in accordance with the certification requirements described below. Within a reasonable time period after the expiration of the Distribution Compliance Period, the Regulation S Temporary Global Notes will be exchanged for one or more permanent global notes in definitive, fully registered form without interest coupons (together, the “*Regulation S Permanent Global Notes*” and, together with the Regulation S Temporary Global Notes, the “*Regulation S Global Notes*” and, together with the Rule 144A Global Notes, the “*Global Notes*”), as provided for in the Fiscal Agency Agreement.

The Global Notes will be duly executed by the Issuer and authenticated by the Registrar or the Fiscal Agent as provided in the Fiscal Agency Agreement. Beneficial interests in the Rule 144A Global Notes (the “*Rule 144A Book-Entry Interests*”) of a series may be exchanged for beneficial interests in the Regulation S Global Notes (the “*Regulation S Book-Entry Interests*” and, together with the Rule 144A Book-Entry Interests, the “*Book-Entry Interests*”) of the same series and Regulation S Book-Entry Interests of a series may be exchanged for Rule 144A Book-Entry Interests of the same series, in each case, in the circumstances described under “—*Transfers*”.

The Notes will be subject to certain restrictions on transfer and will bear restrictive legends as described in “*Notice to Investors*” included elsewhere in this Offering Memorandum. In addition, transfers of Book-Entry Interests will be subject to the applicable rules and procedures of DTC and its direct or indirect participants, which may change from time to time.

Ownership of the Global Notes may not be transferred, in whole or in part, except in limited circumstances. Book-Entry Interests may not be exchanged for Notes in certificated form, except in the limited circumstances described herein under “—*Transfers*”.

### **Transfers**

During the Distribution Compliance Period, any resale or other transfer of Regulation S Book-Entry Interests to U.S. persons shall not be permitted unless such resale or transfer is made pursuant to Rule 144A or Regulation S and in accordance with the certification requirements described below.

During the Distribution Compliance Period, Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of Rule 144A Book-Entry Interests only if such transfer occurs in connection with a transfer of Notes pursuant to Rule 144A and only upon

receipt by the Registrar of written certifications from the transferor (in the form or forms provided in the Fiscal Agency Agreement) to the effect that the Notes are being transferred to a person who the transferor reasonably believes is a QIB within the meaning of Rule 144A and who is acquiring the Notes for its own account or the account of a QIB in a transaction meeting the requirements of Rule 144A and in accordance with all applicable securities laws of the states of the United States and other jurisdictions.

Rule 144A Book-Entry Interests may be transferred to a person who takes delivery in the form of Regulation S Book-Entry Interests, whether before or after the expiration of the Distribution Compliance Period, only upon receipt by the Registrar of written certifications from the transferor (in the form or forms provided in the Fiscal Agency Agreement) to the effect that such transfer is being made in accordance with Rule 903 or Rule 904 of Regulation S or Rule 144 (if available) and that, if such transfer occurs prior to the expiration of the Distribution Compliance Period, the interest transferred will be held immediately thereafter through Euroclear or Clearstream.

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of an interest in another Global Note will, upon transfer, cease to be an interest in such first Global Note and become an interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such an interest.

Each Global Note (and any Notes issued in exchange therefor) will be subject to certain restrictions on transfer set forth therein as described under “*Notice to Investors*” included elsewhere in this Offering Memorandum. Except in the limited circumstances described below under “—*Summary of Provisions Relating to Certificated Notes*”, owners of Book-Entry Interests will not be entitled to receive physical delivery of certificated Notes.

### **Depository Procedures**

Ownership of Book-Entry Interests will be limited to persons who have accounts with DTC, or participants, or persons who hold interests through participants. Ownership of Book-Entry Interests will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of participants) and the records of participants (with respect to interests of persons other than participants).

QIBs may hold their Rule 144A Book-Entry Interests directly through DTC if they are participants in such system, or indirectly through organizations that are participants in such system. Non-U.S. persons may hold their Regulation S Book-Entry Interests directly through Euroclear or Clearstream, if they are participants in such systems, or indirectly through organizations that are participants in such systems. Euroclear and Clearstream will hold Regulation S Book-Entry Interests on behalf of their participants through DTC.

So long as DTC, or its nominee, is the registered owner or Holder of a Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or Holder of the Notes represented by such Global Note for all purposes under the Fiscal Agency Agreement and the Notes. No beneficial owner of a Book-Entry Interest will be able to transfer that interest except in accordance with DTC’s applicable procedures, in addition to those provided for under the Fiscal Agency Agreement and, if applicable, those of Euroclear and Clearstream.

Conveyance of notices and other communications by DTC to its participants, by those participants to its indirect participants, and by participants and indirect participants to beneficial owners of Book-Entry Interests will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The Fiscal Agent will send any notices in respect of the Book-Entry Interests to DTC or its nominee.

Neither DTC nor its nominee will consent or vote with respect to the Notes unless authorized by a participant in accordance with DTC’s procedures. Under its usual procedures, DTC mails an omnibus proxy to the Issuer as soon as possible after the record date. The omnibus proxy assigns

DTC's or its nominee's consenting or voting rights to those participants to whose account the Notes are credited on the record date.

Transfers of Book-Entry Interests between participants in DTC will be effected in the ordinary way in accordance with DTC rules and will be settled in same-day funds. Transfers of Book-Entry Interests between participants in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Cross-market transfers of Book-Entry Interests between persons holding directly or indirectly through DTC, on the one hand, and directly or indirectly through Euroclear or Clearstream participants, on the other, will be effected in DTC in accordance with DTC rules on behalf of the relevant European international clearing system by the relevant European depository; however, those cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in that system in accordance with its rules and procedures and within its established deadlines (European time). The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to the relevant European depository to take action to effect final settlement on its behalf by delivering or receiving securities in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear and Clearstream participants may not deliver instructions directly to the European depositories.

Because of time zone differences, credits of securities received in Euroclear or Clearstream as a result of a transaction with a person that does not hold the Notes through Euroclear or Clearstream will be made during subsequent securities settlement processing and dated the first day Euroclear or Clearstream, as the case may be, is open for business following the DTC settlement date. Those credits or any transactions in those securities settled during that processing will be reported to the relevant Euroclear or Clearstream participants on that business day. Cash received in Euroclear or Clearstream as a result of sales of securities by or through a Euroclear participant or a Clearstream participant to a DTC participant will be received with value on the DTC settlement date, but will be available in the relevant Euroclear or Clearstream cash account only as of the first day Euroclear or Clearstream, as the case may be, is open for business following settlement in DTC.

The Issuer expects that DTC will take any action permitted to be taken by a Holder (including the presentation of Notes for exchange as described below) only at the direction of one or more participants to whose account the Book-Entry Interests in a Global Note are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. However, if there is an Event of Default under a series of Notes, DTC will exchange the applicable Global Notes for certificated Notes, which it will distribute to its participants and which may be legended as set forth under the heading "*Notice to Investors*" included elsewhere in this Offering Memorandum.

## ***DTC***

DTC advises that it is a limited purpose trust company organized under The New York Banking Law, a "banking organization" within the meaning of The New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of The New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities for its participants and facilitates the clearance and settlement of securities transactions between participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of securities certificates. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Indirect access to the DTC system is available to indirect participants, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a direct participant, directly or indirectly.

### ***Euroclear***

Euroclear holds securities and book-entry interests in securities for participating organizations and facilitates the clearance and settlement of securities transactions between Euroclear participants, and between Euroclear participants and participants of certain other securities intermediaries through electronic book-entry changes in accounts of such participants or other securities intermediaries. Euroclear provides Euroclear participants, among other things, with safekeeping, administration, clearance and settlement, securities lending and borrowing, and related services. Euroclear participants are investment banks, securities brokers and dealers, banks, central banks, supranationals, custodians, investment managers, corporations, trust companies and certain other organizations. Certain of the Initial Purchasers, or other financial entities involved in this offering, may be Euroclear participants. Non-participants in the Euroclear system may hold and transfer book-entry interests in the Notes through accounts with a participant in the Euroclear system or any other securities intermediary that holds a book-entry interest in the securities through one or more securities intermediaries standing between such other securities intermediary and Euroclear.

Investors electing to acquire Notes in this offering through an account with Euroclear or some other securities intermediary must follow the settlement procedures of such intermediary with respect to the settlement of new issues of securities. Notes to be acquired against payment through an account with Euroclear will be credited to the securities clearance accounts of the respective Euroclear participants in the securities processing cycle for the first day Euroclear is open for business following the settlement date for value as of the settlement date.

Investors electing to acquire, hold or transfer Notes through an account with Euroclear or some other securities intermediary must follow the settlement procedures of such intermediary with respect to the settlement of secondary market transactions in securities. Euroclear will not monitor or enforce any transfer restrictions with respect to the Notes. Investors that acquire, hold and transfer interests in the Notes by book-entry through accounts with Euroclear or any other securities intermediary are subject to the laws and contractual provisions governing their relationship with their intermediary, as well as the laws and contractual provisions governing the relationship between such intermediary and each other intermediary, if any, standing between themselves and the individual Notes.

### ***Clearstream***

Clearstream advises that it is incorporated under the laws of Luxembourg and registered as a bank and professional depository. Clearstream holds securities for its participating organizations and facilitates the clearance and settlement of securities transactions among its participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Clearstream provides to its participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream interfaces with domestic markets in several countries. Clearstream has established an electronic bridge with the Euroclear operator to facilitate the settlement of trades between Clearstream and Euroclear. As a registered bank in Luxembourg, Clearstream is subject to regulation by the Luxembourg Commission for the Supervision of the Financial Sector. As a professional depository, Clearstream is subject to regulation by the Luxembourg Monetary Institute. Clearstream participants are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. In the United States, Clearstream participants are limited to securities brokers and dealers and banks, and may include the Initial Purchasers, or other financial entities involved in this offering. Other institutions that maintain a custodial relationship with a Clearstream participant may obtain indirect access to Clearstream. Clearstream is an indirect participant in DTC. Distributions with respect to Notes held beneficially through Clearstream will be credited to cash accounts of Clearstream participants in accordance with its rules and procedures to the extent received by or on behalf of Clearstream.

## **Payments**

So long as the Notes are in the form of Global Notes, all payments in respect of the Notes will be made by the Paying Agent or the Fiscal Agent, as applicable, to DTC, or its nominee, as the Holder. The Paying Agent and the Fiscal Agent will treat the persons in whose names Global Notes are registered as the owners thereof for the purpose of making such payments and for any and all other purposes whatsoever. None of the Issuer, the Guarantor, or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of the Holder(s) or any direct participant's or indirect participant's records relating to, or payments made on account of, beneficial ownership interests in the Global Notes, or for maintaining, supervising or reviewing any of the records of the Holder(s) or any direct participant's or indirect participant's records relating to the beneficial ownership interests in the Global Notes; or
- any other matter relating to the actions and practices of the Holder(s) or any of its or their direct participants or indirect participants.

DTC has advised the Issuer that its current practice, upon receipt of any payment in respect of securities such as the Notes, is to credit the accounts of the relevant participants with the payment on the payment date unless DTC has reason to believe it will not receive payment on such payment date. Payments by the direct participants and the indirect participants to the beneficial owners of the Notes will be governed by standing instructions and customary practices and will be the responsibility of the direct participants or the indirect participants and will not be the responsibility of DTC or the Issuer, the Guarantor, the Paying Agent or the Fiscal Agent. The Issuer, the Guarantor, the Paying Agent and the Fiscal Agent may conclusively rely, and shall bear no responsibility or liability for any action taken in reliance, on instructions from DTC or its nominee for all purposes.

The Issuer expects that Euroclear and Clearstream, as DTC participants, upon receipt of any payment in respect of a Global Note will immediately credit their respective participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of that Global Note as shown on the records of Euroclear or Clearstream. The Issuer also expects that payments by participants to ultimate owners of beneficial interests in a Global Note held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers in the names of nominees for such customers. Such payments will be the responsibility of such participants.

## **Summary of Provisions Relating to Certificated Notes**

If DTC is at any time unwilling or unable to continue as a depository for the Global Notes and a successor depository is not appointed by the Issuer within 90 days, or if there shall have occurred and be continuing an Event of Default with respect to the Notes of any series, the Issuer will issue certificated Notes ("*Certificated Notes*") of the same series in exchange for the related Global Notes. However, beneficial interests in the Regulation S Temporary Global Notes will not be transferred or exchanged for Certificated Notes in any circumstances. Certificated Notes delivered in exchange for Book-Entry Interests will be registered in the names, and issued in denominations of \$150,000 and integral multiples of \$1,000 in excess thereof, requested by or on behalf of DTC or the successor depository (in accordance with its customary procedures).

Holders of Book-Entry Interests may receive Certificated Notes, which may bear the legend referred to under "*Notice to Investors*" included elsewhere in this Offering Memorandum, in accordance with DTC's rules and procedures in addition to those provided for under the Fiscal Agency Agreement.

Except in the limited circumstances described above, owners of Book-Entry Interests will not be entitled to receive physical delivery of individual Certificated Notes. The Notes are not issuable in bearer form.

Transfers of interests in Certificated Notes may be made only in accordance with the legend contained on the face of such Certificated Notes, and the Fiscal Agent will not be required to accept

for registration of transfer any such Certificated Notes except upon presentation of evidence satisfactory to the Fiscal Agent and the applicable Transfer Agent that such transfer is being made in compliance with such legend.

Payment of principal and interest in respect of the certificated Notes shall be payable at the agency of the Issuer in the New York City, which shall initially be at the corporate trust office of the Fiscal Agent, which is located at c/o Citibank, N.A., 388 Greenwich Street, New York, New York 10013, United States.

The information in this section concerning DTC, Euroclear and Clearstream, Luxembourg (referred to herein as Clearstream) and their book-entry systems has been obtained from sources that the Issuer and the Guarantor believe to be reliable, but none of the Issuer, the Guarantor or the Initial Purchasers take any responsibility for or make any representation or warranty with respect to the accuracy of this information. DTC, Euroclear and Clearstream are under no obligation to follow the procedures described herein to facilitate transfer of interests in Global Notes among participants and account holders of DTC, Euroclear and Clearstream, and such procedures may be discontinued or modified at any time. None of the Issuer, the Guarantor or the Agent will have any responsibility for the performance of DTC, Euroclear and Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

### **Certain Duties of the Agents**

Each Agent will act as agent of the Issuer and will not assume fiduciary obligations to Holders. The Fiscal Agency Agreement provides that no Agent will be under any obligation to take any action or perform any duties other than those specifically set forth in the Fiscal Agency Agreement. The Fiscal Agency Agreement will not oblige any Agent to exercise certain responsibilities that may be exercised by trustees with respect to debt securities issued under an indenture, including certain discretionary actions customarily taken by trustees in connection with events of default under such debt securities. None of the parties to the Fiscal Agency Agreement will be responsible or liable for special, indirect, or consequential loss or damage of any kind whatsoever (including loss of profit) regardless of the cause of action.

The Issuer may appoint, at its discretion, additional Paying Agents for the payment of amounts due in respect of the Notes at such place or places as the Issuer may determine.

The Fiscal Agency Agreement provides that any Agent may resign and that the Issuer may remove any Agent, but any such resignation or removal will take effect only upon the appointment by the Issuer of, and acceptance of such appointment by, a successor Agent.

### **Optional Redemption**

Each and any series of Notes will be redeemable, as a whole or in part, at the option of the Issuer, at any time and from time to time. If the Issuer elects to redeem any series of Notes in whole or in part prior to the applicable Par Redemption Date (as defined below), the Issuer will pay a redemption price for such Notes to be redeemed equal to the applicable Make-Whole Call Redemption Amount (as defined below).

If the Issuer elects to redeem any series of Notes in whole or in part on or after the applicable Par Redemption Date, the Issuer will pay a redemption price equal to 100% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest, if any thereon, to (but excluding) the relevant redemption date.

In connection with such optional redemption, the following defined terms apply:

“*Comparable Treasury Issue*” means the U.S. Department of the Treasury (the “*U.S. Treasury*”) security or securities selected by the Independent Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the relevant series of Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial

practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of such Notes to be redeemed assuming such Notes matured on the Par Redemption Date.

“*Comparable Treasury Price*” means, with respect to any redemption date, (i) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations or (ii) if the Independent Investment Banker obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

“*Independent Investment Banker*” means one of the Reference Treasury Dealers appointed by the Issuer.

“*Make-Whole Call Redemption Amount*” means, with respect to any Notes of a series to be redeemed, an amount equal to the greater of (i) 100% of the principal amount of such Notes to be redeemed and (ii) the sum of the present values of the remaining scheduled payments of principal thereof and interest thereon that would be due if such Notes matured on the applicable Par Redemption Date (exclusive of interest accrued to the date of redemption), discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined below) plus (a) in the case of the 2021 Notes, 5 basis points (0.050%), (b) in the case of the 2023 Notes, 10 basis points (0.100%), (c) in the case of the 2025 Notes, 10 basis points (0.100%), (d) in the case of the 2028 Notes, 12.5 basis points (0.125%), (e) in the case of the 2038 Notes, 15 basis points (0.150%) and (f) in the case of the 2048 Notes, 15 basis points (0.150%), plus, in each case, any unpaid interest accrued thereon to the date of redemption. Notwithstanding the foregoing, installments of interest on any such Notes to be redeemed that are due and payable on an Interest Payment Date falling on or prior to the redemption date will be payable on the applicable Interest Payment Date to the Holders as of the close of business on the relevant regular record date.

“*Par Redemption Date*” means:

- (i) in the case of the 2021 Notes, August 24, 2021, the date that is one month prior to the 2021 Maturity Date,
- (ii) in the case of the 2023 Notes, August 24, 2023, the date that is one month prior to the 2023 Maturity Date,
- (iii) in the case of the 2025 Notes, July 24, 2025, the date that is two months prior to the 2025 Maturity Date,
- (iv) in the case of the 2028 Notes, June 24, 2028, the date that is three months prior to the 2028 Maturity Date,
- (v) in the case of the 2038 Notes, March 24, 2038, the date that is six months prior to the 2038 Maturity Date, and
- (vi) in the case of the 2048 Notes, March 24, 2048, the date that is six months prior to the 2048 Maturity Date.

“*Reference Treasury Dealer*” means (i) each of Barclays Capital Inc., Citigroup Global Markets Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and J.P. Morgan Securities LLC, or their applicable affiliates that are primary U.S. Government securities dealers, and their respective successors; *provided, however*, that if any of the foregoing or their affiliates ceases to be a primary U.S. Government securities dealer in The New York City (a “*Primary Treasury Dealer*”), the Issuer shall substitute therefor another Primary Treasury Dealer and (ii) two other Primary Treasury Dealers selected by the Issuer.

“*Reference Treasury Dealer Quotations*” means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker by the Reference Treasury Dealers at 3:30 p.m., New York City time, on the third Business Day preceding such redemption date.

“*Treasury Rate*” means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated (on a day count basis) yield of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

Notice of any redemption will be mailed at least 10 days but not more than 60 days before the redemption date to each Holder of any Notes to be redeemed. Notice having been given, the Notes specified in such notice shall become due and payable on the date fixed for redemption and will be paid at the applicable redemption price at the place or places of payment and in the manner specified in the Notes. Notwithstanding the foregoing, any such redemption may, at the Issuer’s option and discretion, be subject to one or more conditions precedent, and if so, such notice of redemption shall state that, in the Issuer’s discretion, the redemption date may be delayed until such time as any or all such conditions shall have been satisfied (or waived by the Issuer in its sole discretion) or that such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied (or waived by the Issuer in its sole discretion) by the redemption date as stated in such notice, or as so delayed. The Issuer may provide in such notice that payment of the redemption price and performance of the Issuer’s obligations with respect to such redemption may be performed by any other person.

Unless the Issuer defaults in payment of the redemption price, on and after the redemption date, interest shall cease to accrue on the related Notes or portions thereof called for redemption, and the only right of the Holders of such Notes shall be to receive payment of the redemption price for such Notes.

In the case of any partial redemption of the Notes of any series, each outstanding Note of such series shall be redeemed pro rata; *provided* that if at the time of redemption such Notes are in the form of Global Notes, selection of Notes to be redeemed shall be made in accordance with DTC procedures.

#### **Payment of Additional Amounts**

All payments made under the Guarantee by, or on behalf of, the Guarantor shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (collectively, “*Taxes*”) imposed, collected, withheld, assessed or levied by or on behalf of any Relevant Tax Jurisdiction (as defined below), unless the withholding or deduction of the Taxes is required by the law of any Relevant Tax Jurisdiction.

Where the withholding or deduction of Taxes is required by the law of any Relevant Tax Jurisdiction, the Guarantor will pay such additional amounts (the “*Additional Amounts*”) as may be necessary in order that the net amounts received by the Holders after the withholding or deduction shall equal the respective amounts that would have been receivable under the Guarantee in the absence of the withholding or deduction; except that no such Additional Amounts shall be payable under the Guarantee:

- (a) to, or to a third party on behalf of, a Holder who is liable for such Taxes by reason of the existence of any present or former connection between the Holder and the Relevant Tax Jurisdiction imposing such Taxes (other than the mere receipt of such payment or ownership or holding of the relevant Note);
- (b) to, or to a third party on behalf of, a Holder to the extent that such Holder or third party would not have been liable or subject to the withholding or deduction had it complied with a timely request to the Holder for any applicable certification, identification or other reporting requirements concerning the nationality, residence or identity of the Holder or beneficial owner of the relevant Note, or its connection (or lack thereof) with a Relevant Tax Jurisdiction;
- (c) if such Taxes are the result of the relevant Note having been presented for payment (where presentation is required) more than 30 days after the Relevant Date (as defined below),

except to the extent that a Holder would have been entitled to such Additional Amounts if it had presented such Note on the last day of such period of 30 days;

- (d) where such withholding or deduction is imposed for, or on account of, any present or future estate, inheritance, gift, sales, transfer, personal property or similar tax, duty, assessment or governmental charge;
- (e) if the Holder is a fiduciary, partnership or other entity that is not the sole beneficial owner of the payment, and the laws of the Relevant Tax Jurisdiction require the payment to be included in the income of a beneficiary or settlor for tax purposes with respect to such fiduciary or a member of such partnership or a beneficial owner who would not have been entitled to such Additional Amounts had it been the Holder;
- (f) where such withholding or deduction is required to be made pursuant to laws enacted by Switzerland changing the Swiss federal withholding tax system from an issuer-based system to a paying agent-based system pursuant to which a person other than an issuer or guarantor of debt securities is required to withhold tax on any interest payments;
- (g) where the Taxes are payable otherwise than by deduction or withholding from a payment under the Guarantee; or
- (h) where such withholding or deduction is payable for any combination of (a) through (g) above.

For purposes of the foregoing:

“*Relevant Date*” means, in respect of any payment, (i) the date on which such payment first becomes due and payable or (ii) if the full amount of the monies payable has not been received by the Fiscal Agent or, as the case may be, the Paying Agent on or prior to such due date, the Relevant Date means the first date on which, the full amount of such monies having been so received and being available for payment to Holders, notice to that effect has been duly given to the Holders.

“*Relevant Tax Jurisdiction*” means, (i) in the case of the Guarantor, Switzerland and any political subdivision thereof or therein and (ii) in the case of any Successor Guarantor permitted under the section “—*Consolidation, Merger and Sale of Assets of the Guarantor*” below that is incorporated, tax resident or principally engaged in business in a jurisdiction other than the United States or any political subdivision thereof or therein, such jurisdiction of incorporation, tax residence or place of business.

All payments in respect of the Notes by the Issuer and all payments under the Guarantee by the Guarantor will be paid net of any deduction or withholding imposed or required pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the “*Code*”), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code (“*FATCA Withholding*”). Neither the Guarantor nor any other person will be required to pay Additional Amounts on account of any FATCA Withholding.

Whenever in the Fiscal Agency Agreement, the Notes or the Guarantees or this Offering Memorandum there is mentioned, in any context, (1) the payment of principal or interest, (2) redemption prices or purchase prices in connection with the redemption or purchase of the Notes, or (3) any other amount payable under or with respect to any Note or Guarantee, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Guarantor’s obligation to pay Additional Amounts, if any, as a term of the relevant Guarantee, will be governed by and construed in accordance with the substantive laws of Switzerland.

## **Optional Tax Redemption**

The Notes of any series may be redeemed, subject to any other terms set forth herein and in the Fiscal Agency Agreement, as a whole but not in part, at the option of the Issuer, upon not more than 60 days' nor less than 30 days' prior notice to the Holders of such Notes, at a redemption price equal to 100% of the principal amount thereof, together with accrued interest, if any, thereon to (but excluding) the redemption date if, on the next succeeding Interest Payment Date, the Issuer would be obligated to pay any Additional Amounts or a demand were to be made under the Guarantee with respect to any payment under the Notes due on such date and the Guarantor would be obligated to pay any Additional Amounts with respect to the related payment under the Guarantee, and, in either case, this obligation cannot be avoided by the use of reasonable measures available to the Issuer or Guarantor, as the case may be, as a result of any Tax Law Change.

*"Tax Law Change"* means, with respect to any series of Notes, any change in, or amendment to, the laws, treaties, regulations or rulings of any Relevant Tax Jurisdiction affecting taxation or any change in, or amendment to, an official interpretation, administrative guidance or application of such laws, treaties, regulations or rulings, which change or amendment is officially announced and becomes effective on or after the date on which the last tranche of such series of Notes was issued or, in the case of a jurisdiction that becomes a Relevant Tax Jurisdiction after the date on which the last tranche was issued, on or after the date such jurisdiction becomes a Relevant Tax Jurisdiction.

To exercise the Issuer's tax redemption option, the Issuer must make available to the Holders upon request (i) an opinion of independent legal counsel or accountant of recognized standing with respect to tax matters of the Relevant Tax Jurisdiction confirming that the Issuer or the Guarantor, as applicable, would be required to pay Additional Amounts on the next succeeding Interest Payment Date (in the case of the Guarantor, if a demand were to be made under the Guarantee) as a result of such a change or amendment, and (ii) a certificate from an officer of the Issuer or the Guarantor, as applicable, stating that the Issuer or Guarantor, respectively, could not have avoided the payment of Additional Amounts by the use of reasonable measures.

However, no such notice of redemption may be given (i) earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor would be obligated to pay such Additional Amounts under the Notes or, as the case may be, under the Guarantee were a payment in respect of the Notes then due and a demand were to be made under the Guarantee with respect thereto, or (ii) if at the time such notice, the Issuer or the Guarantor, as applicable, would no longer be obligated to pay such Additional Amounts under the Notes or, as the case may be, the Guarantee were a payment in respect of the Notes then due and a demand were to be made under the Guarantee with respect thereto.

## **Repurchase of Notes by the Issuer or the Guarantor**

The Issuer or the Guarantor may, at any time, purchase Notes at any price in the open market or otherwise. Notes so purchased may, at the Issuer's or the Guarantor's discretion, be held, resold or surrendered to the Fiscal Agent for cancellation.

## **Negative Pledge**

### ***Negative Pledge of the Issuer***

The Issuer shall not, so long as any of the Notes are outstanding, but only up to the time all amounts of principal and interest have been placed at the disposal of the Fiscal Agent in accordance with "*—Discharge and Defeasance*" below, secure any Capital Markets Indebtedness (as defined below) now or hereafter existing of the Issuer or any guarantee or indemnity by the Issuer of any Capital Markets Indebtedness of any Subsidiary (as defined below) of the Issuer by any mortgage, charge, lien, pledge or other security interest ("*Lien*") upon, or with respect to, the whole or any part of the present or future revenues or assets of the Issuer unless in any such case the Issuer shall, simultaneously with, or prior to, the creation of such Lien, take any and all action necessary to procure that all amounts payable under the Notes are secured by such Lien equally and ratably;

provided that any Lien that is mandatory pursuant to applicable laws or required as a prerequisite for governmental approvals shall be excluded from the requirements of this section.

### ***Negative Pledge of the Guarantor***

The Guarantor shall not, for so long as any of the Notes are outstanding, but only up to the time all amounts of principal and interest have been placed at the disposal of the Fiscal Agent in accordance with “—*Discharge and Defeasance*” below; provided that security upon its assets is neither mandatory pursuant to applicable laws nor required as a prerequisite for governmental approvals, secure any Capital Markets Indebtedness now or hereafter existing of the Guarantor or any guarantee or indemnity by the Guarantor of any Capital Markets Indebtedness of the Issuer or any Subsidiary of the Issuer will be secured by any Lien upon, or with respect to, the whole or any part of the present or future revenues or assets of the Guarantor unless in any such case the Guarantor shall, simultaneously with, or prior to, the creation of such Lien, take any and all action necessary to procure that all amounts payable under the Guarantee are secured by such Lien equally and ratably; provided that in the event of a merger, amalgamation or consolidation of the Guarantor with another company the provisions of this section shall not apply with regard to any security in respect of any Capital Markets Indebtedness over the assets of that other company which security exists at the time of such merger, amalgamation or consolidation (other than any such security created in contemplation thereof) and any such security thereafter created by the resulting or surviving entity in substitution for the aforesaid security over assets the value of which does not materially exceed the current value of the assets subject to such security immediately prior to such merger, amalgamation or consolidation.

“*Capital Markets Indebtedness*” shall mean any indebtedness now or hereafter existing which is in the form of or represented or evidenced by any bonds, notes or other securities which, in any such case, are, or are capable of being, listed on any recognized stock exchange.

“*Subsidiary*” shall mean any company of which the Issuer shall own more than 50% of the outstanding voting stock of such company.

The Guarantor’s undertaking described above, as a term of the relevant Guarantee, will be governed by, and construed in accordance with, the substantive laws of Switzerland.

### **Events of Default**

The following will be Events of Default (each an “*Event of Default*”) with respect to the applicable series of Notes:

- (a) default in the payment of any principal amount, including Additional Amounts in respect thereof, if applicable, due under the Notes (whether at maturity or upon acceleration, redemption, required repurchase, by declaration, repayment or otherwise), and such default continues for 30 days from the relevant due date;
- (b) default in the payment of any interest amount, including Additional Amounts in respect thereof, if applicable, due under the Notes, and such default continues for 30 days from the relevant due date;
- (c) default by the Issuer or the Guarantor in the due performance or observance of any obligation, condition or other provision under or in relation to the Notes or the relevant Guarantee (other than those described in paragraphs (a) and (b) above), as applicable, if such default shall not have been cured within 90 days after written notice thereof having been given to the Issuer or the Guarantor, as applicable, and the Fiscal Agent by the Holders of not less than 25% in aggregate principal amount of the applicable series of Notes then outstanding;
- (d) the Issuer or the Guarantor is wound up, dissolved or otherwise ceases to carry on its business, except in connection with a merger or other reorganization pursuant to which the surviving company expressly assumes all the obligations of the Issuer or the Guarantor, as the case may be, with respect to the Notes or the relevant Guarantee, as applicable, which

obligations with respect to the Notes that are payment obligations are irrevocably guaranteed in favor of the Holders by the Guarantor either under the Guarantee or on terms substantially the same as those of the Guarantee;

- (e) (i) the entry of a decree or order for relief by a court having jurisdiction in the premises (1) in respect of the Issuer or a Principal Subsidiary (as defined below) in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or (2) appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator or other similar official of the Issuer or a Principal Subsidiary or for any substantial part of the property of the Issuer or a Principal Subsidiary, or (3) ordering the winding up or liquidation of the affairs of the Issuer or a Principal Subsidiary and, in each case, the continuance of any such decree or order unstayed and in effect for a period of 90 consecutive days; or (ii) the Issuer or a Principal Subsidiary commencing a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consenting to the entry of an order for relief in an involuntary case under any such law or consenting to the appointment of or the taking of possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or other similar official of the Issuer or a Principal Subsidiary, or the making by the Issuer or a Principal Subsidiary of a general assignment for the benefit of creditors, or the failure by the Issuer or a Principal Subsidiary generally to pay its debts as they become due, or the taking by the Issuer or a Principal Subsidiary of any corporate action in furtherance of any of the foregoing;
- (f) the Guarantor applies for or is subject to an amicable settlement with its creditors (*accord amiable*), or admits in writing that it is insolvent, or seeks or resolves to seek its judicial reorganization (*concordat*), or the transfer of the whole of its business (*cession totale de l'entreprise*) or any such proceedings are instituted against it and remain undismissed for a period of 60 days or are uncontested, or it otherwise institutes or resolves to institute other proceedings for bankruptcy (*faillite*), judicial reorganization, winding up, dissolution, liquidation, restructuring (*assainissement*), stay of bankruptcy proceedings (*ajournement de la faillite*) or any similar proceedings (or any such proceedings are instituted against it and remain undismissed for a period of 60 days or are uncontested), or makes conveyance or assignment for the benefit of, or enters into a composition with substantially all its creditors generally; or
- (g) the Guarantee with respect to the applicable series of Notes ceases to be the legal, valid and binding obligation of the Guarantor, enforceable in accordance with its terms, or the Guarantor contests or denies the validity of such Guarantee, in each case other than in connection with a merger of the Guarantor with the Issuer or the Guarantor becoming the Substitute Issuer (as defined below under “—*Consolidation, Merger and Sale of Assets; Substitution of the Issuer*”).

If an Event of Default occurs and is continuing, then and in each and every such case (other than an Event of Default specified in paragraphs (d), (e) and (f) above), unless the principal amount of all outstanding Notes of the applicable series has already become due and payable, the Holders of not less than 25% in aggregate principal amount of the applicable series of Notes then outstanding, by notice in writing to the Issuer, the Guarantor and the Fiscal Agent, may declare the entire principal amount of all outstanding Notes of such series and interest accrued and unpaid thereon, if any, including any Additional Amounts with respect thereto, to be due and payable.

If an Event of Default described in paragraphs (d), (e) and (f) above occurs and is continuing, the principal amount of, and accrued and unpaid interest on, all outstanding Notes of the applicable series shall become immediately due and payable, without any declaration or other act on the part of the Fiscal Agent or any Holder.

Any right to declare the Notes of any series due shall terminate if the situation giving rise to it has been cured before the right is exercised.

The Holders of a majority in aggregate principal amount of the applicable series of Notes then outstanding, by written notice to the Issuer, the Guarantor and the Fiscal Agent, may waive defaults and rescind and annul declarations of acceleration and its consequences, but no such waiver or

rescission and annulment shall extend to or shall affect any subsequent default or shall impair any right consequent thereon.

“*Principal Subsidiary*” shall mean any Subsidiary representing five percent or more of the consolidated gross assets of the Issuer as shown on the most recently prepared audited consolidated financial statements of the Issuer and its consolidated subsidiaries as of the end of the most recent fiscal year of the Issuer. Solely for the purposes of determining whether a Subsidiary shall represent five percent or more of the consolidated gross assets, such Subsidiary shall be deemed to own the consolidated gross assets of its Subsidiaries.

## **Discharge and Defeasance**

### ***Discharge***

The Issuer may discharge its obligations under the outstanding Notes of an applicable series and thereby, pursuant to the terms of the Guarantee related thereto, discharge the Guarantor from its obligations under the Guarantee related thereto while any such Notes remain outstanding, if such Notes (i) have become due and payable, (ii) will become due and payable within one year or (iii) have been scheduled for redemption within one year, in each case, by irrevocably depositing or causing to be deposited with the Fiscal Agent, money in U.S. dollars or Government Obligations (as defined below) in an amount sufficient to pay the entire indebtedness including the principal, premium, if any, and interest to the date of such deposit (if such Notes have become due and payable) or to the maturity thereof or the date of redemption of such Notes, as the case may be. The Issuer, or the Guarantor on the Issuer’s behalf, shall, on demand of the Fiscal Agent, deliver to the Fiscal Agent an officers’ certificate stating that all conditions precedent to discharge under the outstanding Notes of an applicable series have been complied with.

### ***Defeasance***

The Issuer may, at its option at any time, elect either (1) to defease and be discharged from any and all obligations with respect to the outstanding Notes of an applicable series (except for, among other things, certain obligations to replace temporary or mutilated, destroyed, lost or stolen Notes, to maintain an office or agency with respect to the Notes and to hold moneys for payment in trust) and thereby, pursuant to the terms of the Guarantee related thereto, defease and discharge the Guarantor from its obligations under the Guarantee relating thereto (“*Legal Defeasance*”) or (2) to be released from its obligations to comply with the restrictive covenants (which restrictive covenants shall consist of those described under “—*Negative Pledge of the Issuer*” and “—*Consolidation, Merger and Sale of Assets of the Issuer; Substitution of the Issuer*”) under the outstanding Notes of the applicable series and thereby, pursuant to the terms of the Guarantee related thereto, release the Guarantor from its obligations to comply with the restrictive covenants (which restrictive covenants shall consist of those described under “—*Negative Pledge of the Guarantor*”, “—*Consolidation, Merger and Sale of Assets of the Guarantor*” and “*Financial Reports*”) under the Guarantee relating thereto, and any omission by the Issuer or the Guarantor to comply with such obligations will not constitute an Event of Default under the applicable series of Notes, and clauses (a) through (c) under “—*Events of Default*” will no longer be applied (“*Covenant Defeasance*”). Legal Defeasance or Covenant Defeasance, as the case may be, will be conditioned upon, among other things, the irrevocable deposit by the Issuer, or Guarantor on the Issuer’s behalf, with the Fiscal Agent, money in U.S. dollars or Government Obligations (as defined below), that through the scheduled payment of principal and interest in accordance with their terms will provide money in an amount sufficient, in the opinion of a nationally recognized firm of independent accountants or valuation consultants, to pay the principal of, premium, if any, on and interest on the Notes on the scheduled due dates therefor.

If the Issuer effects Covenant Defeasance and the outstanding Notes of the applicable series are declared due and payable because of the occurrence of any Event of Default, other than under clauses (a) through (c) of “—*Events of Default*”, even if the money in U.S. dollars or Government Obligations (as defined below), on deposit with the Fiscal Agent is sufficient (in the opinion of a

nationally recognized firm of independent accountants or valuation consultants) to pay amounts due on the Notes at the time of the stated maturity, it may not be sufficient to pay amounts due on the Notes at the time of the acceleration resulting from such Event of Default. In such circumstances, the Issuer would remain liable under the Notes of the relevant series to make payment of such amounts due at the time of acceleration.

To effect Legal Defeasance or Covenant Defeasance, the Issuer, or the Guarantor on the Issuer's behalf, will be required to deliver to the Fiscal Agent an opinion of U.S. counsel to the effect that beneficial owners of the Notes of such series will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the exercise of such defeasance and will be subject to U.S. federal income tax on the same amounts and in the same manner and at the same times as would have been the case if such defeasance had not occurred and which opinion, only in the case of Legal Defeasance, must state that such opinion is based on a ruling received from or published by the United States Internal Revenue Service or on a change of law after the date of the Fiscal Agency Agreement.

The Issuer may exercise its Legal Defeasance option notwithstanding its prior exercise of its Covenant Defeasance option.

“*Government Obligations*” shall mean securities that are (i) direct obligations of the United States for the timely payment of which its full faith and credit is pledged or (ii) obligations of a person controlled or supervised by and acting as an agency or instrumentality of the United States the timely payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States, which, in either case, are not callable or redeemable at the option of the issuers thereof, and shall also include a depository receipt issued by a bank (as defined in Section 3(a)(2) of the Securities Act), as custodian with respect to any such Government Obligations or a specific payment of principal or interest on any such Government Obligations held by such custodian for the account of the holder of a depository receipt; *provided* that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the Government Obligations or the specific payment of principal of or interest on the Government Obligations evidenced by such depository receipt.

#### ***Deposited Moneys to be Held by Fiscal Agent; Miscellaneous Provisions***

All moneys in U.S. dollars and Government Obligations (including the proceeds thereof) deposited with the Fiscal Agent pursuant to “—*Discharge and Defeasance—Discharge*” and “—*Discharge and Defeasance—Defeasance*” above shall be held by the Fiscal Agent and applied by it to the payment of all sums due and to become due thereon for principal of, premium, if any, on and interest, if any, either directly or through any Fiscal Agent (including the Issuer and the Guarantor, respectively if acting as their own Fiscal Agent) to the Holders of the applicable series for payment or redemption of which such moneys or Government Obligations have been deposited with the Paying Agent.

The Issuer shall pay and indemnify the Fiscal Agent against any tax, fee or other charge imposed on or assessed against the Government Obligations deposited pursuant to “—*Discharge and Defeasance—Discharge*” or “—*Discharge and Defeasance—Defeasance*” or the principal and interest received in respect thereof other than any such tax, fee or other charge that by law is for the account of the Holders of the Notes of the applicable series.

Notwithstanding anything under “—*Discharge and Defeasance—Discharge*” or “—*Discharge and Defeasance—Defeasance*” to the contrary, the Fiscal Agent shall deliver or pay to the Issuer from time to time upon request of the Issuer, any moneys in U.S. dollars or Government Obligations held by it as provided under “—*Discharge and Defeasance—Discharge*” or “—*Discharge and Defeasance—Defeasance*” with respect to any Notes of the applicable series that are in excess of the amount thereof that would then be required to be deposited to effect the Legal Defeasance or Covenant Defeasance, as the case may be, with respect to such Notes of the applicable series.

### ***Return of Unclaimed Moneys***

Any moneys and Government Obligations deposited with, or paid to, the Fiscal Agent for payment of the principal of, premium, if any, on and interest, if any, on Notes of the applicable series and not applied but remaining unclaimed by the Holders of such applicable series for two years after the date upon which the principal of, premium, if any, on or interest, if any, on the Notes of the applicable series, as the case may be, shall have become due and payable (whether at maturity, upon call for redemption or otherwise), shall be repaid to the Issuer or Guarantor by the Fiscal Agent on written demand; and the Holders shall thereafter look only to the Issuer or Guarantor for any payment that such Holders may be entitled to collect and all liability of the Fiscal Agent with respect to such moneys shall thereupon cease.

### ***Reinstatement***

If, and for so long as, the Fiscal Agent is unable to apply any moneys or Government Obligations held as required in “—*Discharge and Defeasance—Discharge*” or “—*Discharge and Defeasance—Defeasance*” by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Issuer’s and the Guarantor’s obligations under the Notes of the applicable series and the Guarantee relating thereto shall be reinstated as though no such deposit had been made; *provided* that if the Issuer or the Guarantor makes any payment of principal of, or interest on, any Notes of the applicable series under the terms of the Notes or the Guarantee, respectively, because of the reinstatement of its obligations, the Issuer and the Guarantor, as applicable, shall be subrogated to the rights of the Holders of such Notes to receive such payment from the moneys or Government Obligations held by the Fiscal Agent.

### ***Amendments***

Subject to certain exceptions, the Fiscal Agent, the Issuer and the Guarantor may amend or supplement the Fiscal Agency Agreement, the Notes of any series or the Guarantee relating thereto, and may waive future compliance therewith, with the consent of the Holders of not less than a majority in aggregate principal amount of outstanding Notes of the applicable series.

However, without the consent of each Holder of the relevant series of Notes, no modification, amendment, waiver or consent may:

- (a) reduce the principal amount of Notes or Additional Amounts payable with respect thereto;
- (b) reduce the stated rate, change the stated time for payment, or exclude payment of interest on any Note;
- (c) change the Maturity Date of any Note;
- (d) make any Notes payable in a currency other than U.S. dollars;
- (e) change the redemption or repayment provisions of any Note in a manner that would adversely affect any Holder;
- (f) change the obligation of the Guarantor to pay Additional Amounts (except as otherwise permitted by the Notes or the Guarantee);
- (g) make any change in the amendment or waiver provisions of the Fiscal Agency Agreement or of the Notes that require the consent of each Holder of an affected Note;
- (h) make a change in the provisions of the Notes authorizing Holders to accelerate payment in case of an Event of Default;
- (i) substitute the Issuer or the Guarantor, other than as described under “—*Consolidation, Merger and Sale of Assets; Substitution of the Issuer*” below;
- (j) make any change in the provisions of the Notes, the Guarantee or the Fiscal Agency Agreement relating to Additional Amounts that adversely affects the rights of any Holder of such Notes in any material respect or amends the terms of such Notes or the Guarantee in a way that would result in a loss of an exemption from any of the Taxes described under

the section entitled “—*Payment of Additional Amounts*” above or an exemption from any obligation to withhold or deduct Taxes so described unless the Issuer and the Guarantor, as the case may be, agree to pay Additional Amounts, if any, in respect thereof; or

- (k) change in any manner adverse to the interests of the Holders the terms and provisions of the Guarantee in respect of the due and punctual payment of the principal and interest (including Additional Amounts, if any) on the Notes.

Without the consent of any Holder, the Issuer, the Guarantor and the Fiscal Agent may amend or supplement the Fiscal Agency Agreement, the Notes of any series and the Guarantee related thereto to:

- (a) cure any ambiguity, omission, defect, mistake or inconsistency or make any other similar change (and, in each case, any applicable conforming changes);
- (b) provide for the assumption by a successor company of the obligations of the Issuer or Guarantor under the Fiscal Agency Agreement, the Notes or the Guarantee, as the case may be, in accordance with “—*Consolidation, Merger and Sale of Assets; Substitution of the Issuer*” below;
- (c) provide for uncertificated Notes in addition to or in place of certificated Notes, or alter the provisions of the Fiscal Agency Agreement relating to the form of notes (including the related definitions) in a manner that does not materially adversely affect the rights of any Holder;
- (d) add to the covenants of the Issuer or the Guarantor or surrender any right or power conferred upon the Issuer or the Guarantor;
- (e) add Guarantees with respect to the Notes or to secure the Notes;
- (f) conform the text of the Fiscal Agency Agreement, the Notes or the Guarantees to any provision of this “*Description of Notes and Guarantees*”;
- (g) evidence and provide for the acceptance and appointment under the Fiscal Agency Agreement of a successor Fiscal Agent pursuant to the requirements thereof;
- (h) modify the restrictions on, and procedures for, resale and other transfers of the Notes and the Guarantees pursuant to law, regulation or practice relating to the resale or transfer of restricted securities generally;
- (i) issue an unlimited aggregate principal amount of Notes of such series under the Fiscal Agency Agreement or to “reopen” the Notes of such series and create and issue Additional Notes having identical terms and conditions as the Notes of such series (or in all respects except for the issue date, issue price, payment of interest accruing prior to the issue date of such Additional Notes and/or the first payment of interest following the issue date of such Additional Notes) so that the Additional Notes are consolidated and form a single series with the outstanding Notes of such series; or
- (j) make any change that does not adversely affect the terms of the Notes of an applicable series or the interests of the Holders thereof in any material respect.

The consent of the Holders is not necessary under the Fiscal Agency Agreement, the Notes or the Guarantees to approve the particular form of any proposed amendment, supplement or waiver. It is sufficient if the consent of the Holders of the applicable series of Notes approves the substance of the proposed amendment, supplement or waiver. A consent to any amendment, supplement or waiver under the Fiscal Agency Agreement, the Notes or the Guarantees by any Holder given in connection with a tender of such Holder’s Notes will not be rendered invalid by such tender.

In determining whether the Holders of the requisite principal amount of Notes of any series have given any request, demand, authorization, consent, vote or waiver in connection with the Fiscal Agency Agreement, the Notes of such series, or the Guarantee related thereto, Notes owned by the Issuer, the Guarantor or any affiliate of the Issuer or the Guarantor shall be disregarded and deemed not to be outstanding for these purposes.

The Issuer will publish a notice of any material amendment, supplement or waiver in accordance with the provisions of the Fiscal Agency Agreement described under “—Notices”.

Any modifications, amendments or waivers to the Fiscal Agency Agreement, the terms of the Notes of any series or the Guarantee relating thereto will be conclusive and binding on all Holders of the Notes of such series, whether or not they have given such consent, and on all future Holders of the Notes of such series, whether or not notation of such modifications, amendments or waivers is made upon the Notes of such series or the Guarantees relating thereto. Any instrument given by or on behalf of any Holder of a Note of the relevant series in connection with any consent to any such modification, amendment or waiver will be irrevocable once given and will be conclusive and binding on all subsequent Holders of such Note.

## **Consolidation, Merger and Sale of Assets; Substitution of the Issuer**

### ***Consolidation, Merger and Sale of Assets of the Issuer; Substitution of the Issuer***

The Issuer may, without the consent of the Holders of any of the Notes, consolidate with, merge into, or sell, transfer, lease or convey all or substantially all of its assets to, any corporation (the “*Successor Issuer*”), or, at any time, if no payment of principal of or interest on any of the Notes of an applicable series is in default, substitute for the Issuer, either the Guarantor or any other company more than 90% of the voting share or other equity interests of which are directly or indirectly owned by the Guarantor as principal debtor in respect of all obligations arising from or in connection with such series of Notes (the “*Substitute Issuer*”); *provided that*:

- (a) the Substitute Issuer or any Successor Issuer shall expressly assume the Issuer’s obligations under the applicable series of Notes and the Fiscal Agency Agreement;
- (b) immediately after giving effect to such transaction, no Event of Default with respect to the applicable series of Notes shall have occurred and be continuing;
- (c) the Substitute Issuer or any Successor Issuer has agreed to indemnify and hold harmless each Holder against any withholding tax, duty, assessment or governmental charge imposed on such Holder in respect of such substitution;
- (d) when a Substitute Issuer or any Successor Issuer is incorporated, tax resident or principally engaged in business in a jurisdiction other than the United States or any political subdivision thereof or therein (a “*Non-U.S. Substitute Issuer*”), it agrees that it will have an obligation to pay additional amounts under the section entitled “—*Payment of Additional Amounts*” above (substituting the references in that section to “Guarantor” with “Non-U.S. Substitute Issuer” and references to the “Guarantee” with “the Notes” and further changing the definition of Relevant Tax Jurisdiction to any “jurisdiction other than the United States in which the Non-U.S. Substitute Issuer is organized, tax resident or principally engaged in business, in each case including any political subdivision thereof or therein”);
- (e) unless the Substitute Issuer or the Successor Issuer is the Guarantor, the Guarantor irrevocably guarantees in favor of each Holder the payment of all sums payable by such Substitute Issuer or such Successor Issuer in respect of the applicable series of Notes either under the Guarantee or on terms equivalent to the terms of such Guarantee; and
- (f) when a Substitute Issuer or any Successor Issuer is domiciled in a jurisdiction other than the United States, it agrees to submit to the exclusive jurisdiction of any United States federal or New York state court, in each case, in the City and County of New York, over any suit, action or proceeding arising out of or relating to the Fiscal Agency Agreement or the applicable series of Notes, and appoint an agent for service of process accordingly.

In the event that the Issuer consolidates with, merges into, sells, transfers, leases or conveys all or substantially all of their respective assets to any Successor Issuer, or substitutes the Issuer with a Substitute Issuer, the Issuer shall provide the Holders with written notice of the occurrence of such transaction.

Upon the effectiveness of any such transaction or substitution, all of the provisions of the applicable series of Notes will apply *mutatis mutandis*, and references elsewhere herein, in the Fiscal

Agency Agreement and the applicable series of Notes to the Issuer will, where the context so requires, be deemed to be or include references to the Substitute Issuer or any Successor Issuer, as applicable.

### ***Consolidation, Merger and Sale of Assets of the Guarantor***

The Guarantor may, without the consent of the Holders of Notes of the relevant series, consolidate with, merge into, or sell, transfer, lease or convey all or substantially all of its assets to, any corporation (the “*Successor Guarantor*”); *provided that*:

- (a) the Successor Guarantor shall expressly assume the Guarantor’s obligations under the related Guarantee and the Fiscal Agency Agreement;
- (b) immediately after giving effect to such transaction, no Event of Default with respect to the applicable series of Notes shall have occurred and be continuing;
- (c) the Successor Guarantor has agreed to indemnify and hold harmless each Holder of Notes of the relevant series against any withholding tax, duty, assessment or governmental charge imposed on such Holder in respect of such substitution; and
- (d) when the Successor Guarantor is domiciled in a jurisdiction other than the United States, the Successor Guarantor agrees to submit to the exclusive jurisdiction of any U.S. federal or New York state court, in each case, in the City and County of New York, over any suit, action or proceeding arising out of or relating to the Fiscal Agency Agreement and appoint an agent for service of process accordingly.

Upon the effectiveness of any such transaction, all references in the Fiscal Agency Agreement, the applicable series of Notes and the Guarantee related thereto to the Guarantor shall, where the context so requires, be deemed to be or include references to the Successor Guarantor.

The Guarantor’s undertaking described above, as a term of the relevant Guarantee, will be governed by, and construed in accordance with, the substantive laws of Switzerland.

### **Financial Reports**

For so long as any Notes remain outstanding and during any period in which the Guarantor is neither subject to Section 13 or Section 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) of the Exchange Act, the Guarantor will publish on its website in English and make available to any Holder on request: (a) within the later of (1) 120 days of the end of each completed fiscal year and (2) the time period required by the listing rules of the SIX Swiss Exchange with respect to annual reports, the annual report of the Nestlé Group required by the listing rules of the SIX Swiss Exchange, which shall include audited annual consolidated financial statements of the Guarantor (including a consolidated balance sheet as of the end of such period and a consolidated income statement and a consolidated cash flows statement for such period, in each case setting forth in comparative form corresponding consolidated figures from the immediately preceding corresponding period); and (b) within the later of (1) 90 days of the end of the first half-year period of any fiscal year and (2) the time period required by the listing rules of the SIX Swiss Exchange with respect to semi-annual reports, the unaudited condensed interim consolidated financial statements of the Guarantor in respect of the first half-year period of such fiscal year required by the listing rules of the SIX Swiss Exchange (including a consolidated balance sheet as of the end of such period and a consolidated income statement and a consolidated cash flows statement for such period, in each case setting forth in comparative form corresponding consolidated figures from the immediately preceding corresponding period); in each case, prepared in accordance with IFRS as issued by the IASB as in effect at the date of the relevant statements.

In addition, for so long as any Notes remain outstanding and are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, and during any period during which the Issuer is neither subject to Section 13 or Section 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) of the Exchange Act, the Issuer will furnish to Holders and to

prospective investors, upon the request thereof, any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act with respect to the Issuer.

The Guarantor's undertaking described above, as a term of the relevant Guarantee, will be governed by, and construed in accordance with, the substantive laws of Switzerland.

### **Notices**

Notices to Holders shall be validly given if mailed to them (or the first named of joint Holders) by first class mail (or, if first class mail is unavailable, by airmail) at their respective addresses in the register and deemed to have been given on the later of (a) publication of the notice on the Issuer's or Guarantor's website in accordance with the following paragraph, or (b) the seventh day after the date of mailing. Failure to mail a notice to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice is mailed in the manner provided above, it shall be deemed duly given, whether or not the addressee receives it.

For so long as the Notes of any series are represented by Global Notes, the Issuer will publish notices to Holders of such Notes on its website or the Guarantor's website and all such notices to Holders will be delivered to Cede & Co., as nominee for DTC, in accordance with its applicable policies as in effect from time to time, and shall be deemed to have been given on the date of such publication on the Issuer's or the Guarantor's website, as the case may be.

### **No Personal Liability of Directors, Officers, Employees and Shareholders**

No director, officer, employee, incorporator, member or shareholder (other than the Guarantor in respect of the Guarantees) of the Issuer and the Guarantor shall, to the fullest extent permitted by law, have any liability for any obligations of the Issuer or the Guarantor under the Notes, the Guarantees or the Fiscal Agency Agreement or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives, to the fullest extent permitted by law, any such claim and releases any such director, officer, employee, incorporator, member or shareholder of any such liability. The waiver and release are part of the consideration for issuance of the Notes and the Guarantees. The waiver and release may not be effective to waive liabilities under the U.S. federal securities laws, and it is the view of the SEC that such a waiver is against public policy.

### **Prescription**

Any claim for the payment of principal, interest and Additional Amounts, if any, in respect of the Notes will become void unless presentment for payment is made (where so required in the terms of the Notes or in the Fiscal Agency Agreement) within five years of the respective original payment date therefor.

### **Governing Law and Submission to Jurisdiction**

The Fiscal Agency Agreement and the Notes will be governed by and construed in accordance with the internal laws of the State of New York applicable to agreements made and to be performed in such state without regard to conflicts of laws principles thereof. The Guarantees will be governed by, construed in accordance with and subject to the substantive laws of Switzerland.

The Issuer and the Guarantor have each irrevocably submitted to the exclusive jurisdiction of and venue in any U.S. federal or New York state court in the City and County of New York, in any legal suit, action or proceeding arising out of or based upon the Fiscal Agency Agreement or, in the case of the Issuer, any of the Notes, and, for the avoidance of doubt, such submission to jurisdiction shall apply to no other subject matter whatsoever.

The courts of the Canton of Vaud, Switzerland (venue being the City of Vevey) shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Guarantees, including the covenants of the Guarantor contained therein.

## CERTAIN TAXATION CONSIDERATIONS

*Potential investors should consult their professional advisers on the tax consequences of buying, holding or selling any Notes in light of their own particular circumstances, including the effect of the laws of their country of citizenship, residence or domicile. The discussions that follow for each jurisdiction are based upon the applicable laws and interpretations thereof as of the date hereof, all of which laws and interpretations are subject to change or differing interpretations, which changes or differing interpretations could apply retroactively.*

### United States Federal Income Tax Consequences

This section describes material U.S. federal income tax consequences to Holders of owning the Notes. This discussion does not describe any tax consequences other than U.S. federal income tax consequences and does not address the income tax on certain “net investment income” or discuss any tax consequences arising under the U.S. federal estate and gift tax laws or the laws of any state, local, non-U.S. or other taxing jurisdiction. It applies to you only if you acquire Notes in the initial offering at the issue price (that is, the first price at which a substantial amount of Notes are sold for money, excluding sales to underwriters, placement agents or wholesalers) and you hold your Notes as capital assets for U.S. federal income tax purposes. This section does not describe all of the tax consequences that may apply to you if you are an investor of a type subject to special rules, such as:

- a dealer in securities or non-U.S. currencies,
- a regulated investment company, real estate investment trust, partnership or other passthrough entity (or an investor in such entities),
- a trader in securities that elects to use a mark-to-market method of accounting for your securities holdings,
- a tax-exempt organization,
- a bank, financial institution or insurance company,
- a person liable for alternative minimum tax,
- a person who is a U.S. expatriate,
- a person that owns Notes that are a hedge or that are hedged against interest rates or non-U.S. currency risks,
- an accrual method taxpayer who is required to recognize income for U.S. federal income tax purposes no later than when such income is taken into account for financial accounting purposes,
- a person that owns Notes as part of a straddle or a hedging, conversion, or other risk reduction transaction for U.S. federal income tax purposes,
- a person that purchases or sells Notes as part of a wash sale for tax purposes, or
- a U.S. Holder (as defined below) whose functional currency for tax purposes is not the U.S. dollar.

If you purchase Notes at a price other than the issue price, the amortizable bond premium or market discount rules may also apply to you. You should consult your tax adviser regarding this possibility.

This discussion is based on the U.S. Internal Revenue Code of 1986, as amended (the “Code”), its legislative history, existing and proposed regulations under the Code, published rulings and court decisions, all as currently in effect. These laws are subject to change, possibly on a retroactive basis, so as to result in U.S. federal income tax consequences different from those summarized below.

We have not requested a ruling from the Internal Revenue Service (the “IRS”) on the tax consequences of owning the Notes. As a result, the IRS could disagree with portions of this discussion.

If a partnership or other entity or arrangement treated as a partnership for U.S. federal income tax purposes holds the Notes, the U.S. federal income tax treatment of a partner will generally

depend on the status of the partner and the tax treatment of the partnership. A partner in a partnership holding the Notes should consult its tax adviser with regard to the U.S. federal income tax treatment of an investment in the Notes.

As used herein, a “U.S. Holder” means a beneficial owner of the Notes that is for U.S. federal income tax purposes any of the following:

- an individual who is a citizen or resident of the United States;
- a corporation (or any other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any State thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if it (1) is subject to the primary supervision of a court within the United States and one or more U.S. persons have the authority to control all substantial decisions of the trust or (2) was in existence on August 20, 1996, and it has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person for U.S. federal income tax purposes.

The term “non-U.S. Holder” means a beneficial owner of the Notes (other than a partnership or other entity or arrangement treated as a partnership for U.S. federal income tax purposes) that is not a U.S. Holder.

***Please consult your own tax adviser concerning the consequences of owning these Notes in your particular circumstances under the Code and the laws of any other taxing jurisdiction.***

***As described under “Description of Notes and Guarantees—Consolidation, Merger and Sale of Assets of the Issuer; Substitution of the Issuer”, if certain conditions are met the Issuer may substitute a Substitute Issuer as principal debtor in respect of all obligations arising from or in connection with a series of Notes. The substitution of a Substitute Issuer for the Issuer may result for U.S. federal income tax purposes in a deemed exchange of the Notes for new securities by the Holders thereof, which may result in the recognition of gain or loss and possibly certain other adverse U.S. tax consequences. U.S. Holders of Notes should consult their own tax advisers regarding the tax consequences of such a substitution.***

## **Tax Consequences to U.S. Holders**

### ***Payments of Interest***

The stated interest on the Notes will generally be taxable to a U.S. Holder as ordinary income when received or accrued in accordance with the U.S. Holder’s method of accounting for tax purposes. It is anticipated, and this discussion assumes, that the Notes will not be treated as issued with original issue discount for U.S. federal income tax purposes.

### ***Sale, Exchange or Other Taxable Disposition of the Notes***

A U.S. Holder generally will recognize capital gain or loss upon the sale, exchange or other taxable disposition of a Note in an amount equal to the difference between the amount realized from such disposition (other than any amount attributable to accrued but unpaid interest, which will be taxable as interest income to the extent not previously so taxed, as described above under “—Payments of Interest”) and the U.S. Holder’s adjusted tax basis in the Note. A U.S. Holder’s adjusted tax basis in a Note will be, in general, the cost of the Note to such U.S. Holder. Any such gain or loss generally will be long-term capital gain or loss if the U.S. Holder has held the Note for more than one year. Long-term capital gains recognized by a non-corporate U.S. Holder generally are subject to U.S. federal income taxation at preferential rates. The deductibility of capital losses is subject to limitations.

### ***Information Reporting and Backup Withholding***

In general, information reporting requirements will apply to certain payments of interest and principal paid on the Notes and to the proceeds of the sale or other disposition (including a redemption) of a Note paid to a U.S. Holder (unless you are an exempt recipient). Backup withholding may apply to such payments if a U.S. Holder fails to provide an accurate taxpayer identification number and certification under penalties of perjury that it is not subject to backup withholding, fails to establish an exempt status or fails to comply with certification requirements of applicable U.S. Treasury regulations.

Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a U.S. Holder's U.S. federal income tax liability, *provided* that the required information is timely furnished to the IRS.

### **Tax Consequences to Non-U.S. Holders**

#### ***Payments of Interest***

Subject to the discussion below under “—*Information Reporting and Backup Withholding*” and “*FATCA Withholding*,” interest paid on a Note to a non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax under the “portfolio interest” exemption, *provided* that:

- such interest is not effectively connected with such non-U.S. Holder's conduct of a trade or business within the United States, in which case such interest will be taxed as described below under “—*Interest or Gain Effectively Connected with a United States Trade or Business*”;
- such non-U.S. Holder does not own, actually or constructively, 10% or more of the total combined voting power of all classes of our voting stock within the meaning of the Code and applicable U.S. Treasury regulations;
- such non-U.S. Holder is not a controlled foreign corporation that is related, directly or indirectly, to us through stock ownership under applicable rules of the Code;
- such non-U.S. Holder is not a bank whose receipt of interest on the Notes is described in Section 881(c)(3)(A) of the Code; and
- either (a) such non-U.S. Holder provides its name and address on an applicable IRS Form W-8 and certify under penalties of perjury that it is not a U.S. person or (b) such non-U.S. Holder holds its Notes through certain foreign intermediaries and satisfies the certification requirements of applicable U.S. Treasury regulations. Special certification rules apply to non-U.S. Holders that are passthrough entities rather than corporations or individuals.

If such non-U.S. Holder cannot satisfy the requirements described above, payments of interest made to it will be subject to a 30% U.S. federal withholding tax, unless such non-U.S. Holder provides the applicable withholding agent with a properly executed:

- IRS Form W-8BEN or W-8BEN-E (or other applicable form) certifying an exemption from or reduction in withholding under the terms of an applicable income tax treaty; or
- IRS Form W-8ECI (or other applicable form) certifying that interest paid on the Notes is not subject to withholding tax because it is effectively connected with such non-U.S. Holder's conduct of a trade or business within the United States, in which case such interest will be taxed as described below under “—*Interest or Gain Effectively Connected with a United States Trade or Business*”.

#### ***Sale, Exchange or Other Taxable Disposition of the Notes***

Subject to the discussion below under “—*Information Reporting and Backup Withholding*” and “*FATCA Withholding*,” any gain realized on the sale, exchange or other taxable disposition of a Note generally will not be subject to U.S. federal income or withholding tax unless:

- the gain is effectively connected with a non-U.S. Holder's conduct of a trade or business in the United States (and, if required by an applicable income tax treaty, is attributable to a U.S. permanent establishment or fixed base), in which case such gain will be taxed as described below under "*—Interest or Gain Effectively Connected with a United States Trade or Business*"; or
- a non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of that disposition, and certain other requirements are met, in which case such gain will be subject to a 30% U.S. federal withholding tax, unless such non-U.S. Holder provides the applicable withholding agent with a properly executed IRS Form W-8BEN or W-8BEN-E (or other applicable form) certifying an exemption from or reduction in withholding under the benefit of an applicable income tax treaty, and may be offset by certain U.S. source capital losses.

Proceeds from a disposition of a Note that are accrued but unpaid interest generally will be subject to, or exempt from, tax to the same extent as described above under "*—Payments of Interest*".

### ***Interest or Gain Effectively Connected with a U.S. Trade or Business***

If a non-U.S. Holder is engaged in a trade or business within the United States and interest on the Notes, or gain realized on the sale, exchange or other taxable disposition of a Note, is effectively connected with the conduct of that trade or business (and, if required by an applicable income tax treaty, is attributable to a U.S. permanent establishment or fixed base), then such non-U.S. Holder will be subject to U.S. federal income tax on that interest or gain on a net income basis in generally the same manner as if such non-U.S. Holder was a U.S. person (although such non-U.S. Holder will not be subject to 30% U.S. federal withholding tax, provided the requirement to provide an IRS Form W-8ECI discussed above under "*—Payments of Interest*" is satisfied). In addition, if a non-U.S. Holder is a foreign corporation, such non-U.S. Holder may be subject to a branch profits tax equal to 30% (or lower applicable income tax treaty rate) of its effectively connected earnings and profits, subject to adjustments.

### ***Information Reporting and Backup Withholding***

Generally, the amount of interest paid to a non-U.S. Holder and the amount of tax, if any, withheld with respect to those payments will be reported to the IRS. Copies of the information returns reporting such interest payments and any withholding may also be made available to the tax authorities in the country in which such non-U.S. Holder resides under the provisions of an applicable income tax treaty.

In general, a non-U.S. Holder will not be subject to backup withholding with respect to payments of interest on the Notes that we make to such non-U.S. Holder, *provided* that the applicable withholding agent does not have actual knowledge or reason to know that such non-U.S. Holder is a U.S. person, and such withholding agent has received from such non-U.S. Holder the required certification that such non-U.S. Holder is not a U.S. person as described above in the fifth bullet point under "*—Payments of Interest*".

Information reporting and, depending on circumstances, backup withholding will apply to the proceeds of a sale or other disposition of Notes within the United States or conducted through certain U.S.-related financial intermediaries, unless a non-U.S. Holder certifies to the payor under penalties of perjury that it is not a U.S. person (and the payor does not have actual knowledge or reason to know that such non-U.S. Holder is a U.S. person), or such non-U.S. Holder otherwise establishes an exemption.

Backup withholding is not an additional tax and any amounts withheld under backup withholding rules may be allowed as a refund or a credit against a non-U.S. Holder's U.S. federal income tax liability, *provided* that the required information is timely furnished to the IRS.

## **FATCA Withholding**

Under Section 1471 through 1474 of the Code (such Sections commonly referred to as “FATCA”), a 30% U.S. federal withholding tax may apply to any interest income paid on the Notes and, for a disposition of a Note occurring no sooner than January 1, 2019, the gross proceeds from such disposition, in each case paid to (i) a “foreign financial institution” (as specifically defined in the Code) that does not provide sufficient documentation, typically on IRS Form W-8BEN-E, evidencing either (x) an exemption from FATCA, or (y) its compliance (or deemed compliance) with FATCA (which may alternatively be in the form of compliance with an intergovernmental agreement with the United States) in a manner that avoids withholding, or (ii) a “non-financial foreign entity” (as specifically defined in the Code) that does not provide sufficient documentation, typically on IRS Form W-8BEN-E, evidencing either (x) an exemption from FATCA or (y) adequate information regarding the “substantial United States owners” of such entity (if any). If an interest payment is both subject to withholding under FATCA and subject to the withholding tax described above under “—*Tax Consequences to Non-U.S. Holders—Payments of Interest*”, the withholding under FATCA may be credited against, and therefore reduce, such other withholding tax. If you are a foreign financial entity or a non-financial foreign entity in a jurisdiction that has entered into an intergovernmental agreement with the United States, you may be subject to different rules. You should consult your own tax adviser regarding these rules and whether they may be relevant to your ownership and disposition of the Notes.

## **Swiss Taxation**

The following is a summary of certain Swiss tax consequences of the purchase, beneficial ownership and disposition of Notes. The summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes. The summary relates only to the position of persons who are the absolute beneficial owners of the Notes and may not apply to certain other classes of persons. The summary is based upon Swiss tax laws and tax practice as in effect on the date of this Offering Memorandum, which are subject to changes, including changes that could have a retroactive effect. The summary does not constitute tax or legal advice and the comments below are of a general nature only and do not take into account investors’ individual circumstances. Prospective investors in the Notes should consult their own advisers as to the Swiss or other tax consequences of the purchase, beneficial ownership and disposition of the Notes.

### ***Swiss Federal Withholding Tax***

Payments by the Issuer, or by Nestlé S.A. as Guarantor, of interest on, and repayment of principal of, the Notes, will not be subject to Swiss withholding tax, even though the Notes are guaranteed by Nestlé S.A. as Guarantor, *provided* that the Issuer uses the proceeds from the offering and sale of the Notes outside of Switzerland, unless and to the extent use in Switzerland is permitted under the Swiss taxation laws in force from time to time without payments in respect of the Notes becoming subject to withholding or deduction for Swiss withholding tax as a consequence of such use of proceeds in Switzerland.

On November 4, 2015, the Swiss Federal Council announced that it had mandated the Swiss Federal Finance Department to appoint a group of experts to prepare a proposal for a reform of the Swiss withholding tax system. The proposal is expected to, among other things, replace the current debtor-based regime applicable to interest payments with a paying agent-based regime for Swiss withholding tax. This paying agent-based regime is expected to be similar to the one contained in the draft legislation published by the Swiss Federal Council on December 17, 2014, which was subsequently withdrawn on June 24, 2015. Further, on October 23, 2017, the Swiss Federal Economic Affairs and Taxation Committee of the Swiss National Council filed a parliamentary initiative reintroducing the request to replace the current debtor-based regime applicable to interest payments with a paying agent-based system for Swiss withholding tax. The initiative requests a paying agent-based system that (i) subjects all interest payments made by paying agents in Switzerland to individuals resident in Switzerland to Swiss withholding tax and (ii) provides an exemption from

Swiss withholding tax for interest payments to all other persons (including Swiss corporations). If such a new paying agent-based regime were to be enacted and were to result in the deduction or withholding of Swiss withholding tax on any interest payments in respect of a Note by any person other than the Issuer or the Guarantor, the Holder of Notes would not be entitled to receive any additional amounts as a result of such deduction or withholding under the terms of the Notes.

### ***Swiss Federal Stamp Duty***

The issue of Notes by the Issuer on the issue date of the Notes (primary market) and the issue of the Guarantees by Nestlé S.A. will not be subject to Swiss stamp duty on the dealing in securities. Secondary market dealings in the Notes where a Swiss (or Liechtenstein) domestic bank or a Swiss (or Liechtenstein) domestic securities dealer (as defined in the Swiss stamp duty act) is a party, or acts as an intermediary, to the transaction may be subject to Swiss stamp duty on dealings in securities at a rate of up to 0.3% of the purchase price of the Notes. Where both the seller and the purchaser of the Notes are non-residents of Switzerland or the Principality of Liechtenstein, no Swiss stamp duty on dealing in securities will be payable.

### ***Swiss Income Taxation***

#### *Notes held by non-Swiss holders*

Payments by the Issuer, or by Nestlé S.A. as Guarantor, of interest and repayment of principal to, and gain realized on the sale or redemption of Notes by, a holder of Notes who is not a resident of Switzerland and who during the relevant taxation year has not engaged in trade or business through a permanent establishment in Switzerland to which such Note is attributable will not be subject to any Swiss federal, cantonal or communal income tax (as concerns the Swiss withholding tax see above “—*Swiss Federal Withholding Tax*”), as concerns the international automatic exchange of information in tax matters, see below under “—*International Automatic Exchange of Information in Tax Matters*” and as concerns the Swiss facilitation of the implementation of FATCA, see below under “—*Swiss Facilitation of the Implementation of FATCA*”.

#### *Notes held by Swiss resident holders as private assets*

A holder who is an individual resident in Switzerland and who holds the Note as a private asset is required to include in his or her personal income tax return for the relevant tax period all interest payments on the Note in such period, converted into Swiss francs at the exchange rate prevailing at the time of payment, and will be taxable on any net taxable income (including such amounts) for the relevant tax period. A gain (which may include interest accrued or a foreign exchange rate gain) realized on the sale of such a Note is a tax-free private capital gain, and a loss realized on the sale of such a Note (which may include a foreign exchange rate loss) is a non-tax deductible private capital loss. See “—*Notes held as Swiss business assets*” below for a summary on the tax treatment of individuals classified as “professional securities dealers”.

#### *Notes held as Swiss business assets*

Individuals who hold Notes as part of a business in Switzerland and Swiss-resident corporate taxpayers and corporate taxpayers residing abroad holding Notes as part of a permanent establishment situated in Switzerland are required to recognize the payments of interest and any capital gain or loss realized on the sale or other disposition of such Notes in their income statement for the respective tax period and will be taxable on any net taxable earnings for such period. The same taxation treatment also applies to Swiss-resident individuals who, for income tax purposes, are classified as “professional securities dealers” for reasons of, among other things, frequent dealings and leveraged transactions in securities.

### ***International Automatic Exchange of Information in Tax Matters***

Switzerland has concluded a multilateral agreement with the EU on the international automatic exchange of information (“*AEOI*”) in tax matters, which applies to all 28 EU member states and some other jurisdictions. In addition, Switzerland has signed the multilateral competent authority agreement on the automatic exchange of financial account information (“*MCAA*”), and based on the *MCAA*, a number of bilateral *AEOI* agreements with other countries. Based on such agreements and the implementing laws of Switzerland, depending on the date of effectiveness of the applicable agreement, Switzerland began in 2017, or will begin at a later date, to collect data in respect of financial assets including Notes held in, and income derived thereon and credited to, accounts or deposits with a paying agent in Switzerland for the benefit of individuals resident in an EU member state or in a treaty state, and began in 2018, or will at a later date begin, as the case may be, to exchange it with the authorities in the relevant jurisdiction. In addition, Switzerland has signed and will sign further *AEOI* agreements with further countries. An up-to-date list of the *AEOI* agreements to which Switzerland is a party can be found on the website of the State Secretariat for International Financial Matters.

### ***Swiss Facilitation of the Implementation of FATCA***

Switzerland has concluded an intergovernmental agreement with the United States to facilitate the implementation of *FATCA*. The agreement ensures that the accounts held by U.S. persons with Swiss financial institutions are disclosed to the U.S. tax authorities either with the consent of the account holder or by means of group requests within the scope of administrative assistance. Information will not be transferred automatically in the absence of consent, and instead will be exchanged only within the scope of administrative assistance on the basis of the double taxation agreement between the United States and Switzerland. For further information on *FATCA*, see above under “—*Tax Consequences to Non-U.S. Holders—FATCA Withholding*”.

## PLAN OF DISTRIBUTION

Pursuant to a Purchase Agreement dated September 17, 2018 (the “Purchase Agreement”), the Initial Purchasers have severally agreed with the Issuer and the Guarantor, subject to the satisfaction of certain conditions, to purchase \$1,000,000,000 principal amount of the 2021 Notes, \$1,500,000,000 principal amount of the 2023 Notes, \$900,000,000 principal amount of the 2025 Notes, \$1,250,000,000 principal amount of the 2028 Notes, \$1,250,000,000 principal amount of the 2038 Notes and \$2,100,000,000 principal amount of the 2048 Notes. The respective principal amount of Notes to be purchased by each of the Initial Purchasers from the Issuer and the Guarantor is set forth opposite their respective names below. If an Initial Purchaser defaults, the Purchase Agreement provides that the purchase commitments of the non-defaulting Initial Purchasers may be increased or the Purchase Agreement may be terminated, in each case in certain circumstances.

<u>Initial Purchaser</u>	<u>Principal Amount of 2021 Notes</u>	<u>Principal Amount of 2023 Notes</u>	<u>Principal Amount of 2025 Notes</u>	<u>Principal Amount of 2028 Notes</u>	<u>Principal Amount of 2038 Notes</u>	<u>Principal Amount of 2048 Notes</u>
Barclays Capital Inc. ....	\$ 232,499,000	\$ 348,750,000	\$ 209,250,000	\$ 290,625,000	\$ 290,625,000	\$ 488,250,000
Citigroup Global Markets Inc. ....	\$ 232,499,000	\$ 348,750,000	\$ 209,250,000	\$ 290,625,000	\$ 290,625,000	\$ 488,250,000
J.P. Morgan Securities LLC.....	\$ 232,501,000	\$ 348,750,000	\$ 209,250,000	\$ 290,625,000	\$ 290,627,000	\$ 488,250,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated .....	\$ 232,499,000	\$ 348,750,000	\$ 209,250,000	\$ 290,627,000	\$ 290,625,000	\$ 488,250,000
Deutsche Bank Securities Inc.....	\$ 11,667,000	\$ 17,500,000	\$ 10,500,000	\$ 14,583,000	\$ 14,583,000	\$ 24,500,000
HSBC Securities (USA) Inc.....	\$ 11,667,000	\$ 17,500,000	\$ 10,500,000	\$ 14,583,000	\$ 14,583,000	\$ 24,500,000
MUFG Securities Americas Inc. ....	\$ 11,667,000	\$ 17,500,000	\$ 10,500,000	\$ 14,583,000	\$ 14,583,000	\$ 24,500,000
RBC Capital Markets, LLC.....	\$ 11,667,000	\$ 17,500,000	\$ 10,500,000	\$ 14,583,000	\$ 14,583,000	\$ 24,500,000
TD Securities (USA) LLC.....	\$ 11,667,000	\$ 17,500,000	\$ 10,500,000	\$ 14,583,000	\$ 14,583,000	\$ 24,500,000
UBS Securities LLC .....	\$ 11,667,000	\$ 17,500,000	\$ 10,500,000	\$ 14,583,000	\$ 14,583,000	\$ 24,500,000
Total .....	<u>\$1,000,000,000</u>	<u>\$1,500,000,000</u>	<u>\$900,000,000</u>	<u>\$1,250,000,000</u>	<u>\$1,250,000,000</u>	<u>\$2,100,000,000</u>

The obligations of the Initial Purchasers under the Purchase Agreement, including their agreement to purchase Notes from us, are several and not joint. The Initial Purchasers may offer and sell Notes through certain of their affiliates.

The Purchase Agreement entitles the Initial Purchasers to terminate the purchase of the Notes in certain circumstances prior to payment to the Issuer. The Issuer has agreed to indemnify the Initial Purchasers against certain liabilities in connection with the offer and sale of the Notes and may be required to contribute to payments that the Initial Purchasers may be required to make in respect thereof.

The Initial Purchasers initially propose to offer the Notes at the issue prices set forth on the cover page hereof. After the initial offering of the Notes, the Initial Purchasers may change the price to investors.

The Issuer and the Guarantor have agreed with the Initial Purchasers that none of them and no person acting on their behalf will without the prior written consent of Barclays Capital Inc., Citigroup Global Markets Inc., J.P. Morgan Securities LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated (the “Representatives”) for the period from and including the date of the Purchase Agreement through and including the settlement date, offer, sell, contract to sell or otherwise dispose of any debt securities (other than short-term debt securities or pursuant to any existing debt issuance program of the Issuer, the Guarantor or any of their respective subsidiaries) of or guaranteed by the Issuer or Guarantor.

The Notes are new issues of securities with no established trading market. The Initial Purchasers are not obligated to make a market in the Notes and accordingly, no assurance can be given as to the liquidity of, or trading market for, the Notes. In connection with the offering, the Initial Purchasers may purchase and sell Notes in the open market. These transactions may include over-allotment, syndicate covering transactions and stabilizing transactions. Over-allotment involves syndicate sales of notes in excess of the principal amount of the Notes to be purchased by the Representatives in the offering, which creates a syndicate short position. Syndicate covering transactions involve purchases of the Notes in the open market after the distribution has been

completed in order to cover syndicate short positions. Stabilizing transactions consist of certain bids or purchases of Notes made for the purpose of pegging, fixing or maintaining the price of the Notes.

The Initial Purchasers may impose a penalty bid. Penalty bids permit the Initial Purchasers to reclaim selling concessions from a syndicate member when they, in covering syndicate positions or making stabilizing purchases, repurchase Notes originally sold by that syndicate member.

Any of these activities may cause the price of the Notes to be higher than the price that otherwise would exist in the open market in the absence of such transactions. These transactions may be effected in the over-the-counter market or otherwise and, if commenced, may be discontinued at any time at the sole discretion of the Initial Purchaser, as applicable.

No action has been or will be taken in any jurisdiction that would permit a public offering of the Notes or the possession, circulation or distribution of any material relating to the Issuer or Guarantor, in any jurisdiction where action for such purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, nor may any offering material or advertisement in connection with the Notes be distributed or published, in or from any country or jurisdiction, except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

Certain of the Initial Purchasers and their affiliates have performed certain investment and commercial banking or financial advisory services for us and our affiliates from time to time for which they have received customary fees and commissions, and they expect to provide these services to us and our affiliates in the future, for which they expect to receive customary fees and commissions. In addition, in the ordinary course of their business activities, the Initial Purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. Certain of the Initial Purchasers or their affiliates may have a lending relationship with us and may hedge their credit exposure to us consistent with their customary risk management policies. Typically, these Initial Purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the notes offered hereby. Any such credit swaps or short positions could adversely affect future trading prices of the notes offered hereby. The Initial Purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

To the extent any Initial Purchaser that is not a U.S. registered broker-dealer intends to effect any offers or sales of any Notes in the United States, it will do so through one or more U.S. registered broker-dealers in accordance with the applicable U.S. securities laws and regulations.

We expect that delivery of the Notes will be made against payment therefor on or about September 24, 2018, which will be the fifth Business Day following the date of pricing of the Notes, or "T+5". Trades in many secondary markets generally settle in two Business Days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes on the date of pricing or the next succeeding two Business Days will be required, by virtue of the fact that the Notes initially settle in T+5, to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes prior to their date of delivery hereunder should consult their advisers.

## **United States**

The Notes and the Guarantees have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Accordingly, the Notes and the Guarantees are being offered and sold in the

United States only to QIBs in reliance on Rule 144A and in transactions outside the United States to non-U.S. persons in reliance on Regulation S.

In connection with sales outside of the United States, each Initial Purchaser has represented and agreed that, except as permitted by the Purchase Agreement, it will not offer, sell or deliver the Notes to, or for the account or benefit of, U.S. persons, (i) as part of their distribution at any time or (ii) otherwise until and including the fortieth day after the later of the commencement of the offer and the closing date for the sale of any Notes pursuant to the Purchase Agreement, except in accordance with Rule 903 of Regulation S. Each Initial Purchaser has also agreed that it, each of its affiliates and each person acting on its or their behalf have complied and will comply with the offering restriction requirements of Regulation S; and at or prior to confirmation of a sale of Notes (other than a sale pursuant to Rule 144A, if permitted) it will have sent to each distributor, dealer or other person receiving a selling concession, fee or other remuneration to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of U.S. persons. Each Initial Purchaser has also represented and agreed that no directed selling efforts (as defined in Regulation S) have been made or will be made in the United States by the Initial Purchasers, any of their affiliates or any person acting on behalf of any of the Initial Purchasers or their affiliates in respect to the Notes; and neither it, any of its affiliates, nor anyone acting on its or their behalf has solicited offers for, offered or sold the Notes by any form of general solicitation or general advertising (as those terms are used in Regulation D under the Securities Act) in the United States in connection with the offering of the Notes or otherwise in any manner involving a public offering within the meaning of Section 4(2) of the Securities Act.

Terms used in the preceding two paragraphs have the meanings ascribed to them by Rule 144A and Regulation S, as applicable.

In addition, until forty days after the commencement of the offering of the Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering of the Notes) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

### **European Economic Area**

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of the Insurance Mediation Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently no key information document required by the PRIIPs Regulation for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation. This Offering Memorandum has been prepared on the basis that any offer of Notes in any Member State of the EEA will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of Notes. This Offering Memorandum is not a prospectus for the purposes of the Prospectus Directive.

### **United Kingdom**

Each of the Initial Purchasers has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

### **Switzerland**

The Notes may not be publicly offered, sold or advertised, directly or indirectly, in or from Switzerland, and will not be listed on the SIX Swiss Exchange or any other exchange or regulated trading venue in Switzerland. Neither this Offering Memorandum nor any other offering or marketing material relating to the Notes constitutes a prospectus as such term is understood pursuant to Article 652a or Article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other exchange or regulated trading venue in Switzerland, and neither this Offering Memorandum nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

### **Hong Kong**

Each of the Initial Purchasers has severally represented and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (i) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance.

### **Japan**

Each of the Initial Purchasers has severally represented and agreed that the Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) and that it will not offer or sell, directly or indirectly, any of the Notes in Japan or to, or for the account or benefit of, any resident of Japan or to, or for the account or benefit of, any resident for reoffering or resale, directly or indirectly, in Japan or to, or for the account or benefit of, any resident of Japan except (i) pursuant to an exemption from the registration requirements of, or otherwise in compliance with, the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended); and (ii) in compliance with the other relevant laws and regulations of Japan.

### **Singapore**

Each of the Initial Purchasers has severally represented and agreed that this Offering Memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act (Chapter 289 of Singapore) (the “SFA”).

Accordingly, each of the Initial Purchasers severally represents, warrants and agrees that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it

circulate or distribute, this Offering Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA; (ii) to a relevant person pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA; or (iii) pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Each of the Initial Purchasers further has severally represented and agreed to notify (whether through the distribution of this Offering Memorandum or otherwise) each of the following relevant persons specified in Section 275 of the SFA which has subscribed or purchased Notes from or through that Initial Purchaser, namely a person who is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, that securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(a) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(b) where no consideration is or will be given for the transfer;

(c) where the transfer is by operation of law;

(d) as specified in section 276(7) of the SFA; or

(e) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the SFA, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Notes are "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

### **Dubai International Financial Centre**

This Offering Memorandum relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority ("*DFSA*"). This Offering Memorandum is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this Offering Memorandum nor taken steps to verify the information set forth herein and has no responsibility for this Offering Memorandum. The notes to which this Offering Memorandum relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the Notes offered should conduct their own due diligence on the Notes. If you do not understand the contents of this Offering Memorandum you should consult an authorized financial adviser.

### **Canada**

Each of the Initial Purchasers has severally represented and agreed that the Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors,

as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 *Underwriting Conflicts* ("NI 33-105"), the Initial Purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

### **Other**

Each Initial Purchaser has represented and agreed that it will, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers the Notes or has in its possession or distributes this Offering Memorandum or any amendment or supplement thereto, insofar as such laws, regulations and directives relate to the purchase, offer, sale or delivery of the Notes or the possession or distribution of this Offering Memorandum or any amendment or supplement thereto, and neither the Issuer nor the Guarantor shall have any responsibility therefor.

## NOTICE TO INVESTORS

The following restrictions will apply to the Notes. Potential investors are advised to consult their legal counsel prior to making any offer, sale, resale, pledge or transfer of the Notes offered hereby.

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the U.S. or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Notes are being offered and sold in the United States only to qualified institutional investors, in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A, and outside the U.S. to purchasers who are not, or are not purchasing for the account or benefit of, U.S. persons, in reliance on Regulation S (terms used in this paragraph that are defined in Rule 144A or Regulation S are used herein as defined therein).

In addition, until 40 days after the later of the commencement of the offering and the date of the issue of the Notes, an offer or sale of the Notes within the U.S. by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than pursuant to another exemption from registration under the Securities Act.

By its purchase of Notes, each purchaser of Notes (other than the Initial Purchasers) will be deemed to:

1. Represent that it is not an “affiliate”, as defined in Rule 144 under the Securities Act, of the Issuer or the Guarantor (or acting on behalf of such an affiliate) and that it (i) is not, or not purchasing for the account or benefit of, a U.S. person and is purchasing the Notes in an offshore transaction pursuant to Regulation S or (ii) is purchasing the Notes for its own account or an account with respect to which it exercises sole investment discretion, is a QIB, and is aware that the sale to it is being made in reliance on Rule 144A (and is acquiring such Notes for its own account or for that of another QIB).
2. Acknowledge and understand that the Notes have not been registered under the Securities Act or any other applicable securities laws and that the Notes are being offered for resale in a transaction not requiring registration under the Securities Act or any other securities laws, and may not be offered or sold within the U.S. or to, or for the account or benefit of, U.S. persons except as set forth below.
3. Understand and agree that if in the future it decides to offer, resell, pledge or otherwise transfer any of the Notes or any beneficial interest in the Notes, it will only do so (i) to us or any of our subsidiaries, (ii) for so long as the Notes are eligible pursuant to Rule 144A in the U.S. to a person whom the seller reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, (iii) outside the U.S. in compliance with Rule 904 under the Securities Act, (iv) pursuant to another available exemption from registration under the Securities Act, including Rule 144 under the Securities Act, (v) pursuant to an effective registration statement under the Securities Act, and in each of these cases (i) through (v) in accordance with any applicable securities laws of any state of the U.S. or any other relevant jurisdictions. Subject to the procedures set forth under “*Description of Notes and Guarantees—Book-Entry System; Delivery and Form*”, prior to any proposed transfer of any Note the Holder thereof must check the appropriate box set forth on its Note relating to the manner of such transfer and submit the Note to the Paying Agent.
4. Agree that it will deliver to each person to whom it transfers Notes notice of any restrictions on transfer of such Notes.
5. Understand that the Notes offered under Regulation S will initially be represented by one or more Regulation S Temporary Global Notes, which will initially be restricted for a period ending 40 days after the later of the commencement of the offering and the date of the issue of the Notes, during which period no offers or sales to a U.S. person or for the account or benefit of a U.S. person shall be made. Before any interest in the Global Notes may be offered, sold, pledged or otherwise transferred to a purchaser outside the U.S. in compliance with Rule 904 under the Securities Act, the transferor will be required to provide the Fiscal and Paying Agent

with a written certificate (the form of which certification can be obtained from the Fiscal and Paying Agent) as to compliance with the transfer restriction referred to above.

6. If it is a QIB, understands that the Notes offered under Rule 144A will be represented by one or more Rule 144A Global Notes. Before any interest in the Rule 144A Global Notes may be offered, sold, pledged or otherwise transferred to a purchaser outside the U.S. in compliance with Rule 904 under the Securities Act, the transferor will be required to provide the Fiscal and Paying Agent with a written certificate (the form of which certification can be obtained from the Fiscal and Paying Agent) as to compliance with the transfer restriction referred to above.
7. Understand that the Notes will bear the relevant legend to the following effect unless otherwise agreed by the Issuer and the Holder thereof:

Legend Regulation S Global Note:

“THE SECURITY (OR ITS PREDECESSOR) EVIDENCED HEREBY HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), AND MAY NOT BE OFFERED, SOLD OR DELIVERED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON, UNLESS THE SECURITY EVIDENCED HEREBY IS REGISTERED UNDER THE SECURITIES ACT OR AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS THEREOF IS AVAILABLE. THIS LEGEND SHALL BE REMOVED AFTER THE EXPIRATION OF FORTY DAYS FROM THE LATER OF (i) THE DATE ON WHICH THE SECURITY EVIDENCED HEREBY WAS FIRST OFFERED AND (ii) THE DATE OF ISSUANCE OF THE SECURITY EVIDENCED HEREBY.”

Legend Rule 144A Global Note:

“THE SECURITY (OR ITS PREDECESSOR) EVIDENCED HEREBY WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER SECTION 5 OF THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), AND THE SECURITY EVIDENCED HEREBY MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THE SECURITY EVIDENCED HEREBY IS HEREBY NOTIFIED THAT THE SELLER MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER. THE HOLDER OF THE SECURITY EVIDENCED HEREBY AGREES FOR THE BENEFIT OF THE ISSUER THAT FOR ONE YEAR AFTER THE LATER OF THE ISSUE DATE OF THE SECURITY EVIDENCED HEREBY (OR THE ISSUE DATE OF ANY ADDITIONAL NOTES OR SUCH OTHER PERIOD AS SHALL CONSTITUTE THE REQUIRED HOLDING PERIOD PURSUANT TO RULE 144 UNDER THE SECURITIES ACT) AND THE LAST DATE, IF ANY, THAT THE SECURITY EVIDENCED HEREBY (OR ANY ADDITIONAL NOTE) WAS OWNED BY THE ISSUER, THE GUARANTOR OR ANY AFFILIATE OF THE ISSUER OR THE GUARANTOR (A) SUCH SECURITY MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (1)(a) INSIDE THE UNITED STATES TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT, (b) OUTSIDE THE UNITED STATES TO A NON-U.S. PERSON IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (c) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF APPLICABLE) OR (d) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (AND BASED UPON AN OPINION OF COUNSEL ACCEPTABLE TO

THE ISSUER IF THE ISSUER SO REQUESTS), (2) TO THE ISSUER, THE GUARANTOR OR A SUBSIDIARY THEREOF OR (3) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT AND, IN EACH CASE, IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION AND (B) SUCH HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THE SECURITY EVIDENCED HEREBY OF THE RESALE RESTRICTIONS SET FORTH IN CLAUSE (A) ABOVE. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALE OF THE SECURITY EVIDENCED HEREBY.”

8. Represent and agree that (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity within the meaning of Section 21 of the FSMA received by it in connection with the issue or sale of any securities in circumstances in which Section 21(1) of the FSMA does not apply to us; and (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any securities in, from or otherwise involving the United Kingdom.
9. Represent and agree that (i) it is able to fend for itself in the transactions contemplated by this Offering Memorandum; (ii) no other representation with respect to the offer or sale of the Notes has been made, other than the information contained or incorporated by reference in this Offering Memorandum; (iii) the investment decision is solely based on the information contained or incorporated by reference in the Offering Memorandum; (iv) the Initial Purchasers make no representation or warranty as to the accuracy or completeness of this Offering Memorandum; and (v) it has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its prospective investment and can afford the complete loss of such investment.
10. Represent and agree that it has received a copy of this Offering Memorandum and acknowledge that it has had access to such financial and other information and has been afforded the opportunity to ask us questions and receive answers thereto, as it deemed necessary in connection with its decision to purchase the Notes.
11. Acknowledge that we, the Initial Purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations, warranties and agreements and agrees that, if any of the acknowledgments, representations, warranties and agreements deemed to have been made by its purchase of the Notes is no longer accurate, it shall promptly notify us and the Initial Purchasers. If it is acquiring any Notes as a fiduciary or agent of one or more investor accounts, it represents that it has sole investment discretion with respect to each such investor account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such investor account.
12. Represent and agree that (i) either (a) no portion of the assets used by such purchaser or transferee to acquire or hold the Notes constitutes assets of any employee benefit plan that is subject to Title I of the United States Employee Retirement Income Security Act of 1974, as amended (“ERISA”), a plan, individual retirement account (“IRA”) or other arrangement that is subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the “Code”) or provision under any federal, state, local, non-U.S. or other laws, rules or regulations that are similar to such provisions or ERISA or the Code (collectively, “Similar Laws”) or entity whose underlying assets are considered to include “plan assets” of any such plan, account or arrangement (each of the foregoing, a “Plan”) or (b) the purchase and holding of the Notes will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation under any applicable Similar Laws; and (ii) if any portion of the assets used by such purchaser or transferee to acquire or hold the Notes constitute assets of any Plan subject to Title I of ERISA or Section 4975 of the Code, the decision to acquire and hold the Notes has been made by a duly authorized fiduciary who is independent of the Issuer, the Guarantor, the Initial Purchasers and their respective affiliates

(collectively, the “*Transaction Parties*”) and who (i) is a U.S. bank, U.S. insurance carrier, U.S. registered investment adviser, U.S. registered broker-dealer or independent fiduciary with at least USD 50 million of assets under management or control, (ii) in the case of a Plan that is an IRA, is not the IRA owner, beneficiary of the IRA or relative of the IRA owner or beneficiary, (iii) is capable of evaluating investment risks independently, both in general and with regard to the prospective investment in the Notes, (iv) is a fiduciary under ERISA or the Code, or both, with respect to the decision to acquire and hold the Notes, (v) has exercised independent judgment in evaluating whether to invest the assets of the Plan in the Notes, (vi) understands and has been fairly informed of the existence and the nature of the financial interests of the Transaction Parties in connection with the Plan’s acquisition of the Notes, (vii) understands that the Transaction Parties are not undertaking to provide impartial investment advice, or to give advice in a fiduciary capacity to the Plan, in connection with the Plan’s acquisition of the Notes and (viii) confirms that no fee or other compensation will be paid directly to any of the Transaction Parties by the Plan, or any fiduciary, participant or beneficiary of the Plan, for the provision of investment advice (as opposed to other services) in connection with the Plan’s acquisition of the Notes.

13. Acknowledge that the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of the Insurance Mediation Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently, no key information document required by the PRIIPs Regulation for the offering or selling of the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore the offering or selling of the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

For further discussion of the requirements (including the presentation of transfer certificates) under the Fiscal Agency Agreement to effect exchanges or transfer of interests in the Global Notes, see “*Description of Notes and Guarantees—Book-Entry System; Delivery and Form*”.

## **LEGAL MATTERS**

The validity of the Notes offered by this Offering Memorandum and certain U.S. legal matters will be passed upon for us by Cravath, Swaine & Moore LLP, our U.S. counsel. Certain Swiss legal matters will be passed upon for us by Homburger AG, our Swiss counsel. Certain U.S. legal matters in connection with the Notes will be passed upon for the Initial Purchasers by Davis Polk & Wardwell LLP, U.S. counsel for the Initial Purchasers. Certain Swiss legal matters will be passed upon for the Initial Purchasers by Bär & Karrer AG, Swiss counsel for the Initial Purchasers.

## **INDEPENDENT AUDITORS**

The consolidated financial statements of the Issuer and its subsidiaries as of December 31, 2017 and 2016, and for the years then ended, and the consolidated financial statements of the Issuer and its subsidiaries as of December 31, 2016 and 2015, and for the years then ended, incorporated by reference in this Offering Memorandum, have been audited by KPMG LLP, independent auditors, as stated in their reports incorporated by reference herein.

The consolidated financial statements of the Guarantor and its subsidiaries as of December 31, 2017 and for the year then ended December 31, 2017, and the consolidated financial statements of the Guarantor and its subsidiaries as of December 31, 2016 and for the year then ended December 31, 2016, incorporated by reference in this Offering Memorandum, have been audited by KPMG SA, independent auditors, as stated in their reports incorporated by reference herein.

**THE ISSUER**

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Switzerland

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**\$8,000,000,000**



**Nestlé Holdings, Inc.**

**\$1,000,000,000 3.100% Notes due 2021**  
**\$1,500,000,000 3.350% Notes due 2023**  
**\$900,000,000 3.500% Notes due 2025**  
**\$1,250,000,000 3.625% Notes due 2028**  
**\$1,250,000,000 3.900% Notes due 2038**  
**\$2,100,000,000 4.000% Notes due 2048**

guaranteed by

**Nestlé S.A.**

*Joint Bookrunners*

**BofA Merrill Lynch**

**Barclays**

**Citigroup**

**J.P. Morgan**

**Deutsche Bank  
Securities**

**HSBC**

**MUFG**

**RBC Capital  
Markets**

**TD Securities**

**UBS Investment  
Bank**

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