



Nestlé

Welcome to the
Full-Year Results
Conference

Disclaimer

This presentation contains forward looking statements which reflect Management's current views and estimates. The forward looking statements involve certain risks and uncertainties that could cause actual results to differ materially from those contained in the forward looking statements. Potential risks and uncertainties include such factors as general economic conditions, foreign exchange fluctuations, competitive product and pricing pressures and regulatory developments.



Nestlé

Full-Year Results Conference

Paul Bulcke
Nestlé CEO

Nestlé Group Highlights

Sales

CHF 91.6 bn

Organic Growth

4.5 %

Real Internal Growth

2.3 %

Trading Operating Profit Margin

+ 30 bps in constant currencies



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Wan Ling Martello
Chief Financial Officer



Nestlé

Resilient Performance Fuelled by Top Line Growth

*Organic
Growth*

+ 4.5%

(FX - 5.5%)

*Trading
Operating Profit
(in CCY)*

+ 30 bps

(+10 bps reported)

*Free
Cash Flow
(in CCY)*

**+ CHF
14.7 bn**

(+ CHF 14.1 bn
reported)

*Underlying
Earnings Per Share
(in CCY)*

+ 4.4 %

(- 1.7% reported)

CCY = Constant Currencies

Broad Based Regional Growth

Americas

Europe

**Asia,
Oceania &
Africa**

Sales
(in CHF)

39.4 bn

25.9 bn

26.3 bn

RIG

+2.3%

+2.4%

+2.4%

OG

+5.4%

+1.9%

+5.7%

Each region includes Zones, Nestlé Waters, Nestlé Nutrition, Nestlé Professional, Nespresso, NHSc, and NSH

OG = Organic Growth, RIG = Real Internal Growth

Developed *and* Emerging Markets Growth

	Developed	Emerging
Sales (in CHF)	51.4 bn	40.2 bn
% of Group sales	56%	44%
OG	+1.1%	+8.9%

OG = Organic Growth

Zone Europe



Sales in CHF bn	15.2	RIG %	2.2	OG %	1.5	TOP %	15.3
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- Good growth driven by innovation and premiumisation despite deflationary environment
- Continued strong contributions from petcare, *Nescafé Dolce Gusto*, frozen pizza and premium soluble coffee
- Western Europe
 - Growth supported by France, Switzerland, Austria, Netherlands, Spain and Portugal
 - UK, Germany, Italy and Greece remained challenging
- Eastern Europe
 - Russia remained growth driver; Ukraine contributed positively
- TOP margin +30 bps: leveraging real internal growth plus efficiencies



Zone Americas



Sales in CHF bn	27.3	RIG %	1.1	OG %	5.0	TOP %	18.8
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- North America remained subdued, good organic growth in Latin America helped by pricing, reflecting inflationary pressures
- North America
 - Good growth in petcare, coffee creamers, super-premium ice cream
 - Frozen foods challenged, but efforts maintained to turnaround category with innovations
- Latin America
 - Good overall performance despite slowing economic environment
 - Brazil saw good growth in most categories
 - Mexico remained challenging
 - Petcare sustained strong momentum
- TOP margin +60 bps: lower structural costs and net other trading expenses



Zone Asia, Oceania & Africa



Sales in CHF bn	18.3	RIG %	-0.3	OG %	2.6	TOP %	18.7
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- Growth impacted by ongoing challenges in China and Oceania
- Emerging markets
 - Good performance in Philippines, South Asia, Indochina
 - Growth driven by innovations and NHW focus, e.g. fortified *Bear Brand* Milk Powder, *Milo Activ-Go*, *Maggi* Oat Noodles
- Developed markets
 - Innovations in Japan drove performance
- TOP margin -20 bps: slow growth and net other trading expenses



Nestlé Waters

Sales in CHF bn	7.4	RIG %	6.3	OG %	5.4	TOP %	9.7
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- Broad-based growth across all geographies and brands
 - Pure Life continued to be a growth engine
 - International sparkling brands created value in premium segment
 - Good performance of local brands
- Developed markets: solid growth in both North America and Europe
- Emerging markets: double digit growth
- TOP margin +50 bps: leverage of good growth with contained structural costs



Nestlé Nutrition



Sales in CHF bn	9.6	RIG %	3.6	OG %	7.7	TOP %	20.8
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- Growth driven by infant formula, cereals, and emerging markets
- Emerging markets: strong growth driven by AOA
- Developed markets: impacted by soft category growth, and continued focus on value generation in the US
- Infant formula brand highlights include *NAN*, *S26* and superpremium *Illuma*
- Meals & Drinks soft but improving with innovations
- TOP margin +80 bps: active portfolio management, strong Wyeth Nutrition performance, and efficiencies



Other Businesses



Sales in CHF bn	13.9	RIG %	5.6	OG %	7.1	TOP %	19.1
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Nestlé Professional

- Growth driven by emerging markets
- Challenging out-of-home environment in North America and Europe

Nespresso

- Broad-based strong growth in all regions, supported by innovation
- *VertuoLine* launch in North America on plan

Nestlé Health Science

- Strong performance in Europe and emerging markets
- Innovations with new products and rollouts in new markets

Nestlé Skin Health (as from July 2014)

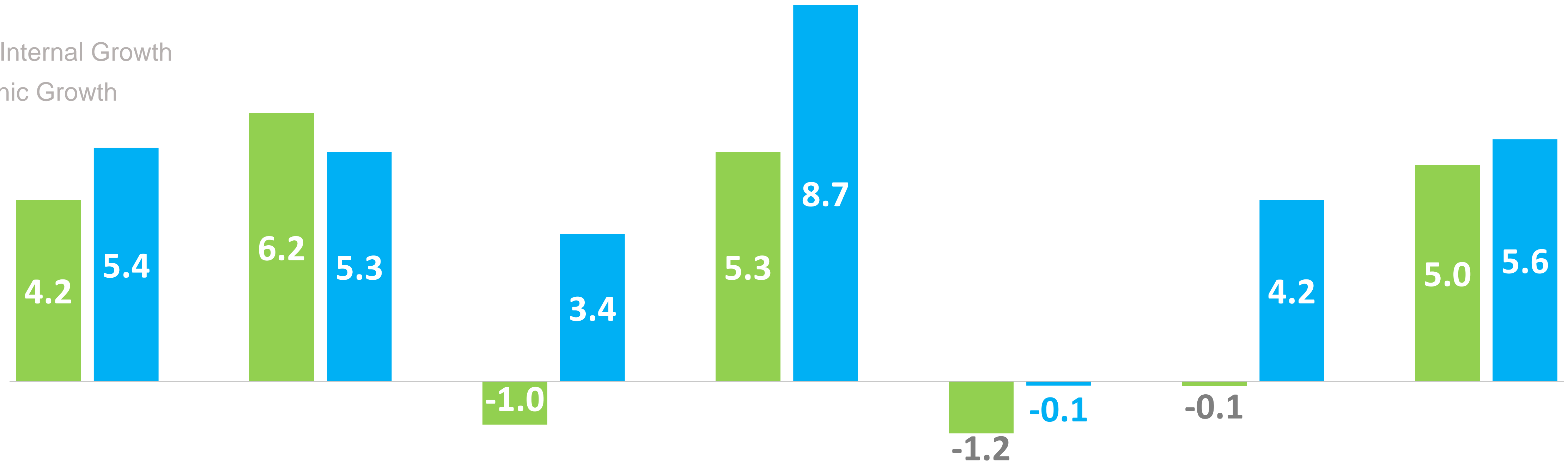
- Double digit growth in all businesses and geographies

Other TOP Margin

- +140 bps: good performance on all Other business, including exceptional contribution from Nestlé Skin Health

Products

■ % Real Internal Growth
■ % Organic Growth



**Powdered
and Liquid
Beverages**

Water

**Milk products
and
Ice cream**

**Nutrition
and
Health Science**

**Prepared dishes
and
cooking aids**

Confectionery

PetCare

Sales
(in CHF bn)

20.3

6.9

16.7

13.0

13.5

9.8

11.3

TOP %

23.1

10.3

16.1

20.9

13.4

13.8

19.8

in bps

+40 bps

+30 bps

+90 bps

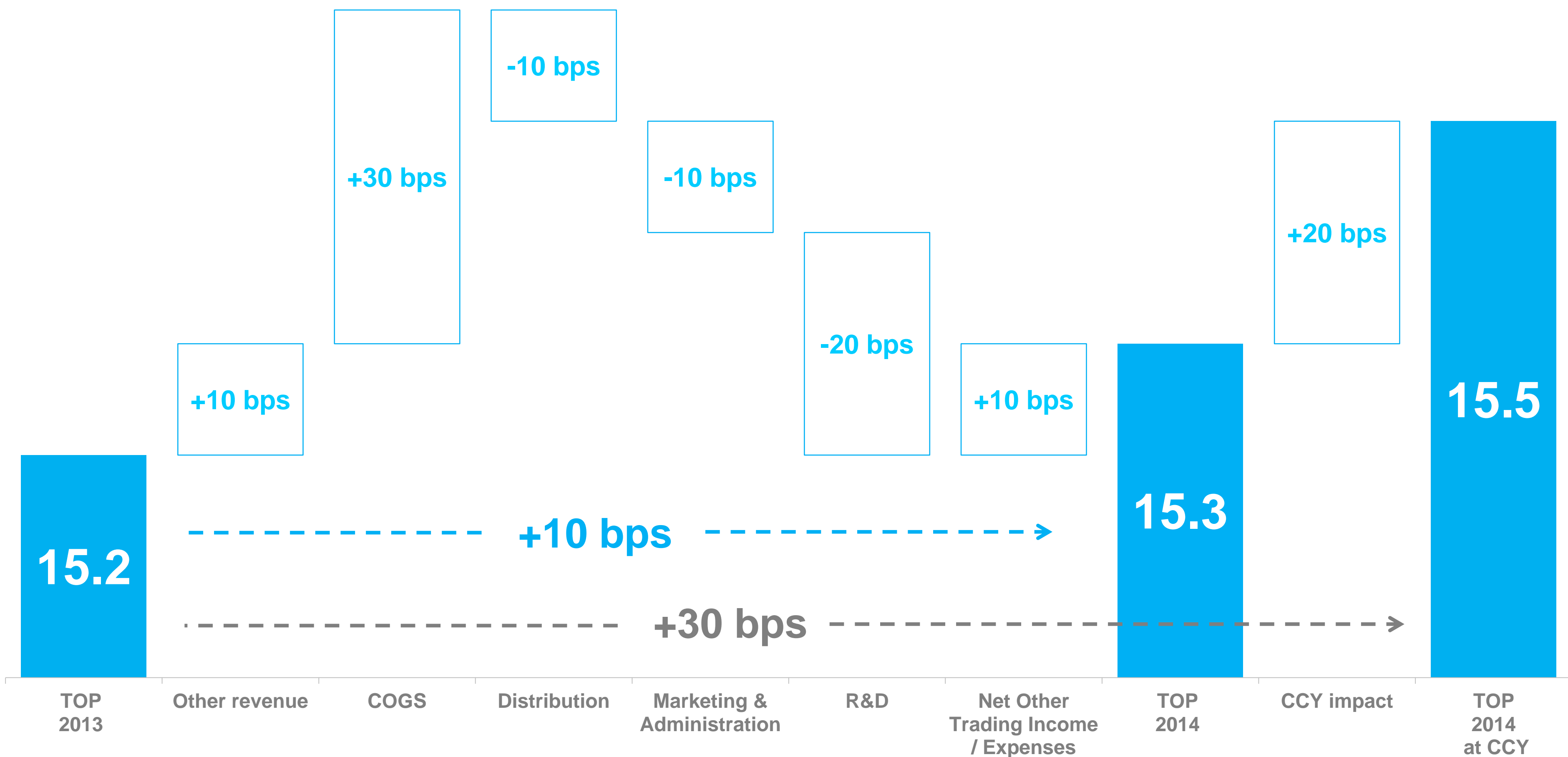
+210 bps

+20 bps

-210 bps

+60 bps

Trading Operating Profit Margin



- Trading Operating Profit margin **+30 bps** in constant currencies
- Consumer facing marketing spend **+5.8%** in constant currencies

TOP = Trading Operating Profit, CCY = Constant Currencies

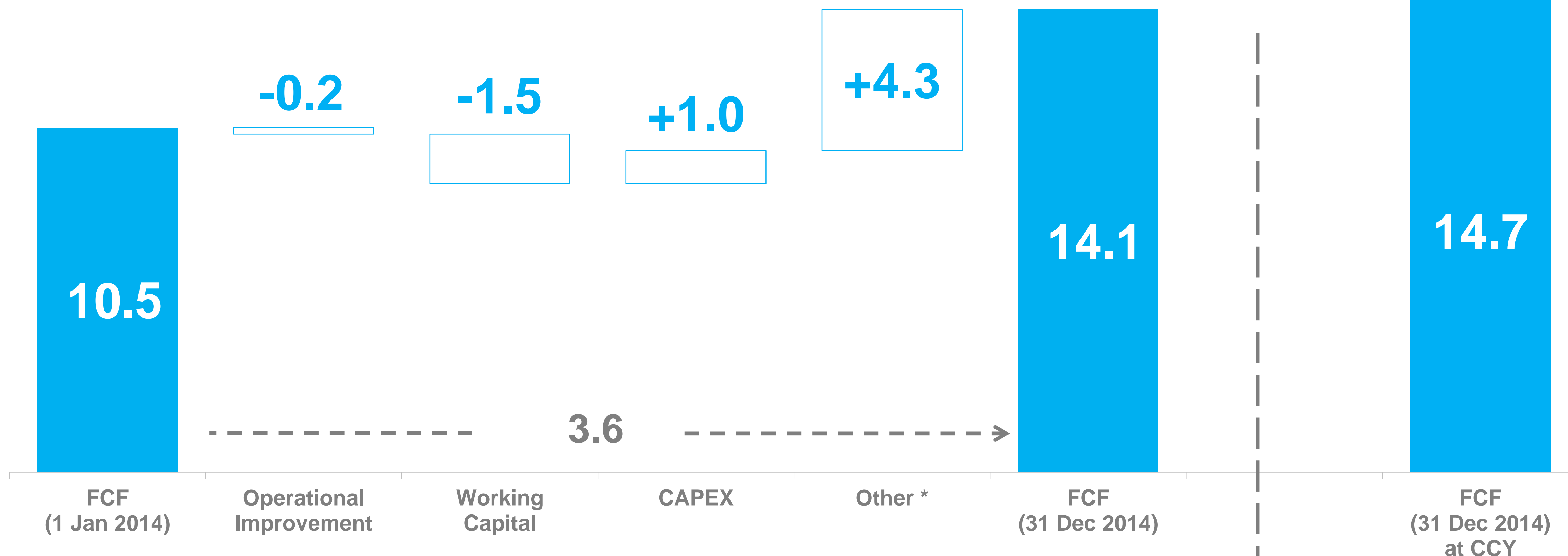


Income Statement

Total Group	2013	2014	Difference
	% of sales	% of sales	bps
Trading operating profit	15.2	15.3	10
Net other operating income/expenses	(1.0)	(3.4)	-240
Operating Profit	14.2	11.9	-230
Net financial income/expenses	(0.7)	(0.7)	0
Profit before taxes, associates and JVs	13.5	11.2	-230
Taxes	(3.5)	(3.7)	-20
Income From Associates and JVs	1.3	8.8	750
Profit for the year	11.3	16.3	500
of which attributable to non-controlling interests	0.4	0.5	10
Attributable to shareholders of the parent	10.9	15.8	490
Basic EPS (CHF)	3.14	4.54	44.6%
Underlying EPS (CHF)	3.50	3.44	-1.7%
Underlying EPS (CHF) constant currencies			+4.4%

Free Cash Flow

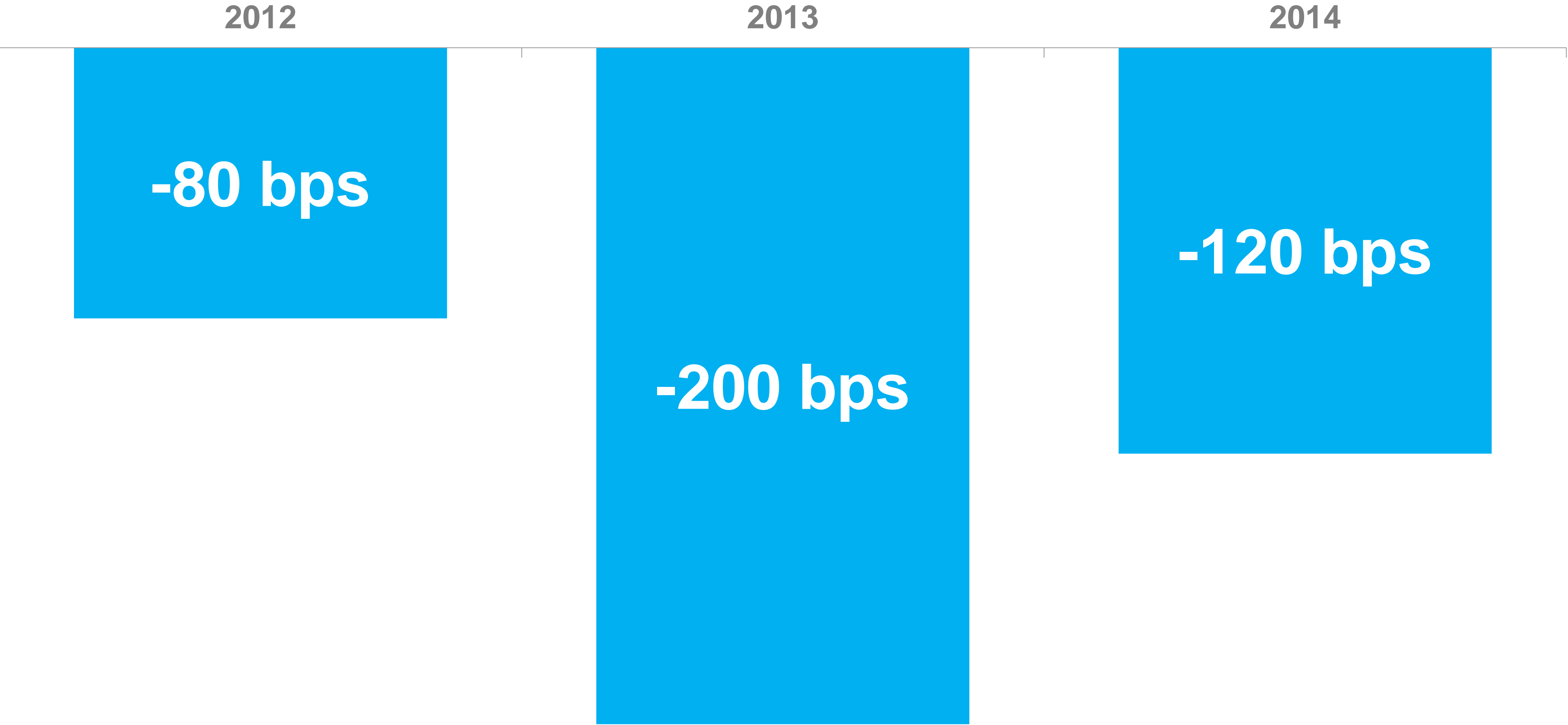
in CHF bn



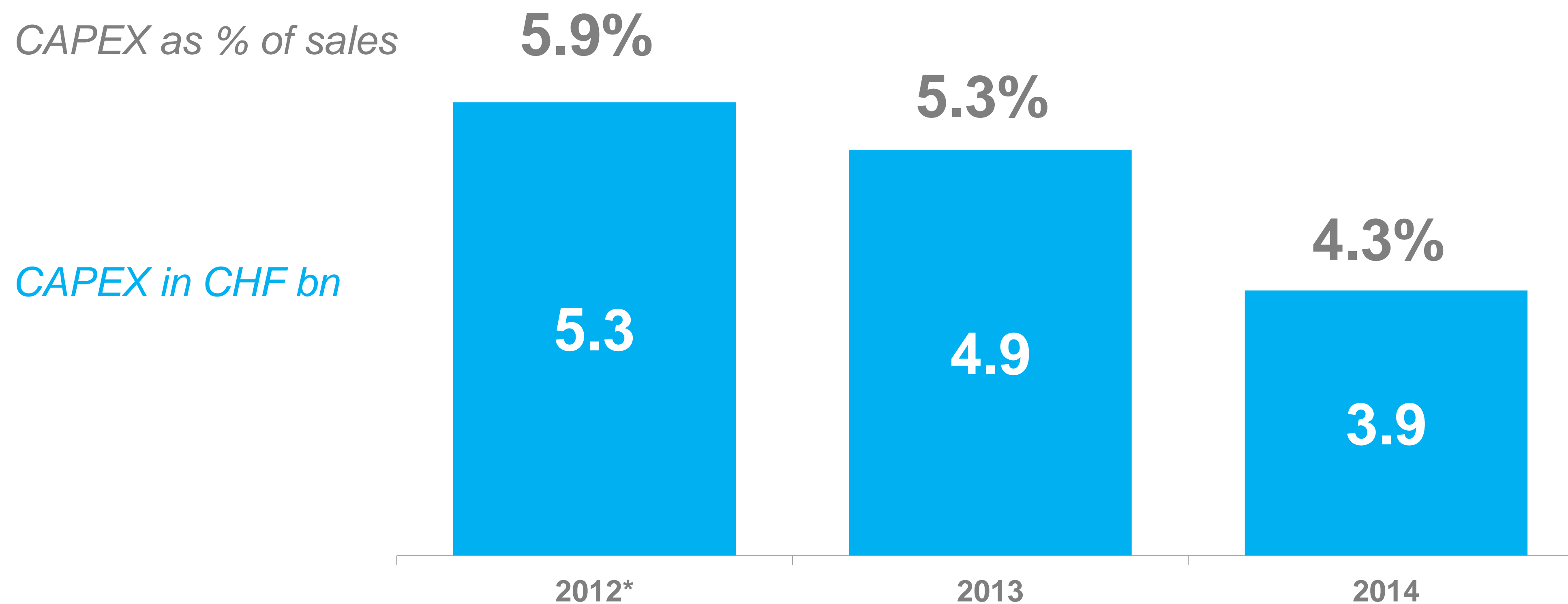
** Mainly impacted by the cash in from the partial disposal of L'Oréal shares*

Continued Focus on Working Capital

Working capital variation, calculated on a quarterly average as a percentage of sales



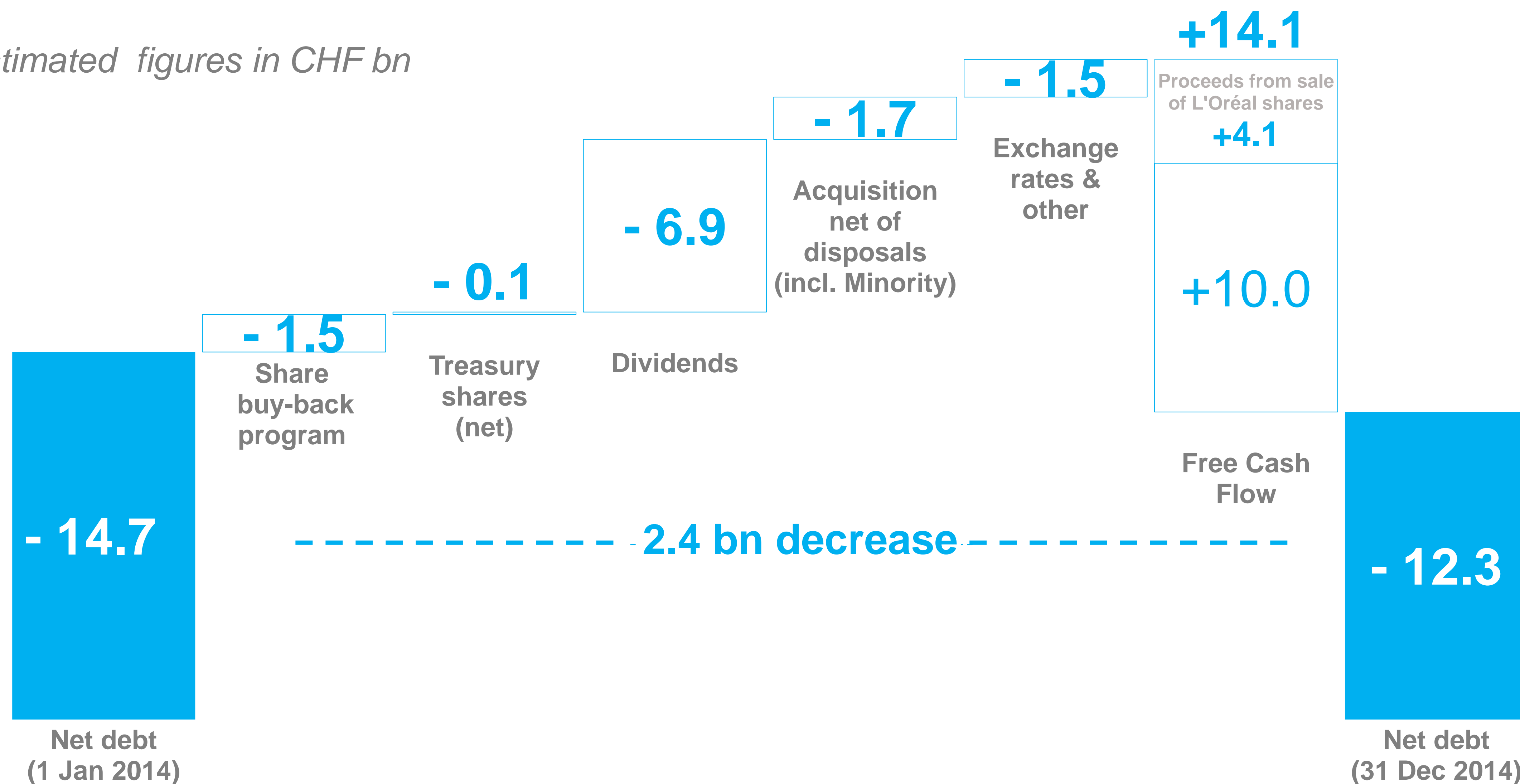
Evolution of CAPEX



**Restated following implementation of IFRS 11 and IAS 19*

Group Net Debt Decreased by CHF 2.4 bn

Estimated figures in CHF bn



Managing the Currency Challenge

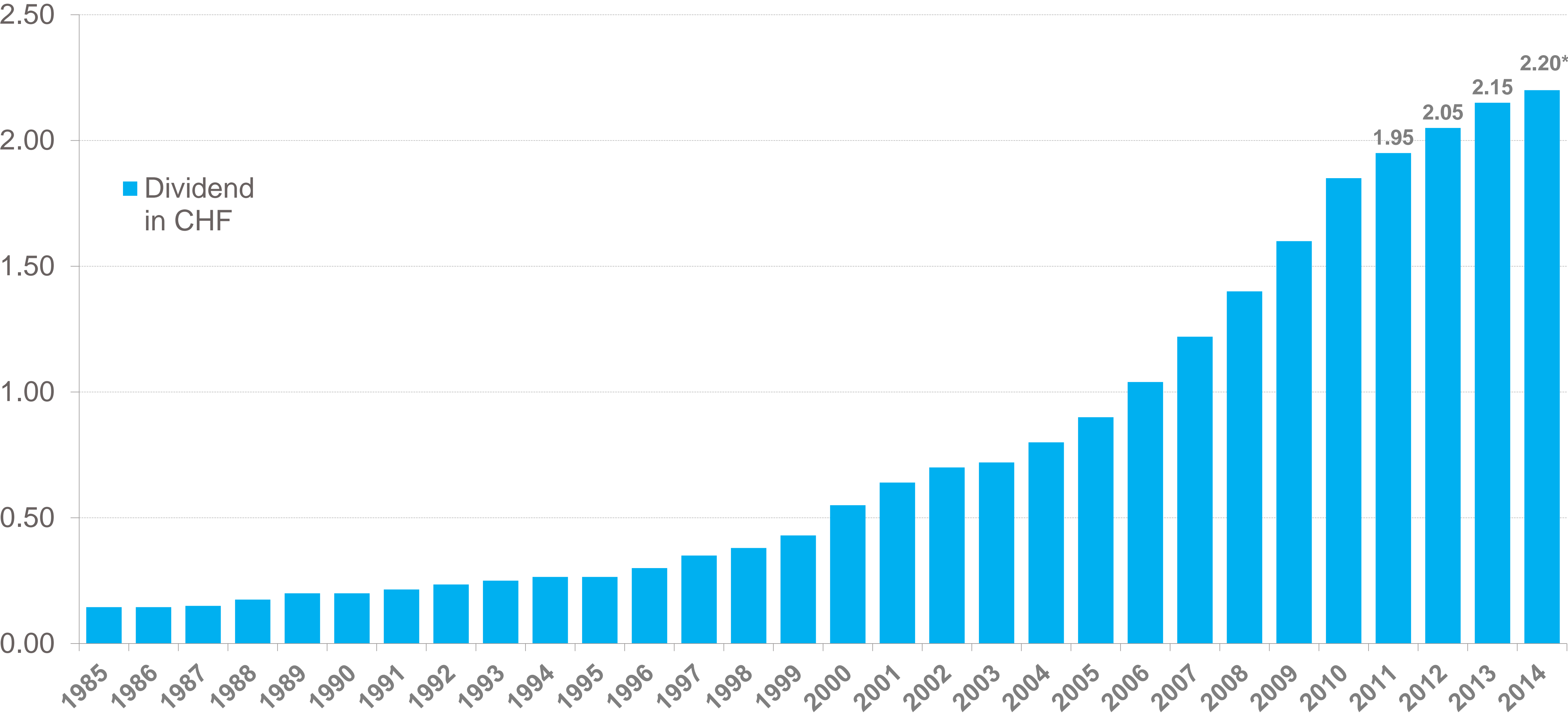
FY 2014 Currency Impact

Sales - 5.5%	Operating Performance - 20 bps	Underlying EPS - 6.1%	Free Cash Flow - 0.6 bn	Balance Sheet + 3.0 bn
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SNB announcement to remove floor of the EUR vs CHF

- **Natural hedge** of the underlying business
- **Sustainable dividend policy** in CHF

Sustainable Dividend per Share in CHF



* Proposed



Summary

Delivery of Top Line *and* Bottom Line

Growth in Emerging *and* Developed Markets

Improved Operational *and* Capital Efficiency

Making Choices to Divest, Fix *and* Accelerate

Delivering in Short Term *and* Investing in Long Term

Outlook 2015

We aim to achieve organic growth of around 5% with improvements in margins, underlying earnings per share in constant currencies and capital efficiency.



Nestlé

Full-Year Results Conference

Paul Bulcke
Nestlé CEO

Delivering today... ... and building for the future

- Our intrinsic strengths
- Challenges we face
- Positioning Nestlé for the future

Delivering today... ... and building for the future

- Our intrinsic strengths
- Challenges we face
- Positioning Nestlé for the future

Our intrinsic strengths

- **Our people: commitment and alignment**
- **Foresight and courage: ideas and markets**
- **Our organisation: local and global**

Delivering today... ... and building for the future

- Our intrinsic strengths
- Challenges we face
- Positioning Nestlé for the future

The Swiss franc

- Natural hedge between revenue and cost ($\approx 90\%$ locally produced and sold)
- $< 2\%$ of turnover in Switzerland

But impact on

- Export from Switzerland (2/3 of production)
- Structural cost in CHF (R&D, HQ)
- Translation risk – consolidation

Actions for competitiveness

- Supply & logistics reorientation
- Productivity gains
- Structural cost reduction

China

- Changing consumer landscape
- Changing trade landscape



China – adjusting to a changing landscape

Consumers

- Traditional and new
- NHW awareness
- Premiumisation











Trade

- Rebalancing push & pull
- e commerce
- Out-of-home



US Frozen food

High penetration	Household	96 %	
	Nestlé household	66 %	
Sizeable and growing	Category sales	23 bn USD	
	2014 – 2019	+ 3.2 %	
Leading positions	Single & multi-serve meals	29.0 %	
	Single serve diet meals	38.0 %	
	Sandwiches & handheld snacks	18.0 %	 
	Pizza	43.0 %	   



Enhancing the brands' relevance to consumers



- Innovate in fast-growing segments and expand the brand franchise



- New health dimensions and culinary trends



- Winning at retail and in digital



- Premiumise and offer on-trend products



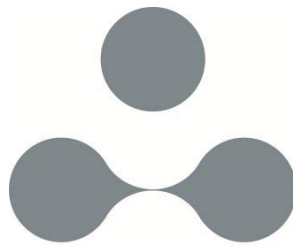
Delivering today... ... and building for the future

- Our intrinsic strengths
- Challenges we face
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Expanding the boundaries of nutrition, health and wellness



Nutritional therapies that change the way we approach the management of people's health



Nestlé Skin Health

Science-based solutions for the health of skin



Consumer Care



Healthy Ageing

- Physical and cognitive autonomy: mobility, energy, body & mind, cognitive capacity



Medical Nutrition



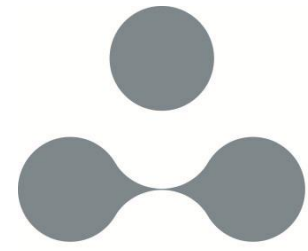
- Inborn errors of metabolism
- Paediatric care & allergy
- Acute care
- Metabolic & obesity care
- US medical nutrition specialties
- Devices



Novel Therapeutic Nutrition



- Brain health
- Gastrointestinal health
- Diagnostics
- Nutrient-based technology platforms



Nestlé Skin Health

Prescription



Pharmaceutical products prescribed by healthcare professionals

Self-medication



Disease and non-disease specific therapeutic skin care solutions

Aesthetic & Corrective



Medical solutions and services for minimally invasive aesthetic and corrective treatments

Well-being

Genetics

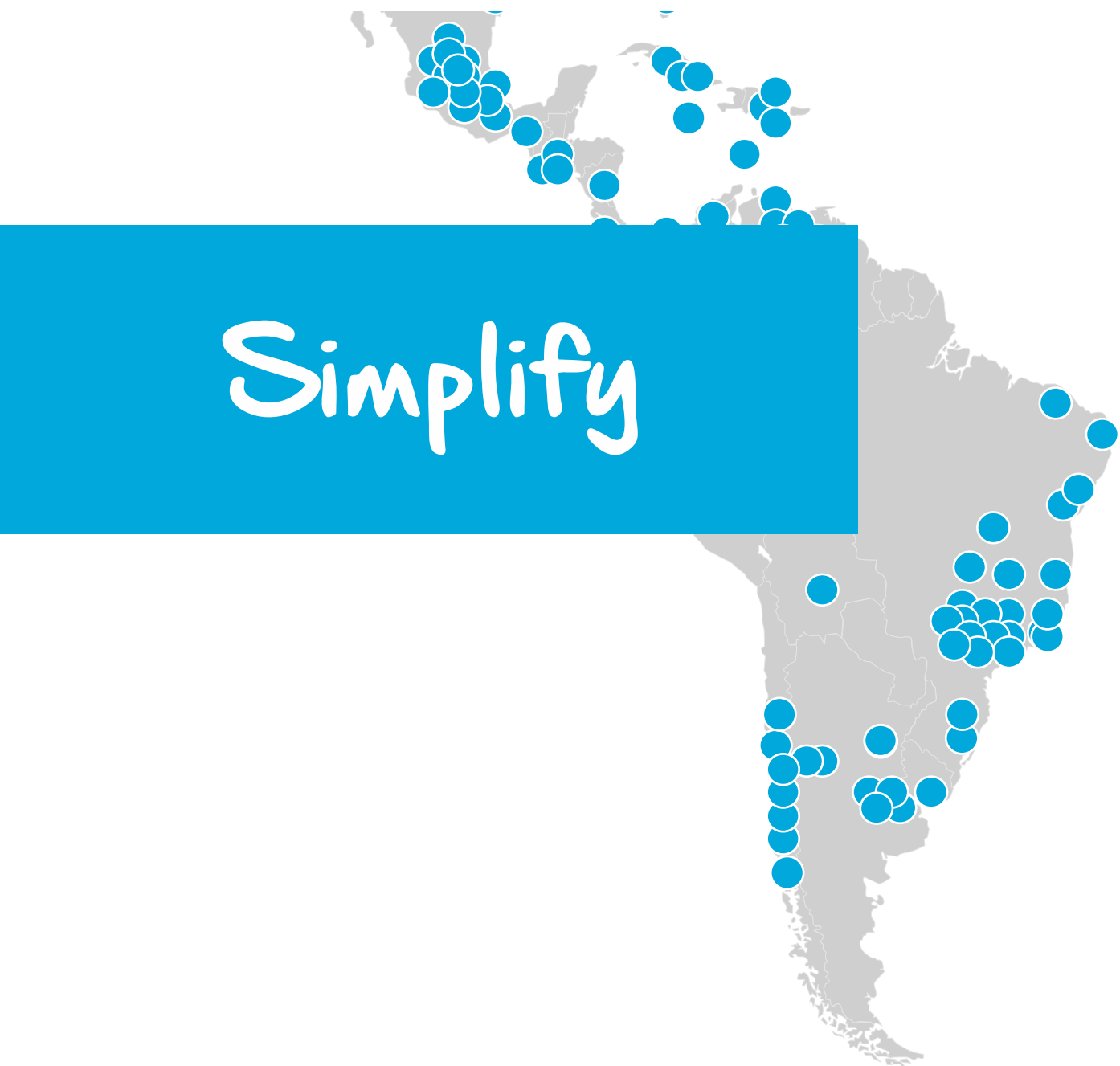
skin

Nutrition

Environment

Epiduo[™] ORACEA[™] (doxycycline) MIRVASO[®] (brimonidine) topical gel, 0.33% soolanttra[™] (tretinoin) cream, 0.5% Excipial[®] LOCERYL[®] Daylong Restylane[®] AZZALURE[®] Botulinum Toxin Type A Emervel.

Nestlé Business Excellence



Simplify



Standardise



Share



Nestlé Business Excellence... fuel for growth

Highly efficient support structures

Speed and quality of execution

Increased business focus

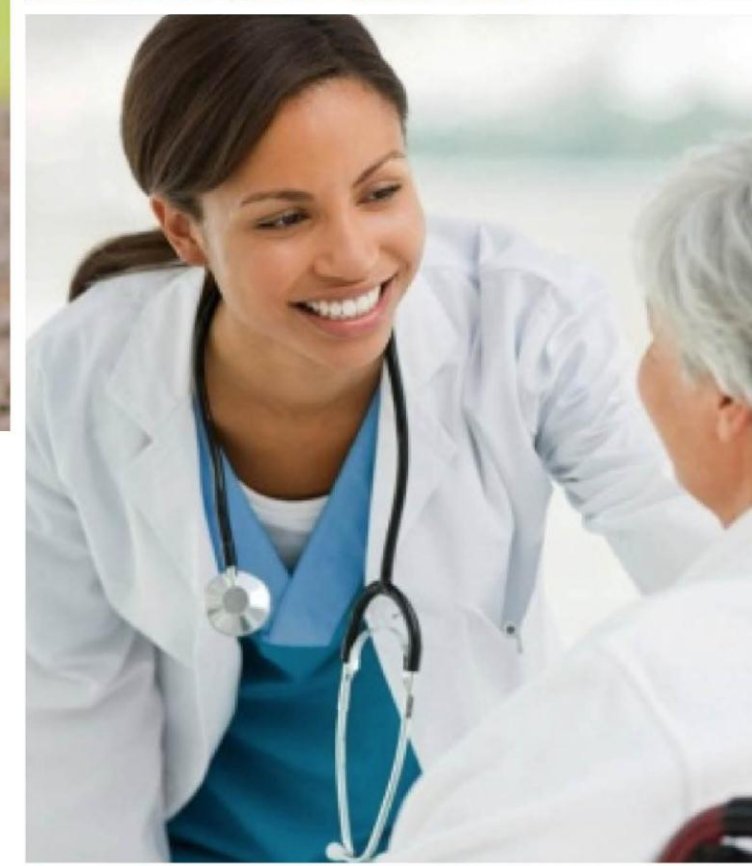
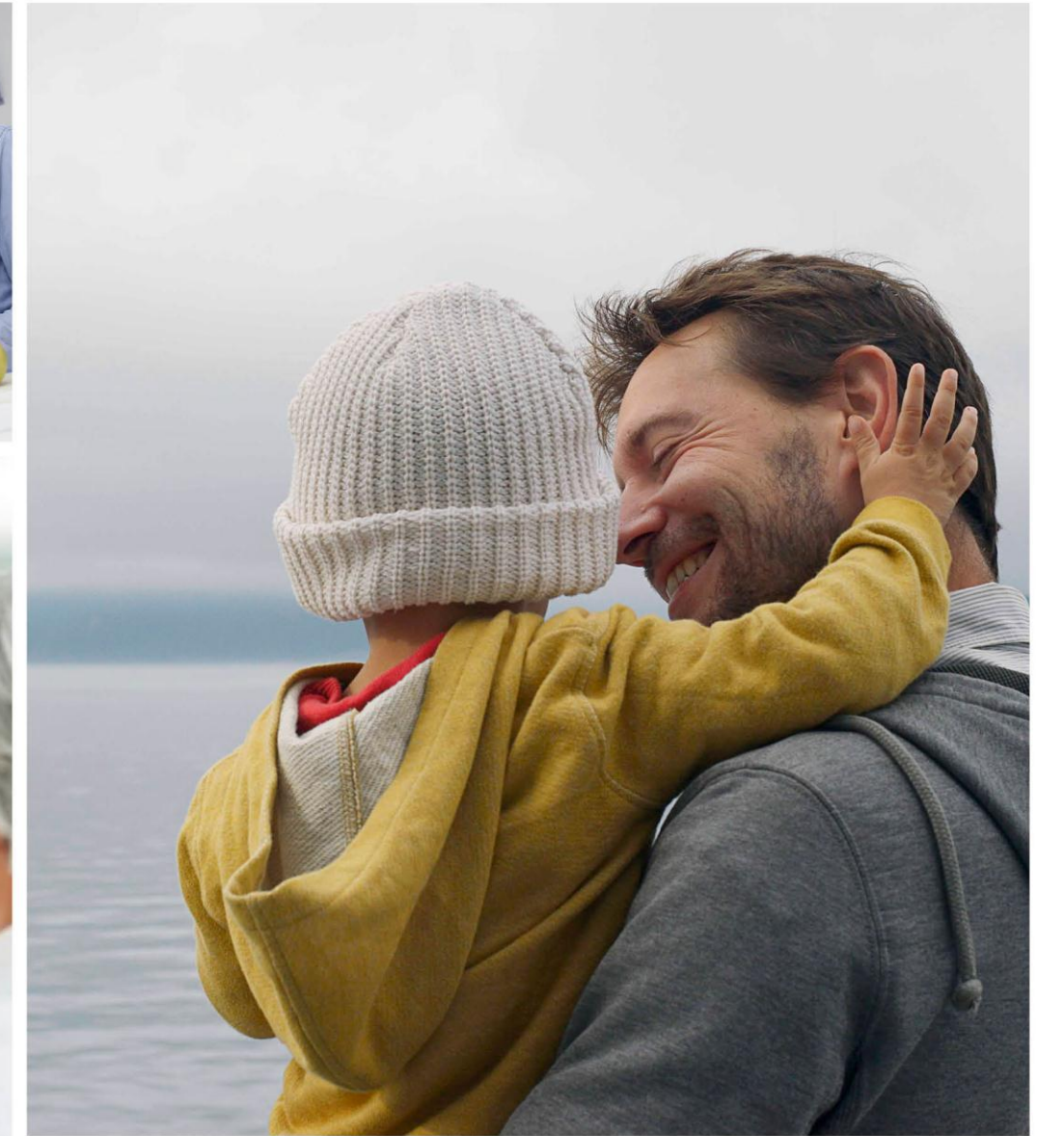




Nestlé

resilient, innovative, consistent



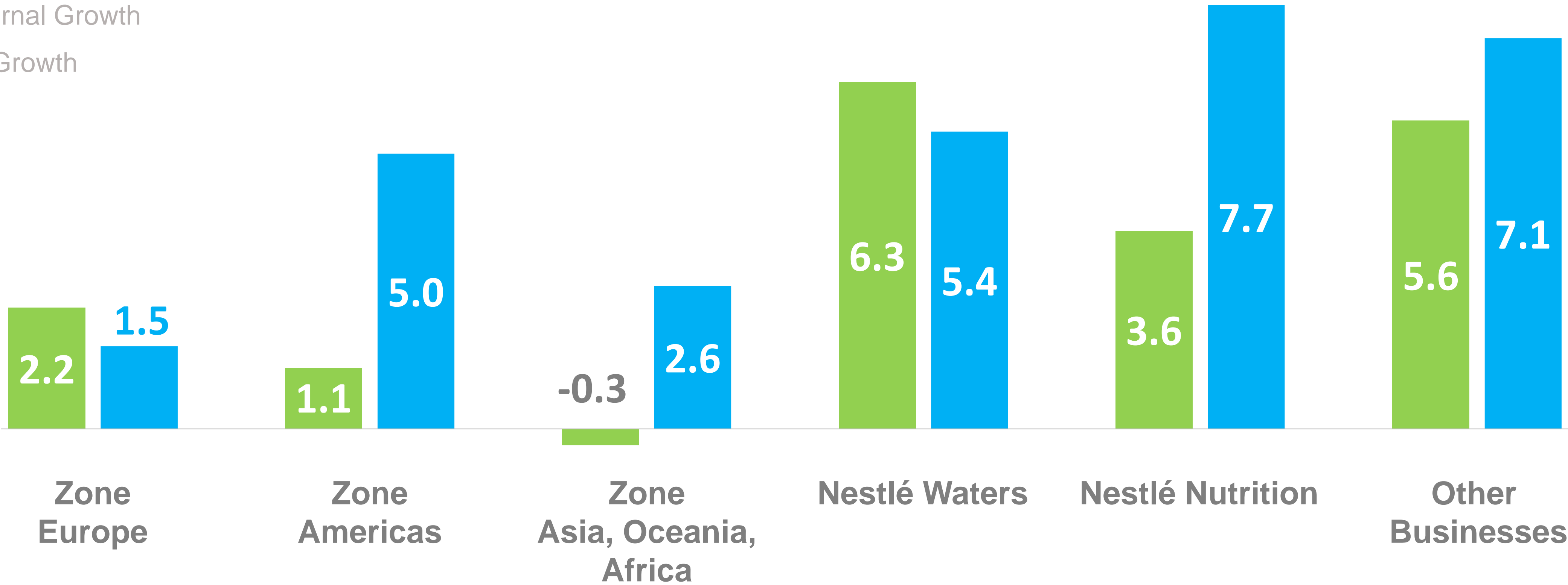


Appendix

Operating Segments

 % Real Internal Growth

 % Organic Growth



Sales <i>(in CHF bn)</i>	15.2	27.3	18.3	7.4	9.6	13.9
TOP % <i>in bps</i>	15.3 +30 bps	18.8 +60 bps	18.7 -20 bps	9.7 50 bps	20.8 80 bps	19.1 140 bps



Currency Overview

		Weighted average rate		
		FY 2013	FY 2014	% Var.
1 US Dollar	USD	0.93	0.92	-1.1
1 Euro	EUR	1.23	1.21	-1.3
100 Chinese Yuan Renminbi	CNY	15.06	14.88	-1.3
100 Brazilian Reais	BRL	42.99	38.90	-9.5
1 Pound Sterling	GBP	1.45	1.51	4.0
100 Mexican Pesos	MXN	7.26	6.88	-5.2
100 Philippine Pesos	PHP	2.18	2.06	-5.6
1 Canadian Dollar	CAD	0.90	0.83	-7.7
1 Russian Ruble	RUB	0.03	0.02	-17.5
1 Australian Dollar	AUD	0.90	0.83	-7.9
100 Japanese Yen	JPY	0.94	0.86	-8.7

FX Impact

	FX impact
	FY 2014
Zone Americas	-8.2%
Zone Europe	-3.6%
Zone AOA	-5.3%
Nestlé Waters	-3.1%
Nestlé Nutrition	-6.4%
Other Businesses	-3.3%
Total	-5.5%