

NESTLÉ S.A.

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James Amoroso, President CAGE

CAGE Introduction

Good morning. We're very pleased to welcome Nestlé to the fourth annual CAGE conference for the fourth time. We would also like to thank Nestlé for providing refreshments and product information in the lounge and exhibition area from Nespresso, Nestlé Professional, Mövenpick and Nestlé Nutrition. Finally as some of you know, Nestlé was the first of three founding corporate members to agree to join our association and indeed to pay four years fees up front so that CAGE had the working capital it needed to set itself up.

Representing Nestlé on stage is CEO Paul Bulcke, CFO Wan Ling Martello and Head of Investor Relations Roddy Child-Villiers. Paul will make the presentation and all of them will be available afterwards for your questions and Roddy has some introductory words.

Roddy Child-Villiers, Head of Investor Relations, Nestlé S.A.

Thanks James. We always tell you that there's, there's a trade off on working capital so clearly the fifth year is for free and we have one surprise for you in that Fiona Kendrick has joined us. You'll remember she was here last year reporting on the coffee business. Since then she has changed role to be the head of Nestlé in the UK and I think she must have had so much fun last year she couldn't resist coming back again to see you all again.

I'll just quickly take you through the disclaimer as usual and pass things over to Paul now to talk about how we're going to continue to drive value in the future.

Paul Bulcke, Chief Executive Officer, Nestlé S.A.

Well thank you Roddy. Also thank you James for the introduction and you know that we have a special relationship with working capital so that's why we paid four years upfront. Ladies and gentlemen, good morning and also good morning or good afternoon, good night to the people following this through the webcast.

Slide: Agenda

Today I want to share with you how we have been driving performance over the last years, how we have done that in the past and how are we going to drive performance 2013 and beyond and so I want to start by looking back briefly to the past.

Slide: Our Ambition

You know that our ambition and I'm going to share a few charts that you have seen before just to set the line. You know that our ambition has been to be the leading Nutrition, Health and Wellness company. That is basically enhancing quality of life through food and beverages. Also we have said that we want to be a reference of financial performance and part of that reference is continuity in driving

performance year after year and an increasingly important part is to be trusted by all stakeholders. It is clear our success is linked with the consumer trusting our products but also the role of a company like Nestlé in society is an increasing importance.

Slide: Enhancing the quality of life

Our promise is, as I mentioned, enhancing the quality of life and we do that with food and beverages. Basically it's driving and allowing people to have tastier, and that's important, tastier and healthier choices for themselves and their family through food and beverages and that is what we are. That is the food and beverage business and that stands for Good food, Good life.

That is what Nestlé is, but at the same time we're extending boundaries of nutrition through these personalised nutritional solutions for specific medical conditions that we have organised through Nestlé Health Science. So there we are really pushing the boundaries of nutrition that entails a lot of value, promise of value of the future and we're going to get a little bit deeper and detailed here.

Slide: Our Roadmap has guided our execution

In the past we have shared with you our strategic roadmap that is defining very clearly the ambition of this company and that is important for the 330,000 people that we are in Nestlé, to create that belonging, that purpose, that creates that alignment that then brings that ambition into practice.

We have defined our roadmap through the elements of how are we going to measure our success, what we are going to leverage, our competitive advantages, and what do we leverage but also what do we build further and strengthen.

We have also defined our growth and where we were going to look for growth, our growth platforms. This roadmap is also defining what and how we are going to organise to do that all effectively and efficiently, the operational pillars.

That alignment, that roadmap, has helped us through quite troubled times over the last few years because it has created that purpose for working of all the people in Nestlé. It has given also, defined in very simple words, the song sheet that all our decentralised operations are singing from. The decentralisation has been a key element of success over time as reality has changed so fast. We are very close to that reality in every part of the world and have the right hands to drive our performance.

Slide: Research and Development

Now key in this role has been our R&D because so much value has been created for this company over the last years thanks to driving our technological platforms and our knowledge, understanding of how we can build new nutritional arguments in our products.

So it is R&D that has been one of the most important driving forces of success for our company. Therefore we have enhanced our R&D presence in the world. Last year we opened an R&D centre in China and also in India. So there's an R&D presence in this more globalised world. We have been

building R&D capabilities, we have leveraged knowledge and technologies across categories and we have built also new capabilities like the Clinical Trial Centre that we have set up in Switzerland.

Slide: Innovation has gone beyond products and driven performance

R&D is the base of innovation so innovation that has been a key driver of success for our company. That goes way beyond products, it goes also in value creation through systems and, and we have quite a few examples down there in the product exhibition where you can get a very good coffee. We have also extended that to services.

So basically the value creation for Nestlé is mapped in this quadrant. First of all you add additional value creation through the systems, dematerialisation of value creation recorded as our horizontal axis and then also personalisation and that is complimentary. So we're not moving from/to we're actually adding new ways of driving value creation for the company by filling up that quadrant.

Slide: Nestlé Continuous Excellence

Another part that has been key in our success or performance has been the Nestlé Continuous Excellence Journey. GLOBE has been an enabler to do that but it is basically driving a change in mindset of the company in a sense that we are empowering the people to be part of that value creation.

It is about valuing what the consumer values but then also driving out what he doesn't value and that is linked with lean thinking. This is a major thing, it's a very simple three words; Nestlé Continuous Excellence, but it embraces the whole value chain of Nestlé and brings in all the people of Nestlé, into that journey, and it unlocks all the creativity and potential of our people.

For example last year, it was linked with 18 to 20,000 projects, that then are driving efficiencies of over CHF 1.5 billion last year. But it does more than that; it links up with safety, it links up also with environment as we are driving waste out. So it is a very holistic way of organising our company day by day and that had the results.

Slide: An evolving business: Emerging markets

So the business has evolved for Nestlé and you see first of all how we have moved to a deeper footprint in the emerging markets. We clearly have development and growth in the developed market because we won't leave out such a big chunk of the world. The emerging markets though have another dynamics and that's now almost 45% of our turnover.

The initiative of Popularly Positioned Products, which is engineering and organising the product portfolio and arguments towards the emerging consumer, has been driving growth at more than double the group's organic growth. So there's a really one of the driving platforms.

Slide: An evolving business: Growth Drivers

Premiumisation was one of the growth platforms that we have pronounced a few years ago. Really going and organising specifically on the premium and luxury products, we have very good examples and we are driving that more and more. Also growing at the faster rate than the average for the company, so there's another growth platform that is going very well.

Out of Home - you have seen our Viaggi machine and also our Milano. This has been quite a deep technological effort to create these machines and to standardise throughout the world. We believe that Out of Home is a matter of picking your battles and then really putting the resources behind them. That Out of Home initiative is growing more than double digits, so also way beyond the growth of the company on average.

Slide: An evolving business: New channels, innovative distribution and routes to market

Also distribution. We have expressed ourselves to be an all-channel company and that has been linked with organising and going for new ways of getting to the consumer. Not only e-commerce but other ways, physical ways also embracing the Mom and Pop stores. For example in the zone AOA we have added one million new direct contacts to Mom and Pop stores, something that we did before in Latin America. De-facto, Nestlé have 30 or more, one third of what we sell is actually not monitored anymore by Nielson for example. That was way lower before, so we are really embracing all kinds of new channels that are creating quite an interesting growth platform too for us.

Slide: Nestlé Health Science

I have mentioned this and it's very important, although a little bit more in the future, this growth platform that is Nestlé Health Science. It is really engineering through new insights, technologies and R&D, personalised and nutritional solutions for specific medical conditions and that is a fantastic, quite fascinating journey we're starting.

It is linked to the fact that you have these new technological platforms and insights that allow you to do that. This is in the face of building capabilities; we do have a business already there of over two billion, but it is building the capabilities and then bringing them together with the scientific basis to bringing these solutions, entailing a lot of promise.

We have chosen the platforms that we want to work on linked to aging, clinical care, paediatrics and brain health. That's a new platform that allows you to go broad based but you have to really define your battles.

Slide: Aquisitions: building positions and capabilities in attractive categories

Acquisitions have to be also key of our success in enhancing our positions, it is enhancing our capabilities. There are so many good examples in the last years of how we have built up our presence through acquisitions in China, the Wyeth Nutrition last year, are very good examples.

It is really acquisitions that fit the strategic direction of this company and accelerate our execution of that strategy.

Slide: Agenda - The New Reality

So in the last years we have made great steps and we have positioned ourselves for continued growth and now let me walk you through what is going to drive that performance in the future.

Slide: The New Reality – Many challenges and risks

First let's go to the new reality and we have been speaking about the new reality because what's happening in the world is fascinating but it's deep rooted and deep tectonic shifts that are accelerated. It's nothing new but it just through the crisis so many dimensions are coming to the surface in a much more explicit way and, indeed there are many challenges. That's the first feeling you have when you speak of the new reality and the challenges that are linked to it. I'm not going to walk you through the details but the debt crisis, in the developed world, the instability in some political areas and countries and regulations are shaping our world in an accelerated way. There are also healthcare costs and consumer attitudes which are changing quite dramatically. It is linked with competition and the competitive landscape is changing and it's not only the classical players; we see new competition coming and that is a challenge but at the same time also motivation.

Slide: The New Reality – Many Opportunities

Yet the new reality has also an amazing amount of opportunities. We are privileged to live in a time that allows so many new dimensions to add to the business.

First of all the emerging markets and the emerging consumer, the building up of the middle class in the developing world. We have been speaking about one billion new consumers they are coming and we see that, we feel that. We can engineer and build our success on that growth. We have urbanisation and what that means to an industry like ours. We have also aging population and what that means for new ways of serving that part, increasing part, of the world. If you just think that in 2020, 20-25% of the world's population is going to be 65 years old and plus. So these are major shifts in the demographics of our consumer base.

Slide: Agenda - Strategic direction

So what do we need to do then to be successful over time in that new reality, in that world that it looks very volatile and uncertain?

Slide: Our Strategic Roadmap remains valid

Well first of all you have to confirm your strategic direction and that is something that we challenge every year. We really look into our roadmap and see is it valid? What do we have to tweak? What do we have to change? And we can say that our Roadmap, as it stands, is totally valid.

It has aligned the people, it has the driver for a value creation for the future in that new reality, as it has in the past.

Slide: Our NHW promise remains valid

So we have to keep the momentum and we have to reconfirm our strategic direction. It is Nutrition, Health and Wellness and it is enhancing quality of life. But there is so much value linked with that strategic direction that I believe that we have, as a company, to embrace [it] much more intimately, more with a sense of urgency and we have to be very consequent too and that is then linked with my next chart.

Slide: Fit to win in The New Reality

If that is true, that the strategic direction of this company is valid and that the purpose of this company is valid. What do we have to do even more and better? Apart from waking up a half an hour earlier because of crisis, what we have to do is to have that feeling of intensity and urgency.

You see here these six lines that we have, that we are sharing through the whole organisation.

Making choices because there are so many opportunities that you have to make choices; but once you make choices then also you have to build the resources behind these choices and be coherent and resource it for the future. You have to give a timeline on these things too that is linked with grasping the right opportunities and also organise for it. So it is making choices and also making sure that whatever is part of your business is adding to the party and is not a drag on your business. So we're going to get a little bit more in detail there.

This also value, really defining well what the consumer values and then consequently it is driving out what he doesn't value. There is so much waste in the system in the supply and value chains, be it internally at Nestlé but also externally, that is a long term journey and there is still so much upside there too, linked with Nestlé Continuous Excellence. That's why we call it Continuous Excellence.

Then engaging with community and stakeholders and increasing them is an important dimension. The link of a company with society but also the link of an industry with society is important.

Embrace digital and all what it entails as opportunities in different ways.

Then the last thing, having the best people. Talent is going to be key, have the right talent with the right mindset, the right, I would say, openness for diversity. I think that's one of our strengths that we have in our company and, and that is something we have to keep embracing and keep leveraging.

Then this whole new dimension of health science that is building the capabilities of totally new dimension that is going to be accretive to value creation for this company. It entails so much value potential that we are building now the, the platforms and the scientific insight to be able to drive this agenda.

Slide: Making choices - Drive value creation

Now in making choices it's clearly driving, much deeper into the organisation, the awareness of portfolio management, that is the growth opportunities but also the return on invested capital and drive that concept of capital efficiency much deeper into the whole organisation.

So for example we are now monitoring through portfolio management, deeper in the organisation, a thousand, we call it, cells; the cell is a category in a market. And we are in different categories, we are in quite a few markets so that multiplies. You can go capital and then by aggregation, you can analyse. But sharing that much deeper in the organisation, much deeper into the countries that [is our] way of going about business. This capital efficiency is something that is going to definitely drive our strategic decisions. So it's clear that we have to move our categories, you know, these as you see in this chart.

Slide: Grasp opportunities - Enhance our NHW agenda

Also grasping the opportunities and the opportunities are so many. We are actually spoilt with opportunities, if you see what's happening in the world and I have mentioned a few value drivers like aging or the emerging consumer. Well these are abstract words, you have to organise really well around this. This is linked to R&D. This is linked to rolling out platforms over the different categories. This is linked also to products and how you drive your products. How you drive your products through for example 60/40 plus, bringing nutritional arguments in the whole portfolio. That is not only with fortification it is portioning your products, it's building up new technologies.

How can you drive, for example, pleasure with less calories and at Nestlé we have policies on this. We have policies on sugar, we have policies on trans fatty acids, we have policies also on sodium. Nestlé for example in the last ten years on average we brought down by 30% the sugar content of our products, without touching the taste and the preference because we truly believe that taste is key in driving success forward.

This whole grasping of opportunities is linked to broadening our value creation through information and services. It is again this de-materialisation of value creation; systems and services in general and how we share to make our products more transparent and make any information much more accessible to the consumer.

Slide: Grasp Opportunities – Focus on Different innovation and growth platforms

Then also grasping opportunities linked with innovation and the platforms and scaling up. We have in any innovation, basically two dimensions. We are in different categories and many technological platforms or insights or solutions can be rolled and scaled up through all these categories; that's a uniqueness that we have, to be in all these categories, and to have the insights that we can roll out over these different categories.

A good example is systems. You have the interaction of product and machine and we have different systems but there's many insights that we can share through these systems. So that why we're going to inaugurate, next week, our System Technology Centre in Orbe in Switzerland, where we bring together these capabilities, these engineering capabilities but also the product capabilities. And do that without

losing the personality of each solution, Nespresso, Dolce Gusto, these are different models yet in the backline there is a sharing of technological insights.

The same things we can show for healthy aging, technological solutions that we can drive through different categories. E-commerce the same.

Slide: Grasp opportunities – Faster and bigger roll-out of successful launches

There's also scaling up of insights through the geographies. We are a decentralised company yet at the same time good ideas are global. You can translate them in taste and flavours locally but the ideas are global and very good examples are there is definitely Dolce Gusto that we have been mentioning the last years. Dolce Gusto that is now in more than 60 countries and in only five years time. We have the peelable ice cream for example, now in over 25 countries. Last market was Thailand where we launched it and all with the same success. So good ideas. We are decentralised and we do believe in the localness of food but good ideas are global and that is something we're driving with great success through our organisation in a meaningful way. So scaling up good ideas is another part of success and there's so much upside.

Slide: Embrace simplicity – Continue the Nestlé Continuous Excellence journey

Then there is something that is very close to my heart and it is the value of simplicity. We are living in a complex world and we are not a simple company. We have, as a strategic direction, chosen to be in different categories which brings complexity. We are in different markets and we do stay in difficult markets, where you don't have the ideal conditions of operating, that's a strength we have that creates trust, that creates brand loyalty, that creates also capabilities of execution in the different markets.

But you have to keep it simple and that is something that is linked with doing things efficiently and effectively. That is the base of Nestlé Continuous Excellence, to keep things simple, straightforward, pragmatic. That is linked also, as I've just mentioned before, good ideas should travel far and don't complicate life.

What matters are consumers. What doesn't matter is ego, so you have to drive the whole dimension, in our company, through consumer relevant differentiation only. Simplicity is as well the most silent enabler of growth and value creation in the company. It is very intimately linked with attitudes in Nestlé Continuous Excellence which is the silent driver, part of our culture and it is a very simple straightforward; it allows us to really align and focus people on the value creation and involve all people in that, in that equation instead of just having a few sitting around a executive table discussing these things. It is involving the whole organisation into that value creation. Making sure that people understand where they fit into that value chain and how they can be part of that.

That creates an amazing strength of alignment but also of commitment, of motivation through the whole organisation. So Nestlé Continuous Excellence is definitely a mindset changer that is very positive.

You see there is zero waste, one team thinking and alignment is linked to that, thinking in the same direction, and then feeling how you can really as a person make difference.

Slide Nestlé in Society – Value creation for society is key to our long term success

I spoke about trust and I cannot stress enough the importance of trust. You know that with the value chain we connect with society in everything we do and our activity should be driving success for the company; at the same time, if you explain that in the long term perspective, it should create value also for society at large. That is based on compliance and that is increasingly important in the sense that it is also so much visible and sensitive in society. Long term thinking, linked with the environment and then creating shared value.

We are focusing on where we, as a company, can make meaningful intersection with society which is nutrition. There is also water, that's our livelihood because we are based on agricultural produce. Also rural development with our 470 factories.

Slide: Nestlé in Society – Our CSV Commitments

You have to be more transparent, creating shared value is the fundamental way of doing business but we have to connect with society on this and that is the base of trust. Transparency is the base of trust hence to share what we are up to, what we commit to. You have seen in our annual report and you have some examples out there [at the conference] that we are sharing with the outside world our commitments that we have as a company.

So this is a journey, a societal journey and a company journey. How we bring new insights and new obligations to ourselves, to society at large. There are many challenges and but there are many solutions and we can be part of the solution and we should be part of the solution. That is what this Nestlé in Society document is all about. It is sharing with the outside world how we feel that we fit into that society in a meaningful positive way and how we can make a difference and hence there the sharing also our commitments. We have gone a long way, there's so much to be done and we share that.

Slide: Value for Society – Key to our long term success

You see that is also to be measured because we are measuring in an explicit way. How are we as a company connecting? Do we connect? Is there a real parallel connection or a disconnection with perception and that's why we monitor through all the different key opinion leaders how we are perceived. And perception is reality so we also act upon these perceptions through actions and real deeds.

Slide: Trust in Society

So it is really to open up and, and be sensitive to what the world out there thinks, not only as a company but as an industry. We are an important player in that industry so we have a role to play and our

industry is an industry that may feel a bit pushed in the wrong corners. If you see this whole issue about horse meat and all that, that's what you have. 99% plus of all people playing here are serious and they go for quality, go for safety, go for security and yet at the same time the whole industry is put in the wrong corner when a few elements are playing badly in this whole equation. So we have to play a role there too and be outspoken and driving the solutions so that we can really be positive in society.

Slide: Digital engagement

So we also are going to focus more on digital. There's so much to be done there. A huge amount of opportunities again. We are putting resources in with digital media and how we connect with consumers in a meaningful way. To go from communication to engagement and conversation that brings a return on branded investment.

Slide: Leverage digital for new business models

Also with e-commerce. We have already quite a few examples but we want to do much more and I am a true believer that there is a lot of value in direct relationships with consumers because it allows you to come to conversation later on and we have many good examples of that.

Slide: Our people & our culture

Then the most important part is people and I really believe that people make the difference because at the end of the day the only flexible element that you have, that is reactive, that is creative in your whole organisation is people. That is a whole initiative that we say we, 339,000 people, we make Nestlé. We make it sustainable and we make it a leader and we make it trusted. You feel this engagement of all the people all over the world behind one common purpose and we make sure that we continue having the right people to do that. That is basically also value and principle and cultural based.

Slide: Agenda – Opportunities to drive performance

So many opportunities and each creating value or potential value for the future. We have to pull them together.

Slide: Worked well in the past & drivers of performance today & tomorrow

There are many areas of opportunity and in conclusion I would say first of all what has worked in the past for us is to embrace add-value and not throw that overboard for the new world. There's so much value and so many actions and strategically our directions are valid.

You have them here; first of all the long term approach as a company. It is, yes indeed, having short term intensity, fighting your battles but always maintain your long term perspective.

It has to be decentralised. Yes the world is global, yes we have good ideas that are global but the execution is physical and that is local in the markets and each market is different. As another dimension, food definitely and tastes are local and maintain that way of going so decentralised yet at

the same time leveraging scale and building in efficiencies is the challenge. Doing that well is a very unique competitive advantage I believe that we have.

Building capabilities in the future, so enjoying what has been built in the past but also do your work and part of your journey is building now the platforms for the future and not drying it up because of short term needs. So build capability for the longer term and definitely Nestlé Health Science is an example of that.

Superior presence, it is physical so we have to build that presence and it has a lot of challenges but you have to find the right people to do that, the right leadership.

Stay focused on the vision, that is alignment, that's a big part of our simplicity and it is having one song sheet that everybody in the world sings from.

Then do meaningful mergers and acquisitions as I have mentioned before.

Slide: Further Performance Opportunities

Now also in the future additional focus has to be brought to the Nutrition, Health and Wellness agenda because there is so much value there and I believe there is so much upside, to drive more value through R&D, through science and new insight. Science has accelerated in nutrition. The nutrients in the human body is an equation that is just starting and we want to be in the forefront there expanding the boundaries that's linked with that.

Capital efficiencies and cash conversion, not only to have that in the hands of a few but drive it through the whole organisation. What does it mean? How can I be part of that?

Value dilutive businesses linked with making the right choices. Make these choices, take these decisions.

Simplicity, I have spoken about that.

Then also leverage. Leverage strengths in a globalised world but don't lose out on localness, entrepreneurship and intensity. It is an attitude that we want to drive through the whole organisation.

Slide: Enhancing the quality of life

So the world is not an easy place. It has not been in the last years but it has never been and I think we have a selective memory, we always feel that the day of today is worse than yesterday but that is not the case. I believe the day of today has more opportunities, much more opportunities if you want to go and embrace them, if you are also facing the right challenges and do some coherent work behind that.

So what has to drive the success of Nestlé is definitely going to be the relationship between Nutrition, Health and Wellness and what it means, the consumer and the value that is linked with that equation. Also with R&D and with science, where I do see an amazing amount of value for the future. So that is what I wanted to share with you and some time left now for questions and answers so please thank you very much for your attention.

Roddy Child-Villiers, Head of Investor Relations, Nestlé S.A.

Should we move on to questions?

Q& A Session

Question on: Biggest improvement potential in product categories

Patrick Schwendiman, Zurich Kantonal Bank.

You were mentioning everything has to add value. Where are you not yet satisfied? Where do you see the biggest potential, improvement potential in terms of product categories?

Paul Bulcke, Chief Executive Officer, Nestlé S.A.

Oh there's so many. There's so many opportunities too but the cells that we have are product category per country, that's how we work. so we are really capular so I wouldn't express categories globally and saying that's a category I'm not satisfied with. It is clear that we build also platforms for the future. So we don't socialisetargets because you may be referring for example to water or you may refer to ice cream. We don't socialise and say we have to have each category delivering the same KPI or the same bottom lines. That's where this whole return invested capital comes in and other elements of measuring success and the meaningfulness of categories. So in that sense we are going through the process of really, mapping all these categories. You have seen in the last years we have been selling off certain parts of businesses. Certain parts of our businesses do have a meaning globally and are strategic but if we don't see in certain markets that we can enjoy a presence in that category, even though globally we enjoy it, we have been selling it off. You have seen, for example in water HOD, selling off because we don't see we can add value there. So these are the things that we are monitoring and now we see many actions that we can if you put it in the right way and say, "You have to do something about category A or B" and you put it really visibly on the table there's two ways of going about it. You bring it into acceptable terms and you have a timeline for that or you sell it off.

These are the questions and answers we have to give; and in the past Nestlé had the strength of having that lingering on. Well that is not an issue we want to give ourselves in the future and that is what we mean by portfolio management. It is not about saying, "Nestlé and a global category, to be or not to be". I believe that all categories we are in have a meaningful part of our future and we can drive value there. It doesn't mean these categories should be everywhere in the world, in every country. It should make business sense and that is what the whole portfolio management is about. We don't want to say that everything should be 14%, 15% bottom line. There's difference, business by business, and actually the same category may be different country by country; and that is a judgment that you have to have. That is why we said that is not something that we have to drive from the Lake of Geneva. What we should do is give the right tools and the right mindset, educate and train people to make these judgments on their own, in their own reality and that is what we drive, that is what we have installed in our portfolio management.

Questions on:	Single serve coffee in Western Europe L'Oréal
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Pablo Zuanic, Liberum Capital

Thank you. Can I ask two questions? One on single serve coffee, can you talk about what's happening in Western Europe for the category in terms of growth and if you can differentiate between capsules and pods and also remind us single serve coffee in Western Europe, how big is really the capsule category versus pods?

And the second question if I may ask, you know, regarding the stake in L'Oréal can we just do some, some history? I mean you've owned that stake in L'Oréal since 1974. The current shareholders agreement was signed 2004, you know, for ten years expiring next year in April at least on the close of, right of the refusal to sell. Why not just extend that agreement for another ten years and just squash all the speculation that's out there? Just give us some context you know about the history of that stake and the current agreement, thanks.

Paul Bulcke, Chief Executive Officer, Nestlé S.A.

Let me answer the last question first and, and I'm not going to expand too much about that. We have been very explicit saying that we are happy with the status quo on this. 2014 is next year so we can talk later but for the time being I'm not going to express anything on this because that would only create speculation and I don't want to be part of that.

So on the, on the single serve coffee there's a lot of hype it is clear that the single serve coffee market has shown a very inviting dynamism. Inviting means that there's quite a few newcomers in there or people expressing themselves to engage deeper into it. First of all, the portion coffee actually started 75 years ago with Nescafé. That was the first portion coffee, you could make your own cup with your own, to your own taste and but also 25 years ago plus we started with Nespresso. So this is not a new market and Nespresso has been coping with competition and competitive systems now for quite a while and de facto they are now more, there are something like 50 systems worldwide. So what we have done is, this market is getting a new dynamic and actually we go into this market with different quality divisions to a certain extent. First of all you have Nespresso and then Nescafé, as a brand and it is growing because you have new offerings, you have also Green Blend etc. Actually Fiona [Kendrick] can talk quite a lot [about this] because only a few months ago she was responsible for this [Coffee business].

We have Nespresso and Nespresso has a specific part of offerings. Nespresso is having a good success for so many years that it has invited quite a lot of people to try to be part of that, that's how competition is. Actually the only thing it does is it motivates us and as I mentioned before it makes us wake up around half an hour earlier when it is going well. Still 75-80% of Nespresso is in Europe so you can imagine if you start broadening that out in the world there's quite a huge upside. So Nespresso's second division in that battle.

The third division is Dolce Gusto and Dolce Gusto is again a system that is an excellent offering and yet it is retail based and it is an offering that in a few years is now closing into one billion brand. So, a very successful offering that is really engaging in a battle where you have others; but I do believe that the quality argument is what drives the value of Dolce Gusto and it's going very well for us and we're driving it out to different markets now, 60 plus markets already. So a little bit of what I said before, good ideas should be global.

Then we have this whole Out of Home. We don't talk too much about that maybe when we speak about coffee and portion coffee at the end of the day it is the same thing but it is where most coffee is drunk because there is more coffee drunk out of home than in home. We have been there for a long time but I do believe we are much better set now to engage in that opportunity than before. Why? Because of good ideas. You should leverage them and we have pulled in resources, global resources into these machines and looked for platforms that are global. We had too many initiatives, too many machines in the world ten years ago, we are now driving these platforms and we have also covered the different segments, the super premium and luxury through Viaggi. We have Milano which is a premium and then we have also Alegria which is mainstream and we have three offerings now that really can start conquering the world and that is what we've done. We also built the capabilities of going to market and we have bought some companies that do have that because at the end of the day it's placements and that is driving well.

With these four divisions we are engaged in that fantastic battle of growth and you have other players shaping and sharing and but that is not new to us. What we do see though is crystallisation of certain big players and that makes the journey even more interesting I would say. I don't know if you maybe could say something else on this.

Fiona Kendrick, Market Head, Nestlé UK

Let me just add to that a couple of key points. I think if you look at Nielsen data across Europe you'll see that actually coffee is indeed one of the fastest growing categories that obviously is monitored by Nielsen within the retail market but to Paul's point, you have to look holistically at coffee. Coffee consumption both looking at out of home and in home is a really dynamic growing market across Europe and indeed of course across the world.

I think importantly to your focus on Western Europe of course you have got individual markets within that geography that clearly have got very different consumption, where you have a lot that are more roast and ground versus soluble. So if I compare the UK to France you can see quite different consumer behaviour there and so again to Paul's point, being local, being able to then look at and identifying what are the opportunities there it obviously allows us to take action fast. So Nescafé Dolce Gusto, even within those different sort of consumption of coffee, has really driven phenomenal growth, being one of our fastest growing key pillars of our European growth for last year. You know, I was personally responsible back in 2006 for bringing that to the UK market and we are still growing at fantastic levels in the UK showing brand leadership in the UK for our Nescafé Dolce Gusto whilst at the same time seeing Nespresso growing alongside that business. So we provide consumers with all of their coffee choices

whether it's actually for what they wake up in the morning to, which is very often a Nescafé here, whereas they will then choose to drive their consumption through either Nespresso and also through Nescafé Dolce Gusto as well as when they drink it in out of home. So you do need to look and understand the holistic sort of situation.

Innovation of course is the key driver there and you have to innovate in order to keep consumers interested. We brought a lot of innovation under the Nescafé brand to market over the last years and certainly in the UK Nescafé Azera has been incredibly successful, Nescafé Green Blend is still there, Nescafé Dolce Gusto has been a great success and continues to be a priority for us as well as obviously looking at renovating our core products. We touch in the UK something like 96% of all households kind of on a very regular basis and that obviously means that we have a big responsibility to ensuring that we really do deliver, you know, exciting great products for them every day.

Paul Bulcke, Chief Executive Officer, Nestlé S.A.

You see the passion?

Question on: Services and Personalised Nutrition

Alan Erskine, UBS

Yes, Paul you talked about dematerialisation and you talked about systems and services. Obviously you've had a lot of success with systems. I wonder if you can talk a little bit more about services? I mean obviously Jenny Craig has had some specific issues but how you see this whole area of, of bundling services into personalised nutrition and where that could be in five, ten years time? Thank you.

Paul Bulcke, Chief Executive Officer, Nestlé S.A.

Well that's a very important question now. There's dematerialisation and first of all I want to say it's not moving from/to. We don't want to say Nestlé wants to get out of products and go into.., no. I truly believe there is so much value in products. So what we want to do is fill the quadrant. and we do see more and more value coming out of the northeast there which is, yes indeed, systems and services. There are very clear examples of systems but you say, "Okay what about services?" and indeed Jenny Craig is one of these and it has specific issues that we have to tackle now. But for example you have another product that's actually here in the UK it's Vitaflo I just visited last week in Liverpool.

Vitaflo is for people with metabolic disorders. Babies and children that are born with these disorders cannot metabolise food but we can engineer foods specifically for that kid and save actually his life or, or really make him a normal kid who can live normal.

These are amazing dimensions of service that you build into it. It's not product anymore. It is really something with added value, on top of the material dimension of your product offering. That is what we were talking about. So it is clear that when we start talking about for example intensive care solutions and helping people who are treated medically through food how to be part of that solution too and we

know that the revelations between the individual because depending the person and what he is treated for and we can engineer nutrition.

These are dimensions that are all, already there in certain parts, but so much value promise for the future. That is what we mean by services and it is linked with personalisation to a certain extent.

Actually the quadrant you have, this dematerialisation and personalisation, you have a third axis which is science. So you can have very deep science going into that and that is a journey that we're walking. So there is a lot of value promise in that quadrant and that's how we map our innovation, renovation and R&D drive. Is there another question or do we have time? No?

James Amoroso, President CAGE

We're, we're just about done Paul thank you very much.

Wan Ling Martello, Chief Financial Officer, Nestlé S.A.

James, I just want to take this opportunity. Paul talked about longer term value creation and I want to take this opportunity to reiterate that for 2013 we will deliver the Nestlé model. There will be some lumpiness, some volatility when it comes to facing. No new news as we talked about at the, the full year closing and now the pricing action that was taken in the last 18 months will start to dissipate and so that will happen in H1 and obviously as you look at Q1 no new news remember that, you know, last year comp was higher with a leap year with pricing being stronger in 2012. So again last year was the 17th year that we have delivered the Nestlé model, we will again deliver the Nestlé model in 2013 so I just want to close with that.

James Amoroso, President CAGE

Okay thank you very much Paul, Wan Ling, Roddy and Fiona. Thank you.

END OF TRANSCRIPT